kenanga

ANNUAL REPORT 2022

Our Reports

The Annual Report 2022, Corporate Governance Report 2022 and Sustainability Report 2022 are our primary reports.

Supplementary information are available on our website: https://www.kenanga.com.my

Annual Report
Provides an overview of Kenanga Group's financial performance, as well as business highlights of the year.

Corporate Governance Report
Provides an overview of Kenanga Group's corporate governance and how it facilitates effective management to deliver long-term value for the company.

Sustainability Report
Provides an understanding of Kenanga Group's sustainability ambitions, initiatives and progress, as well as how it is integrated across the business.

Cover Rationale

At Kenanga, we uphold four core values: agility, collaboration, trustworthiness, and future facing. These values underpin our dedication to building a strong and resilient organisation that can navigate the challenges of the ever-evolving financial landscape.

Our commitment to these values empowers us to remain agile in our approach, collaborate effectively with colleagues and partners, maintain the highest standards of trustworthiness, and remain future facing by actively seeking out new opportunities in digital innovation for financial inclusion.

The paragliding image on our Annual Report's cover symbolises our commitment to taking calculated risks in the pursuit of success, and our willingness to explore uncharted territory. Despite the inevitable ups and downs of the financial world, we remain dedicated to doing what is best for our organisation and our stakeholders. We continuously push boundaries, innovate, and pursue new opportunities for growth and value creation.

49th ANNUAL GENERAL MEETING

Date : Thursday, 25 May 2023
Time : 11.00 a.m.
Venue : Level 19, Kenanga Tower,
237, Jalan Tun Razak,
50400 Kuala Lumpur,
Wilayah Persekutuan,
Malaysia

Kenanga is committed to making a difference in the environment. Play your part by opting to download a softcopy of our reports at https://www.kenanga.com.my/investor-relations/AGM2023 or by scanning the QR code above.

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KENANGA AT A GLANCE

Introduction

Kenanga Investment Bank Berhad ("**Kenanga**", "**the Group**" or "**Kenanga Group**") is an award-winning independent investment bank in the country with a continuous commitment towards driving collaboration, innovation, digitalisation and sustainability in the marketplace.

The Group's ambitions include building a robust digital ecosystem that meets the needs of its clients and businesses. Some of its game-changing products include Malaysia's fully online digital stockbroking platform Rakuten Trade and a fully artificial intelligence ("**A.I.**") robo-advisor, Kenanga Digital Investing. It is currently developing Malaysia's first Wealth SuperApp that will be rolled out in 2023.

>500,000 clients

>1,300 employees

>6,000
licensed representatives

>RM20 billion
assets under management

Awarded
'Highest Returns to Shareholders Over Three Years'
'Highest Growth in Profit After Tax Over Three Years'
'Highest Return on Equity Over Three Years'
at The Edge Malaysia Centurion Club Corporate Awards 2022

KENANGA AT A GLANCE

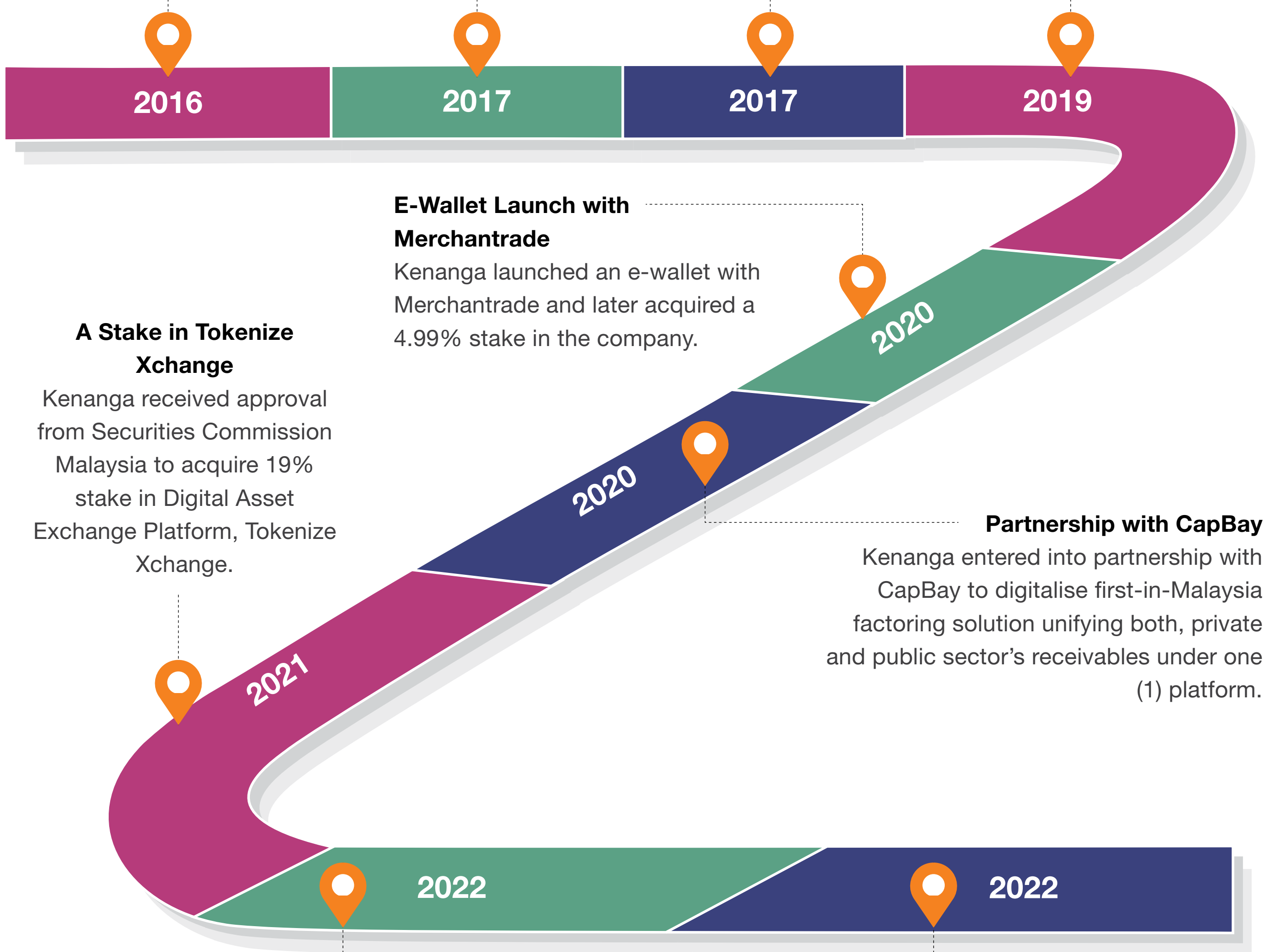
Kenanga's Digital Journey

Rakuten Joint Venture
Kenanga entered into a joint venture with Japanese internet giant Rakuten Securities, Inc.

Back Office Digitalisation
Kenanga completed back office digitalisation to enhance efficiencies.

Launch of Rakuten Trade
Kenanga and Rakuten Securities, Inc. jointly launched Rakuten Trade, Malaysia's first fully digital equity broker.

Launch of Remisier Portal
Kenanga launched a new portal to enable remisiers to work remotely.



E-Wallet Launch with Merchantrade
Kenanga launched an e-wallet with Merchantrade and later acquired a 4.99% stake in the company.

A Stake in Tokenize Xchange
Kenanga received approval from Securities Commission Malaysia to acquire 19% stake in Digital Asset Exchange Platform, Tokenize Xchange.

Partnership with CapBay
Kenanga entered into partnership with CapBay to digitalise first-in-Malaysia factoring solution unifying both, private and public sector's receivables under one (1) platform.

Launch of a Robo-Advisory Platform
Kenanga launched a fully A.I.-driven robo-advisory platform, Kenanga Digital Investing.

Signed Memorandum of Understanding with Ant Group
Kenanga entered into partnership with Ant Group to develop Malaysia's first Wealth SuperApp, geared to revolutionise wealth generation and management.

WHO WE ARE

Established for almost fifty (50) years, Kenanga is a financial group in Malaysia with extensive experience in equity broking, investment banking, treasury, Islamic banking, listed derivatives, investment management, wealth management, structured lending and trade financing.

Agility

We are nimble and quick to respond with creative, customised solutions to meet our stakeholders' needs, both externally and internally.

Collaboration

We are supported by an integrated network of colleagues and partners. We believe in consolidating our knowledge and working together for the best solutions.

We are constantly pushing boundaries. Our pursuit of digital innovations will drive financial inclusion and create opportunities and possibilities for our stakeholders.

Future Facing

Professionalism, integrity and transparency are values we hold dear. We are fully committed to ethical practices and strive to always maintain credibility in all that we do.

Trustworthiness

OUR NOTABLE RECOGNITIONS IN 2022

We have garnered a host of awards and accolades over the years, reflecting our commitment to excellence across the various aspects of our business.

KENANGA INVESTMENT BANK BERHAD

Tatler Asia's Most Influential Malaysia 2022
Datuk Chay Wai Leong (Finance and Venture Capital)

Asiamoney's 2022 Best Securities Houses Awards
Malaysia's Best Securities House

The Edge Malaysia Centurion Club (Financial Services Category)
- Highest Returns to Shareholders Over Three Years
- Highest Growth in Profit After Tax Over Three Years
- Highest Return on Equity Over Three Years

United Nations Global Compact Network Malaysia & Brunei Sustainability Performance Awards 2022
- Partnership for the Goals Recognition
- Sustainable Product Recognition
- Sustainability Awareness and Employee Engagement Recognition

Bursa Excellence Awards 2022
- Best Overall Equities Participating Organisation (Champion)
- Best Retail Equities Participating Organisation (Champion)
- Best Online Retail Participating Organisation (Champion)
- Best Remisier, Margaret Heng (Champion)
- Best Remisier, Chew Yee Seng (2nd Runner Up)

Bursa Retail Investor Campaign 2022
Top Remisier Category
- Highest Number of New Accounts Opened: Yvonne Phang Wei Chien
- Highest Number of New Accounts Opened (Shariah): Ahmad Faizal bin Mohamed Yusuf
- Highest Traded Value in ETF: Peter Shia Kee Chooi

Top Futures Broker Representative Category
- Highest Trade Volume – New Accounts (Derivatives): Ho Chih Wei
- Highest Number of New Accounts Opened (Derivatives): Ho Chih Wei

SRP Asia Pacific Awards 2022
- Best House, South and Southeast Asia Award
- Best Educational Initiative Award

The Edge Deals of 2022: Best Fundraising (Non-IPO)
- Yinson Holdings Berhad's RM1.2 billion Rights Issue

Alpha Southeast Asia 16th Annual Best Deal & Solution Awards
- Best Debt Restructuring Deal of the Year 2022 – Capital A's RM974 million Rights Issue

Sustainability & CSR Malaysia Award 2022
- Bank of the Year Award for Environmental, Social & Governance Excellence
- Long-Standing Excellence in Sustainability

Malaysia PR Awards 2022
- Sustainability Award (Silver) – Launch of The HumanKIND Project: Meals That Give
- Consumer Launch Award (Silver) – Kenanga Digital Investing

CSRWorks International 8th Asia Sustainability Reporting Awards 2022
- Asia's Best Sustainability Report – First Time, Silver

OUR NOTABLE RECOGNITIONS IN 2022

KENANGA INVESTORS BERHAD

FSMOne Recommended Unit Trust Awards 2022/2023

Sector Equity – Malaysia Focused
Kenanga Growth Fund Series 2

Sector Equity – Malaysia Small to Medium Companies (Islamic)
Kenanga Shariah Growth Opportunities Fund

Asia Asset Management's 2023 Best of the Best Awards

Malaysia Best Equity Manager
Kenanga Investors Group

Malaysia Best Impact Investing Manager
Kenanga Investors Group

Malaysia Best House for Alternatives
Kenanga Investors Group

Malaysia Most Improved Fund House
Kenanga Investors Group

Malaysia CEO of the Year
Datuk Wira Ismitz Matthew De Alwis, Chief Executive Officer/ Executive Director, Kenanga Investors Berhad

Refinitiv Lipper Fund Awards Malaysia 2023

Equity Malaysia Diversified – Malaysia Provident Funds Over 10 Years
Kenanga Malaysian Inc Fund

Mixed MYR Flexible – Malaysia Provident Funds Over 5 Years
Kenanga Managed Growth Fund

Mixed Asset MYR Flexible – Malaysia Provident Funds Over 3 Years
Kenanga Managed Growth Fund

Mixed Asset MYR Flexible – Malaysia Provident Funds Over 10 Years
Kenanga Managed Growth Fund

2022 Morningstar Awards Malaysia

Best Malaysia Large-Cap Equity Fund
Kenanga Growth Fund Series 2 (USD)

The Asset Benchmark Research, Asian Local Currency Bond Awards for Asset Managers

Ranked Highly Commended – Top Investment Houses
Kenanga Investors Group

KENANGA FUTURES SDN BHD

Bursa Excellence Awards 2022

- Best Institutional Derivatives Trading Participant (Champion)
- Best Overall Derivatives Trading Participant (1st Runner Up)

CORPORATE STRUCTURE

Kenanga Investment Bank Berhad
Registration No. 197301002193 (15678-H)

- 100% **Kenanga Investors Berhad**
  Registration No. 199501024358 (353563-P)
  - 100% **Kenanga Islamic Investors Berhad**
    Registration No. 199701036457 (451957-D)
  - 100% **I-VCAP Management Sdn Bhd**
    Registration No. 200701034939 (792968-D)
  - 100% **KUT Nominees (Asing) Sdn Bhd**
    Registration No. 200201001939 (569602-K)
  - 100% **KUT Nominees (Tempatan) Sdn Bhd**
    Registration No. 200201001942 (569605-D)
  - 100% **Kenanga Funds Berhad**
    Registration No. 200301017657 (620077-K)
- 100% **Kenanga Futures Sdn Bhd**
  Registration No. 199501024398 (353603-X)
- 100% **Kenanga Capital Sdn Bhd**
  Registration No. 199701024604 (440102-V)
  - 20% **Kenanga Capital Islamic Sdn Bhd**
    Registration No. 201101010778 (938908-X)
- 100% **Kenanga Private Equity Sdn Bhd**
  Registration No. 199701007563 (423059-P)
- 50% **Rakuten Trade Sdn Bhd**
  Registration No. 199301011963 (266701-P)
- 50% **Rakuten Trade Singapore Pte Ltd**
  (Incorporated in Singapore)
  Registration No. 201433886E
- 29.6% **Al Wasatah Al Maliah Company**
  (Incorporated in the Kingdom of Saudi Arabia)
  Registration No. 1010241832
- 100% **K & N Kenanga Holdings Berhad**
  Registration No. 199401017181 (302859-X)
  - 100% **SSSB Management Services Sdn Bhd**
    Registration No. 199101009010 (219322-W)
  - 45% **Kenanga Investment Corporation Ltd**
    (Incorporated in Sri Lanka)
    Registration No. PB300
- 100% **Kenanga Nominees (Tempatan) Sdn Bhd**
  Registration No. 197301003326 (16778-M)
- 100% **Kenanga Nominees (Asing) Sdn Bhd**
  Registration No. 199301025305 (280043-U)
- 100% **Kenanga Management & Services Sdn Bhd**
  Registration No. 198001007478 (61262-V)
- 100% **ECML Berhad**
  Registration No. 193001000016 (682-X)
- 100% **Kenanga Digital Sdn Bhd**
  (Formerly known as ECML Nominess (Tempatan) Sdn Bhd)
  Registration No. 193801000015 (938-T)
- 100% **Avenue Kestrel Sdn Bhd**
  Registration No. 198301001914 (97150-A)

Note:
All the above companies are incorporated in Malaysia except for Kenanga Investment Corporation Ltd, Al Wasatah Al Maliah Company and Rakuten Trade Singapore Pte Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

YAM TAN SRI DATO' SERI SYED ZAINOL ANWAR IBNI SYED PUTRA JAMALULLAIL
("YAM Tan Sri Dato' Seri Syed Anwar Jamalullail")
Chairman/ Independent Non-Executive Director

ISMAIL HARITH MERICAN
Non-Independent Non-Executive Director

LUK WAI HONG, WILLIAM
Non-Independent Non-Executive Director

JEREMY NASRULHAQ
Senior Independent Non-Executive Director

NORAZIAN AHMAD TAJUDDIN
Independent Non-Executive Director

KANAGARAJ LORENZ
Independent Non-Executive Director

CHOY KHAI CHOON
Non-Independent Non-Executive Director

CHIN SIEW SIEW
Independent Non-Executive Director

AUDIT COMMITTEE ("AC")

Chairman - **JEREMY NASRULHAQ**

Members - Kanagaraj Lorenz
Norazian Ahmad Tajuddin

GROUP GOVERNANCE, NOMINATION & COMPENSATION COMMITTEE ("GNC")

Chairman - **CHIN SIEW SIEW**

Members - Jeremy Nasrulhaq
Ismail Harith Merican
Norazian Ahmad Tajuddin
Choy Khai Choon

GROUP BOARD RISK COMMITTEE ("GBRC")

Chairman - **NORAZIAN AHMAD TAJUDDIN**

Members - Luk Wai Hong, William
Kanagaraj Lorenz
Choy Khai Choon
Chin Siew Siew

EMPLOYEES' SHARE SCHEME COMMITTEE ("ESSC")

Chairman - **CHIN SIEW SIEW**

Members - Norazian Ahmad Tajuddin
Jeremy Nasrulhaq

GROUP BOARD DIGITAL INNOVATION & TECHNOLOGY COMMITTEE ("GBDITC")

Chairman - **KANAGARAJ LORENZ**

Members - Luk Wai Hong, William
Jeremy Nasrulhaq
Choy Khai Choon
Chin Siew Siew

SHARIAH COMMITTEE

Chairman - **DR. GHAZALI JAAPAR**

Members - Dr. Mohammad Firdaus Mohammad Hatta
Dr. Fadillah Mansor

CORPORATE INFORMATION

GROUP EXECUTIVE COMMITTEE

DATUK CHAY WAI LEONG
Group Managing Director
Kenanga Investment Bank Berhad

AZILA ABDUL AZIZ
Chief Executive Officer/ Executive Director and Head of Listed Derivatives
Kenanga Futures Sdn Bhd

TAI YAN FEE
Group Chief Risk Officer
Kenanga Investment Bank Berhad

LEE KOK KHEE
Executive Director, Head of Group Equity Broking Business
Kenanga Investment Bank Berhad

CHEONG BOON KAK
Group Chief Financial and Operations Officer
Kenanga Investment Bank Berhad

WOO KING HUAT
Chief Credit Officer
Kenanga Investment Bank Berhad

DATUK ROSLAN HJ TIK
Executive Director, Head of Group Investment Banking and Islamic Banking
Kenanga Investment Bank Berhad

MAHESWARI KANNIAH
Group Chief Regulatory and Compliance Officer
Kenanga Investment Bank Berhad

VAITHIYANATHAN MADAVAN
Head of Group Operations
Kenanga Investment Bank Berhad

CYNTHIA WOON CHENG YEE
Head of Group Treasury
Kenanga Investment Bank Berhad

NIK HASNIZA NIK IBRAHIM
Head of Group Human Resource
Kenanga Investment Bank Berhad

LOW JIA YEE
Chief Technology Officer
Kenanga Investment Bank Berhad

DATUK WIRA ISMITZ MATTHEW DE ALWIS
Chief Executive Officer/ Executive Director
Kenanga Investors Berhad

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

JEREMY NASRULHAQ
Email : jeremyn@kenanga.com.my

GROUP COMPANY SECRETARY

NORLIZA ABD SAMAD
(CCM PC NO.: 201908002139)
(MAICSA 7011089)

REGISTERED OFFICE

KENANGA INVESTMENT BANK BERHAD
Registration Number:
197301002193 (15678-H)
Level 17, Kenanga Tower,
237, Jalan Tun Razak,
50400 Kuala Lumpur,
Wilayah Persekutuan,
Malaysia
Tel : +603-2172 2888
Fax : +603-2172 2999
URL : https://www.kenanga.com.my
E-mail : kenanga@kenanga.com.my

SHARE REGISTRAR

BOARDROOM SHARE REGISTRARS SDN BHD
Registration Number:
199601006647 (378993-D)
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia
Tel : +603-7890 4700
Fax : +603-7890 4670
E-mail : BSR.Helpdesk@boardroomlimited.com
Website : https://www.boardroomlimited.com

AUDITORS

ERNST & YOUNG PLT
(202006000003 (LLP0022760-LCA) & AF 0039)
Chartered Accountants
Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur,
Wilayah Persekutuan,
Malaysia

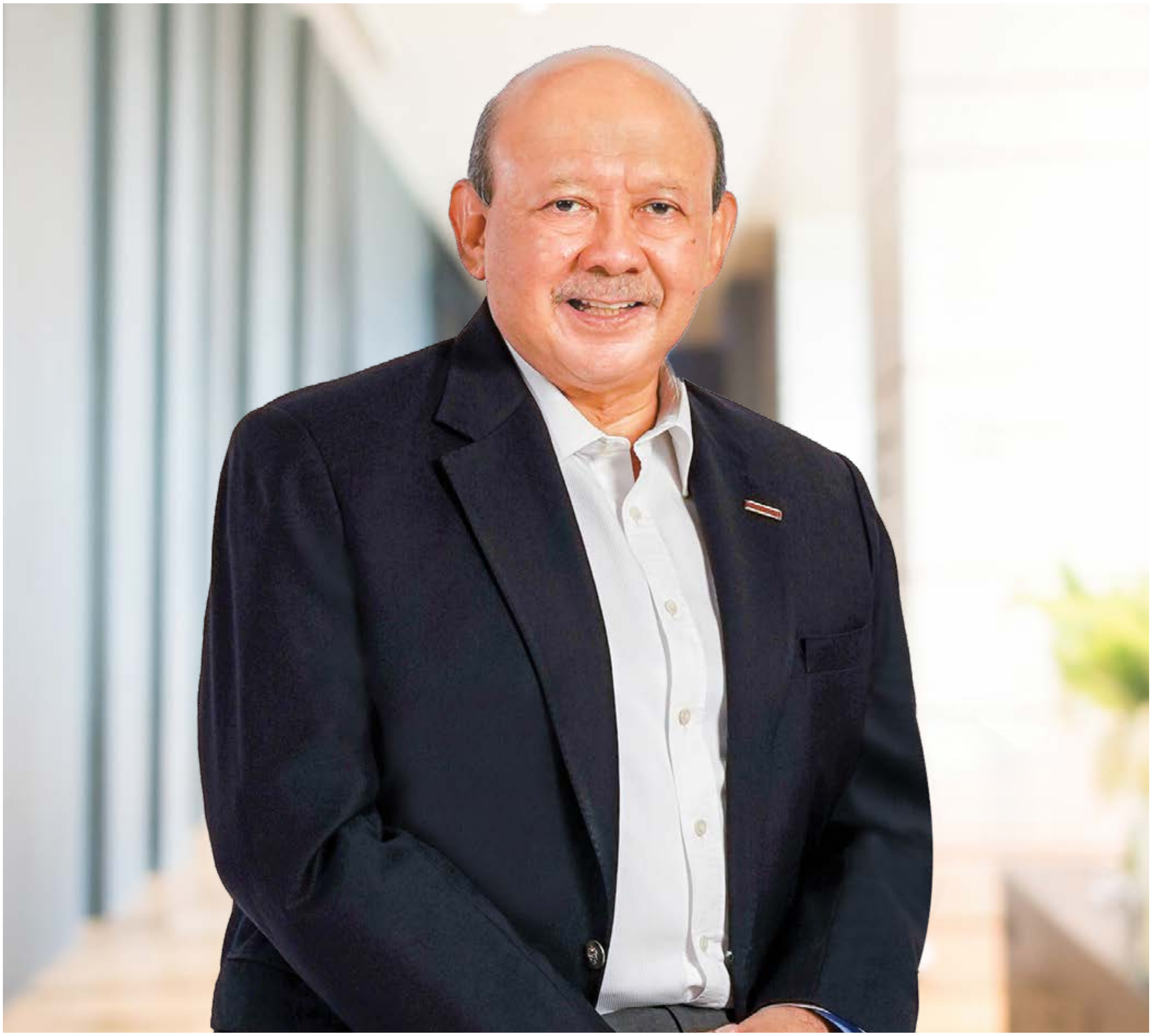
PRINCIPAL BANKERS

- AmBank (M) Berhad
- CIMB Bank Berhad
- Malayan Banking Berhad
- RHB Bank Berhad
- Standard Chartered Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD
Main Market: Financial Services
Stock Name: KENANGA
Stock Code: 6483
Listing Date: 2 November 2016

CHAIRMAN'S MESSAGE



DEAR SHAREHOLDERS,

Marked by turmoil arising from the Russia-Ukraine conflict, high inflation and aggressive interest rate hikes, as well as looming concerns of recession, 2022 could perhaps be characterised as one of the most turbulent of years.

However, I am proud to say that through these challenges, Kenanga Investment Bank Berhad and Its Group of Companies ("**Kenanga Group**" or "**the Group**") demonstrated immense resilience, agility and adaptability that allowed the Group to continue making significant strides in pursuit of sustainable growth. The Group ended the year with a Revenue of RM723.1 million and a Profit Before Tax ("**PBT**") of RM74.2 million. Net profit stood at RM55.4 million.

On the strength of these results, the Board is pleased to declare a dividend of 6.0 sen per share, amounting to dividends payable of RM43.6 million for FY2022.

In the Management Discussion and Analysis, Group Managing Director, Datuk Chay Wai Leong will cover a comprehensive overview of the Group's activities and performance. However, it is imperative that I highlight here, that the growth of Kenanga Group is not just limited to financial gains, but also encompasses a broader commitment towards making a positive difference to our people, communities and environment.

Sustainability in Motion

Recent years have seen the Group accelerating its sustainability agenda and placing Environmental, Social and Governance ("**ESG**") considerations as part of its decision-making processes. Our commitment to sustainability is a key part of our growth story and has become one of the characteristics of the Kenanga brand.

Over the course of 2022, I am proud to share that we made tremendous progress on the ESG front, which culminated in Kenanga Investment Bank Berhad's inclusion onto the FTSE4Good Bursa Malaysia Index in December 2022. With that, we now join the 10% of public listed companies in Malaysia included on this index that is based on global ESG standards and benchmarks. Designed by global index provider FTSE Russell, the inclusion is a welcomed validation of our commitment to sustainability and responsible business practices.

In the same year, we were heartened to receive multiple accolades at the UN Global Compact Network Malaysia & Brunei Sustainability Performance Awards, an event initiated to recognise continuous ESG efforts by its member participants. Kenanga Group was commended for our innovative approach to product development that integrates financial growth with social and community impacts; efforts in fostering partnerships and collaborations for financial inclusion; and raising awareness on sustainability issues. It was an honour to share the stage with some of the prominent sustainability stalwarts in the industry and take stock of how far we have come in a short period of time.

As we move forward, the Board is dedicated to reinforce our sustainability agenda. We have developed a Three (3)-Year Sustainability Roadmap with specific goals and targets to strengthen our ESG footing, amplify our ESG impact, and improve our sustainability standards. Our steadfast commitment to sustainability will continue to guide our business as we work to create a better future for all.

More information on our sustainability efforts can be found in our Sustainability Report 2022.

Promoting Ethics and Good Governance

In FY2022, Kenanga Group held its sixth (6th) annual Fraud Awareness Week, which was held in conjunction with the International Fraud Awareness Week organised by the US-based Association of Certified Fraud Examiners. The event served as a platform to raise awareness on the importance of fraud detection and the need for a strong anti-fraud and anti-corruption culture.

This year's theme, 'Reaffirming Ethical and Moral Resilience for Good Governance', was highlighted through presentations and activities that engaged industry players and individuals. The event drew a record number of participants demonstrating the growing interest and commitment to combating fraud and corruption.

In line with our commitment to ethics and good governance, Kenanga Group continues to invest in internal programmes and training to deepen our employees' understanding of ethical conduct and corporate governance. Over the past two (2) years, employees have undergone more than 16,000 training hours in areas such as ethics, governance, and compliance. Anticipating what lies ahead, we remain committed to building a strong and resilient financial ecosystem through our efforts to combat fraud and corruption, and our continued investments in ethical and governance programmes.

Further information about our efforts in this area can be found in the Ethics and Compliance Statement on page **97** of this Annual Report.

CHAIRMAN'S MESSAGE

EMPOWERING PEOPLE AND COMMUNITIES

Amid the ongoing effects of the COVID-19 pandemic and its impact on society, we are acutely aware of the growing social and community needs facing Malaysians, particularly those who are most marginalised. During the year, we supported seven (7) organisations via eight (8) projects. We launched the 'Meals That Give' campaign with the aim of rallying public support for our long-term social enterprise partner 'Café Includes', a café operated by people with disabilities. Through this campaign, Malaysians were able to pledge meals for distribution to the underprivileged, with Kenanga matching each pledge one-for-one. In total, we raised over 2,700 meals for vulnerable communities in FY2022.

Within the organisation, we are committed to prioritising the wellbeing and development of our employees, recognising that they are our most valuable asset. We believe in fostering a workplace culture that supports and encourages our employees to reach their full potential, both personally and professionally. Broadening our view on workplace safety, we are embracing employee mental and emotional wellbeing in addition to physical health. During the year, we kickstarted programmes on mental wellness, with the aim to reduce the stigma of mental-health issues and reinforce a safe and supported workplace for our employees.

THE COMING YEAR

This coming year, we will be celebrating Kenanga's 50th anniversary as a proud home-grown brand that has evolved from a humble stockbroking company to the country's leading independent investment bank. Over the years, we have dedicated to providing exceptional services to our clients, helping them grow their wealth and achieve their financial goals.

While we are keenly aware of the significant uncertainties and complexities that continue to persist around the world, particularly with regards to the ongoing geo-political events, supply chain disruptions and escalating inflation, the Board of Directors ("**Board**") is confident that the Group's fortitude, resourcefulness and resilience – its hallmarks that have been honed through the decades – will enable it to navigate the waters.

Our journey thus far has been driven by constant innovation and a commitment to staying ahead of the curve. As we enter our next fifty (50) years, we renew our ambition to deliver best possible solutions and services that are inclusive, meaningful and beneficial to our stakeholders, and to do what it takes to further fortify our foundation, upon which we will continue to spur growth and prosperity, in the years to come.

BOARD MOVEMENT

On behalf of the Board, I would like to express our gratitude to Mr. Luigi Fortunato Ghirardello ("**Mr. Ghirardello**") who retired as Non-Independent Non-Executive Director of Kenanga Investment Bank Berhad in May 2022. Throughout his tenure of thirteen (13) years on the Board, he has provided invaluable guidance, ideas and dedication to the organisation and we are grateful for his contribution. Mr. Ghirardello continues to serve as Chairman of Kenanga Futures Sdn Bhd, a wholly-owned subsidiary of Kenanga Investment Bank Berhad. We extend our best wishes to him for all his future endeavour.

I would also like take this opportunity to extend a very warm welcome to Madam Chin Siew Siew, who joined our Board in June 2022. She brings to the Board three (3) decades of experience in the digital and technology industry which comes at an excellent time for the Group's digital strategy. She has served as Country Chief Digital Officer at IBM where she was also ASEAN Services Leader for IBM Multivendor Business. In that capacity, she oversaw the establishment of the IBM Malaysia Centre of Digital Excellence, which connects start-ups, investors, technology partners and government stakeholders. We very much look forward to her contribution to Kenanga Group as we move forward on our digital journey and transformation.

APPRECIATION

I would like to express appreciation to Kenanga Group Founder Emeritus and Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail. Her friendship and trust have always been a wonderful source of inspiration for myself and for all of us at Kenanga Group.

I would also like to thank my colleagues on the Board for their support and advice throughout the year, as well as the Management and employees of Kenanga Group. Their exemplary service and dedication in these challenging times have deepened and enriched the values that continue to define the Kenanga Group as a whole.

Finally, I wish to convey my appreciation to our valued clients, business partners, suppliers and shareholders for their trust in the Group, as well as to Bank Negara Malaysia, Bursa Malaysia Berhad and Securities Commission Malaysia for their advice and support.

TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

The macroeconomic and political environment in 2022 were amongst the most challenging in recent history. Capital markets were particularly impacted by aggressive interest rate hikes by central banks globally, implemented to combat inflation caused by global supply chain disruptions. The Russia-Ukraine crisis also started in the early part of the year and is still ongoing. Recession fears loomed on the horizon, exacerbating market jitters.

On the domestic front, the Malaysian economy rebounded towards the middle of the year with the easing of restrictions and reopening of borders as it transitioned to COVID-19 endemic phase. While Malaysian Gross Domestic Product ("**GDP**") grew 8.7%, the negative global macro sentiments weighed on investors' appetite, which sparked heavy sell-offs. After two (2) years of exceptional trading activities on the bourse, Trading Volume and Trading Value on Bursa Malaysia dropped by 49.1% and 40.8% respectively.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Profit Before Tax
RM74.2 **million**

Net Profit
RM55.4 **million**

Dividend Declared
6.0 **sen**

Earnings Per Share
7.5 **sen**

Annualised Return on Equity
5.3%

SEGMENTAL REVIEW

Stockbroking
Stockbroking division recorded a PBT of RM2.5 million in FY2022.

Please refer to page **17**.

Investment Banking
Investment Banking division eased its PBT to RM15.8 million in FY2022.

Please refer to page **18**.

Asset and Wealth Management
Asset and Wealth Management division recorded exceptional growth in FY2022 with a PBT of 54.2 million.

Please refer to page **19**.

Listed Derivatives
Listed Derivatives division made a return to profitability in FY2022 with a PBT of RM2.1 million.

Please refer to page **20**.

Money Lending and Financing
Structured Lending and Trade Financing division registered a PBT of RM0.1 million in FY2022.

Please refer to page **20**.

ONE OF OUR BEST YEARS DESPITE HEADWINDS

Against these significant setbacks, Kenanga Investment Bank Berhad ("**Kenanga**" or "**the Group**") continued to record one of its best financial years within a decade. Led by record-high performance from our Asset and Wealth Management business, the Group posted a Revenue and Profit Before Tax ("**PBT**") of RM723.1 million and RM74.2 million respectively for the Financial Year Ended 31 December 2022 ("**FY2022**"), while Net Profit for the year stood at RM55.4 million.

Our Stockbroking business was naturally affected by the substantial drop in trading activities. Still, the business continued to focus on expanding market presence, driving its retail market share to 27.0% from 24.2% the year before, reinforcing its pole position as one of the largest retail stockbrokers in the marketplace. Its commitment to excellence earned us the coveted recognition of 'Best Overall Equities Participating Organisation' from Bursa Malaysia for the third consecutive year.

These wins, underpinned by measures of prudence in our lending practices and trading positions in equity and bonds, moderated the impact of the uncertainties and decline in the market.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

In a year shaped by intense headwinds, the enterprising spirit of our people was the cornerstone to many new opportunities that tapped the underserved segments, as well as drove the design of new solutions that responded to changing demands fuelled by the volatile market conditions. This culture of tenacity and growth mindset has enabled us to continue delivering healthy returns to shareholders in the face of a tumultuous year.

In this respect, I am happy to report that the Group was recognised by The Edge Centurion Ringgit Club during the year for our performance and was awarded the coveted accolade of 'Highest Returns to Shareholders Over Three Years', 'Highest Growth in Profit After Tax Over Three Years', and 'Highest Return on Equity Over Three Years'.

I take this opportunity to express my gratitude to every member of Kenanga Group, whose dedication and commitment to a better future have contributed to the growth and strength of the Group today.

THE DIGITAL JOURNEY CONTINUES

In February 2022, Kenanga launched a fully-automated A.I.-driven robo-advisor, Kenanga Digital Investing ("**KDI**"). A product licensed by the Securities Commission Malaysia, the platform offers two (2) convenient products – KDI Save and KDI Invest – designed to improve access to savings and investing for Malaysians from all walks of life.

Equipped with technology to monitor global markets and to react to new investing opportunities, the platform analyses thousands of data points each day, incorporating information from across continents and asset classes to develop investment portfolios that aim to generate sustainable returns while managing risks.

In just over two (2) months, KDI surpassed the RM100 million mark in assets under management ("**AUM**") on the back of positive responses from over 6,500 signups. By December 2022, AUM stood at almost RM250 million with 17,000 clients – an encouraging start to the Group's aim to democratise investing for Malaysians through the provision of better options, better access, and better value in financial products and services.

In keeping pace with our digital agenda and ambition to broaden retail participation in investing, Kenanga signed a Memorandum of Understanding with globally recognised digital infrastructure and platform provider Ant Group, to develop and launch Malaysia's first B2C wealth-centric SuperApp. Positioned to be a game-changer in wealth management, the platform will apply Ant Group's proprietary tried and tested solution, Mobile Platform as a Service, and integrate a suite of financial products, such as equity trading, digital investment products, e-wallet, crypto trading and foreign currency wallet, onto a single platform and ecosystem.

Scheduled for launch in 2023, the SuperApp will be scalable with the potential for diversification and growth to meet changing market demands. Modular and adaptable, this solution will contribute positively to Kenanga's growing array of products and services, and the enrichment of the Malaysian financial services ecosystem in general.

Further to that, we invested in tools and solutions during the year to migrate existing client processes, such as on-boarding and client management to online channels. As a result, we launched a Digital Client On-boarding platform and we expect to roll out a retail-fronting Treasury FX platform in 2023.

CORPORATE HIGHLIGHTS

The Group completed the divestment of its 49% equity stake in Kenanga Vietnam Securities Joint Stock Corporation in May 2022. The company was inactive, and the divestment will allow the Group to start afresh in Vietnam when opportunities arise.

In 4Q FY2022, the Group signed a new joint-venture agreement with Rakuten Securities, Inc. to enable the expansion of Rakuten Trade Sdn Bhd ("**Rakuten Trade**") to Singapore, creating the beginnings of a regional presence for the Kenanga-Rakuten franchise. At the time of this report, the Monetary Authority of Singapore is processing our application for an operating license, and we expect to commence business by the end of FY2023.

In December 2022, we were pleased to learn that Kenanga Investment Bank Berhad had been included onto the FTSE4Good Bursa Malaysia Index, a testimony of our ESG performance that is benchmarked against global standards. We are cognisant of the urgency and significance of progressing our sustainability agenda and are committed to maintaining momentum in the integration of ESG aspects into our value chain.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 31 December 2022, the Group and Company capital adequacy ratios were 28.9% and 30.7% respectively, which were in excess of the minimum regulatory capital adequacy of 10.5% set by Bank Negara Malaysia, including a capital conservation buffer of 2.5%.

Liquidity Coverage Ratio was 183.0%, well above the regulatory requirement of 100%, while Net Stable Funding Ratio stood at 124.1%, above the mandatory minimum of 100%.

The Group maintained A+ and MARC-1 ratings from the Malaysian Rating Corporation Berhad ("**MARC**"), a reflection of our strong capital position, profitability, and funding profile despite weakened capital market conditions. As always, we will continue to work towards achieving and sustaining the highest ratings through constant improvements to our financial performance.

For the same period, our subsidiaries Kenanga Investors Berhad and Kenanga Islamic Investors Berhad maintained MARC IMR-2 ratings, affirming our commitment to well-established investment processes and sound risk management practices.

SEGMENTAL REVIEW

Stockbroking

Despite the easing of COVID-19 restrictions and the rapid normalisation of economic activity in Malaysia and around the world, FY2022 was an intensely challenging year for equities listed on Bursa Malaysia. As mentioned, trading volumes and momentum dissipated sharply.

The performance of our joint-venture business Rakuten Trade—Malaysia's first online trading platform—was impaired by low trading volumes and retail participation in the Malaysian market, with brokerage income falling 63.1% to RM17.9 million. Its newly launched US-based platform contributed 20% of its overall revenue but was adversely affected by the US Federal Reserve's aggressive interest rate changes throughout the year. Nonetheless, Rakuten Trade grew its customer base by approximately 21,000 new accounts, bringing the total number of accounts since it first launched to more than 257,000. Its client trust cash balance ended 8.5% higher year-on-year at RM443 million, indicating strong confidence among its clients.

Despite headwinds, our Stockbroking division recorded a PBT of RM2.5 million in FY2022. It mitigated many of the harsher effects of the year-long challenges by maximising business efficiencies, careful cost management, and the continued development of a well-rounded client base encompassing retail and institutional clients, as well as increasingly diversified income, including its algorithmic trading and Structured Derivatives businesses.

In tandem with the Group's digitalisation journey and strategies to improve efficiency, the division continued to consolidate its physical office presence nationwide with the closure of twelve (12) branches in early 2022. This development had minimal effect on daily operations as clients and remisiers have been steadily migrating to the Group's online platforms since the beginning of the COVID-19 pandemic. The developments that initially took place as a means to lessen or overcome the negative impact of the lockdown have since translated into significant increases in operational efficiency with no disruption to daily business through the rollout of additional digital products and services in FY2022 such as an e-onboarding platform for clients, which drastically improves and shorten the account opening process, as well as continuous improvements to our remisiers' portal. We also plan to roll out algorithmic trading platform for our clients in FY2023.

The division also continued its efforts to build better investor literacy through public education and outreach for existing as well as prospective customers, with a richer and more comprehensive series of webinars and other digital content on various financial topics.

Thus, it is very gratifying to note that its efforts continue to be recognised for excellence in the industry. These include several accolades at the Bursa Excellence Awards 2022 such as 'Best Overall Equities Participating Organisation' (Champion), 'Best Retail Equities Participating Organisation' (Champion), and 'Best Online Retail Participating Organisation' (Champion).

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

Investment Banking

With the strongly unfavourable market, the Investment Banking division eased its PBT to RM15.8 million in FY2022 compared to RM20.6 million the previous year.

In the equity capital market, the division was instrumental in the successful listing of a pawnshop operator, Pappajack Berhad on the ACE Market of Bursa Malaysia—the first of its kind to be listed on the Malaysian stock exchange, which underscores Kenanga's strength in bringing non-conventional listing aspirants to Bursa Malaysia. The division had also successfully listed a digital solution and application development specialist, Agmo Holdings Berhad on the ACE Market of Bursa Malaysia with a strong debut of 207.7% premium over its initial public offering ("**IPO**") price. In the course of the year, the division also filed for the listing of another three (3) IPOs—Synergy House Berhad (ACE Market), Skyworld Development Sdn Bhd (Main Market), and Neptune Asia Services Sdn Bhd (Main Market)—which are targeted to list by 2Q FY2023. The division also advised on the reverse acquisition of G Neptune Berhad by Southern Score Sdn Bhd, raising a total of RM108.9 million in conjunction with the backdoor listing, and participated as Joint Underwriter in Yinson Holdings Berhad's RM1.2 billion rights issue, being one of the largest equity fundraisings in the market since the pandemic which was oversubscribed by 22.3%. The transaction was awarded 'The Edge Deals of 2022: Best Fundraising (Non-IPO)' award. In addition, the Investment Banking division was also the Joint Underwriter for the RM974 million Capital A's rights issue, winning the 'Best Debt Restructuring Deal of the Year 2022' at the Alpha Southeast Asia 16th Annual Best Deal & Solution Awards 2022.

In the debt capital market, the division acted as the Joint Lead Manager and played a significant role in the book building of the RM1.5 billion issuance under Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN)'s existing RM12.3 billion Sukuk Murabahah Programme, as well as Prasarana Malaysia Berhad's RM1.4 billion issuance under its two (2) existing Sukuk Murabahah Programmes.

Meanwhile in the area of corporate debt, the division was appointed as the Principal Adviser, Lead Arranger, Lead Manager and Shariah Adviser and Facility Agent for Gabungan AQRS Berhad's proposed Islamic Commercial Paper ("**ICP**") and Islamic Medium-Term Note ("**IMTN**") Programme of RM200 million in nominal value, as well as SkyWorld Capital Berhad's ICP and IMTN Programme of RM300 million in nominal value. The division also advised on Impiana Hotels Berhad's Redeemable Convertible Notes Programmes to raise funds for debt repayment and working capital; and Sarawak Cable Berhad's proposed issuance of Redeemable Convertible Debts with a total value of RM48.4 million.

In corporate banking, the division maintained a prudent management approach to monitor its portfolio's credit risk given the increasingly volatile macroeconomic environment. The division is growing its portfolio cautiously, by undertaking stringent credit assessments for all corporate lending prospects. As such, its loan portfolio currently stands at RM571 million as we cautiously grew in 2022.

In Islamic finance, the division's Shariah Committee continued its role as Shariah advisor to sukuk programmes established by debt capital market clients, including Gabungan AQRS Berhad and Skyworld Capital Berhad. It also assisted the Equity Broking division in developing a new Islamic Securities Selling and Buying Negotiated Transaction product which came on stream in August 2022.

Meanwhile, FY2022 PBT for the Group's Treasury business moderated to RM6.0 million, down RM3.1 million from the year before due to significantly lower interest income amidst a backdrop of rising interest rate scenario which adversely affected the bond market. The prudent stance in reducing its bond portfolio since 2021 has minimised the losses from the bond market and Kenanga's liquidity ratios remain healthy despite strong competition in the deposit market due to continuing efforts to diversify its client base. Treasury will continue its product diversification initiatives to increase profitability and achieve higher sales volume.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

Asset and Wealth Management

The Group's Asset and Wealth Management division consists of Kenanga Investors Berhad ("**KIB**"), Kenanga Islamic Investors Berhad ("**KIIB**"), and I-VCAP Management Sdn Bhd ("**I-VCAP**") collectively known as Kenanga Investors Group ("**KIG**"), as well as Digital Investment Management and Wealth Management units, where offerings include a range of conventional collective investment schemes, robo-advisory, portfolio management services as well as alternative investments.

Despite the overall downtrends in the market, our Asset and Wealth Management division recorded exceptional growth in FY2022, with a PBT of RM54.2 million over RM34.9 million the previous year. These results were due to significantly higher earnings from management and performance fees resulting from the ongoing expansion of KIG's business and widening of its client base through multi-segmental products and services targeted individually at mass-retail, middle-high-income, and ultra-high-net-worth investors.

To meet the diverse demands of its investors, KIG has implemented a multi-segment and multi-product strategy. This was illustrated through the expansion of the Kenanga Sustainability Series with the launch of the Kenanga Sustainability Series: High Yield Bond Fund, the first Sustainable and Responsible Investment ("**SRI**")-qualified high yield bond fund in Malaysia and the Kenanga Sustainability Series: World Quality ESG Fund which aims to deliver long-term capital growth by investing in securities that exhibit quality and favourable ESG characteristics. Following KIG's appointment as the Fund Manager for Dana Wakaf Bencana in 2021, the Kenanga Sustainability Series: Emergency Waqf Musa'adah Fund was launched to generate sustainable returns that will directly benefit disaster victims in the country by helping them return to normalcy. Returns will also go towards providing new or improving existing climate change disaster-control-related facilities or equipment.

KIB continues to expand its network of licensed unit trust and private retirement scheme consultants which has grown to nearly 5,500 in FY2022 compared to 4,500 in FY2021.

In FY2022 KIG expanded upon its Sustainability Blueprint to include the fixed-income asset class by establishing an in-house ESG assessment to perform positive screening for bonds/ sukuk based on independent and accredited external data sources. On the equity front, a more comprehensive sector/ industry-focused assessment was established for sectors with high ESG risk. To effectively manage and monitor risks, various factors and indicators specific to respective industries such as palm oil, oil & gas, banking & finance, power, and mining were integrated into this process for a more holistic perspective.

For its stellar fund performance, KIG won several industry accolades including the 2023 Refinitiv Lipper Fund Awards where the Kenanga Malaysian Inc Fund won 'Equity Malaysia Diversified for 10 Years' while the Kenanga Managed Growth Fund won 'Mixed Asset MYR Flexible for 3, 5 and 10 Years'. KIG itself won the 'Malaysia Provident Funds Group Award'. At Asia Asset Management's 2023 Best of the Best Awards, KIG was named 'Malaysia Best Equity Manager', 'Malaysia Best Impact Investing Manager', 'Malaysia Best House for Alternatives', and 'Malaysia Most Improved Fund House'. KIB's Chief Executive Officer and Executive Director, Datuk Wira Ismitz Matthew De Alwis was named 'Malaysia CEO of the Year'. KIG also received recognition at the 2022 Morningstar Fund Awards Malaysia which awarded the Kenanga Growth Fund Series 2 (USD) with its inaugural win with the best 'Malaysia Large-Cap Equity' title.

The Asset Benchmark Research ranked KIG as Highly Commended on its list of 'Top Investment Houses' in the Asian Local Currency Bond Awards for Asset Managers.

The FSMOne Recommended Unit Trusts Awards 2022/2023, named Kenanga Growth Fund Series 2 as 'Sector Equity – Malaysia Focused' and Kenanga Shariah Growth Opportunities Fund as 'Sector Equity - Malaysia Small to Medium Companies (Islamic)'. At the Sustainability Performance Awards, the Group's Sustainable Products award recognised KIG's multiple ESG-linked funds through the Kenanga Sustainability Series, particularly the first SRI-qualified bond fund in Kenanga Sustainability Series: High Yield Bond Fund.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

The division's focus on delivering sustainable performance, high-quality advice and exceptional customer service has driven customer satisfaction and loyalty despite the volatilities of the last three (3) years. Moving forward, KIG will continue to focus on offering wealth protection solutions, such as insurance and private trust, to help preserve and grow investors' wealth. To better serve its clients, KIG will continue expanding its distribution channels, including opening up more branches nationwide, improving upon its existing digital platforms, and growing its agency force. With its multi-segment and multi-product framework, sophisticated ESG blueprint, and commitment to sustainability, KIG is poised to continue delivering value to its investors for years to come.

Listed Derivatives Business

In FY2022, Kenanga Futures Sdn Bhd ("**KFSB**") made a return to profitability, and the division's operating revenue grew 27% to RM19.7 million on the back of significant increases in both inbound and outbound trading activities—at a composition ratio of 80:20 respectively. KFSB's execution volumes registered outstanding growth of 95% year-on-year, with an unprecedented nine (9) million contracts. These developments corresponded to a record-breaking year at Bursa Malaysia Derivatives Berhad ("**BMD**"), with the overall market volume growing 3% to 19.2 million contracts. As a result, KFSB recorded PBT of RM2.1 million in FY2022 over Loss Before Tax ("**LBT**") of RM1.8 million in the preceding year.

In building up the business profitability momentum and ensuring optimum performance for the year, KFSB consolidated its organisational structure into four (4) departments: Sales & Broking, Dealing Global Market, Business Development & Strategy, as well as Operations & Clearing Services, Listed Derivatives. The formation of the Sales & Broking department was aimed at targeted sales coverage for both Global and Domestic Institutions/ Corporations & Retail/ High Net Worth Individuals segments. As a result, KFSB's institutional volumes for Crude Palm Oil Futures (FCPO) recorded historical highs in FY2022 compared to the previous year. Meanwhile, the retail volumes for CME Group's products have seen a significant 50% growth year-on-year compared to the previous year. Besides these developments, KFSB continued to build on its three (3)-year strategic business blueprint, ASCENT 2023, by undertaking annual nationwide retail campaigns in FY2022 to encourage greater retail client trade of BMD and CME Group products.

KFSB continued to be recognised as a top Malaysian futures broker with two (2) awards received at the Bursa Excellence Awards 2022, which are 'Best Institutional Derivatives Trading Participant' (Champion) and 'Best Overall Derivatives Trading Participant' (1st Runner Up).

In FY2023, KFSB will focus its revenue-generating strategy towards growing both the inbound and outbound business supported by the increased product offerings as the division aims towards further improving the company's bottom line and continuing the profitability momentum.

Money Lending and Financing

The Group's Money Lending and Trade Financing division registered PBT of RM0.1 million in FY2022 compared to PBT of RM1.6 million the preceding year. The reduction was due primarily to an impairment provision of RM1.8 million—expected to be reversed in 2023, weaker market demand for asset monetisation and structured lending as well as more prudent lending.

Given these challenges, the division intensified engagement with other business divisions within the Group to increase the loan book size, which grew to RM109.7 million from RM94.4 million the previous year. These efforts are expected to bear fruit in 2023 as Malaysia, and worldwide economies recover.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

Despite the gradual global recovery, ripple effects of the COVID-19 pandemic continued to be felt throughout of FY2022 with uneven trajectories caused by prolonged domestic political uncertainty, ongoing geo-political conflict, especially between Russia and Ukraine, persistent supply chain disruptions, as well as rising inflationary pressures induced by higher costs of energy, food, commodities and labour around the world.

Against this unwelcoming macroeconomic backdrop and volatile market conditions, the Group resolved to chart a path of prudence and diligence in our risk management practices for the year. Two (2) key motivating factors—resilience and agility—guided our actions in managing key risks in the increasingly complex and dynamic trading, financing, and digital services ecosystem.

For FY2022, Kenanga committed to a strategy designed to safeguard portfolio asset quality with robust risk controls and measures. The Group continued to take a defensive risk posture with a conservative risk-based approach to vulnerable accounts and sectors. We also intensified portfolio review assessment, providing close scrutiny of targeted portfolios with rigorous stress tests and scenario analyses while also pursuing a highly selective credit lending strategy to maximise sustainable growth and performance.

The Group remains committed to sustaining risk resilience throughout our business operations. As such, all risk management processes, policies and procedures are constantly reviewed and enhanced, supported by a transparent and robust governance structure. Key activities in FY2022 included the provision of sustainable operational resilience from digital technology adoption and the significant decentralisation of our working environment. With greater interdependence through digital networks, cybersecurity remained an important emerging operational risk area for the Group. The Group continued to enhance our cyber-resilience through new technologies and solutions as well as more robust systems and infrastructure.

More information on Risk Management and Internal Controls can be found on pages **110 to 114** of this Annual Report.

2023 OUTLOOK

The domestic economy is expected to continue growing, albeit at a moderate pace, due to the normalisation of economic activity after the pandemic and the prospect of a global economic slowdown. For FY2023, we forecast a GDP growth of 4.7% from 8.7% in 2022, supported mainly by resilient domestic demand due to an increase in household income and a decrease in unemployment rate. Additionally, growth drivers include the expected rise in tourist arrivals and spending after China lifted its COVID-19 restrictions at the beginning of 2023, and ongoing multi-year infrastructure and development projects under the 12th Malaysia Plan.

Furthermore, the unity government with a majority in Parliament will help reduce political uncertainty and boost investor confidence, as reflected by recent announcements on investments. The unity government led by Prime Minister Dato' Seri Anwar Ibrahim remains in favour of an expansionary policy as reflected in the revised 2023 Federal Budget, which is expected to mitigate the looming global economic slowdown following the impact of rapid increase in interest rates by major central banks and the ongoing banking crisis in the US. This will include the continuation of various subsidies as well as a record-high allocation for development expenditure to boost infrastructure development and cushion the economy from any sharp slowdown.

On our business front, the Group is cautiously optimistic of our 2023 outlook, given we are still vulnerable to downside risks mainly from the ongoing volatility of the capital markets as a result of geopolitical events and recessionary risks in major economies. Nevertheless, we remain resolute in our efforts to continue driving innovation, digitalisation, and sustainability in the marketplace.

APPRECIATION

Once again, I would like to express my appreciation to our Founder Emeritus and Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail, whose advice, guidance and leadership is an utmost source of inspiration in these turbulent days.

I thank the Board of Directors, especially the Chairman, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail whose care, diligence and uncompromising commitment to the highest standards of good governance and integrity continue to reinforce who we are and what Kenanga Group stands for.

I also wish to record my gratitude to all employees of Kenanga for their commitment and hard work as well as all our business partners, clients, suppliers and all stakeholders who have stayed the course with us through 2022.

Finally, I would also like to register my appreciation to Bank Negara Malaysia, the Securities Commission Malaysia, and Bursa Malaysia Berhad for their guidance, and I also extend my appreciation to our valued shareholders for their continued trust and support.

DATUK CHAY WAI LEONG
Group Managing Director

OUR SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

This Sustainability Statement 2022 ("**the Statement**") is to be read together with our Sustainability Report 2022. This Statement provides an overview of our approach towards managing our stakeholder-relevant environment, social and governance ("**ESG**") topics, goals and performance.

Following the release of our inaugural Sustainability Report in 2021, further enhancements have been made in this year's disclosures which include: the expansion of Scope 1 and 2 Greenhouse Gas ("**GHG**") emissions data inclusive of branch offices nationwide, the expansion of Scope 3 disclosure to disclose business travel and the inclusion of a new material matter, Employee Health, Safety and Wellbeing into our materiality assessment.

Reporting Scope and Boundaries

The contents of this Statement encompass full year data for the fiscal year ending in December 2022, from 1 January 2022 to 31 December 2022 ("**2022**" or "**FY2022**"), which covers our operations in Malaysia, including our Kuala Lumpur-based headquarters, Kenanga Tower and branch offices nationwide.

Guidelines and Standards

This Statement is prepared as a summary highlight to our Sustainability Report 2022, which complies with Bursa Malaysia Securities Berhad's Main Market Listing Requirements and has been prepared in reference with the Global Reporting Initiative ("**GRI**") Standards. The GRI Content Index can be found in the Sustainability Report, pages **94 to 96**, and we have further aligned our ESG disclosures with the following:

- Bursa Malaysia Securities Berhad ("**Bursa Securities**") Sustainability Reporting Guide (3rd Edition);
- United Nations Sustainable Development Goals ("**UN SDGs**");
- Recommendations of the Task Force on Climate-Related Financial Disclosures ("**TCFD**");
- Joint Committee on Climate Change ("**JC3**")'s TCFD Application Guide for Malaysian Financial Institutions;
- Bank Negara Malaysia ("**BNM**")'s Climate Change and Principle-based Taxonomy ("**BNM CCPT**"); and
- United Nations Global Compact ("**UNGC**")'s Ten Principles.

We have benchmarked our ESG disclosures with industry-relevant ESG Ratings and Frameworks primarily FTSE Russell's ESG Ratings and Sustainability Accounting Standards Board ("**SASB**") indicators and GHG Protocol Corporate Standard.

Statement Assurance

This Sustainability Statement has been reviewed and approved by the Group Sustainability Management Committee, Group Governance, Nomination & Compensation Committee, Audit Committee, and the Board of Directors. Moving forward, we aim to seek assurance for our sustainability reporting and statement.

OUR CONTRIBUTION TO UN SDGS AND UNGC'S TEN PRINCIPLES

Below are the eleven (11) SDGs to which Kenanga contribute towards. Additionally, as a signatory member of the UNGC Network, we have also aligned our sustainability efforts with the UNGC's Ten Principles.

1 NO POVERTY	Principle 1: Business should support and respect the protection of internationally proclaimed human rights
4 QUALITY EDUCATION	Principle 1: Business should support and respect the protection of internationally proclaimed human rights
5 GENDER EQUALITY	Principle 6: The elimination of discrimination in respect of employment and occupation
7 AFFORDABLE AND CLEAN ENERGY	Principle 9: Encourage the development and diffusion of environmentally friendly technologies
8 DECENT WORK AND ECONOMIC GROWTH	Principle 2: Make sure that they are not complicit in human rights abuses Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining Principle 4: The elimination of all forms of forced and compulsory labour Principle 5: The effective abolition of child labour Principle 6: The elimination of discrimination in respect of employment and occupation
10 REDUCED INEQUALITIES	Principle 6: The elimination of discrimination in respect of employment and occupation
11 SUSTAINABLE CITIES AND COMMUNITIES	Principle 8: Undertake initiatives to promote greater environmental responsibility
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Principle 8: Undertake initiatives to promote greater environmental responsibility
13 CLIMATE ACTION	Principle 7: Businesses should support a precautionary approach to environmental challenges
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery
17 PARTNERSHIPS FOR THE GOALS	Principle 1: Business should support and respect the protection of internationally proclaimed human rights Principle 2: Make sure that they are not complicit in human rights abuses Principle 6: The elimination of discrimination in respect of employment and occupation Principle 7: Businesses should support a precautionary approach to environmental challenges Principle 8: Undertake initiatives to promote greater environmental responsibility Principle 9: Encourage the development and diffusion of environmentally friendly technologies Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

For more information on how we have mapped our disclosures to UNGC's Ten Principles, please refer to pages **16 to 18** of our Sustainability Report 2022.

OUR ESG FRAMEWORK

Our ESG Framework serves as a focal point for how we articulate our sustainability aspirations for the long-term. Anchored upon four (4) key pillars – Sustainable Economic Growth, Environmental Stewardship, Empowering People and Communities, and Good Governance, the framework guides our efforts in addressing ESG issues that are material to our business while aligning with our targets and strategies.

OUR SUSTAINABILITY VISION

As a leading independent investment bank, Kenanga is committed to promoting and adopting business-relevant sustainable practices by embedding ESG in our core business strategy and operations, while considering the ESG risks and opportunities in shaping up sustainable investment products and services towards contributing to the best interests of our stakeholders.

Sustainable Economic Growth

Integrate ESG factors into our business decisions and value chain and manage ESG risks and opportunities as we innovate to build a sustainable future.

Responsible Investment

Incorporate ESG factors into our investment processes, offer and promote sustainable products and solutions and take an active stewardship role in the companies in which we invest.

Digitalisation

Leverage technological advancements to develop secure, meaningful and innovative products and solutions that will help shape the future of investing.

Environmental Stewardship

Promote climate positive culture within the organisation and relevant external stakeholders to attain a low carbon economy.

Climate Impact

Take ownership of climate risks and opportunities of our operations through monitoring environmental performance, identifying and practising behaviours to promote climate positive action and outcomes.

Empowering People and Communities

Create a positive impact on our employees, clients, business associates, as well as communities in need.

Diversity, Inclusion and Wellbeing

Inculcate an equitable workplace culture that recognises the unique needs and contributions of employees and where employee rights, safety, health and wellness are promoted.

Community Investment

Enhance financial literacy for investors and the community through education. Reaching out to communities in need through targeted social investments and employee volunteerism.

Good Governance

Lead a responsible business underpinned by a robust compliance culture and high levels of ethical standards.

Good Business Conduct

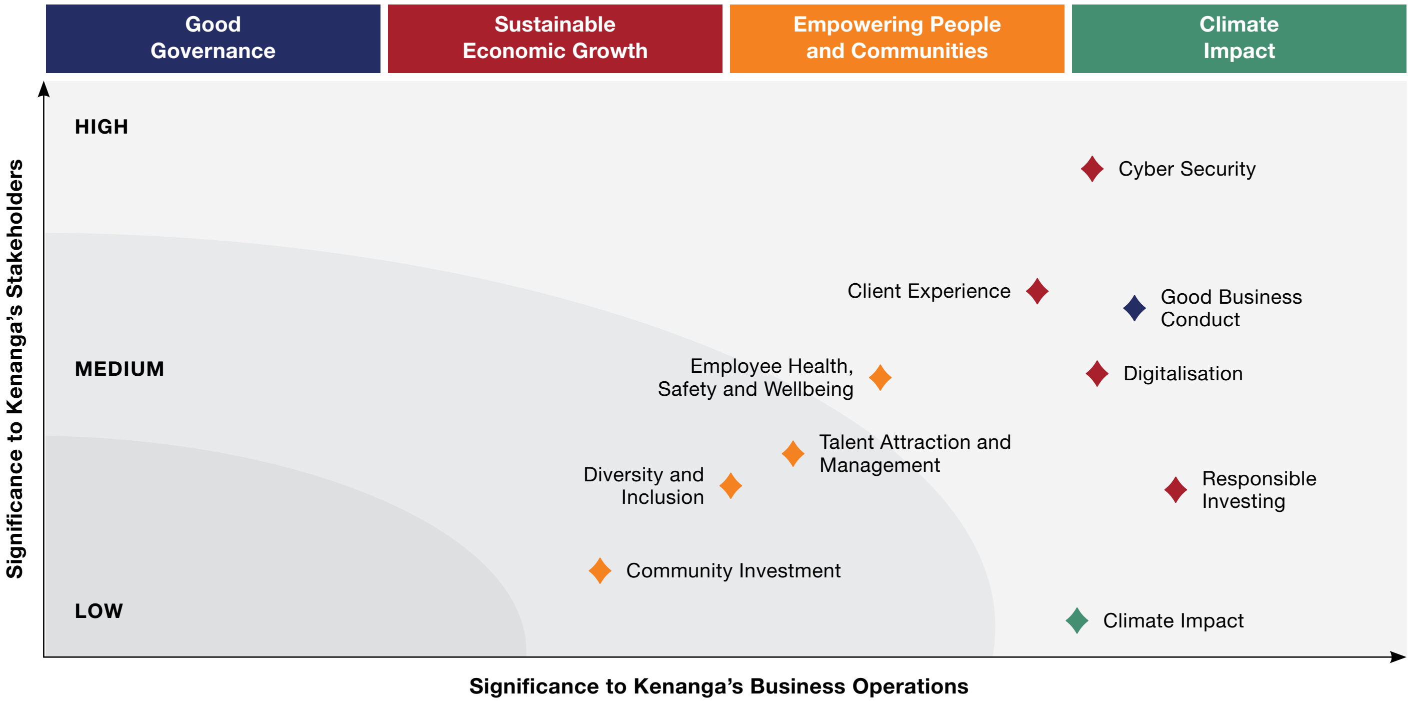
Promote and embed good business conduct and high standards of integrity throughout the organisation, operate ethically and transparently and in compliance with applicable laws and regulations.

WHAT IS MATERIAL TO US

In 2022, we conducted a materiality assessment to identify and prioritise ESG topics that are relevant to Kenanga and its stakeholders. The biennial assessment ensures that we consider and integrate these ESG topics when identifying opportunities and risks in our business operations, as well as to further guide the Group's ESG strategy and reporting.

As part of our FY2022 materiality assessment, we conducted a survey that received 1,326 responses from ten (10) different stakeholder groups, including Board of Directors, employees, remisiers and agents, shareholders and investors, clients, regulatory bodies, community organisations, suppliers, media, and the public.

Based on the updated results of the survey in FY2022, the materiality matrix largely remained consistent from the previous assessment. However, there is an overall higher perceived of importance across all the identified ten (10) material topics.



For more information on our materiality matrix process and stakeholder engagement, please refer to page **21** of our Sustainability Report 2022.

OUR SUSTAINABILITY GOALS AND ROADMAP

Guided by our ESG Framework, we have developed a set of Sustainability Goals and Targets and a Three (3)-Year Sustainability Roadmap ("**the Roadmap**") in FY2022 to operationalise and deliver our sustainability vision and aspirations.

Sustainable Economic Growth

Integrate ESG factors into our business decisions and value chain and manage ESG risks and opportunities as we innovate to build a sustainable future.

Goal 1
Increase support of sustainable economic activities

Goal 2
Champion cloud-first strategy to increase scalability and flexibility

Goal 3
Increase automation for productivity

Goal 4
Increase digital distribution of products and sevices

Environmental Stewardship

Promote climate positive culture within the organisation and relevant external stakeholders to attain a low carbon economy.

Goal 1
Accelerate enterprise decarbonisation

Goal 2
Build awareness, knowledge and skills needed to enable employees and stakeholders, to contribute positively to climate actions

Empowering People and Communities

Create a positive impact on our employees, clients, business associates, as well as communities in need.

Goal 1
Maintain and promote workforce diversity, and maintain anti-discrimination culture

Goal 2
Integrate mental health as a topic of overall wellbeing of employees

Goal 3
Increase social impact towards marginalised and deserving communities through consistent programmes and initiatives

Goal 4
Expand investing literacy reach through online and offline channels

Good Governance

Lead a responsible business underpinned by a robust compliance culture and high levels of ethical standards.

Goal 1
All material matters to be supported by adequate policies and procedures in line with best practices and regulatory requirements

Goal 2
Lead industry fraud awareness through an interactive flagship programme

Our Roadmap Focus Areas

2023	2024	2025
Strengthening ESG Foundation	**Building Sustainable Ecosystem**	**Amplifying ESG Impact**

For more information on our Sustainability Roadmap 2023-2025, please refer to page **24** of our Sustainability Report 2022.

MANAGING OUR SUSTAINABILITY RISKS

OUR APPROACH

For effective management of risks, the Group is governed by the Enterprise Risk Management ("**ERM**") Framework and the philosophy adopted is based on the 'Three Lines of Defense' approach. The ERM Framework defines the roles and responsibilities throughout the organisation to ensure accountability and ownership, as well as sets out the principles of sound corporate governance to assess and manage risks to ensure risk-taking activities are aligned with the Group's long-term viability and its capacity to absorb losses. The Group Board Risk Committee is responsible to ensure the Group's activities are consistent with its approved risk appetite, strategies and policies.

For more information on our Sustainability Risk Management approach, please refer to page **25** of our Sustainability Report 2022 and for more information on our Risk Management Framework and Governance, please refer to the Statement on Risk Management and Internal Control from pages **110 to 114** of this Annual Report.

RESPONSE TO ESG AND CLIMATE RISKS

We recognise the impact of climate change as a non-diversifiable risk to Kenanga's business activities and financial operations. We have been gradually enhancing our disclosures in line with the TCFD recommendations and mapped against the prescribed four (4) pillars – Governance, Strategy, Risk Management, as well as Metrics and Targets. In 2022, we integrated the Climate Change Risk Management Framework ("**CCRM Framework**") to strengthen our climate risk management strategy for business activities. The implementation progress includes training on CCRM Framework's Risk Assessment Criteria ("**Climate Change RAC**") in making decisions on investments.

To build on this, we are further enhancing our policy and practice by incorporating the new guidelines introduced by BNM in November 2022, including the Climate Risk Management and Scenario Analysis ("**CRMSA"**) and JC3's TCFD Application Guide for Malaysian Financial Institutions issued in June 2022 into the Group's business strategies and enterprise risk management framework. The implementation of these guidelines will be completed in phases and it is in line with regulatory timeline by the end of 2024.

For more information on our TCFD Reporting by the four (4) pillars and Climate Change Risk Management Framework, please refer to pages **28 to 31** of our Sustainability Report 2022.

Managing Our Supply Chain Risk

Our Group Procurement Policy provides employees with a guiding framework to achieve and maintain high standards of professionalism, transparency, and accountability in our procurement decisions. Our 'Know Your Vendor Assessment' allows us to ensure we maintain high standards of ethics and integrity in our business partnerships with contractors, consultants, suppliers, agents and individuals who undertake work for the Group. Our vendors undergo an extensive due diligence process that reviews risk indicators resulting in a score that allows us to manage our front-end risk, including corruption risk assessments. Moving forward, we will engage our vendors and enhance our vendor assessment framework to integrate environmental and social risk assessments in line with our Sustainability Roadmap 2023-2025 to integrate ESG screening in our supplier onboarding process.

In 2022, our local suppliers' proportion are 89.1% and local business procurement spent was over RM65 million.

For more information on our Group Code of Conduct for Vendors, please scan the QR code below:

For more information on our supply chain risk, please refer to page **32** of our Sustainability Report 2022.

GOOD GOVERNANCE

We remain cognisant of our responsibilities to our stakeholders as we strive to raise the bar on good governance by incorporating ethical business practises throughout the organisation.

MATERIAL TOPICS:

- Good Business Conduct
- Regulatory Compliance

OUR GOALS:

Goal 1 All material matters to be supported by adequate policies and procedures in line with best practices and regulatory requirements.

Goal 2 Lead industry fraud awareness through an interactive flagship programme.

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

GOOD BUSINESS CONDUCT

[GRI 205]

Our Approach to Sustainability Governance

Establishing a sustainability governance structure with clearly defined roles and responsibilites is paramount to ensure accountability and effectiveness in execution of sustainability initiatives within the Group. As the Group's highest governing body, the Board of Directors drives the overarching leadership, strategy, and oversight of the Group's ESG approach to risks and opportunities, supported by the relevant committees including Group Governance, Nomination & Compensation Committee, Audit Committee, Group Board Risk Committee, Group Risk Committee as well as Group Sustainability Management Committee and supported by Business Divisions & Operations.

REGULATORY COMPLIANCE

A key component of our strategy to build an ethical culture includes designing training programmes and awareness initiatives to embed our principles of ethics and integrity so they are reinforced, understood and practised throughout every level of our workforce. Some of the key measures we implemented include:

- Communicate regulatory issuances and updates to employees
- Mandatory training for employees on compliance matters
- Annual flagship programmes on conflicts of interest, fraud, bribery and corruption, AML/CFT/TFS and whistleblowing
- Policy & Procedure Governance System, an internal repository platform containing our policies and procedures accessible for employees
- Annual e-tests to reinforce our employees' grasp and knowledge of good governance and business practices were rolled out

Embedding Ethical Principles

We are committed to ensuring that our employees are well equipped to meet the challenges of their respective roles and demonstrate behaviours that align with the Group's values.

Our training sessions are delivered in a blended format that includes reading materials and explainer videos on topics such as Anti-Bribery and Corruption, Anti-Money Laundering/Counter-Terrorism Financing/Targeted Financial Sanctions ("**AML/CFT/TFS**"), and Anti-Fraud practices which were made mandatory for all new hires.

The Group Financial Crime Compliance ("**GFCC**") Department has conducted an Enterprise-Wide Risk Assessment ("**EWRA**") to assess potential AML/CFT/TFS risks. The EWRA considers customers, country, product and services, and transactions or delivery channel risk. Currently, no significant risks have been identified.

6th Fraud Awareness Week ("FAW")

As part of Kenanga's ongoing commitment to combat fraud in the financial industry, the Group organised its sixth (6th) annual Fraud Awareness Week ("**6th FAW**") in collaboration with the Association of Certified Fraud Examiners' ("**ACFE**") International Fraud Awareness Week. This flagship campaign aligns with the UNGC's 10th Principle to emphasise the need for businesses to work against corruption in all its forms. The Annual Regulatory Seminar ("**ARS**") has been incorporated as one of the key events for the annual FAW.

Approximately 85% of our employees completed e-tests on ethics and compliance as well as the landscape and regulatory expectations on AML/CFT/TFS which was made mandatory to all our employees during the ARS, with 97.5% achieving a score of 80% or higher. The 6th FAW drew over 2,000 participations in FY2022, with attendees from external organisations and our employees.

Key Policies, Frameworks and Commitment Statements

Kenanga takes a zero-tolerance approach to all forms of financial crime including bribery, fraud, corruption, the direct or indirect financing of terrorism, money laundering, proliferation financing and any other forms of illicit activity connected to unethical business practices. Our Group Regulatory and Corporate Services has established a robust governance foundation, including corporate policies, procedures, and control measures to help the Group navigate risks and respond to any incidents of non-compliance or unethical behaviour. To safeguard our operations as well as the wider financial system, we have designed and implemented several internal policies, frameworks and standards. In 2022, we have updated the following policies:

- PDPA Data Access and Retention Procedure;
- Cyber Security Procedure;
- Technology Risk Management Framework; and
- Group Donation Policy.

Future Outlook

In line with regulatory requirements, we remain committed to maintaining the highest standards of good governance. Moving forward, we will continue to enhance our governance practices by regularly reviewing and updating our policies as relevant.

For more information on Good Governance, please refer to pages **33 to 42** of our Sustainability Report 2022 and the Ethics and Compliance Statement on pages **97 to 109** of this Annual Report.

Sustainable Economic Growth

Our approach to integrating ESG considerations into our core operations, investing, and decision-making processes is a crucial component of our strategy to deliver innovative sustainable finance and investing products for our clients. We employ a multi-faceted approach to responsible investment, engaging in both product development and active involvement in the businesses in which we invest.

MATERIAL TOPICS:

- Responsible Investing
- Digitalisation
- Cyber Security
- Client Experience

OUR GOALS:

- **Goal 1** Increase support of sustainable economic activities.
- **Goal 2** Champion cloud-first strategy to increase scalability and flexibility.
- **Goal 3** Increase automation for productivity.
- **Goal 4** Increase digital distribution of products and sevices.

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

RESPONSIBLE INVESTING

[GRI 3-3]

Our Investment Strategy

Kenanga Investors Group ("**Kenanga Investors**") or ("**KIG**") is the asset and wealth management arm of the Group. As part of our commitment to responsible investing, KIG works closely with asset owners, regulators and a broad range of market players to integrate ESG considerations into our investment process. Kenanga Investors has been a signatory to the Malaysian Code for Institutional Investors since 2017, and our membership in the Institutional Investors Council and active participation in JC3 reflect our dedication to advancing the ESG agenda while accelerating a swift response to the climate risks in our sector.

Following the introduction of the Sustainability Blueprint in 2021, KIG expanded its Blueprint to include ESG assessment to perform positive screening for bonds and *sukuk*-based on independent and accredited external data sources. This is also supported by an updated sector-based assessment with high ESG risk focusing on industries such as palm oil, oil & gas, banking & finance, power, and mining for a more holistic perspective. Further to this, KIG participates in active stewardship through stakeholders engagement, and the exercise of voting rights in investee companies.

For more information on our ESG Integration Strategy, please refer to pages **44 to 45** of our Sustainability Report 2022.

Our Sustainable Investment Products

We are dedicated to expanding our investment product offerings as we continue to progress along the path of responsible investing by providing our clients with a wider range of ESG-linked investment options. In 2022, we launched three (3) funds which qualifies as the SC's Sustainable and Responsible Investment ("**SRI**") fund, under our Kenanga Sustainability Series, receiving multiple accolades for the focus in ESG. In the same year, KIG was appointed by several public asset owners in Malaysia to manage their first-ever sustainability funds.

Kenanga Sustainability Series	
High Yield Bond Fund	The Fund is Malaysia's first SRI-qualified high yield bond fund. The Fund seeks to provide income and capital growth by investing in the Global High Yield ESG Bond Index Fund managed by Northern Trust Asset Management.
World Quality ESG Fund	The Fund seeks to provide capital growth by investing in the NT World Quality ESG Fund managed by Northern Trust Asset Management.
Emergency Waqf Musa'adah Fund	As a qualified SRI product, the Kenanga Sustainability Series: Emergency Waqf Musa'adah Fund sets out to generate sustainable returns that will directly benefit disaster victims in the country by helping them return to normalcy. The Fund aims to primarily provide income distribution and achieve capital growth by investing in local and global diversified portfolios of Shariah-compliant equities, Shariah-compliant equity-related securities, sukuk, Islamic money market instruments, or Islamic deposits that integrates both Shariah principles and principles of sustainable investing.

For more funds under the Kenanga Sustainability Series, please visit: https://www.kenangainvestors.com.my.

Focus on Green Economy

Kenanga Private Equity Sdn Bhd ("**KPE**"), our private equity arm, actively strives to explore climate-friendly ventures, as well as companies with a strong ESG agenda. As at 31 December 2022, approximately 28% of KPE's portfolio are focused on the renewable energy sector.

In addition, Corporate Banking at Kenanga continues to incorporates ESG factors into its lending and financing activities. As of 31 December 2022, 5.3% of loan and financing portfolio under Kenanga's Corporate Banking division in green lending and financing are related to renewable energy, green technology and climate change mitigation activities.

For more information on our Climate Change RAC, please refer to page 27 of our Sustainability Report 2022.

Our Internal Stock Scoring Methodology

In 2022, Kenanga's Equity Broking Research Department developed an internal scoring system to rate public listed stocks premised on Bursa Malaysia's Sustainability Reporting Guide, the Sustainability Accounting Standards Board and GRI's primary ESG topics. Guided by the methodology, we reach out to businesses on a regular basis to acquire updates on their ESG strategy, goals, and accomplishments to better understand their sustainability ambition and intent.

For more information on our ESG Scoring Methodology and industry engagement activities, please refer to page **48** of our Sustainability Report 2022.

Future Outlook

We intend to offer more sustainable investment products with a focus on thematic investing in sectors related to energy transition, water and waste management, food security and others as relevant, while being cognisant of the interdependencies of a just transition economy. As part of our efforts to further understand our portfolios' exposure on ESG risks and opportunities, we will deepen engagement with our investee companies to better understand their ESG aspirations and plans.

DIGITALISATION

[GRI 3-3]

OUR APPROACH TO DIGITALISATION

IT Governance and Strategy	The Group Board Digital Innovation & Technology Committee ("**GBDITC**") supports the Board in providing direction and oversight over technology-related matters, including risks, in line with internal and relevant regulatory requirements.
IT Strategy 2023-2027	In 2022, a Five (5)-Year IT Strategy was developed to provide prudent guidance on how digitalisation will be prioritised to support wider enterprise goals while promoting economic growth. The strategy will be rolled out in phases from 2023, and will be reviewed annually to ensure it remains relevant and effective.

OUR PROGRESS IN 2022

Going Digital at Kenanga

Kenanga is committed to advancing financial inclusion through digitalisation by embracing technology advancement and innovation as a means to increase our clients' seamless access to financial products as well as to reach the underserved segment.

SuperApp
Signed a Memorandum of Understanding with Ant Group in 2022 to develop Malaysia's first Wealth SuperApp, which will serve as a centralised platform for our digital financial and wealth solutions, as well as lifestyle services. Built on Ant Group's Mobile Platform as-a-Service, the SuperApp will offer a robust and secure solution to meet the needs of our clients.

Wealth-as-a-Service ("WaaS")
Along with the SuperApp, the upcoming introduction of WaaS to our ecosystem partners will allow our suite of wealth services to be embedded onto their platforms for their audiences at a swift go-to-market pace.

Rakuten Trade	Kenanga Digital Investing ("KDI")	New Digital Client On-boarding ("DCO") Service
RM111 billion worth of stocks were transacted during the year, while approximately 21,000 new users signed up on Rakuten Trade, bringing the total customer base to more than 257,000.	A fully automated A.I.-driven robo-advisor designed to simplify how Malaysians save and invest. Licensed by the Securities Commission Malaysia, the KDI platform offers two (2) convenient products - KDI Save and KDI Invest.	A platform which allows clients to open an account online from the comfort of their homes without having to visit a Kenanga branch.

Our Digital Culture

We continue to strengthen our internal competencies as we intensify our digital initiatives across the organisation, including the digitalisation of our key functions to maximise operational efficiency. Listed below are some of the key digital initiatives in 2022.

Digital Efficiency in Kenanga

Key Initiatives				
Remisier's Service Portal	Futures Account Opening	Kenanga's Digital Workflows ("iLeap")	Robotic Process Automation ("RPA")	Treasury Relationship Manager Platform

Cloud Migration Programme

Our Three (3)-Year Cloud Migration Strategy is in line with our overall group-wide digital transformation ambitions to drive innovation and growth. Migrating to cloud infrastructure services will provide the Group enhanced scalability, performance, security and long-term cost-effectiveness.

As part of our efforts to facilitate a seamless cloud migration process, we are progressively upskilling our Information Technology ("**IT**") workforce through Azure Enterprise Skilling Initiative offered by Microsoft to further build technical skills which also includes training and certification offerings. In FY2022, our IT personnel attended over ten (10) Azure training courses with a total of 840 training hours logged.

Future Outlook

We continuously assess and make improvements to our systems and processes to ensure we remain at the forefront of digital transformation in the financial industry. Amongst some of the new solutions that we are looking forward to in 2023 include the launch of the first Wealth SuperApp in Malaysia, a new FX platform that will support our Treasury products, Project Omni to fully digitalise our end-to-end processes, and also enhanced features on our DCO Service.

For more information on our key digitalisation transformation initiatives, please refer to page **49** of our Sustainability Report 2022.

BOOSTING CYBER SECURITY

[GRI 418]

OUR APPROACH TO CYBER SECURITY

At Kenanga, our suite of IT policies forms a fundamental aspect of IT governance which guides our management approach towards cyber risks and our responses to security incidents.

Our Cyber Risk and Governance

Key Policy and Framework	• Cyber Security Policy has been developed based on industry best standards such as the US National Institute of Standards and Technology cyber security framework • The Group Confidential Information Policy has been established and incorporated various privacy legislation that includes Financial Service Act 2013, Securities Industry (Central Depositories) Act 1991, BNM's Management of Customer Information and Permitted Disclosure and Personal Data Protection Act ("**PDPA**") 2010

Accelerating Data Security Measures

In 2022, we enhanced our security posture by subscribing to a suite of top-tier security solutions and deployed security measures to include Identity Access Management, Application Programming Interface Security and ransomware protection. Additionally, we also enhanced the cyber resilience of our operations through the following measures:

Protecting Customers' Data	Rolled out Data Loss Prevention ("**DLP**") solutions and Database Activity Monitoring to defend data leaks from internal and unauthorised sources as well as virtual patch solution to shield servers from risks before applying physical security patches
Managing Employees Confidential Data	Enhanced the usage of the mobile management tool to effectively monitor privacy access on our employees' mobile phones as well as our security posture by enabling and enforcing multi-factor authentication for Office 365
Instil Cyber Awareness amongst Employees	Delivered mandatory monthly cyber security awareness training to all employees and rolled out regular email phishing simulations to educate employees to swiftly identify and respond to potential phishing threats

Future Outlook

As we transition towards a future defined by digital innovation, cyber security has become even more crucial as reflected in our recent materiality assessment. In line with our IT Strategy 2023-2027 and DLP Framework, we aim to continue taking proactive and progressive actions such as upgrading our systems as well as increasing our employees' and clients' awareness in taking precautionary steps to reduce cybersecurity risks. Our end goal is to ensure that our clients can confidently pursue their financial goals in the digital age while knowing that their personal and financial data is secure.

For more information on our cyber security initiatives, please refer to page 55 of our Sustainability Report 2022.

CLIENT EXPERIENCE

[GRI 417]

OUR APPROACH TO CLIENT EXPERIENCE

Guided by policies aligned to applicable laws and regulations, we aim to ensure our marketing materials are accurate, transparent, and not misleading. When handling customers' concerns, we are dedicated to addressing the concerns in a timely and equitable manner. By adopting this approach, we continue to build lasting client relationships and demonstrate our commitment to providing good services and support.

Responsible Marketing & Communication

At Kenanga, we prioritise transparency and compliance in our communications with clients, meeting regulatory requirements set out by Bursa Securities, Bank Negara Malaysia and the Securities Commission Malaysia. Prospectuses and memorandums are publicly disclosed to our prospective and existing clients. Additionally, we adhere to the Financial Services Act (2013), Consumer Protection Act (1999), as well as Malaysian Code of Advertising to ensure that we operate ethically and with our clients' best interests in mind. We also have a set of internal policies that serve to further uphold our standards in the preparation and dissemination of all promotional and marketing materials.

Our agents and remisiers are provided with relevant information and training that emphasise the importance of upholding and demonstrating high standards of ethics and honesty in client interactions. All our remisiers are required to comply with the Group Code of Ethics and Conduct for Employees to ensure our services are delivered with highest integrity.

Our focus is centred on listening and catering to the diverse needs of our clients. To facilitate two (2)-way communication with all our existing and prospective clients, we have several channels including social media, website and telephony support, and through these channels, we actively seek and gather feedback from our clients to help improve their experience with us.

For more information on how we manage our internal policies on responsible marketing and communication as well as improve client experience at Kenanga, please refer to pages **58 to 59** of our Sustainability Report 2022.

OUR SUSTAINABILITY STATEMENT

ENVIRONMENTAL STEWARDSHIP

We aim to promote a climate-positive culture across the organisation in pursuit of a reduced carbon footprint. Our approach to addressing climate change is defined by a multi-faceted approach in which we integrate climate-related risk considerations across our business while reducing the environmental impact of our operations.

MATERIAL TOPICS:

Climate Impact

OUR GOALS:

Goal 1 Accelerate enterprise decarbonisation.

Goal 2 Build awareness, knowledge and skills needed to enable employees and stakeholders, to contribute positively to climate actions.

UN SDGs

MANAGING OUR CLIMATE IMPACT

[GRI 302,303,305, 306]

OUR APPROACH

Our aim is to foster an organisational culture that promotes taking positive climate actions to reduce carbon footprint. We tackle climate change with a pragmatic approach that incorporates the management of climate-related risk factors across our business activities, products and services, as well as to reduce environmental impact of our operations.

The operations and practices of Kenanga are in line with the goal of reducing carbon footprint where possible, and eliminating wastage to minimise the negative impact to the ecosystem and biodiversity. Similarly, our vendors are expected to adopt sustainable business practices as guided by our Group Code of Conduct for Vendors.

We encourage our employees to use resources responsibly, such as electricity, water and paper usage. Our #GreenAtHome initiative, previously known as #GreenAtWork, is a month-long interactive campaign designed to educate our employees on the need to adopt an environmentally-friendly mindset.

Energy Management

Besides our Air Handling Unit ("**AHU**") and Air Conditioning ("**AC**") systems enhancements in 2021, we introduced additional upgrades in 2022 to further increase energy efficiency as we strive to achieve up to 30% electricity reduction. In an effort to achieve energy reduction of up to 8%, we have also replaced all the conventional lighting at Kenanga Tower with LED lighting during the year.

Key Environmental Performance Highlights

Scope 1 Direct GHG Emissions (tCO_2e)

Note:
Our Scope 1 emissions are calculated based on fuel consumption from our company-owned vehicles. Scope 1 emission factors were sourced from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

* *2022 data reflects the resumption of work in office and increased in business activities*

Scope 1 - Fuel Consumption

Total Petrol Consumption*(litres)

* *2022 data reflects the resumption of work in office and increased in business activities.*

Scope 2 Indirect GHG Emissions (tCO_2e) – Kenanga Tower only

Note:
Scope 2 emissions figures are derived from purchased electricity consumption throughout Kenanga Tower and our branch offices, converted using emissions factors for the Peninsular Malaysian grid. Scope 2 emission factors were sourced from the Malaysian Green Technology Corporation's 2017 CDM Electricity Baseline Final Report.

* *2022 data reflects the resumption of work in office and increased in business activities*

New Data Point:

Scope 2 Indirect GHG Emissions (tCO_2e) – Branches only

2,034.8 (FY2022)

Scope 2 - Electricity Consumption

Total purchased electricity consumption - Kenanga Tower (kWh)

New Data Point:

Total purchased electricity consumption - Branches (kWh)

3,478,331 (FY2022)

Note:
For year-on-year data of Scope 1 and Scope 2, please refer to page 91 of our Sustainability Report 2022.

Scope 3 – Business Travel

Scope 3 Other Indirect GHG Emissions- (tCO_2e)

New Data Point:

Scope 3 Other Indirect GHG Emissions (tCO_2e) – Business Travel

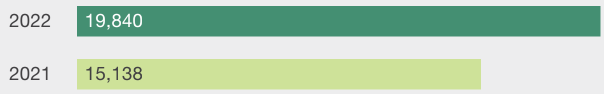
210.9 (FY2022)

Consumption and Waste Management

In support of a circular economy and the practice of responsible disposal of the Group's documents as well as e-wastes which contains confidential data, we engaged with a local recycling centre and a local licensed IT asset destruction agency to manage these wastes. The disposal is guided by our Retention, Archiving and Destruction Policy; and PDPA Data Access and Retention Procedures. Upon destruction, we were given a Certificate of Desctruction. Overall, we have managed a total of 19,974 kg of office wastes responsibly.

Paper Consumption

Estimated Total Paper Purchased* (kg)



* *2022 data reflects the resumption of work in office and increased in business activities.*

Waste Management

New Data Points:

Waste Collected and Recycled by Type (kg)			
Paper	Plastic	Aluminium Tins	Others
8,945	**77**	**31**	**6**

IT Asset and Paper Collected and Disposed by Type (kg)	
Paper	e-Waste
8,980	**1,935**

* *2022 data reflects the resumption of work in office and increased in business activities.*

Water Management

We are mindful of our water consumption and continue to track water usage on an annual basis to further enhance our water efficiency. Similar to our electricity consumption monitoring, we have expanded our water consumption monitoring to include data from our branch offices.

Water consumption - Kenanga Tower (m³)

* *2022 data reflects the resumption of work in office and increased in business activities.*

New Data Point:

Water consumption – Branch Offices (m³)

20,848 (FY2022)

Future Outlook

At Kenanga, we recognise that managing our carbon footprint is not just a responsibility but an opportunity to contribute to a more sustainable future. We are committed to becoming a carbon-neutral financial institution by 2025, and achieving net-zero carbon emissions by 2050. We believe that by taking progressive steps to manage our carbon footprint, not only do we reduce our environmental impact but also unlock new opportunities for growth and innovation.

For more information on how we continue to reduce our environmental footprint, please refer to pages **60 to 66** of our Sustainability Report 2022, and for more information on our full environmental data, please refer to page **91** of our Sustainability Report 2022.

EMPOWERING PEOPLE AND COMMUNITIES

We believe that our people are at their best when they feel a sense of belonging and are adequately supported by the organisation. We are committed to empowering our people to build their knowledge and expertise in an inclusive and healthy environment while extending our support in contributing to the growth and resilience of our communities.

MATERIAL TOPICS:

- Diversity and Inclusion
- Employee Health, Safety and Wellbeing
- Talent Attraction, Development and Management
- Community Investment

OUR GOALS:

- **Goal 1** Maintain and promote workforce diversity, and maintain anti-discrimination culture.
- **Goal 2** Integrate mental health as a topic of overall wellbeing of employees.
- **Goal 3** Increase social impact towards marginalised and deserving communities through consistent programmes and initiatives.
- **Goal 4** Expand investing literacy reach through online and offline channels.

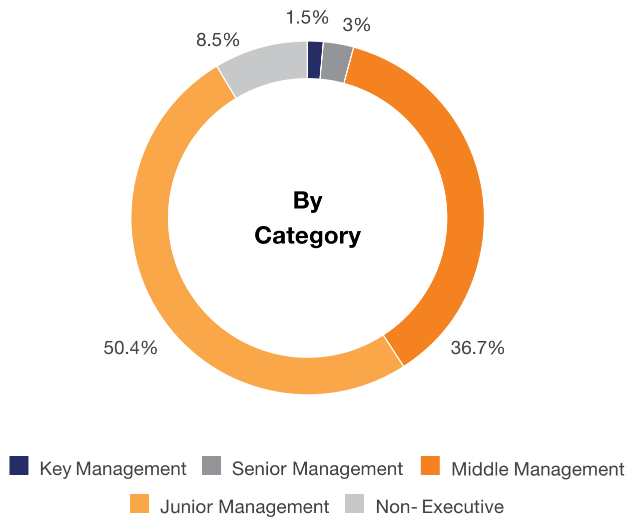
UN SDGs

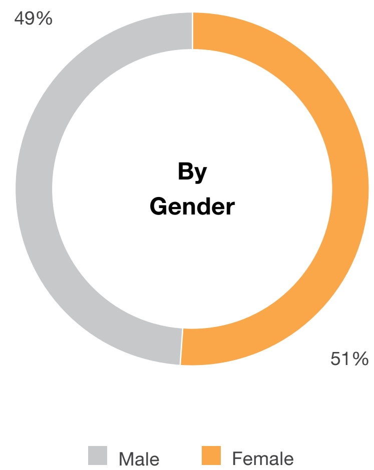
DIVERSITY AND INCLUSION

[GRI 405, 406]

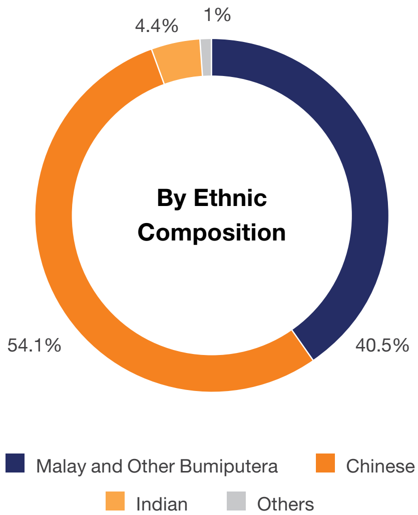
Our Workforce Profile
[GRI 401, 404, 405]

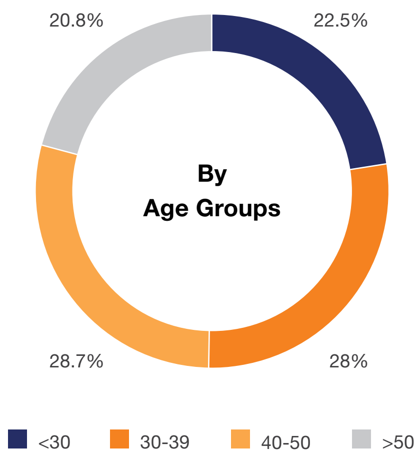
Total Number of Employees in 2022
1,355





OUR SUSTAINABILITY STATEMENT





OUR APPROACH

Our Policy on Ethical Human Resource Practices

At Kenanga, we ensure our human resource operations are in compliance with the applicable employment and labour laws and regulations of Malaysia, including setting minimum wages and adhering to local laws on working hours. Our commitment to these standards is reflected in our Group's Code of Ethics and Conduct for Employees.

In accordance with the principles outlined in the UNGC, we recognise our obligation to respect human and labour rights. We are committed to treating all employees with respect and providing equal opportunities for professional success, regardless of their race, religion, gender, age, nationality and physical challenges. At Kenanga, we have zero tolerance for any violation of human rights, including forced and compulsory labour, child labour, and discrimination at our workplace. Our hiring procedures abide by the local laws in establishing the minimum age for employment.

We are in the process of developing a Group Human Rights Policy that will cover our current practices in protecting human rights and strengthening our commitment to upholding these principles throughout our business operations. Some of the key policies relating to ensuring unbiased human resources practices include:

Group Code of Ethics and Conduct for Employees

1. Group Disciplinary Policy
2. Flexible Work Arrangements Policy
3. Compensation and Benefits Policy
4. Learning and Development Policy
5. Group Procedure on Recruitment and Staffing Management
6. Group Performance Management Policy

Communication on Human Rights for Employees

New employees are required to complete a ten (10)-minute self-directed learning module on employee rights through our Learning Management System ("**LMS**"), an internal learning platform. In 2022, we recorded a total of 189 enrolments on this topic.

Promoting a Gender-Balanced Workplace Culture

We remain committed to monitoring our gender diversity numbers and ensuring that our recruitment process continues to take a gender-balanced approach. We believe in providing equal economic opportunity for all of our employees, regardless of gender, especially within the similar roles in our organisation. Our approach to pay and compensation is based on employees experiences, skills and competencies required as well as industry benchmark in determining basic salary.

Female Representation at Kenanga

Our Workforce	Key and Senior Management	Middle Management	Junior Management	Non-Executives
51%	**37%**	**53%**	**53%**	**34%**

Ratio of Basic Salary	Men:Women
Key Management	1:0.84
Senior Management	1:1.02
Middle Management	1:0.82
Junior Management	1:1.03
Non-Executive	1:0.91

Employee Engagement on Diversity and Inclusion

Kenanga continuously strives to encourage two (2)-way open communication with our employees through dialogues and discussions. Our employee engagement programmes seek to promote the sharing of knowledge amongst our employees, celebrate diversity, and foster a sense of belonging. As part of our engagement activities throughout the year, we celebrated Founder's Day, as well as festive celebration and International Women's Day.

For more information on how we embrace diversity and inclusion within our workforce, please refer to page **68** of our Sustainability Report 2022.

EMPLOYEE HEALTH, SAFETY AND WELLBEING

[GRI 403]

OUR APPROACH

Kenanga is committed to exercising precaution to ensure we provide a safe and healthy work environment. Kenanga is in full compliance with the Occupational Health and Safety Act ("**OSH Act**") 1994, as we make our best efforts to protect our workforce.

Our Safety Rules and Procedure

We have our Safety Rules and Regulations in place in the event of any emergencies to minimise injury to personnel and damage to property. We conducted numerous OHS-related trainings and programmes for our staff in 2022, including a 21-hour training course on the latest amendments to Malaysia's OSH Act 1994. In 2022, we trained 34 employees on first-aid to standby during any emergencies. We recorded zero workplace injuries reported in 2022.

Addressing COVID-19

The Ministry of Health ("**MOH**") has led the country's COVID-19 pandemic transition to endemic in multiple phases by revising the standard operating procedures ("**SOPs**") throughout 2022. In line with the MOH's revisions, we have kept our internal COVID-19 measures regularly reviewed, updated and communicated group-wide.

Promoting Emotional Wellness

In 2022, we established a partnership with Naluri, an organisation that offers integrated digital care solutions that combine support for both physical and mental health. Naluri offers a variety of services that take a multidisciplinary approach to address all interconnected aspects of wellbeing, such as physical wellness, workplace performance, financial wellness and mental wellness. We have engaged 688 employees through the awareness sessions in 2022.

For more information on how we manage employee health, safety and wellbeing, please refer to page **73** of our Sustainability Report 2022.

TALENT ATTRACTION, DEVELOPMENT & MANAGEMENT

[GRI 401,404]

Talent Attraction

Fair Recruitment

At Kenanga, we are dedicated to upholding impartial and unbiased recruitment processes. To accomplish this, we follow our Group's Recruitment and Staffing Management Procedure as a framework. Furthermore, we employ a Malaysian-first approach in our hiring strategy to provide prospects for local talent to join our team.

New Employee Hires	2021	2022
Total Number of New Hires	282	**209**
New Hires Rate (%)	20.2	**15.4**

Employee Turnover	2021	2022
Total Number of Turnover	168	**249**
Turnover Rate (%)	12.5	**18.1**

Employee Benefits

Our employee benefits are in compliance with local labour standards, as well as based on industry practice. Our spectrum of benefits range from insurance coverage, leave allocation, and fitness memberships, to Employees' Share Option Scheme. In line with recent updates on our local Employment Act in 2022, we have further updated our paternity and maternity leaves, as well as hospitalisation and sick leaves.

Supporting Employees in Need

During the year, we distributed zakat contributions received from Zakat Perniagaan and Zakat Wakalah amounting to over RM290,000 to nearly 400 employees for the purpose of assisting low-income employees, supporting education expenses for those with children and flood relief.

Talent Development

Nurturing a Skilled Workforce

Our Learning and Development Policy further supports our values for continuous learning and development for employees at all levels of the organisation. We continue to introduce opportunities to learn through training programmes in areas such as digital competency, leadership skills, and sustainability-related issues. In 2022, we invested approximately RM2.7 million with over 22,000 enrolment on talent and development programmes by employees and logged in more than 39,000 training hours.

Average Training Hours per Employee by Gender in 2022

OUR SUSTAINABILITY STATEMENT

Role-based Development

We continue to support our employees' career development by collaborating with external training and certification providers such as the Asian Institute of Chartered Bankers, Iverson, and the Asian Banking School, which is the largest specialised provider of training programmes for the banking sector in the ASEAN region.

We also continue to provide our employees with the ESG and sustainability-related skills and expertise they need to be able to advance our sustainability agenda. A total of 2,449 employees took part with 3,615.5 training hours logged in 2022, covering the topics of climate-related risks, ESG, and sustainability. In collaboration with UNGC, we implemented two (2) sustainability courses via Kenanga's Learning Management System, including 'How to Understand and Take Action on the Global Goals', and, 'Translating Human Rights into Business Practice' which received a 95% completion rate from Kenanga employees on average.

In 2022, we supported nearly 160 employees in obtaining professional certifications from various certification programmes including certification in 'ESG & Impact Investing', 'Sustainability Reporting Practitioner', 'Integrity Officer', 'Fraud Examiner', and specialised qualifications for Banking Experts amongst others.

Additionally, our remisiers attended 39 sessions of in-house CPE courses which covered topics such as 'The Future of Money-Blockchain', 'Cryptocurrencies & IEOs', 'Digital Leadership for Sustainable Business in Industry 4.0', '12th Malaysia Plan - Challenges and Opportunities', 'Fundamentals of ESG Investing', 'The Evolution of The Internet: The Metaverse & Decentralised Finance', in order to keep them abreast with new development and rapidly changing consumer market needs.

Leadership Development

The Kenanga Talent and Succession Management Framework outlines our strategy of maintaining a strong talent pipeline to fill key positions within the Group. Additionally, we have implemented a new approach to measure talent potential based on ability, commitment, and engagement. To assess these components, we have developed new guidelines that provide a more standardised and objective approach to employees evaluations.

E-learning at Kenanga

The LMS offers orientation programmes for new hires, along with annual regulatory seminars, AMLA and ethics training, as well as programmes in leadership and personal development. In 2022, we conducted 17 online courses, which were attended by 14,845 enrollments and logged 16,158 hours of e-learning.

Talent Management

Performance Management at Kenanga

We have ongoing Performance Management Cycles starting from the first (1st) quarter of the year, which is followed by progressive reviews and performance appraisals for employees at all levels in the fourth (4th) quarter of the year. Employees are guided by the Performance Management Matrix and Development Guidelines as approved by the Board. The results of these performance appraisals are the basis for reward distribution, talent management, as well as learning and development. In the event of underperformance, a performance improvement plan will be implemented.

Future Outlook

We commenced development of Individual Development Plan ("**IDP**") in 2022 with the aim for all employees to have their IDP completed by 2023. The IDP is to support personalised learning path for our employees through blended learning activities which includes relationship-based and experiential learning.

For more information on how we continue to empower our workforce and our future plans, please refer to page **75** of our Sustainability Report 2022.

COMMUNITY INVESTMENT

[GRI 413]

OUR APPROACH TO COMMUNITY INVESTMENT

Kenanga has a long history of philanthropic contributions, outreach initiatives, and fundraising campaigns. We continue to strengthen outreach initiatives through employee volunteerism, and support social enterprises through targeted community investment that is consistent with our intent to empower and uplift local communities. In 2022, we contributed over RM180,000 in community investments with direct positive impact over 4,000 lives.

In 2022, Kenanga updated its Group Sponsorship Policy to Group Donation Policy to create a standardised approach to evaluating and channelling donation requests and community investments.

As we introduced a volunteering mechanism in 2022, we logged a total of 2,382 hours of volunteering service through outreach programme to local communities.

The HumanKIND Project: Meals That Give Campaign

Kenanga rolled out the 'Meals That Give' campaign in 2022 to continue rallying public support for its long-standing social enterprise partner Café Includes, a café operated by a team of persons with disabilities, via online fundraising platform, Sedunia. From the kitchen of Café Includes, the meals prepared were distributed by our volunteers to the beneficiaries in need, including the Persatuan Kebajikan An-Najjah Malaysia, Rumah Ozanam PJ, and Pertiwi Soup Kitchen. Furthermore, in order to encourage more pledges, Kenanga sponsored an additional meal with every meal pledged, matching them 1-for-1.

As a result, 'Meals That Give' raised over RM50,000 at the end of the year. To date, we have distributed the equivalent of 2,700 meals through the campaign, with Kenanga matching a meal-for-meal.

For more information on how further engage our communities and social enterprises as well as our volunteering activities, please refer to page **84** of our Sustainability Report 2022.

Advancing Financial Literacy

Our team of experts at Kenanga continued to share their knowledge and insights through various industry financial literacy initiatives. In 2022, we conducted 98 sessions which included webinars, virtual roadshows and exhibitions with over 20,000 participations.

For more information on how further we participate in industry-related event and our financial literacy initiatives, please refer to page **87** of our Sustainability Report 2022.

FOUNDER EMERITUS & ADVISER'S PROFILE

YM TAN SRI DATO' PADUKA TENGKU NOOR ZAKIAH TENGKU ISMAIL

Founder Emeritus & Adviser

Date of Appointment:

- 1 February 2017
  (Founder & Adviser of Kenanga Group)
- 27 January 2021
  (Founder Emeritus & Adviser of Kenanga Group)

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"THERE MUST BE PASSION FOR THE JOB AND A SENSE OF TRIUMPH WITH EVERY PUSH FORWARD."

BIOGRAPHY

YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail ("**YM Tan Sri Dato' Paduka Tengku Noor Zakiah**") co-founded Kenanga Investment Bank Berhad ("**KIBB**" or "**the Company**") in 1973 under the name K & N Kenanga Sdn Bhd and served as the Executive Chairman of the Company until January 2007.

In January 2010, she was re-designated as the Non-Executive Chairman of KIBB. Prior to this, she was a partner in a stockbroking firm, Hallam & Co., from 1964 to 1971.

She was the first (1st) lady member of the Kuala Lumpur Stock Exchange, now known as Bursa Malaysia Securities Berhad in 1964 and has over fifty (50) years of experience in the securities industry. She was one of the founders of the Association of Stockbroking Companies Malaysia ("**Association**") and was appointed as the President of the Association, a post she held until 1994 when she became its Chairman. She was made a Life Adviser to the Association when she retired as its Chairman in 1997.

YM Tan Sri Dato' Paduka Tengku Noor Zakiah was conferred the 'Lady Extraordinaire Award 2014' by the Ministry of Women, Family and Community Development Malaysia in recognition of her remarkable and exceptional contributions and achievements in the field of stockbroking. She also received the 'Ikon Peniagawati 2015' award from the Association of Bumiputera Women in Business and Profession, Malaysia (PENIAGAWATI) in recognition of her entrepreneurship, and for being the first (1st) Bumiputera lady in the field of stockbroking in Malaysia, where she has served for more than five (5) decades, since 1964. For being a pioneer in the industry, she was awarded an entry to the Malaysia Book of Records as 'The First Female Entrepreneur To Start Up A Stockbroking Company'. She was awarded 'Top 10 Asia—Outstanding Personality Award 2019' by Research House Asia for her contributions to the local financial and corporate world. The award was presented by YB Tuan Muhammad Bakhtiar bin Wan Chik, Deputy Minister of Tourism, Arts and Culture Malaysia.

Due to the mandatory regulatory requirement for the Board of Directors to comprise a majority of Independent Directors, YM Tan Sri Dato' Paduka Tengku Noor Zakiah relinquished her position as the Chairman and Non-Independent Non-Executive Director of KIBB on 28 January 2017. Following thereto, YM Tan Sri Dato' Paduka Tengku Noor Zakiah was appointed as Adviser, and in 2021 she was re-designated as Adviser and Founder Emeritus of Kenanga Group.

PROFILES OF DIRECTORS

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Chairman of the Board of Directors/
Independent Non-Executive Director

71

Date of Appointment: 1 July 2020

Length of Tenure as Director (As at 31 March 2023):
Two (2) Year Nine (9) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): Nil

Membership of Board Committee(s)
Nil

Academic & Professional Qualification(s)
- Bachelor of Arts in Accounting, Macquarie University, Sydney, Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Certified Practising Accountant (CPA) Australia
- Court of Emeritus Fellows, Malaysian Institute of Management

Award
- Chairman of the Year Award 2012 – 2013 by "The BrandLaureate", the Grammy Awards for The World's Best Brands by The World Brands Foundation

Present Appointment(s)
- Chairman of Nestle (Malaysia) Berhad
- Chairman of S P Setia Berhad
- Chairman of Lembaga Zakat Selangor
- Chancellor of SEGi University
- Trustee of Yayasan Perpustakaan Raja Tun Uda

Past Relevant Experiences
- Chairman, Malaysia Airports Holdings Berhad
- Chairman, Cahya Mata Sarawak Berhad
- Chairman, Malakoff Corporation Berhad
- Chairman, Media Prima Berhad
- Chairman, Malaysian Resources Corporation Berhad
- Chairman, DRB-Hicom Berhad
- Chairman, EON Bank Berhad
- Chairman, Uni Asia Life Assurance Berhad
- Chairman, Uni Asia General Insurance Berhad
- Chairman, Lembaga Tabung Haji Investment
- Chairman, Realmild (M) Sdn Bhd
- Chairman, Radicare (M) Sdn Bhd
- Chairman, Pulau Indah Ventures Sdn Bhd
- Independent Director, Maxis Communication Berhad
- Independent Director, Bangkok Bank Berhad
- Group Managing Director, Amanah Capital Partners Berhad
- Corporate Finance Manager, Amanah Merchant Bank Berhad
- Investment Manager, D&C Nomura Merchant Bank Berhad
- Senior Auditor, Price Waterhouse Australia (Sydney)
- Financial Accountant, Malaysian Airlines Systems Berhad

Declaration
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail has no family relationship with any Director and/ or major shareholder of KIBB. He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

Number of Board Meetings Attended in 2022:

11/11

ISMAIL HARITH MERICAN

Non-Independent Non-Executive Director

72

Date of Appointment: 26 August 2010

Length of Tenure as Director (As at 31 March 2023):
Twelve (12) Years and Seven (7) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): Nil

Membership of Board Committee(s)

GNC
Member

Academic & Professional Qualification(s)

- Bachelor of Arts in History, University of Malaya, Malaysia

Present Appointment(s)

- Managing Director of Zubaimas Realty Sdn Bhd
- Chairman of Matrix Capital Sdn Bhd

Number of Board Meetings Attended in 2022:

11/11

Past Relevant Experiences

- Non-Independent Non-Executive Director of K & N Kenanga Holdings Berhad
- Managing Director in Straits Securities Sdn Bhd
- Employed by KIBB with the last position held as a Dealer's Representative (Institutions and International)
- Involved in the investment industry when he trained and worked with Strauss Turnbull & Co., a firm of stockbrokers in London
- Assistant Accountant in The Economist Newspaper Ltd
- Articleship at Peat, Marwick, Mitchell & Co. in London, United Kingdom

Declaration

Ismail Harith Merican is the son of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail, a major shareholder of KIBB. He has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

PROFILES OF DIRECTORS

LUK WAI HONG, WILLIAM

Non-Independent Non-Executive Director

59

Date of Appointment:
- 1 November 2013 (Independent Non-Executive Director)
- 1 November 2022 (Re-designated as a Non-Independent Non-Executive Director)

Length of Tenure as Director (As at 31 March 2023):
Nine (9) Years and Five (5) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): Nil

Membership of Board Committee(s)

GBRC	GBDITC
Member	Member

Academic & Professional Qualification(s)
- Bachelor of Arts (Honours), Concordia University, Montreal, Canada
- Masters of Urban Planning, University of Michigan, United States of America ("**USA**")
- Executive Fellowship awarded by the State of Washington, USA

Present Appointment(s)
- Non-Independent Non-Executive Director of Kenanga Investors Berhad ("**KIB**"), a wholly-owned subsidiary of KIBB
- Chairman and Non-Independent Non-Executive Director of I-VCAP Management Sdn Bhd, a wholly-owned subsidiary of KIB
- Chairman of Investment Committee of KIB
- Member of the Audit and Risk Committee of KIB
- Director of Investment of Cotton Tree Capital Ltd

Number of Board Meetings Attended in 2022:

11/11

Past Relevant Experiences
- Chairman of the Group Board Risk Committee as well as Member of the Audit Committee, Group Governance, Nomination & Compensation Committee and Employees' Share Scheme Committee, KIBB
- Independent Non-Executive Director, K & N Kenanga Holdings Berhad
- Principal and Portfolio Manager of Pacific Advantage Capital, Hong Kong and Singapore
- Managing Director and Co-Head of Saba Proprietary Trading Group Asia in Deutsche Bank AG, Hong Kong
- Managing Director and Co-Head of Global Credit Trading and Principal Finance Asia in Deutsche Bank AG, Singapore
- Director and Head of Structured Credit Trading and Principal Finance Asia in Deutsche Bank AG, Singapore
- Senior Associate Director and Senior Credit and Derivatives Trader in Deutsche Bank AG, Singapore
- Senior Fixed Income Trader in HSBC Markets, Hong Kong
- Fixed Income and Credit Trader in Lehman Brothers Asia, Hong Kong and Japan
- Executive Fellow and Transportation Finance Specialist in the Office of Financial Management in the State of Washington, USA

Declaration

Luk Wai Hong, William has no family relationship with any Director and/ or major shareholder of KIBB. He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

PROFILES OF DIRECTORS

JEREMY NASRULHAQ

Senior Independent Non-Executive Director

69

Date of Appointment: 1 June 2017

Length of Tenure as Director (As at 31 March 2023):
Five (5) Years and Ten (10) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): 187,900 Shares

Membership of Board Committee(s)

AC	GNC	ESSC	GBDITC
Chairman	Member	Member	Member

Academic & Professional Qualification(s)

- Bachelor of Science (Agribusiness) Degree (with Distinction), Universiti Putra Malaysia
- Chartered Accountant, Malaysian Institute of Accountants ("**MIA**")
- Chartered Audit Committee Director, Institute of Internal Auditors Malaysia
- Fellow Member, Chartered Institute of Management Accountants ("**CIMA**"), United Kingdom
- Fellow Member, Institute of Corporate Directors Malaysia

Present Appointment(s)

- Director of Sweetyet Development Sdn Bhd
- Member of ELITE (Experiential Learning with Industries and Technocrats) of Universiti Malaya

Number of Board Meetings Attended in 2022:

11/11

Past Relevant Experiences

- Chairman of Urusan Teknologi Wawasan Sdn Bhd
- Chairman of Malaysia Airports (Niaga) Sdn Bhd
- Independent Non-Executive Director/ Senior Independent Non-Executive Director, Chairman of the Board Nomination & Remuneration Committee, Chairman of the Whistleblowing Independent Committee, Member of the Board Audit Committee and the Board Finance & Investment Committee of Malaysia Airports Holdings Berhad
- Member of the Digital Technology Implementation Committee, Capital Market Advisory Committee, as well as its Oversight Committee in MIA
- Chairman of the MIA-Malaysian Qualifications Agency Joint Technical Committee and Disciplinary Committee in MIA
- Deputy President of CIMA, Malaysia Division for several years and had served on the council of the MIA for four (4) years from 1 July 2018 until 30 June 2022
- Committee Member of a few national organisations such as the Malaysian International Chamber of Commerce and Industry and the Federation of Malaysian Manufacturers
- Supply Chain Director for Unilever (M) Holdings Sdn Bhd, Malaysia and Unilever Singapore Pte Ltd, Singapore
- Commercial Director for Unilever (M) Holdings Sdn Bhd, Malaysia
- Regional Finance Manager for Unilever Asia Retail Foods
- Several senior financial and supply chain positions in Unilever (M) Holdings Sdn Bhd, P.T. Unilever Indonesia and Unilever Asia (S) Pte Ltd

Declaration
Jeremy Nasrulhaq has no family relationship with any Director and/ or major shareholder of KIBB. He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

PROFILES OF DIRECTORS

NORAZIAN AHMAD TAJUDDIN

Independent Non-Executive Director

62

Date of Appointment: 15 December 2017

Length of Tenure as Director (As at 31 March 2023):
Five (5) Years and Three (3) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): 10,000 Shares

Membership of Board Committee(s)

GBRC	AC	GNC	ESSC
Chairman	Member	Member	Member

Academic & Professional Qualification(s)

- Bachelor of Science (Honours) in Mathematics, University of Leeds, United Kingdom
- Master of Business Administration (Finance), Edith Cowan University, Australia

Present Appointment(s)

- Chairman and Independent Non-Executive Director of Kenanga Investors Berhad ("**KIB**"), a wholly-owned subsidiary of KIBB
- Independent Non-Executive Director of Kenanga Islamic Investors Berhad, a wholly-owned subsidiary of KIB
- Independent Non-Executive Director of I-VCAP Management Sdn Bhd, a wholly-owned subsidiary of KIB
- Member of the Investment Committee and Audit and Risk Committee of KIB

Number of Board Meetings Attended in 2022:

11/11

Past Relevant Experiences

- Chairman of the Group Governance, Nomination & Compensation Committee and the Employees' Share Scheme Committee as well as Member of the Group Board Digital Innovation & Technology Committee, KIBB
- Chairman and Independent Non-Executive Director of Pacific & Orient Insurance Co. Berhad ("**POI**"), a subsidiary of Pacific & Orient Berhad
- Member of the Nomination Committee, Remuneration Committee, as well as the Audit Committee and Risk Management Committee of POI
- Chairman of the Investment Committee of KIB
- Non-Independent Non-Executive Director and Member of the Risk Management Committee and Nomination & Remuneration Committee of Prudential BSN Takaful Bhd
- Deputy Chief Executive Officer of Bank Simpanan Nasional Berhad
- Manager, Treasury of DaimlerChrysler (M) Sdn Bhd
- Assistant General Manager, Treasury of KAF Discount Berhad
- Deputy Chief Operating Officer, Group Treasury & International Banking of EON Bank Berhad Group
- Senior Dealer, Treasury of Bank Bumiputra (M) Berhad

Declaration

Norazian Ahmad Tajuddin has no family relationship with any Director and/ or major shareholder of KIBB. She also has no conflict of interest with KIBB.

She has never been charged for any offence within the past five (5) years nor has she had any public sanction and/ or penalty imposed on her by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

PROFILES OF DIRECTORS

KANAGARAJ LORENZ

Independent Non-Executive Director

65

Date of Appointment: 26 December 2017

Length of Tenure as Director (As at 31 March 2023):
Five (5) Years and Three (3) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): 388,000 Shares

Membership of Board Committee(s)

GBDITC	AC	GBRC
Chairman	Member	Member

Academic & Professional Qualification(s)
- Fellow Member, Institute of Chartered Accountants in England and Wales, United Kingdom
- Member, Malaysian Institute of Certified Public Accountants

Present Appointment(s)
- Nil

Number of Board Meetings Attended in 2022:

11/11

Past Relevant Experiences
- Executive Director and Group Chief Executive Officer of GHL Systems Berhad
- Managing Director of eNETS Pte Ltd
- General Manager International Business Development of Network for Electronic Transfers (Singapore) Pte Ltd
- Chief Executive Officer of The Payment Solutions Company Pte Ltd
- Vice President, Marketing Head and Vice President, Financial Controller & Chief of Staff in Citibank Berhad
- Risk Manager of Citibank N.A., Australia and Malaysia

Declaration
Kanagaraj Lorenz has no family relationship with any Director and/ or major shareholder of KIBB. He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

PROFILES OF DIRECTORS

CHOY KHAI CHOON

Non-Independent Non-Executive Director

65

Date of Appointment: 13 December 2021

Length of Tenure as Director (As at 31 March 2023):
One (1) Year and Three (3) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): Nil

Membership of Board Committee(s)

GNC	GBRC	GBDITC
Member	Member	Member

Academic & Professional Qualification(s)
- Master in Business Administration, Oklahoma University, USA
- Bachelor Degree in Commerce, University of New South Wales, Australia
- Attended the General Management programme in INSEAD, France
- Fellow Member, Certified Practising Accountants, Australia
- Chartered Accountant, Malaysian Institute of Accountants

Present Appointment(s)
- Non-Independent Non-Executive Chairman of Zurich Life Insurance Malaysia Berhad and Zurich General Insurance Malaysia Berhad where he serves as a Member of the Audit Committee, Board Investment Committee, Risk Management and Sustainability Committee, and Nomination and Remuneration Committee of both companies
- Independent Non-Executive Director ("**INED**") of Hap Seng Plantations Holdings Berhad ("**HSP**") and a Member of the Audit Committee of HSP
- INED of MSM Malaysia Holdings Berhad ("**MSM**") and the Chairman of MSM's Audit, Governance and Risk Committee and a Member of its Investment and Tender Committee
- Non-Executive Director of Asian Banking School Sdn Bhd
- Non-Executive Director of Bond and Sukuk Information Platform Sdn Bhd
- Authority Member of the Labuan Financial Services Authority ("**LFSA**") and Chairman of the Audit Risk Management Committee of LFSA

Number of Board Meetings Attended in 2022:

11/11

Past Relevant Experiences
- Senior INED of Malaysia Marine and Heavy Engineering Holdings Berhad where he assumed the position as Chairman of the Board Audit Committee and a Member of the Nomination & Remuneration Committee
- Public Interest Director of Federation of Investment Managers Malaysia ("**FIMM**") where he also served as FIMM's Chairman of the Nomination and Remuneration Committee and Chairman of the Private Retirement Scheme Sub-Committee
- President/ Chief Executive Officer, Cagamas Berhad
- Senior General Manager, Group Head, RHB Banking Group
- Chief Executive Officer, Morley Fund Management Ltd, Singapore
- Regional Finance & Planning Director, Asia, Aviva Insurance Asia Ltd
- Assistant General Manager ("**GM**") and GM, Commercial Union Assurance Berhad
- Senior Manager, Strategic Planning, Credit Corporation Malaysia Berhad ("**CCMB**"), Manager in various division of CCMB such as Corporate Planning Services, Commercial Division, Credit Division

Declaration
Choy Khai Choon is a Board representative of Cahya Mata Sarawak Berhad, a major shareholder of KIBB. He has no family relationship with any Director and/ or major shareholder of KIBB. He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

PROFILES OF DIRECTORS

CHIN SIEW SIEW

Independent Non-Executive Director

58

Date of Appointment: 1 June 2022

Length of Tenure as Director (As at 31 March 2023):
Ten (10) Months

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): Nil

Membership of Board Committee(s)

GNC	ESSC	GBRC	GBDITC
Chairman	Chairman	Member	Member

Academic & Professional Qualification(s)

- Bachelor of Science in Computer Science from University of Arkansas, United States of America

Present Appointment(s)

- Independent Non-Executive Director of AIG Malaysia Insurance Berhad
- Independent Non-Executive Director of Southern Steel Berhad ("**SSB**") and a member of SSB's Nomination Committee and Remuneration Committee

Number of Board Meetings Attended in 2022:

6/6

Past Relevant Experiences

- Chief Digital Officer, General Manager for Commercial Direct Report to the Country Managing Director and ASEAN Chief Digital Officer, IBM Malaysia
- Regional Sales Leader for IBM Technologies Services Direct Report to the ASEAN General Manager for Technology Services Group, IBM – ASEAN Region
- Business Operation Leader for IBM Technology Services Direct Report to the ASEAN Vice President for Technology Services Group. A talent development role, IBM – ASEAN Region
- General Manager for Global Technology Services, IBM Malaysia

Declaration

Chin Siew Siew has no family relationship with any Director and/ or major shareholder of KIBB. She also has no conflict of interest with KIBB.

She has never been charged for any offence within the past five (5) years nor has she had any public sanction and/ or penalty imposed on her by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

GROUP MANAGING DIRECTOR'S PROFILE

DATUK CHAY WAI LEONG

Group Managing Director

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Date of Appointment: 17 May 2011

Shareholding in Kenanga Investment Bank Berhad ("KIBB"): 5,820,000 Shares and 7,000,000 Options Held under the Employees' Share Option Scheme

Academic & Professional Qualification(s)

- Bachelor of Business Administration (Major in Finance) (1987), National University of Singapore

Directorship(s) in Public Company(ies)

- K & N Kenanga Holdings Berhad
- Securities Industry Development Corporation

Present Appointment(s)

- Bursa Malaysia Berhad
  - Member of Sustainability and Development Committee

Past Relevant Experiences

- Bursa Malaysia Berhad
  - Independent Non-Executive Director (March 2013 - March 2019)
- Bursa Malaysia Derivatives Berhad
  - Non-Executive Director (September 2015 - March 2019)
- Bursa Malaysia Derivatives Clearing Berhad
  - Non-Executive Director (September 2015 - March 2019)
- RHB Investment Bank Berhad
  - Managing Director, RHB Investment Banking (2006 - 2011)
- RHB Banking Group
  - Director of Corporate and Investment Banking (2006 - 2011)
- Standard Bank Group
  - Country Head, Malaysia and Head of Regional Origination for Southeast Asia (2002 - 2006)
- JPMorgan Chase Bank
  - Director, Head of Investment Banking Malaysia (2000 - 2002)
- Jardine Fleming, Hong Kong
  - Director, Investment Banking (1990 - 2000)
- Bankers Trust, Singapore
  - Senior Investment Analyst (1987 - 1990)

Declaration

Datuk Chay Wai Leong has no family relationship with any Director and/ or major shareholder of KIBB. He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2022.

SENIOR MANAGEMENT'S PROFILES

DATUK ROSLAN HJ TIK
Executive Director,
Head of Group Investment Banking and Islamic Banking

54

DATE OF APPOINTMENT: 16 May 2011

QUALIFICATION(S)
- Bachelor of Science in Combined Studies (Accounting with Law) (1992), De Montfort University, Leicester, United Kingdom
- Advanced Certificate in Management, Massachusetts Institute of Technology, Boston, United States of America ("**USA**")

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- K & N Kenanga Holdings Berhad

RELEVANT EXPERIENCES
- RHB Investment Bank Berhad
  - Division Head/ Senior Vice President, Corporate and IB Services (2004 - 2011)
- KAF Discounts Berhad
  - General Manager, Debt Capital Markets (2001 - 2004)
- Malaysian Rating Corporation Berhad
  - Vice President, Corporate Debt (1996 - 2001)
- Rating Agency Malaysia Berhad
  - Analyst, Rating Department (1994 - 1996)
- Maybank Finance Berhad
  - Officer, Corporate Marketing/ Share Margin Trading Unit (1993)

PRESENT APPOINTMENT(S)
- Representing KIBB as the Council Member of Malaysian Investment Banking Association ("**MIBA**") (Alternate Representative)
- Appointed by MIBA as the representative to the Chartered Institute of Islamic Finance Professionals' Charter Governing Panel

LEE KOK KHEE
Executive Director,
Head of Group Equity Broking Business

55

DATE OF APPOINTMENT: 19 May 2011

QUALIFICATION(S)
- Certified Public Accountant (1993), The Malaysian Institute of Certified Public Accountants

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- ECML Berhad

RELEVANT EXPERIENCES
- Tokyo Mitsubishi International (Singapore) Ltd
  - Vice President, Merger and Acquisition (1999 - 2000)
- Arab-Malaysian Merchant Bank Berhad
  - Senior Manager, Corporate Finance (1992 - 1998)
- Ernst & Young
  - Senior Auditor (1988 - 1992)

PRESENT APPOINTMENT(S)
- Nil

SENIOR MANAGEMENT'S PROFILES

MAHESWARI A/P G KANNIAH
Group Chief Regulatory and Compliance Officer

62

DATE OF APPOINTMENT: 1 June 2011

QUALIFICATION(S)
- Chartered Banker, Asian Institute of Chartered Bankers and the Chartered Banker Institute, United Kingdom
- Certified Fraud Examiner, USA
- Fellow of the Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**")
- Fellow Chartered Secretary and Chartered Governance Professional of the Chartered Governance Institute, United Kingdom
- Fellow of the Institute of Corporate Directors Malaysia ("**ICDM**")
- Certified Expert in ESG and Impact Investing
- Specialist Diploma in Company Secretarial Practice
- Certified Capital Market Professional - Compliance

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- ICDM

RELEVANT EXPERIENCES
- RHB Investment Bank Berhad
  - Senior Vice President/ Head, Compliance (2007 - 2011)
- Malayan Banking Berhad
  - Vice President/ Head of Group Compliance (2007)
- Maybank Investment Bank Berhad
  - Vice President/ Head of Compliance Supervision (2002 - 2007)
- Malayan Banking Berhad
  - Corporate Services Department (1978 - 2002)

PRESENT APPOINTMENT(S)
- Director on the Board of ICDM
- Chairman of the Members Disciplinary Committee of ICDM
- Member of the Audit and Risk Management Committee of ICDM
- Council Member of the Malaysian Association of Certified Fraud Examiners ("**MACFE**")
- Member of the Marketing and Communications Committee of the MACFE
- Member of the Risk Management Committee of University Malaya
- Member of the Curriculum Review Committee of the Securities Industry Development Corporation
- Member of the Membership Committee of MAICSA

DATUK WIRA ISMITZ MATTHEW DE ALWIS
Chief Executive Officer/ Executive Director,
Kenanga Investors Berhad

48

DATE OF APPOINTMENT: 10 February 2015

QUALIFICATION(S)
- Master in Business Administration with Distinction (1999), Southern Cross University, Australia
- Bachelor of Business Administration (Economics and Finance) (1996), Royal Melbourne Institute of Technology, Australia
- Graduate Diploma in Marketing (1995), Chartered Institute of Marketing, United Kingdom
- Certified Financial Planner, USA (2002)
- Islamic Financial Planner (2018), Islamic Business & Finance Institute Malaysia
- Advanced Business Management Programme (2013), International Institute of Management Development (IMD) Lausanne, Switzerland
- ABS Executive Education (2017), University of Cambridge, United Kingdom

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Kenanga Investors Berhad
- Kenanga Islamic Investors Berhad
- Kenanga Funds Berhad
- Federation of Investment Managers Malaysia (FIMM)

RELEVANT EXPERIENCES
- Kenanga Investors Berhad
  - Deputy Chief Executive Officer (2013 - 2015)
- ING Investment Management Malaysia/ ING Funds Berhad
  - Executive Director/ Country Head (2005 - 2013)
- ING Insurance Berhad
  - Senior Manager, Marketing and Business Development (2003 - 2005)
- MBF Unit Trust Management Berhad/ MBF Asset Management
  - Head, Sales and Marketing (1998 - 2003)
- ARA (Asia Research & Consultancy) Consultancy Ltd
  - Asia Pacific Relationship Manager/ Account Director (1991 - 1998)

PRESENT APPOINTMENT(S)
- Chairperson of the Malaysian Association of Asset Managers (MAAM)
- Member of the FTSE Bursa Malaysia Index Advisory Committee
- Council Member of the Institutional Investors Council Malaysia
- Member of the Joint (BNM & SC) on Climate Change (JC3)
- Member of the Capital Market Graduate Programme Steering Committee (SC)
- Member of Securities Commission Malaysia's Assessment Review Committee (ARC) - Fund Management
- Member of the Sustainable Investment Platform Steering Committee - Malaysia Sustainable Investment Initiative
- Member of the Industry Competence Framework (ICF) Advisory Panel (SIDC)
- Investment Adviser for the Olympic Council of Malaysia's Trust Management Committee

SENIOR MANAGEMENT'S PROFILES

CHEONG BOON KAK
Group Chief Financial and Operations Officer

52

DATE OF APPOINTMENT: 1 November 2016

QUALIFICATION(S)
- Member of Malaysian Institute of Accountants
- Member of Certified Practising Accountant Australia
- Member of Malaysian Institute of Certified Public Accountant
- Chartered Banker, Asian Institute of Chartered Bankers and the Chartered Banker Institute, United Kingdom

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Kenanga Funds Berhad
- K & N Kenanga Holdings Berhad

RELEVANT EXPERIENCES
- RHB Investment Bank Berhad
  - Head of Corporate Strategy (2008 - 2011)
- Sapura Crest Petroleum Berhad
  - General Manager, Group Accounts (2007 - 2008)
- RHB Securities Sdn Bhd
  - General Manager, Finance (2003 - 2007)
- RHB Management Company Sdn Bhd
  - Assistant General Manager, Finance (1999 - 2003)

PRESENT APPOINTMENT(S)
- Nil

AZILA ABDUL AZIZ
Chief Executive Officer/ Executive Director & Head of Listed Derivatives, Kenanga Futures Sdn Bhd

54

DATE OF APPOINTMENT: 1 December 2012

QUALIFICATION(S)
- Bachelor Degree (Hons) in Finance (1996), MARA University of Technology ("**UiTM**")
- Diploma in Investment Analysis (1993), UiTM

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- Rashid Hussain Securities Sdn Bhd
  - Institutional Sales and Dealing, Regional Equities and Futures (1996 - 2000)
- SBB Securities Sdn Bhd, Ipoh
  - Trainee Dealer's Representative (KLSE) (1995 - 1996)
  - Practical Training (1992)
- Perlis Plantations Berhad
  - Accounts Trainee (Finance Department) (1989)

PRESENT APPOINTMENT(S)
- Advisory Board Member of Women in Finance Awards Asia, Global Trading & Markets Media Group New York
- Member of FTSE Russell Bursa Malaysia Index Advisory Committee
- Member of FTSE Russell Bursa Malaysia Industry Advisory Panel
- Member of Derivatives Market Consultative Panel of Bursa Malaysia
- Global Primary Member of Futures Industry Association Inc (FIA), Washington DC
- Associate Member of Palm Oil Refiners' Association of Malaysia (PORAM)
- Member Representative for Malaysia Futures Brokers' Association (MFBA)

SENIOR MANAGEMENT'S PROFILES

CYNTHIA WOON CHENG YEE
Head of Group Treasury

58

DATE OF APPOINTMENT: 25 May 2017

QUALIFICATION(S)
- Bachelor of Economics (1989), University of Western Australia

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- ECM Libra Investment Bank Berhad
  - Head of Treasury (2009 - 2012)
- Public Investment Bank Berhad
  - Manager, Treasury (1991 - 2008)
- KAF Astley & Pearce Sdn Bhd
  - Money Broker (1990 - 1991)
- Malaysian Tobacco Company Berhad
  - Management Executive (1989 - 1990)

PRESENT APPOINTMENT(S)
- Nil

NIK HASNIZA NIK IBRAHIM
Head of Group Human Resource

57

DATE OF APPOINTMENT: 1 July 2014

QUALIFICATION(S)
- Bachelor of Science in Computer Science (1987), Indiana University, Indiana, USA

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- Kuwait Finance House Malaysia Berhad
  - Head, Human Capital (2012 - 2014)
- INTI Education Group
  - Senior Vice President, Group Human Resource (2009 - 2012)
- Watson Wyatt (Malaysia) Sdn Bhd
  - Senior Advisor, Human Capital Group ("**HCG**") (2009)
- RHB Banking Group
  - Head, Group Human Resource (2008 - 2009)
- Watson Wyatt (Malaysia) Sdn Bhd
  - Senior Consultant, HCG (2006 - 2008)
- Mesiniaga-SCS Sdn Bhd
  - General Manager/ Director (1999 - 2006)
- Mesiniaga-Tactics Sdn Bhd
  - General Manager (1995 - 1998)
- Mesiniaga Sdn Bhd
  - Programmer Analyst, Systems Analyst, Development Services Manager and Business Development Manager (1987 - 1995)

PRESENT APPOINTMENT(S)
- Nil

SENIOR MANAGEMENT'S PROFILES

WOO KING HUAT
Chief Credit Officer

52

DATE OF APPOINTMENT: 1 July 2015

QUALIFICATION(S)
- Bachelor of Commerce (Economics) (1991), Flinders University, South Australia

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- RHB Investment Bank Berhad
  - Vice President, Corporate and Investment Banking Services (2011)
- AmInvestment Bank Berhad
  - Associate Director, Debt Capital Market (2007 - 2010)
- OCBC Bank (M) Berhad
  - Assistant Vice President and Head, Investment Banking (2000 - 2007)
- Oversea-Chinese Banking Corp, LTD
  - Assistant Manager (1997 - 2000)
- BSN Merchant Bank Berhad
  - Senior Officer, Corporate Banking/ Capital Markets (1996 - 1997)
- Malaysian Industrial Development Finance Berhad
  - Project Officer (1994 - 1995)
- Diethelm Malaysia Sdn Bhd
  - Marketing Executive (1992 - 1993)

PRESENT APPOINTMENT(S)
- Nil

ZULKIFLI ISHAK
Chief Executive Officer/ Executive Director, Kenanga Islamic Investors Berhad

55

DATE OF APPOINTMENT: 14 February 2019

QUALIFICATION(S)
- Bachelor of Science (Marketing Management) (1989), Syracuse University, New York, USA

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Kenanga Islamic Investors Berhad

RELEVANT EXPERIENCES
- I-VCAP Management Sdn Bhd
  - Head, Business Development (2015 - 2018)
- Eastspring Al-Wara' Investments Berhad
  - Chief Executive Officer and Chief Investment Officer (2009 - 2014)
- Eastspring Investments Berhad
  - Director, Shariah Investments (2007 - 2009)
- Amanahraya Investment Management Berhad
  - Senior Manager, Fixed Income (2006 - 2007)
- PMB Investment Berhad
  - Assistant General Manager, Investment (2005 - 2006)
- Philip Capital Group
  - Vice President, Investment (2002 - 2005)
- Danamodal Nasional Berhad
  - Head of Treasury (2000 - 2002)
- CIMB-Principal Asset Management Berhad
  - Senior Fund Manager, Fixed Income (1996 - 2000)
- CIMB Bank Berhad
  - Treasury Dealer (1991 - 1996)

PRESENT APPOINTMENT(S)
- Nil

SENIOR MANAGEMENT'S PROFILES

CHUAH SZE PHING
Group Chief Sustainability Officer and Head of Group Marketing and Communications

46

DATE OF APPOINTMENT: 1 September 2012

QUALIFICATION(S)
- Bachelor of Commerce (Marketing) (1999), University of Melbourne, Australia
- Certified Expert in ESG and Impact Investing

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- Hong Leong Financial Group
  - General Manager, Corporate Affairs and Public Relations (2010 - 2012)
- British American Tobacco PLC, London
  - Senior Manager, Corporate Brand and Publications (2007 - 2010)
- British American Tobacco Malaysia
  - Senior Manager, Corporate Communications (2004 - 2007)
- Weber Shandwick Worldwide
  - Senior Consultant, Corporate and Financial Practice (2002 - 2004)
- Accenture Malaysia
  - Change Management Analyst (2000 - 2002)

PRESENT APPOINTMENT(S)
- Nil

TERENCE TAN KIAN MENG
Group Chief Internal Auditor

54

DATE OF APPOINTMENT: 17 January 2011

QUALIFICATION(S)
- Bachelor of Commerce (Accounting) with Merit, University of New South Wales, Australia
- Certified Internal Auditor (The Institute of Internal Auditors, USA)
- Fellow Certified Practising Accountant (CPA Australia)
- Chartered Accountant (Malaysian Institute of Accountants)
- Chartered Banker, Asian Institute of Chartered Bankers and the Chartered Banker Institute, United Kingdom

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- MCIS Zurich Insurance Berhad
  - Chief Internal Auditor (2009 - 2010)
- DIGI Telecommunications Sdn Bhd
  - Head, Financial and Operational Assurance (2006 - 2009)
- Astro All Asia Network PLC
  - Senior Manager, Financial and Operational Assurance (2004 - 2006)
- Bank Simpanan Nasional
  - Head of Compliance (2003 - 2004)
- Citibank Berhad
  - Assistant Vice President, Compliance and Control (1995 - 2003)

PRESENT APPOINTMENT(S)
- Nil

SENIOR MANAGEMENT'S PROFILES

NORLIZA ABD SAMAD
Group Company Secretary

57

DATE OF APPOINTMENT: 19 November 2012

QUALIFICATION(S)
- Chartered Governance Professional, Chartered Governance Institute, United Kingdom
- Associate, Malaysian Institute of Chartered Secretaries and Administrators

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- Kenanga Investment Bank Berhad
  - Head, Prudential and Governance Supervision, Group Regulatory Division (2011 - 2012)
- RHB Investment Bank Berhad
  - Assistant Vice President, Head, Compliance Strategy and Governance Supervision, Investment Banking Compliance (2008 - 2011)
- Affin Investment Bank Berhad
  - Vice President, Corporate Services Department (2004 - 2008)
- Malayan Banking Berhad
  - Senior Executive, Corporate Services Department (1994 - 2003)

PRESENT APPOINTMENT(S)
- Nil

TAI YAN FEE
Group Chief Risk Officer

51

DATE OF APPOINTMENT: 1 August 2017

QUALIFICATION(S)
- Bachelor of Business Administration (1995), Universiti Kebangsaan Malaysia
- Persatuan Pasaran Kewangan Malaysia (1997)

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- Citibank Berhad
  - Country Market Risk Manager, FX, Rates and Liquidity (2011 - 2015)
  - Trader, Treasury Structured Product/ Interest Rate Derivatives (2005 - 2010)
- AmMerchant Bank Berhad
  - Trader, Treasury Structured Product/ Interest Rate Derivatives (2001 - 2004)
  - Corporate Sales, Treasury (1997 - 2000)

PRESENT APPOINTMENT(S)
- Nil

SENIOR MANAGEMENT'S PROFILES

VAITHIYANATHAN MADAVAN
Head of Group Operations

53

DATE OF APPOINTMENT: 1 January 2021

QUALIFICATION(S)
- Malaysian Institute of Accountants (2001)
- The Association of Chartered Certified Accountants (2000), United Kingdom

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- ECML Berhad

RELEVANT EXPERIENCES
- Kenanga Investment Bank Berhad
  - Head, Group Compliance (2017 - 2020)
- Bursa Malaysia Berhad
  - Head, Equities Surveillance (2015 - 2017)
  - Head, Intermediaries Supervision (2010 - 2015)
- Malaysia Derivatives Exchange Berhad
  - Audit & Compliance (2001 - 2004)
- COMMEX Malaysia
  - Audit & Compliance (1998 - 2001)

PRESENT APPOINTMENT(S)
- Nil

IAN W. LLOYD
Chief Digital Officer

40

DATE OF APPOINTMENT: 3 January 2022

QUALIFICATION(S)
- Master of Business Administration (MBA) (2010), Warwick Business School, University of Warwick, United Kingdom
- Dual BSc & MSc, Information Systems & Technology (2006), Drexel University, Pennsylvania, USA

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- MatchMove Pay (Singapore & Malaysia)
  - Vice President, Head of Banking-as-a-Service (BaaS) Strategy & Delivery (2019 - 2021)
- CIMB (Malaysia)
  - Digital Entrepreneur in Residence & Group Enterprise Architect (2016 - 2019)
- Deloitte (United Kingdom)
  - Business & Technology Consulting Advisor, Financial Services (2011 - 2016)

PRESENT APPOINTMENT(S)
- Nil

SENIOR MANAGEMENT'S PROFILES

LOW JIA YEE
Chief Technology Officer

40

DATE OF APPOINTMENT: 9 May 2022

QUALIFICATION(S)
- Bachelor of Software Engineering (2003), Coventry University, United Kingdom

DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)
- Nil

RELEVANT EXPERIENCES
- MetLife, Inc.
  - Head of Product and Platform Engineering Asia (2022)
  - Head of Enterprise Architecture Asia (2019 - 2021)
- DHL
  - Principal Architect (2012 - 2019)
- Hewlett-Packard
  - Development Manager (2011 - 2012)
  - Software Architect (2009 - 2011)
- Firium Solution Sdn Bhd
  - Technical Lead (2006 - 2009)
- Others
  - Software Engineer (2003 - 2006)

PRESENT APPOINTMENT(S)
- PIKOM (The National Tech Association of Malaysia) CIO Chapter Member

Unless otherwise stated herein
- All members of the Senior Management Team do not have any family relationships with any Director and/ or major shareholder of KIBB.
- None of the Senior Management Team have any conflict of interests with KIBB.
- None of the Senior Management Team have been convicted of any offence within the past five (5) years nor have they been imposed any penalty by the relevant regulatory bodies during the financial year.
- Directorship indicated herein reflects the directorship in public companies.

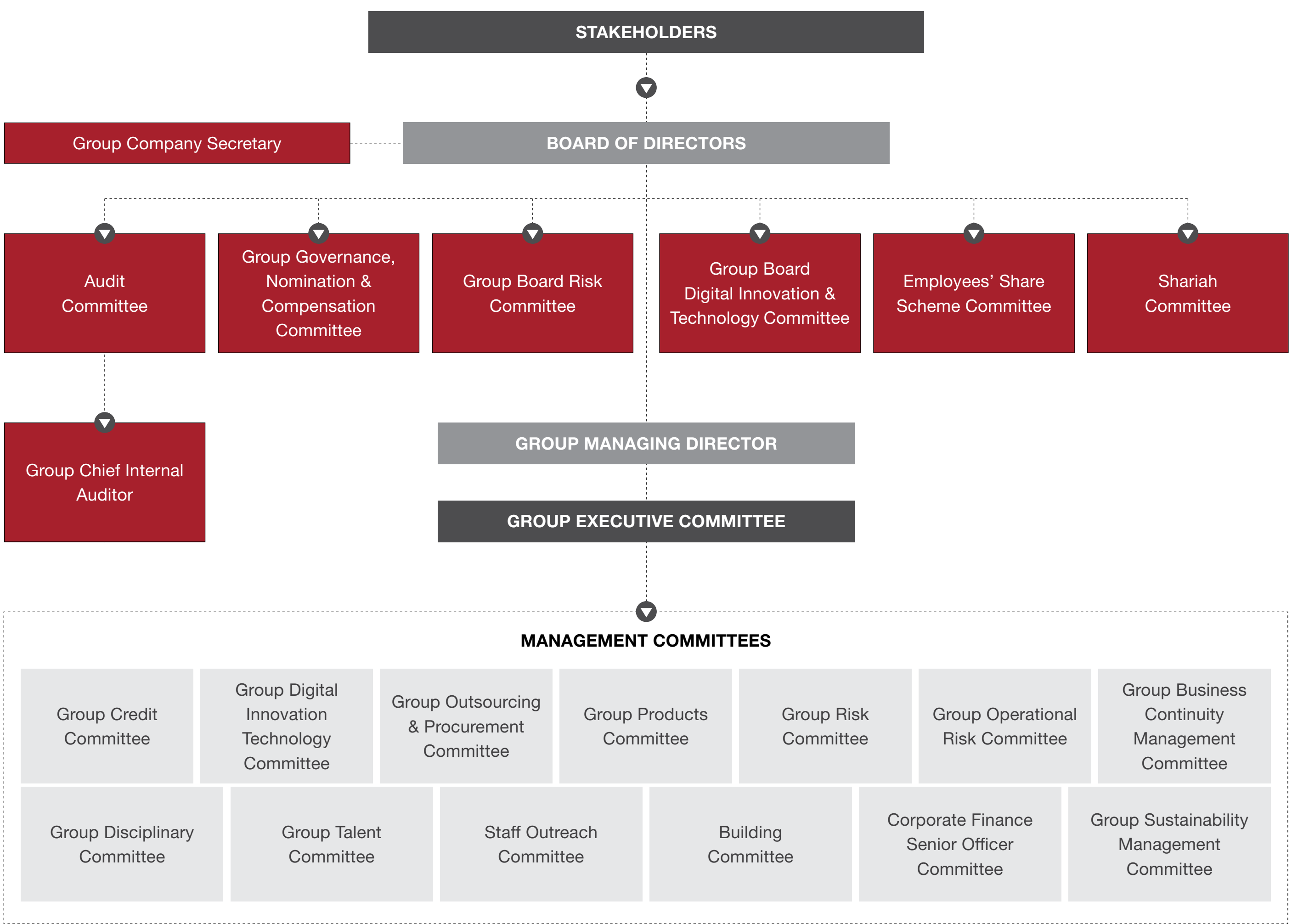
CORPORATE GOVERNANCE OVERVIEW STATEMENT

Corporate governance is regarded by the Board of Directors ("**Board**") as vital to the success of the business of Kenanga Investment Bank Berhad ("**KIBB**" or "**the Company**"). Therefore, the Board is unreservedly committed to applying the principles necessary to ensure that the principles of good governance are practised in all of the Company's business dealings and operations.

Understanding that the responsibility for good corporate governance rests with them, the Board strives to adopt the principles and best practices of corporate governance and ensures that KIBB and Its Subsidiaries ("**KIBB Group**" or "**Kenanga Group**") complies with the various guidelines issued by Bank Negara Malaysia ("**BNM**"), Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the Securities Commission Malaysia ("**SC**").

The Board is also committed to continuously undertake the appropriate actions to embed the principles and recommendations of the revised Malaysian Code on Corporate Governance ("**MCCG**") issued by the SC on 28 April 2021, into the Company's existing policies and procedures.

CORPORATE GOVERNANCE FRAMEWORK



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is collectively responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders.

Board's Key Responsibilities			
Governing and setting the strategic direction of the Company while exercising oversight on Management.	Setting the appropriate tone at the top.	Providing thought leadership and championing good governance and ethical practices throughout the Company.	Ensuring that sustainability considerations are integrated in corporate strategy, governance and decision-making.

The Board sets the Company's values and standards and ensures that its obligations to the Shareholders and other stakeholders which include the regulators, business partners, clients, employees, suppliers and vendors, are clearly understood and adhered to.

Each of the Board members of the Company is aware of his/her responsibilities to always exercise his/her powers in accordance with the Companies Act 2016, for a proper purpose and in good faith and in the best interest of the Company. They also understand that each of them is expected to exercise reasonable care, skill and diligence with the knowledge, skill and experience, which may reasonably be expected of a Director having the same responsibilities; and any additional knowledge, skills and experience which the Director in fact has.

Further, the Directors, collectively and individually, are aware of their responsibilities to the Shareholders and stakeholders for the manner in which the affairs of the Company are managed.

In discharging its duties effectively and efficiently, the Board delegates specific responsibilities to the Board Committees with clearly defined areas of authority and reporting arrangement to keep the Board informed on the key deliberations and decisions on delegated matters. To promote objectivity, robust and open deliberations, the Board Committees are chaired by an Independent Director who is not the Chairman of the Board. The roles and responsibilities of the Board Committees are set out in their respective Terms of Reference which are available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

The Board, in fulfilling its oversight role and carrying out its strategic intent and mandates, will give direction and guidance through the Group Managing Director to Management or Management Committees to execute the approved corporate strategies, established goals, as well as policies.

Notwithstanding any delegation of authority to Management or Committees, the Board reserves full decision-making power on matters relating to amongst others, strategies, business plans and budget, significant policies, conflict of interest issues relating to Substantial Shareholders and/ or a Director, material acquisitions or disposals of assets not in the ordinary course of business, investment in capital projects, authority level, risk management policies, as well as, key human resource issues. The Board reserved matters are also reflected in the Board Charter.

The roles and responsibilities of the Board are clearly defined in the Board Charter which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Reserved Matters

The Board's key activities during the Financial Year Ended 31 December 2022, included amongst others, reviewing, deliberating, recommending and approving where appropriate, key matters as outlined below.

STRATEGY/ FINANCIALS

- Budget and Business Plan for KIBB Group for the Financial Year Ending 31 December 2023
- Proposals on New Investments/ Business Collaborations/ New Business Initiatives/ New Joint Venture/ Corporate Exercises and Subsequent Updates
- Monthly Management Accounts
- Quarterly Financial Results
- Waiver of Intercompany Balance for Dormant Companies
- Annual Assessment for Impairment of Assets for the Financial Year Ended 31 December 2021
- Audited Financial Statements for the Financial Year Ended 31 December 2021 and the Reports for the Directors and Auditors
- Proposed Dividend for Financial Year Ended 31 December 2021
- Representation Letter to Ernst & Young PLT in Relation to the Audit for the Financial Year Ended 31 December 2021
- Re-Appointment of External Auditors and Audit Fees for Financial Year Ended 31 December 2022
- Report on Non-Budgeted Expenditure Exceeding RM100,000
- 2022 Equity Derivatives' Business Plan and Proposed Market Risk Limits
- Reports on Associate and Joint Venture Companies
- Proposed Increase in Quantum of Share Buyback and Renewal of Solvency Statement in Relation to the Share Buyback Exercise
- Annual Revision of Contingency Funding Plan 2022
- Provision of Financial Support and Contingency Funding for Subsidiaries
- Update on Utilisation of Treasury Shares for Settlement of Employees' Share Option Scheme
- Exercise of Call Option to Redeem Tranche 1 Under the Tier 2 Subordinated Note Programme
- Call Option Placement Program – Subscriber
- Annual Impairment Assessment of Goodwill and Intangibles for the Financial Year Ended 31 December 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

RISK, COMPLIANCE AND OVERSIGHT

- Monthly Regulatory Reports and Compliance Reports
- Regulatory Audit/ Examinations Reports
- Monthly Risk Management Reports
- Extension of Targeted Assistance Post COVID-19 Moratorium and Subsequent Updates
- Monthly Share Margin Financing Reports by Credit Equity Broking
- Business Continuity Plan and Disaster Recovery Plan Test Matrix for 2023
- MY HORIZON 2020/Vol 5: BNM's Operational Risk Report for Financial Industry
- Review of Existing and Establishment of New Policies and Frameworks
- Operational Risk Scenario Analysis Assessment Review 2022
- Recovery Time Objectives and Maximum Tolerable Downtime of Critical Business Functions for 2023
- Internal Capital Adequacy Assessment Process (ICAAP) for 2021
- Operational Risk Capital Charge Assessment for 2021
- 2022 Equity Broking Short Term Equity Proprietary Trading Portfolio, Business Plan and Proposed Market Risk Limits
- Credit Proposals Recommended/ Approved by the Group Credit Committee
- Monthly Connected Parties Exposure Reports
- Monthly Reports on Recovery Status for KIBB Corporate Loans and Impaired Equity Accounts (With Impairment Provisions)
- Recurrent Related Party Transaction Entered into by KIBB and Its Subsidiaries
- Proposals Relating to the Structured Warrants Business
- Quarterly Cyber Security Updates
- Pillar 3 Disclosure as at 31 December 2021
- Half-Yearly Review on Shariah Committee's Decisions
- Annual Attestation of Products Issued in 2021
- Renewal of Insurance Policies in Respect of Comprehensive Crime Professional Indemnity Insurance, Directors and Officers Liabilities Insurance and Cyber Security Insurance
- 2022 Group Outsourcing Plan
- KIBB's Sustainability Report and Sustainability Statement and Sustainability Targets
- KIBB's 2022 Materiality Matrix Validation, Task Force on Climate-related Financial Disclosures Roadmap 2023-2024 and Sustainability Roadmap 2023-2025
- Statement on Risk Management and Internal Control
- Report on Independent Review of Kenanga's Anti-Bribery and Corruption Compliance Program
- Kenanga Research Macroeconomic Outlook Summary
- Group Operations Report
- Proposals Relating to Quant Business
- Regulatory EDGE: Regulatory Issuances Impact Review for the First (1st) Half of 2022
- BNM Semi-Annual Stress Testing Report for Position as of 30 June 2022

GOVERNANCE

- Appointments and Re-Appointments of Directors within KIBB Group
- Review of Compositions of the Boards and Board Committees of KIBB and Its Subsidiaries
- Revision to the Terms of Reference of the Audit Committee, Group Outsourcing & Procurement Committee, Group Risk Committee and Group Executive Committee
- Reports by Board Committees on Matters Discussed at the Respective Board Committees' Meetings
- Assessment on the Fitness and Propriety and Re-Appointment of Members of Shariah Committee of KIBB and Review of Their Remuneration
- Annual Performance Evaluation for the Board, Board Committees and Individual Directors for the Financial Year Ended 31 December 2021 Together with the Annual Assessment on Independence and Fit and Proper Criteria
- Directors' Training Calendar for 2022 and Status Report on KIBB Group Directors' Training for 2021/ 2022
- Remuneration and Benefits for Directors of KIBB Group
- Notification by Directors and Principal Officers in Relation to Dealings in the Securities of KIBB
- Re-Appointment of Datuk Chay Wai Leong, the Group Managing Director ("**GMD**") of KIBB as a Member of the Sustainability and Development Committee of Bursa Malaysia Berhad ("**Bursa Malaysia**")

CORPORATE GOVERNANCE OVERVIEW STATEMENT

GOVERNANCE

- Appointment of KIBB's Representative on the Board of Directors of Its Associate Company
- Proposed Revision to the Composition of the Management Committees and Shariah Committee
- Key Human Resource Matters
  - o Employees' Share Grant Scheme
  - o Review of the List of Management Key Responsible Persons ("**KRPs**") of KIBB Group as at 1 January 2022
  - o Review of the List of KIBB Group's Management KRPs' Employment Contracts Expiring in 2022
  - o New Appointment, Review and Renewal of Contract of Appointment of Management KRPs
  - o 2021 Performance Appraisal and Annual Assessment on Fit and Proper for GMD, Group Chief Regulatory and Compliance Officer, Management KPRs, Head of Group Compliance (only Performance Appraisal) and Group Company Secretary
  - o Renewal of Group Staff Insurance Policies for 2023
  - o 2022 Balanced Scorecards for Management KRPs
  - o Proposals in Relation to Employees' Share Option Scheme
  - o 2021 Performance Bonus and 2022 Annual Salary Increment
  - o Review of Management KRP's Succession Plan
  - o Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as Adviser of KIBB
  - o Identification and Updating of the List of Material Risk Takers and List of Other Material Risk Takers within KIBB Group
  - o Creation of the Group Chief Sustainability Officer ("**CSO**") Position and Appointment of Ms. Chuah Sze Phing as Group CSO and Head of Group Marketing & Communications of KIBB
  - o Changes in Employment Act 1955 (Amendment 2022) and Proposal to Review Kenanga Group HR Policies and Terms & Conditions of Employment Impacted by the Changes, Where Applicable
  - o Appointment of New Group Executive Committee Member

Separation of the Roles of Chairman and GMD

The Company aims to ensure a balance of power and authority between the Chairman and the GMD with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of the Chairman and the GMD are separated and their roles and responsibilities are clearly defined and formally documented in the Board Charter.

Whilst the Chairman is responsible for leading the Board in setting the values and standards of the Company, as well as maintaining a relationship of trust with and between Management and Non-Executive Directors, the GMD, on the other hand, is entrusted with the executive responsibility for the day-to-day management of the business which includes developing the strategic direction of the Company for review and approval by the Board and ensuring that the Company's strategies and corporate policies as approved by the Board are effectively implemented with the assistance of the Management team. In fulfilling this role, the GMD is given certain powers to execute transactions, guided by the internal rules and procedures and in accordance with the threshold set in the Group Approving Authority Framework.

Board Composition

The Board of KIBB currently comprises the following eight (8) members, five (5) of whom are Independent Non-Executive Directors ("**INED**") and the remaining three (3) are Non-Independent Non-Executive Directors ("**NINED**"):

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL	Chairman, INED
ENCIK ISMAIL HARITH MERICAN	NINED
MR. LUK WAI HONG, WILLIAM	NINED
ENCIK JEREMY NASRULHAQ	Senior INED
PUAN NORAZIAN AHMAD TAJUDDIN	INED
MR. KANAGARAJ LORENZ	INED
MR. CHOY KHAI CHOON	NINED
MADAM CHIN SIEW SIEW	INED

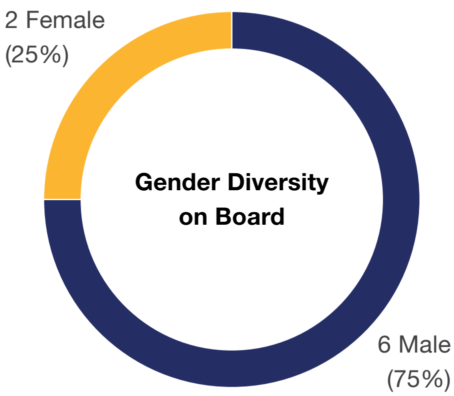
SNAPSHOT OF THE BOARD'S PROFILE

Board Balance and Composition

Directors' Nationality

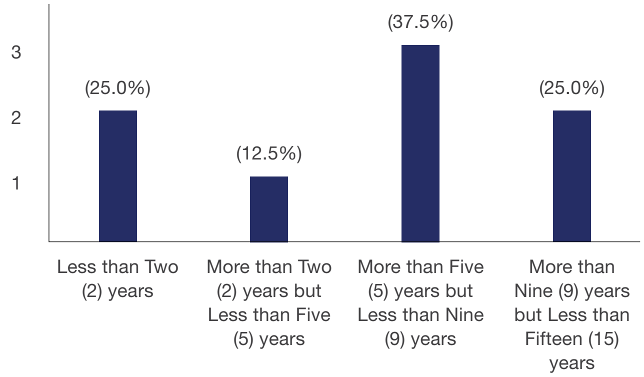
7 Malaysian

1 Hong Kong



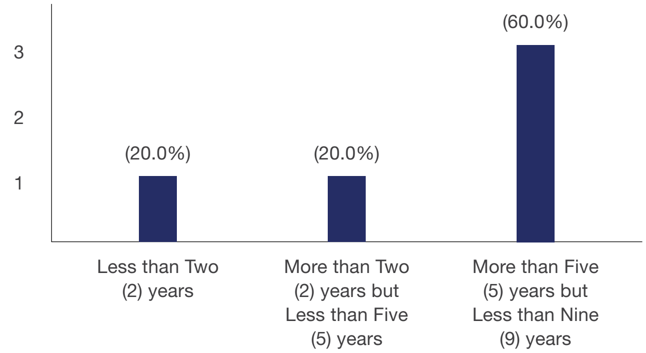
Number of Directors under Different Tenure

(as at 31 March 2023)

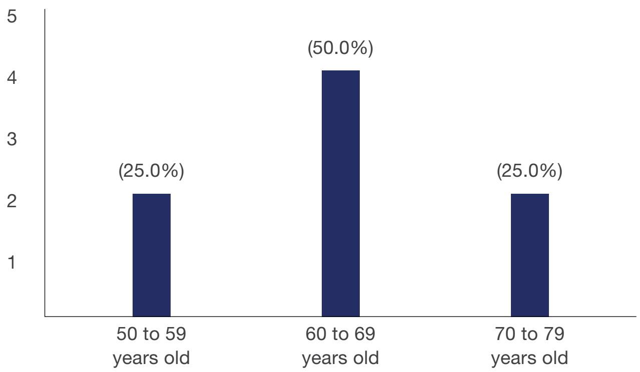


Number of Independent Directors under Different Tenure

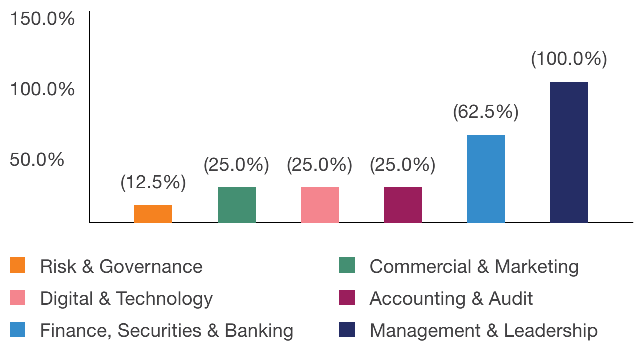
(as at 31 March 2023)



Number of Directors under Different Age Group



Skills and Experience



The Board's composition complies with the minimum one-third (1/3) requirement of Independent Directors as stipulated in the Main Market Listing Requirements ("**MMLR**") of Bursa Securities and the majority of Independent Directors requirement stipulated in BNM's Policy Document on Corporate Governance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Tenure of Independent Directors

In compliance with BNM's Policy Document on Corporate Governance and as set out in KIBB's Board Charter, the tenure of an INED should not exceed a cumulative term of nine (9) years.

Upon completion of nine (9) years, an INED may continue to serve on the Board as a NINED subject to BNM's prior approval being obtained. Based on the current Board composition, none of the INED's tenure exceeds nine (9) years.

Notwithstanding the aforementioned, as deliberated by the Board of KIBB at its meeting on 29 July 2021 on the application and adoption of Practices and Step-Up Practices of the revised MCCG, moving forward and in the spirit of the MCCG, Clause 3.3 of KIBB's Board Charter which allows for extension of an INED's tenure beyond the nine (9) years, would be revised to incorporate a formal policy which limits the tenure of an INED to nine (9) years without further extension in line with the MCCG's Step Up Practice 5.4.

The profile of each Director is available on pages 48 to 55 of this Annual Report.

Board and Board Committee Meetings

In 2022, eleven (11) Board meetings were held, two (2) of which were special meetings which were convened to consider urgent proposals that required the Board's expeditious review and deliberation.

As stipulated in the Board Charter and the Constitution of the Company, a Director of the Company must attend at least 75% of the Board meetings held during the financial year, in line with the requirement of BNM's Policy Document on Corporate Governance.

During the Financial Year Ended 31 December 2022, most of the Directors of the Company attended 100% of the Board meetings convened, demonstrating a strong commitment and dedication of the Board members in fulfilling and discharging their respective roles and responsibilities as Directors of the Company.

Following[3] Malaysia's reopening of its international borders on 1 April 2022 as it began the transition to COVID-19 endemic phase, KIBB had likewise, slowly transitioned all of its Board and Board Committees meetings to hybrid and/or physical mode.

The Directors' attendance at Board and Board Committee meetings held during the Financial Year Ended 31 December 2022 are provided below.

Board

	Number of Meetings		
Name of Director	Held[1]	Attended	Percentage (%)
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)	11	11	100.0%
Mr. Luigi Fortunato Ghirardello[2]	5	4	80.0%
Encik Ismail Harith Merican	11	11	100.0%
Mr. Luk Wai Hong, William	11	11	100.0%
Encik Jeremy Nasrulhaq	11	11	100.0%
Puan Norazian Ahmad Tajuddin	11	11	100.0%
Mr. Kanagaraj Lorenz	11	11	100.0%
Mr. Choy Khai Choon	11	11	100.0%
Madam Chin Siew Siew[3]	6	6	100.0%

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Retired from the Board of KIBB on 26 May 2022.
(3) Appointed as an INED on 1 June 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Audit Committee ("AC")

	Number of Meetings		
Name of Director	Held[1] [2]	Attended	Percentage (%)
Encik Jeremy Nasrulhaq (Chairman)	8	8	100.0%
Mr. Luk Wai Hong, William[3]	8	8[4]	100.0%
Mr. Kanagaraj Lorenz	8	8	100.0%
Puan Norazian Ahmad Tajuddin[5]	0	0	0.0%

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Total number of meetings held was inclusive of one (1) joint meeting between AC and GBRC which was held on 30 August 2022.
(3) Ceased to be a member of the AC on 1 November 2022.
(4) Attended all the eight (8) meetings held up to 25 October 2022.
(5) Appointed as a member of the AC on 1 November 2022.

Group Governance, Nomination & Compensation Committee ("GNC")

	Number of Meetings		
Name of Director	Held[1]	Attended	Percentage (%)
Madam Chin Siew Siew[2] (Chairman)	0	0	0%
Mr. Luk Wai Hong, William[3]	8	8[4]	100.0%
Encik Jeremy Nasrulhaq	8	8	100.0%
Mr. Luigi Fortunato Ghirardello[5]	5	5[6]	100.0%
Encik Ismail Harith Merican	8	8	100.0%
Puan Norazian Ahmad Tajuddin[7]	8	8	100.0%
Mr. Choy Khai Choon[8]	3	3	100.0%

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Appointed as a Chairman of the GNC on 1 November 2022.
(3) Ceased to be a member of the GNC on 1 November 2022.
(4) Attended all the eight (8) meetings held up to 25 October 2022.
(5) Retired from the Board of KIBB and ceased as a member of the GNC on 26 May 2022.
(6) Attended all the five (5) meetings held up to 28 April 2022.
(7) Ceased to be the Chairman of the GNC on 1 November 2022 but remained as its member.
(8) Appointed as a member of the GNC on 1 June 2022.

Group Board Risk Committee ("GBRC")

	Number of Meetings		
Name of Director	Held[1] [2]	Attended	Percentage (%)
Puan Norazian Ahmad Tajuddin[3] (Chairman)	8	8	100.0%
Mr. Luigi Fortunato Ghirardello[4]	2	2	100.0%
Mr. Luk Wai Hong, William[5]	8	8	100.0%
Mr. Kanagaraj Lorenz	8	8	100.0%
Mr. Choy Khai Choon[6]	7	7	100.0%
Madam Chin Siew Siew[7]	1	1	100.0%

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Total number of meetings held was inclusive of one (1) joint meeting between AC and GBRC which was held on 30 August 2022 except for Mr. Luigi Fortunato Ghirardello and Madam Chin Siew Siew.
(3) Appointed as a Chairman of the GBRC on 1 November 2022.
(4) Retired from the Board of KIBB and ceased to be a member of the GBRC on 26 May 2022.
(5) Ceased to be the Chairman of the GBRC on 1 November 2022 but remained as its member.
(6) Appointed as a member of the GBRC on 26 January 2022.
(7) Appointed as a member of the GBRC on 1 November 2022.

Group Board Digital Innovation & Technology Committee ("GBDITC")

	Number of Meetings		
Name of Director	Held[1]	Attended	Percentage (%)
Mr. Kanagaraj Lorenz (Chairman)	6	6	100.0%
Mr. Luk Wai Hong, William	6	6	100.0%
Mr. Luigi Fortunato Ghirardello[2]	1	1	100.0%
Puan Norazian Ahmad Tajuddin[3]	5	5	100.0%
Encik Jeremy Nasrulhaq	6	6	100.0%
Mr. Choy Khai Choon[4]	6	6	100.0%
Madam Chin Siew Siew[5]	4	4	100.0%

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Retired from the Board of KIBB and ceased to be a member of the GBDITC on 26 May 2022.
(3) Ceased to be a member of the GBDITC on 1 November 2022.
(4) Appointed as a member of the GBDITC on 26 January 2022.
(5) Appointed as a member of the GBDITC on 1 July 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Employees' Share Scheme Committee ("ESS Committee")

Name of Director	Number of Meetings		
	Held(1)	Attended	Percentage (%)
Madam Chin Siew Siew(2) (Chairman)	0	0	0.0%
Mr. Luk Wai Hong, William(3)	1	1	100.0%
Encik Jeremy Nasrulhaq	1	1	100.0%
Puan Norazian Ahmad Tajuddin(4)	1	1	100.0%

Notes:

(1) Reflects the number of meetings held during the time the Director held office.

(2) Appointed as the Chairman of the ESS Committee on 1 November 2022.

(3) Ceased to be a member of the ESS Committee on 1 November 2022.

(4) Ceased to be the Chairman of the ESS Committee on 1 November 2022 but remained as its member.

Shariah Committee

Name of Director	Number of Meetings		
	Held(1)	Attended	Percentage (%)
Dr. Ghazali Jaapar (Chairman)	12	12	100.0%
Dr. Mohammad Firdaus Mohammad Hatta	12	12	100.0%
Dr. Fadillah Mansor	12	12	100.0%

Note:

(1) Reflects the number of meetings held during the time the Shariah Committee member held office.

Group Governance, Nomination & Compensation Committee

The GNC of KIBB comprises a majority of INEDs and is chaired by an INED who is not the Chairman of the Board.

Details on the GNC's composition, as well as, its members' attendance at the GNC meetings held during the Financial Year Ended 31 December 2022 are provided on page 73 of this Annual Report and in Section B of the Corporate Governance Report ("**CG Report**") which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/AGM2023.

The functions and responsibilities of the GNC are set out in its Terms of Reference which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

During the Financial Year Ended 31 December 2022, the GNC had deliberated, reviewed and made appropriate recommendations to the Board for approval, pertaining to key matters stated below.

- Appointments and Re-Appointments of Directors within KIBB Group
- Annual Performance Evaluation for the Board, Board Committees and Individual Directors for the Financial Year Ended 31 December 2021, Together with the Annual Assessment on Independence and Fitness and Propriety of Directors
- Review of Compositions of the Board and Board Committees of KIBB and Its Subsidiaries
- Payment of Directors' Fees for the Financial Year 2021 and Meetings Allowances and Benefits for Directors of KIBB Group for the Financial Year 2022
- Directors Training Calendar for 2022 and Status Report on KIBB Group's Directors Training for 2021/2022
- Appointment of KIBB's Representative on the Board of Directors of Its Associate Company
- Assessment on the Fitness and Propriety and Re-Appointments of Members of the Shariah Committee of KIBB and Their Remuneration
- Review of Annual Report 2021 Disclosures
- KIBB's Sustainability Report, Sustainability Statement and Sustainability Targets
- KIBB's 2022 Materiality Matrix Validation, Task Force on Climate-related Financial Disclosures Roadmap 2023-2024 and Sustainability Roadmap 2023-2025
- Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as Adviser of KIBB
- Appointment of New Group Executive Committee Member
- List of Management KRPs of the Group as at 1 January 2022
- New Appointment, Review and Renewal of Contract of Appointment of Management KRPs
- Annual Performance Review and Assessment on the Fitness and Propriety of Management KRPs
- Review of the List of Material Risk Takers and List of Other Material Risk Takers within KIBB Group and Review of Their Compensation
- 2021 Annual Performance Bonus and 2022 Annual Salary Increment for the Group
- 2022 Annual Balanced Scorecards for GMD, Management KRPs, Group Company Secretary and Head of Group Compliance
- Proposal to Adopt Appraisal Demerit Matrix
- Changes in Employment Act 1955 (Amendment 2022) and Proposal to Review Kenanga Group HR Policies and Terms & Conditions of Employment Impacted by the Changes, Where Applicable
- Report on Employees' Share Option Scheme Effectiveness

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Appointment Framework

The Board, via the GNC, has put in place a formal and transparent framework governing the appointments of new Directors and Board Committee members, wherein the GNC will recommend the appointment of suitable candidate as Director and Board Committee member of the Company and its subsidiaries, to the Board for approval.

With regard to skills and experience, a skills matrix review processes had been put in place whereby the GNC will undertake a rigorous assessment of potential candidates, prior to making any recommendations to the Board for appointment of a new Director.

During the Financial Year Ended 31 December 2022, the Board composition had undergone some changes following the retirement of Mr. Luigi Fortunato Ghirardello, a NINED of KIBB on 26 May 2022, appointment of Madam Chin Siew Siew as an INED of KIBB on 1 June 2022 and re-designation of Mr. Luk Wai Hong, William from an INED to a NINED upon his tenure as an INED reaching the nine (9)-year threshold, on 1 November 2022.

With the changes, the composition of the Board still complies with the requirements for the Board to comprise a majority of Independent Directors, whereas the appointment of Madam Chin Siew Siew had brought the ratio of women Directors on the Board to 25% from 12.5% previously, closer to the target of 30%.

Employees' Share Scheme Committee

To assist the Board in the administration of KIBB Group's Employees' Share Scheme ("**ESS**" or "**Scheme**"), in accordance with the By-Laws governing the Scheme as approved by Shareholders of KIBB, the Board had established an ESS Committee comprising solely of Independent Directors.

The main objective of the ESS as approved by the Shareholders of KIBB on 25 May 2017, is to align the employees' interests with the long-term objectives of KIBB Group to create sustainable value enhancement for its Shareholders through a high performance culture.

The roles and responsibilities of the ESS Committee which are outlined in its Terms of Reference include the determination of all questions of policy and expediency that may arise in the administration of the ESS including, amongst others, the terms of eligibility of the employees of the Company and its non-dormant subsidiaries ("**Eligible Employees**" or "**Eligible Persons**"), the method or manner in which the grants are made to and exercised by Eligible Employees and any conditions imposed in relation thereto, and the termination of any options, and generally the exercise of such powers and performance of such acts as are deemed necessary or expedient to promote the best interests of the Company.

The functions and responsibilities of the ESS Committee are set out in its Terms of Reference which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

Shariah Committee

The Shariah Committee was established to provide objective and sound advice to the Board of KIBB to ensure that the Company's aims and operations, business affairs and activities pertaining to its Islamic Banking Window (Skim Perbankan Islam) comply with Shariah rules and regulations as reflected in the fatwas, rulings and guidelines issued by Shariah Advisory Council of BNM and the SC.

The composition of the Shariah Committee is in line with Paragraphs 13.1 to 13.5 of BNM's Shariah Governance Policy Document which requires the Shariah Committee, at a minimum, to comprise at least three (3) members. All Shariah Committee members have the Shariah background.

The functions and responsibilities of the Shariah Committee are set out in its Terms of Reference which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

Board Diversity and Gender

In recognition of the benefits of a diverse Board in terms of the ability to tap into the many talents which the Board members from their different ages, cultural backgrounds, industry exposure, expertise, competency, experience, knowledge and gender bring to the Company, as well as, their abilities to respond to business opportunities more rapidly and creatively, the Company has endeavoured and will continue to endeavour to achieve an appropriate mix of members to achieve diversification.

During the search of a suitable candidate, one of the key considerations is to ensure that the skill-set of the Board is appropriately balanced to support the strategies and long-term goals of KIBB Group. Amongst others, the considerations include whether the skill-set of the new candidate could complement the collective skill-set of the existing Directors, the integrity and the character of the candidate, the ability to contribute different perspectives to the Board, as well as the ability to commit sufficient time and attention to the affairs of the Company and whether he/ she could fit in with the Company's culture.

Following the issuance of the revised MCCG by the SC on 28 April 2021, the Board of KIBB had, at its meeting on 29 July 2021, deliberated on the status of KIBB's application of the Practices and adoption of the Step-Up Practices of the MCCG.

Arising from the gap analysis, the Board had identified certain action plans in terms of application and adoption of the Practices and Step-Up Practices, respectively.

One of the action plans identified was to adopt Practice 5.9 of the MCCG which recommended for the Board to comprise at least 30% women Directors. Being a Capital Markets Services Licence ("**CMSL**") Holder under the SC, KIBB is also required to comply with the requirements of Paragraph 5.06 of the SC's Guidelines on Corporate Governance for Capital Market Intermediaries ("**SC's CG Guidelines**"), for the Board of a CMSL Holder to comprise at least 30% women Directors.

Consequential to the appointment of Madam Chin Siew Siew as an INED, the Board composition had moved closer to the requirement of 30% women Directors. Even though KIBB had not fully adopted Practice 5.9 under the MCCG, it had, however, deemed as having fulfilled the requirement of Paragraph 5.06 of the SC's CG Guidelines, as the SC allowed the rounding up of the percentage up to a maximum 5%.

To fully adopt Practice 5.9 of the MCCG, the Board will endeavour to source for suitable woman candidates for future appointment as and when changes to the Board composition are required or reviewed, in line with the Company's business direction and strategy, within a timeframe of three (3) years or less from the issuance of the MCCG on 28 April 2021. Any appointment of a woman Director would be based on merit and potential contributions that she could bring to KIBB, as well as the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Education and Development

1. Induction Programme for Newly Appointed Director

KIBB has developed an induction programme for its newly appointed Directors to familiarise them with the industry and KIBB's business and operations, within three (3) months of their appointments.

This induction programme, which is facilitated by the Group Company Secretary's Office, is conducted by way of a briefing and discussion amongst the Senior Management with the newly appointed Director, on the Company's vision and mission, its philosophy and nature of business, current issues, the corporate strategy of the Group, responsibilities and duties of the Board as a whole, an overview of the risks of the businesses, risk management strategy of KIBB, legal requirements, compliance and regulations, as well as, financial overview of the Group and the expectations of KIBB with regard to contributions from the Directors towards the Company's achievement of its goals.

During this induction programme, the newly appointed Director will also be briefed on the Company's governance framework, the Board processes, as well as, his/ her individual roles and responsibilities as a Board member.

Non-Executive Directors appointed to the Boards of subsidiaries within the Group shall also be provided similar induction programme tailored to the scope of their appointments at the respective entities.

In relation thereof, during the Financial Year 2022, in-house Induction Programme for Newly Appointed Non-Executive Directors had been provided for the following newly appointed Directors within the Group:

Company	Name of Newly Appointed Director	Date of In-House Induction Programme
KIBB	1. Mr. Choy Khai Choon	20 January 2022
	2. Madam Chin Siew Siew	6 & 7 July 2022
Kenanga Investors Islamic Berhad	Puan Norazian Ahmad Tajuddin	14 June 2022
I-VCAP Management Sdn Bhd	Puan Norazian Ahmad Tajuddin	31 January 2023

2. Directors' Continuous Education and Development

In ensuring that the Directors are kept abreast of new developments pertaining to the laws and regulations, the changing commercial risks, as well as, technology and cyber security issues, which may affect the Board and/ or the Company and to ensure that they are fully equipped with the necessary knowledge to assist them in fulfilling their responsibilities as Directors, the Company, through the Group Company Secretary's Office, facilitates the participation and attendance of Directors at appropriate external and in-house training programmes.

In addition to completing the Mandatory Accredited Programme ("**MAP**") as required by Bursa Securities, the Financial Institutions Directors' Education ("**FIDE**") Core Programme and the Islamic Finance for Board Programme ("**IF4BOD**") as required by BNM, and the Capital Market Director Programme ("**CMDP**") as required by the SC for newly appointed Directors, the Board members are also encouraged to attend training programmes, conducted by recognised professionals/ providers, which are relevant to the Company's operations and business.

To date all the Board members of KIBB had completed the mandatory training programmes required by the respective regulators as aforementioned, including Madam Chin Siew Siew who had completed the CMDP in August 2022, and the MAP in September 2022, within the timeframe stipulated by the SC and Bursa Securities, respectively. Regarding the IF4BOD[1], Madam Chin Siew Siew and YAM Tan Sri Dato' Seri Syed Anwar Jamalullail had registered themselves for the programme and expected to complete the same within the stipulated timeframe, as well.

[1] *To be completed within three (3) years of their respective appointments.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In facilitating the Directors' education and development requirements, the Group Company Secretary's Office, in addition to monitoring the status of all mandatory training programmes to be completed by the Directors, also establishes an Annual Directors' Training Calendar encompassing external training programmes, available in the market and/ or recommended by the Board members and/ or in-house training programmes, which is tabled for endorsement by the GNC and the Board in the first (1st) quarter of each year to create awareness amongst the Directors of training programmes which are available for the year. Thereafter, the GNC and the Board will be updated on the status of Directors' participation in these training programmes on a quarterly basis.

The establishment of the Annual Directors' Training Calendar, took into consideration the feedback/ suggestions received from Directors during the annual Board evaluation process in terms of specific training needs required to enhance the Board's effectiveness and skill-set.

Based on the feedback received from the Directors during the Board Performance Evaluation conducted in 2022, the following areas were identified to be included in the Directors' training needs:

- Sustainability, Environmental, Social and Governance ("**ESG**") Risks and Climate Change Risks;
- Fintech, Technology Innovations, Artificial Intelligence, including Information Sharing on Market Developments in Digital Products and Competitors;
- Risks in Islamic Finance;
- Cyber Security; and
- Refresher in-house programmes on product knowledge such as Equity Derivatives, Treasury, Digital Business, and Money Market, as well as Anti-Money Laundering and Counter Financing of Terrorism, Section 17A of the Malaysian Anti-Corruption Commission Act 2009, and Consequence Management Process in respect of Management KRPs, the GMD and the Board.

3. Training Programmes Attended by Directors During Financial Year 2022

Title of Programme	Attended By
Property, Insurance, Strategy, Accounting & Finance, Governance, Economy, Leadership, Business, Risk, Tax	
1. An Overview of Revenue Recognition: Property Development Activities by Ernst & Young PLT ("**EY**") - In-House Programme Organised by S P Setia Berhad ("**S P Setia**")	TSAJ
2. Overview on Zone AOA (Asia, Oceania and Sub-Saharan Africa) Strategic Roadmap 2022 - In-House Programme Organised by Nestle (Malaysia) Berhad ("**Nestle**")	TSAJ
3. ASEAN Business Summit by Bloomberg	CKC
4. Management Accounting and Business Environment - University Malaysia ("**UM**") (attended as a speaker of Faculty of Business and Economics of UM)	JN
5. Webinar on The Corporate Governance ("**CG**") Overview Statement, CG Report, Audit Committee Report and the Statement on Risk Management & Internal Control ("**SORMIC**")	JN
6. Nomination and Remuneration Committee ("**NRC**") Dialogue & Networking - Session #1 by Institute of Corporate Directors Malaysia ("**ICDM**")	NT
7. MetaFinance: The Next Frontier of the Global Economy by FIDE FORUM	NT & RL
8. Thriving in the New Normal Leading Through Geopolitical Volatility & Compressed Transformation by Bloomberg and Accenture	CKC
9. Assessing Your Organisational Culture by ICLIF Executive Education Center ("**ICLIF**") (Asia School of Business)	CKC
10. Governance & Compliance Training – In-House Directors' Training organised by Nestle	TSAJ

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Title of Programme		Attended By
Property, Insurance, Strategy, Accounting & Finance, Governance, Economy, Leadership, Business, Risk, Tax		
11.	FIDE FORUM Leadership Perspectives Forum on Board Effectiveness in Conjunction with the Launch of FIDE FORUM Board Effectiveness Evaluation Guidebook	JN & NT
12.	Navigating Through the Evolution of Corporate Governance with the introduction of Tax Corporate Governance Framework by KPMG Board Leadership Centre Exclusive	CSS
13.	Overview on Human Resource by Nestle	TSAJ
14.	Overview on Sales & e-Commerce by Nestle	TSAJ
15.	ARC International SPAC Seminar	RL
16.	Engagement Session with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms by FIDE FORUM	CKC & CSS
17.	Alibaba Cloud Summit Kuala Lumpur 2022 by Ali Baba Cloud	JN & RL
18.	International Directors Summit 2022 by ICDM	JN
19.	The Emerging Trends, Threats and Risks to the Financial Services Industry - Managing Global Risk Investment and Payment System - FIDE Forum	JN & CSS
20.	Sembang Nasi Lemak: Tone from the Top - Government Perspectives – In-House Programme Organised by S P Setia	TSAJ
Regulatory and Compliance, Dialogue and Discussion with Regulators, Institutions		
21.	Capital Market Directors Programme ("**CMDP**") - Module 1 - Directors As Gatekeepers of Market Participants by Securities Industry Development Corporation ("**SIDC**")	CKC & CSS
22.	CMDP - Module 2A - Business Challenges and Regulatory Expectations – What Directors Need To Know (Equities & Future Broking) by SIDC	CKC & CSS
23.	CMDP - Module 3 - Risk Oversight and Compliance – Action Plan for Board of Directors by SIDC	CKC & CSS
24.	CMDP - Module 4 - Emerging and Current Regulatory Issues in Capital Market by SIDC	CKC & CSS
25.	Non-Compliance with Laws and Regulations by Malaysian Institute of Accountants ("**MIA**") - attended as Moderator	JN
26.	Mandatory Directors' Programme ("**MAP**") by Bursa Securities	CSS
27.	Recovery and Resolution Planning Sharing Session by PIDM (Perbadanan Insurans Deposit Malaysia) - FIDE Forum	CSS
28.	Conversations with Audit Committee - Session 1 by SC	JN & NT
29.	Malaysian Anti-Corruption Commission Act 2009 Section 17A: The Impact of the Technology & the Newly Enhanced Sustainability Reporting by Dr. Mark Lovatt - ICDM	TSAJ, IHM, LWH, JN, NT, RL, CKC & CSS
30.	Contemporary Issues In Anti-Money Laundering by Nature of Life	TSAJ, IHM, LWH, JN, NT, RL, CKC & CSS
Information Technology, Digitalisation, Cyber Security		
31.	BNM-FIDE Forum MyFintech Week Masterclasses	TSAJ, LFG, LWH, JN, NT, RL & CKC
32.	Digital Transformation by ICLIF - In-House Directors' Training Organised by S P Setia	TSAJ
33.	Offshore Technology Conference Asia	CKC
34.	Bursa 2022 Market Intermediaries and Advocacy Programmes - Addressing and Responding to Growing and More Complex Threat of Cyber Security by Asia School of Business	LWH & CKC
35.	SIDC Webinar: The Ongoing Journey of Digital Transformation: Latest Trends and Insight	JN
36.	Overview/ Update on Cyber Security by Nestle	TSAJ
37.	Singapore Fintech Festival 2022	IHM, LWH, JN, NT, RL, CKC & CSS

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Title of Programme	Attended By
Information Technology, Digitalisation, Cyber Security	
38. Case Study on Properties Companies by Mr. Derick Loi of ANT Group	TSAJ
39. Board of Directors Cybersecurity Awareness by EC-Council	TSAJ, IHM, LWH, JN, NT, RL, CKC & CSS

Title of Programme	Attended By
Islamic Banking and Finance, Shariah Compliance	
40. Islamic Wealth Management from Shariah Perspective by Shariah Adviser of KIBB	NT
41. INVESTASEAN2022 Business Sustainability Series - Shaping a Green Islamic Capital Market - Opportunities & Trends by Malayan Banking Berhad	TSAJ
Sustainability and Environment, Social and Governance ("ESG")	
42. Sustainability and Its Impact on Organisations: What Directors Need to Know by ICLIF	LFG
43. Task Force on Climate Related Financial Disclosure ("**TCFD**") - Climate Disclosure Training by Bursa Malaysia - TCFD 101	LFG, JN & NT
44. BNM-FIDE Forum Dialogue: Climate Risk Management and Scenario Analysis	JN & NT
45. TCFD - Climate Disclosure Training by Bursa Malaysia - TCFD 102	LFG, JN & NT
46. Introductory Session by UN Global Compact ("**UNGC**") on a. Brief Introduction on Board Leadership & Sustainability; and b. KIBB-UNGC Collaboration Plans	TSAJ, LFG, IHM, LWH, JN, NT, RL & CKC
47. Global Outlook for ESG Finance by ICLIF - In-House Directors' Training organised by S P Setia	TSAJ
48. ESG Sharing Session by Korn Ferry	TSAJ
49. PNB Knowledge Forum 22: Sustainable Investing: ESG at the Forefront by Permodalan Nasional Berhad	TSAJ
50. Overview on ESG & Update from CSV (Creating Shared Value) Council by Nestle	TSAJ
51. Briefing on ESG by EY – In-House Programme organised by Zurich Insurance Malaysia Berhad	CKC
52. Virtual MIA International Accountants Conference 2022: Leading ESG, Charting Sustainability by MIA	TSAJ & JN
53. Understanding ESG Rating Frameworks to Enable Sustainable Investing in Malaysia by FTSE Russell	CKC
54. International Sustainability Standards Board's Briefing Workshop and Q&As for Emerging Markets by United Nations Sustainable Stock Exchanges Initiative	JN & NT
55. Sustainability Training – In-House Directors' Training Organised by Nestle	TSAJ
56. Webinar on Directors' Duties and Climate Change by Malaysian Bar Council	TSAJ
57. Setting Science-Based Targets by UNGC Academy	NT
58. How to Understand and Take Action on the Global Goals by UNGC	NT
59. Climate Governance Malaysia Conversations with Chairmen: A Standing Item in Board Agendas by FIDE FORUM	CKC
60. Advocacy Dialogue on the Enhanced Sustainability Reporting Framework by Bursa Malaysia	NT & RL

Legend
- YAM Tan Sri Dato' Seri Syed Anwar Jamalullail ("**TSAJ**")
- Mr. Luigi Fortunato Ghirardello ("**LFG**")
- Encik Ismail Harith Merican ("**IHM**")
- Mr. Luk Wai Hong, William ("**LWH**")
- Encik Jeremy Nasrulhaq ("**JN**")
- Puan Norazian Ahmad Tajuddin ("**NT**")
- Mr. Kanagaraj Lorenz ("**RL**")
- Mr. Choy Khai Choon ("**CKC**")
- Madam Chin Siew Siew ("**CSS**")

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4. Training Programmes Attended by Members of Shariah Committee During Financial Year 2022

Title of Programme		Attended By
1.	Application of Islamic Treasury from Industry Practitioner's Perspective by Islamic Finance Research and Coaching Sdn Bhd ("**IFRAC**")	DGJ, DMF & DFM
2.	Assessing Potential Sukuk Default and Case Studies by IFRAC	DGJ
3.	A-Z Practical Knowledge on Sukuk Structuring by IFRAC	DGJ & DMF
4.	Sukuk Fundamentals for Everyone by IFRAC	DMF
5.	MFRS 17 Training by EY	DMF
6.	Takaful Industry in Malaysia: Development & Challenges organised by UiTM, University of Bolton UK, Great Eastern Takaful Berhad, Hume Institute Lausanne & Chartered Institute of Insurance UK	DMF
7.	Code of Ethics & Professional Conduct by Association of Shariah Advisors in Islamic Finance Malaysia	DMF
8.	Knowing Your Role: Financial Planners & Financial Advisers Explained by Malaysian Financial Planning Council	DFM
9.	How to Manage an Equity Portfolio Using Both Fundamental Analysis and Technical Analysis by Financial Planning Association Malaysia	DFM
10.	NVRM122 Corporate Sukuk (Bonds) Financial Modelling using Microsoft Excel by Neurover (Malaysia) Sdn Bhd	DFM
11.	5th World Islamic Economics and Finance Conference, organised by Minhaj University Lahore, Pakistan	DFM
12.	Webinar UBD School of Business and Economics, Islamic Finance in Australia: Data Analytics Approach by Prof Dr Ishaq Bhatti, organised by University Brunei Darussalam	DFM
13.	IF360 Webinar Series: Ke Arah Pembangunan Kewangan Inovasi dan Rangkuman Kewangan Islam by International Centre for Education in Islamic Finance ("**INCEIF**")	DFM
14.	Program Latihan Halal (Eksekutif Halal) by Majlis Profesional Halal	DFM
15.	IF360 Webinar Series: Peranan Kewangan Islam dalam Pembangunan Industri Halal by INCEIF	DFM

Legend
- Dr. Ghazali Jaapar ("**DGJ**")
- Dr. Mohammad Firdaus Mohammad Hatta ("**DMF**")
- Dr. Fadillah Mansor ("**DFM**")

Succession Plan

Board and Board Committee	Senior Management
The Board had, in October 2015, formalised the Board Succession Planning Framework ("**Framework**") which outlines the guiding principles for effective succession planning, as well as the detailed procedure in ensuring smooth transition in the Board's process and functioning as existing Directors leave and new ones come on board. This Framework is reviewed on a regular basis to ensure its alignment with the latest development in the relevant regulatory requirements, if necessary.	In July 2015, the Board had, upon the GNC's recommendation, approved the Talent and Succession Management Framework and Methodology for the Group, which aims at ensuring ready successors for leadership positions capable of driving business growth and achieving the Group's strategic business plan, ensuring a pool of qualified and competent staff prepared and ready to fill up critical positions within the Group as and when required; and ensuring effective development, engagement and retention of high potential employees.

Non-Executive Directors' Remuneration Framework

The Company aims to set remuneration levels which are sufficient to attract and retain the Directors and Senior Management needed to operate the Company successfully, taking into consideration all relevant factors including the functions, workload and responsibilities involved, but without excessively overpaying to achieve its goal. Regarding the level of remuneration of the GMD and Senior Management personnel, it is deliberated by the GNC after giving due consideration to compensation levels of comparable positions of other similar companies in Malaysia.

The GNC carries out the annual review of the overall remuneration policy for Directors, the GMD and Senior Management whereupon recommendations are submitted to the Board for approval. The GNC also reviews annually the performance of the GMD, Chief Executive Officers of the subsidiaries of the Company, as well as Senior Management and make appropriate recommendations to the Board for approval accordingly.

The remuneration of GMD and Senior Management are made up of two (2) components i.e., fixed basic salary and a variable component comprising the annual discretionary performance bonus and share awards under the ESS. The share awards will only be vested upon the GMD and Senior Management meeting the agreed Key Performance Indicators. Details of such share awards are set out in Note 54 of the Financial Statements section of this Annual Report.

For the Financial Year Ended 31 December 2022, the Directors and Shariah Committee Members are paid the annual fees and meeting allowances for each meeting of the Board, Board Committee or Shariah Committee that they have attended, as stated below.

Financial Year Ended 31 December 2022	Fees
Chairman of the Board	RM520,000.00
Director	RM270,000.00
Chairman of AC[1]	RM60,000.00
Chairman of GNC/ GBRC/ GBDITC	RM40,000.00
Chairman of Shariah Committee	RM80,200.00
Member of AC/ GNC/ GBRC/ GBDITC	RM30,000.00
Member of Shariah Committee[2]	RM55,000.00
	RM49,000.00

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Type of Meeting Allowance	Chairman	Member
	Per Meeting	
Board Meeting	RM2,000.00	RM2,000.00
General Meeting of the Company	RM2,000.00	RM2,000.00
AC/ GNC/ GBRC/ GBDITC/ ESS Committee Meeting	RM2,000.00	RM2,000.00
Shariah Committee	RM600.00	RM500.00

Notes:

(1) The Annual Fee for the Chairman of the AC had been increased from RM40,000 to RM60,000 effective from the Financial Year 2021 as approved by the Board of KIBB on 26 January 2022, upon the GNC's recommendation.

(2) The Annual Fee for the Financial Year Ended 31 December 2022 were based on the number of years served as a Shariah Committee member, as well as the scope of roles and responsibilities being undertaken.

The payment of Directors' fees will be made after obtaining the Shareholders' approval at the Annual General Meeting ("**AGM**").

The breakdown of the remuneration of individual Directors which includes fees, other emoluments and benefits-in-kind for the Financial Year Ended 31 December 2022 is set out below.

Group Level	Fees(1) RM	Salaries RM	Other Emoluments RM	Bonus RM	Benefits-in Kind RM	Total RM
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	520,000.00	-	24,000.00	-	31,150.00(2)	575,150.00
Mr. Luigi Fortunato Ghirardello	193,013.70(3)	-	38,000.00	-	-	231,013.70
Encik Ismail Harith Merican	300,000.00	-	40,000.00	-	-	340,000.00
Mr. Luk Wai Hong, William	486,630.14	-	122,000.00	-	-	608,630.14
Encik Jeremy Nasrulhaq	390,000.00	-	70,000.00	-	-	460,000.00
Puan Norazian Ahmad Tajuddin	462,410.96	-	108,000.00	-	-	570,410.96
Mr. Kanagaraj Lorenz	370,000.00	-	66,000.00	-	-	436,000.00
Mr. Choy Khai Choon	343,479.46	-	56,000.00	-	-	399,479.46
Madam Chin Siew Siew	185,123.29(4)		22,000.00	-	-	207,123.29
TOTAL	**3,250,657.55**	**-**	**546,000.00**	**-**	**31,150.00**	**3,827,807.55**

Notes:

(1) Subject to the Shareholders' approval at the forthcoming AGM.

(2) Benefits-in-kind for the current Chairman included leave passage, driver, car and other claimable benefits.

(3) Annual Directors' Fee was pro-rated for the period Mr. Luigi Fortunato Ghirardello was in office until his retirement from the Board of KIBB on 26 May 2022.

(4) Annual Directors' Fee was pro-rated for the period Madam Chin Siew Siew was in office following her appointment on 1 June 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Company Level	Fees[1] RM	Salaries RM	Other Emoluments RM	Bonus RM	Benefits-in Kind RM	Total RM
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	520,000.00	-	24,000.00	-	31,150.00[2]	575,150.00
Mr. Luigi Fortunato Ghirardello	143,013.70[3]	-	26,000.00	-	-	169,013.70
Encik Ismail Harith Merican	300,000.00	-	40,000.00	-	-	340,000.00
Mr. Luk Wai Hong, William	388,301.37	-	84,000.00	-	-	472,301.37
Encik Jeremy Nasrulhaq	390,000.00	-	70,000.00	-	-	460,000.00
Puan Norazian Ahmad Tajuddin	370,000.00	-	68,000.00	-	-	438,000.00
Mr. Kanagaraj Lorenz	370,000.00	-	66,000.00	-	-	436,000.00
Mr. Choy Khai Choon	343,479.46	-	56,000.00	-	-	399,479.46
Madam Chin Siew Siew	185,123.29[4]	-	22,000.00	-	-	207,123.29
TOTAL	**3,009,917.82**	**-**	**456,000.00**	**-**	**31,150.00**	**3,497,067.82**

Notes:
(1) Subject to the Shareholders' approval at the forthcoming AGM.
(2) Benefits-in-kind for the current Chairman included leave passage, driver, car and other claimable benefits.
(3) Annual Directors' Fee was pro-rated for the period Mr. Luigi Fortunato Ghirardello was in office until his retirement from the Board of KIBB on 26 May 2022.
(4) Annual Directors' Fee was pro-rated for the period Madam Chin Siew Siew was in office following her appointment on 1 June 2022.

Board Performance Evaluation

In line with the requirements of the MMLR, BNM's Policy Document on Corporate Governance and the recommendations of the MCCG, the performance and contribution of the Board, Board Committees and individual Directors are assessed annually in accordance with the Board Evaluation Framework approved by the Board.

This performance evaluation aims to objectively improve the effectiveness, maximise strengths and address weaknesses of the Board, Board Committees, as well as individual Directors, if any. It enables the Board to assess how they are performing and identify how certain elements of their performance may be improved.

Individual Director's performance evaluation is also aimed at assessing whether each Director continues to contribute effectively and able to demonstrate commitment to the role, including commitment of time for the Board and Board Committee meetings and any other duties.

For the Board and Board Committees, the performance evaluation was conducted using the self-assessment method, whereas for individual Directors, a combination of self-assessment and peer assessment method was used, based on pre-determined criteria covering key areas in line with the Board Charter, as well as the Terms of Reference of the Board Committees.

The Board's effectiveness was assessed in the areas of its structure, operations and interaction, roles and responsibilities, strategy and planning, financial overview, performance management, human capital management, risk management and internal control, shareholders communication and investor relations and understanding of the Board Committees' roles.

The effectiveness of each of the Board Committee was also discussed in detail and areas for enhancements identified accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Based on the assessment conducted in 2022 and the feedback received from members of the Board, as well as Board Committees, the GNC had recommended certain identified action plans towards enhancing the governance and processes of the Board and Board Committees, which were approved by the Board for implementation, which amongst others included the action plans stated below.

1. Enhancement of the process of setting the strategic business plans and annual budget by conducting a brain storming session led by the Chairman of the Board, between Board Members and Senior Management before tabling of the same to the Board for approval.
2. Development of a longer-term strategy for the Group in respect of Sustainability/ ESG with appropriate matrices and targets.
3. Tracking and monitoring of strategic plan, longer-term digitalisation plans, including tighter review of the Group's Digitisation Plan for the next three (3) years, which should include timelines with specific deliverables, financials separately showing the Business-as-Usual and Digital Businesses, clear Key Performance Indicators for each category, and progress report on investment and/ or business partnerships/ collaborations in relation thereof.
4. Strengthening of the Board's skill set by having a Board Member with ESG/ Sustainability, Market Risk, Legal, Human Resource and Talent Management expertise and experience, as well as candidates with Board experience from other Public Listed Companies and/ or banking or technology entrepreneurial background with practical experience in building a Fintech startup, or experience as a Chief Financial Officer, when considering potential candidates for directorship to add value to the Board and the Company.
5. Address Boardroom diversity and take steps to ensure that women candidates are sought as part of Board recruitment process to facilitate the Company's achievement of 30% women Directors on its Board as recommended by the MCCG, by April 2024[2].
6. Conduct a review of remuneration of Directors (to be benchmarked against other Investment Banks of similar size and business) to attract and retain suitable Directors for the effective functioning of the Board.
7. Conduct a review on the composition of the Boards and Board Committees of entities within KIBB Group taking into consideration the proper allocation of Board Committee membership depending on skills set and expertise of each Board Member.
8. Identify suitable training programmes for the Directors in the areas stated below.
    - Sustainability, ESG Risks and Climate Change Risks.
    - Fintech, Technology Innovations, Artificial Intelligence, including Information Sharing on Market Developments in Digital Products and Competitors.
    - Risks in Islamic Finance.
    - Cyber Security.
    - Refresher in-house programmes on product knowledge such as Equity Derivatives, Treasury, Digital Business, and Money Market, as well as Anti-Money Laundering and Counter Financing of Terrorism, Section 17A of the Malaysian Anti-Corruption Commission Act 2009, and Consequence Management Process in respect of Management KRPs, the GMD and the Board.
9. Improvement in the Alignment of Reward Structure with ESG Goals/ Targets.
10. Closer Engagement with Group Human Resource on Talent Management.
11. Review of the Board Performance Evaluation Parameters and Matrices.
12. Establishment of a Register of Potential Directors.

Independent Professional Advice

The Directors (either individually or as a group) have access to independent professional advice, at the expense of the Company, as well as separate and independent access to Senior Management and the Company Secretary at any point in time.

Directorships in Other Companies

A Director must not have competing time commitments that may impair his/ her ability to discharge his/ her duties effectively. Directors are required to notify the Board before accepting any new directorship in a public company incorporated in Malaysia and all its subsidiaries incorporated in Malaysia or otherwise, as well as new external professional appointment. The notification should include an indication of time that will be spent on the new appointment.

[2] *At least within three (3) years from issuance of the MCCG by the SC on 21 April 2021*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The AC of KIBB comprises solely of INEDs and is chaired by an INED who is not the Chairman of the Board. This is in line with the Step-Up Practice 9.4 of the revised MCCG.

Details on the AC's composition, as well as, its members' attendance at the AC meetings during the Financial Year Ended 31 December 2022 are provided on page 73 of this Annual Report and Section B of the CG Report which are available on KIBB's website at https://www.kenanga.com.my/investor-relations/AGM2023.

The AC is established to provide independent oversight on the Group's internal and external audit functions, internal controls and ensuring checks and balances within the Group.

The functions and responsibilities of the AC are set out in its Terms of Reference which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

Internal Audit Function

The Group Internal Audit ("**GIA**") is established by the Board to provide independent and objective assurance to the Board that the established internal controls, risk management and governance processes are adequate and operating effectively and efficiently. To ensure independence and objectivity, GIA, which is headed by the Group Chief Internal Auditor ("**GCIA**"), reports independently to the AC and has no responsibilities or authority over any of the activities reviewed by the Division.

The internal audit function is guided by its Audit Charter which is approved by the AC. The Audit Charter outlines amongst others, GIA's objectives, mission, scope, responsibility, accountability, authority, independence and objectivity, as well as standards and ethics.

An Annual Audit Plan based on the appropriate risk-based methodology has been developed and approved by the AC. On a quarterly basis, internal audit reports and status of internal audit activities including the adequacy of GIA's resources are presented to the AC for review. Periodic follow up reviews are conducted to ensure adequate and timely implementation of audit recommendations by Management.

The GCIA is invited to attend the AC meetings to facilitate the AC's deliberations of audit reports.

The AC, pursuant to its Terms of Reference, oversees the effectiveness of the internal audit function of KIBB by -

- reviewing, approving and reporting to the Board the audit scope, procedures and frequency;
- reviewing and reporting to the Board key audit reports and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other issues identified by GIA;
- taking note of significant disagreements between the GCIA and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact such disagreements may have on the audit process or findings;
- establishing a mechanism to assess the performance and effectiveness of the internal audit function;
- reviewing and reporting to the Board the adequacy of scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
- appointing, setting compensation, evaluating the performance and deciding on the transfer and dismissal of the GCIA and of any staff member of the internal audit function at the request of the GCIA.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Group Board Risk Committee

The GBRC comprises a majority of INEDs and is chaired by an INED who is not the Chairman of the Board.

Details on the GBRC's composition, as well as, its members' attendance at the GBRC meetings during the Financial Year Ended 31 December 2022 are provided on page 73 of this Annual Report and in Section B of the CG Report which are available on KIBB's website at https://www.kenanga.com.my/investor-relations/AGM2023.

The GBRC was established to support the Board in meeting the expectations on risk management as set out in BNM's Policy Document on Risk Governance. It also assists the Board in the implementation of a sound remuneration system, by examining whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the GNC.

The functions and responsibilities of the GBRC are set out in its Terms of Reference which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

Group Board Digital Innovation & Technology Committee

The GBDITC comprises a majority of INEDs and is chaired by an INED who is not the Chairman of the Board.

The GBDITC was established on 29 August 2019 to support the Board in providing direction and oversight over technology-related matters as set out in BNM's Policy Document on Risk Management in Technology.

In addition to providing oversight on technology-related matters, including risks, the GBDITC also reviews, evaluates and makes appropriate recommendations to the Board for approval, proposals on technology/ digital innovations put forward by Management, in line with KIBB Group's medium and long-term business strategy which includes the digitalisation strategy for the Group.

The functions and responsibilities of the GBDITC are set out in its Terms of Reference which is available on KIBB's website at https://www.kenanga.com.my/investor-relations/corporate-governance.

Risk Management and Internal Control

The Board is responsible for ensuring that KIBB has in place effective and comprehensive risk management policies, procedures and infrastructure to identify, measure, monitor and control the various types of risks undertaken by KIBB Group.

In discharging this responsibility, the Board approves and periodically reviews the risk management capabilities of KIBB Group to ensure their ability to support KIBB Group's business activities and any expansion thereof.

It is important to emphasise that the ultimate responsibility for ensuring a sound internal control system and reviewing the effectiveness of the system lies with the Board. The Group's inherent system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as, to safeguard the Shareholders' investments and the Group's assets.

The details of KIBB Group's internal control system and risk management framework are set out in the Statement on Risk Management and Internal Control appearing on pages 110 to 114 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Audit Committee to Ensure Compliance with Financial Reporting Standards

At the Board meetings, the Board reviews the Management's reports on the business performance of KIBB, as well as its major subsidiaries, associate and joint-venture companies and the analysis of the Group's performance in comparison to the positions in the preceding month and quarter, as well as year-to-date.

The Board deliberates, and in the process, assesses the viability of business propositions and corporate proposals, and the principal risks that may have significant impact on KIBB's business or on its financial position, as well as the related mitigating factors.

The Board aims to provide a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the Audited Financial Statements and quarterly financial reports, as well as, through material disclosures made in accordance with the MMLR of Bursa Securities.

The AC assists the Board in overseeing the integrity of the Group's financial reporting and part of this role involves the operation of the financial reporting processes. The processes are aimed at providing the assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial positions. In fulfilling this responsibility, the AC also reviews the accuracy and adequacy of the Chairman's Statement and corporate governance disclosures in the Annual Report, the interim financial reports and preliminary announcements in relation to the preparation of financial statements.

During the year under review, two (2) sessions between the AC and the External Auditors were held in the absence of the Management, as part of the medium for greater exchange of views and opinions between both parties in relation to financial reporting.

Investor Relations and Shareholder Communications

The Board is committed to providing the Shareholders, investors and other stakeholders with comprehensive, timely and equal access to information on the Group's activities to enable them to make informed investment decisions.

To ensure continuous communication between KIBB Group and its stakeholders, as well as to facilitate mutual understanding, the Group employs a wide range of communication channels via its Kenanga Digital Channels such as Facebook, Instagram, LinkedIn, TikTok, YouTube, as well as via direct communication and publication of all relevant Group information on its website at https://www.kenanga.com.my. The Group utilises its corporate website and social media channels as a means of providing information to its Shareholders and the broader investment community. In 2022, the Company released its first-ever Sustainability Report which is intended to enhance the Group's ESG disclosures to stakeholders.

KIBB Group's corporate website provides comprehensive and easy access to the latest information about the Group. The Group's information made available on the corporate website includes information relating to inter alia, KIBB and its subsidiaries' corporate profiles, Board, Senior Management, corporate governance related matters such as the Board Charter, as well as the Terms of Reference of the various Board Committees, financial reports, annual reports and corporate news via public announcement, media releases and articles.

KIBB endeavours to improve communications with its stakeholders by ensuring information about the Company, products and services are up-to-date and easily accessible with the use of technology via its own Digital Channels and other forms of external media be it digital or traditional such as broadcast or print.

The Company believes it is important to communicate information to stakeholders on a regular basis. In support of this, the Company conducts quarterly results briefings with its institutional shareholders. During these sessions, the Company provides snapshots of its results and business, as well as holding Questions and Answers ("**Q&A**") sessions to answer inquiries from participants. Quarterly financial information is also communicated via press release and quarterly results briefing decks, as well as the Company's social media channels and corporate website.

For better coordination and control of efficiency, all investor relations events are organised and managed by Group Marketing, Communications and Sustainability of KIBB.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In order to enhance stakeholders' experience whilst surfing the corporate website, the Company is continuously looking into ways to enhance its corporate website to ensure that the navigation is indeed user-friendly and information shared are easily accessible to all stakeholders. For this purpose, the Company had taken the effort in 2021 to enhance the searchability of its websites via Search Engine Optimisation (SEO) and Search Engine Marketing (SEM).

Information relating to the procedures of whistleblowing is also available on the corporate website.

General Meetings

In line with its digital transformation efforts, the Company has focused on the dissemination of its Annual Report via its website at https://www.kenanga.com.my/investor-relations/AGM2023 in order to reach a wider spectrum of Shareholders who are active internet users.

Shareholders are encouraged to attend the AGM and to use these opportunities to raise questions and vote on important matters affecting the Group, including the re-election of Directors, the receipt of the Audited Financial Statements, Directors' Remuneration, Renewal of Share-Buy Back Authority, as well as, corporate proposal, if any.

As Malaysia transitions to endemic phase of COVID-19, the Company had conducted its Forty-Eighth (48th) AGM virtually on 26 May 2022 in accordance to the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the SC on 18 April 2020. The AGM was held virtually via live streaming and online remote voting using the Remote Participation and Electronic Voting Facilities ("**RPEV Facilities**") operated by KIBB's Share Registrar, Boardroom Share Registrars Sdn Bhd ("**Boardroom**").

Shareholders who logged in to participate in the AGM at the Virtual AGM Portal at https://meeting.boardroomlimited.my were able to cast their votes online via the same portal using the same login credentials and pose their questions to the Board on a real time basis.

In addition to offering the Shareholders with the opportunities to participate in the AGM, pose questions and vote remotely via the RPEV Facilities, the Company had also offered e-Proxy lodgement via Boardroom Smart Investor Portal, a service also rendered by Boardroom. This alternative mode of submitting the Proxy Form via electronic means was a step up to enable more Shareholders to exercise their voting rights by appointing a Proxy to attend and vote in their stead.

To assist Shareholders in manoeuvring the RPEV Facilities, an Administrative Guide with detailed steps was provided to the Shareholders to guide them through the process. In addition, Boardroom also provided a Helpdesk service to assist Shareholders who were less-IT savvy.

During the AGM, all the members of the Board together with the External Auditors, Company Secretary, the GMD and a few of the key Senior Management personnel were present virtually using the virtual platform to attend to any questions posed by the Shareholders.

To foster better engagement with the Shareholders during the Forty-Eighth (48th) AGM, the Company had also arranged for one of its Senior Management personnel to brief the Shareholders on live telecast on the Company's financial performance and operations in respect of the Financial Year Ended 31 December 2021 and Business Prospects for 2022 to keep them abreast of the Company's achievements and plans moving forward.

Following the presentation, the GMD presided over the Q&A session by reading out the questions raised by the Shareholders and the Minority Shareholder Watch Group prior to the AGM and answering them accordingly. The GMD also answered all the questions submitted on real time basis during the AGM.

Pursuant to Paragraph 9.21(2)(b) of the MMLR of Bursa Securities, KIBB had published its AGM minutes and Q&As (Key Matters Discussed) on the Company's website after the AGM.

The aforementioned virtual platform has enabled the Company to reach out to a wider spectrum of Shareholders by giving them the opportunity to exercise their rights as shareholders by participating at the AGM via real-time interaction with the Board and Senior Management, and voting from wherever location they might be, even from the comfort of their homes.

Apart from the engagement with stakeholders through the Annual Reports and general meetings, the Company also makes announcements relating to its quarterly results and other relevant announcements to Bursa Securities via Bursa LINK to provide stakeholders with material key information which could affect their decision making, thus enhancing the level of transparency.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

To strengthen its line of communication with the Shareholders, as mentioned earlier, the Board had in July 2021 designated Encik Jeremy Nasrulhaq as the Senior INED, to take heed of their concerns on matters related to corporate governance and the Group's performance, amongst others.

Sustainability Management

Sustainability is increasingly becoming a necessity for corporations around the world to adopt and implement within their business operations to be sustainable.

In cognisance of the importance of sustainability, the Board of KIBB had on 29 July 2021 established a Management level Group Sustainability Management Committee ("**GSMC**" or "**the Committee**") to drive the sustainability agenda for Kenanga Group.

Prior to the establishment of the GSMC, all sustainability related initiatives were under the purview of Group Marketing, Communications & Sustainability of KIBB.

The objective of the GSMC is to support the Board in the governance of sustainability in KIBB Group including setting sustainability strategies, priorities and targets, to ensure that KIBB Group addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategies and success, by integrating sustainability considerations in the day-to-day operations of the Group and ensuring the effective implementation of the Group's sustainability strategies and plans.

In addition to the above, resources have been assigned to advance the Group's ESG agenda through the establishment of a Sustainability Department with dedicated headcount.

A Group Chief Sustainability Officer was also appointed in 2022 to:

- Envision, drive and enhance sustainability value for all stakeholders;
- Govern and deliver sustainability teams performance;
- Inspire and drive the organisation sustainability culture;
- Secure and optimise resources for the organisation; and
- Establish networking and partnerships at organisation level.

Sustainability Plan

In embarking on its sustainability journey, on 13 September 2021, a Sustainability Plan was presented to the GSMC to outline the Group's key sustainability priorities, which was later tabled at the GNC and approved by the Board of KIBB on 28 October 2021.

Kenanga's ESG Framework

In addition to the above, GSMC had also recommended to the GNC for the Board's approval, Kenanga's ESG Framework which provided guidance on sustainability plans, setting priorities and targets, as well as managing sustainability performances throughout the Group. The Framework covers four (4) sustainability pillars below with identified six (6) key focus areas.

Sustainability Pillar	Key Focus Areas
Sustainable Economic Growth	• Responsible Investment • Digitalisation
Environmental Stewardship	• Climate Impact
Empowering People and Communities	• Diversity, Inclusion and Well-Being • Community Investment
Good Corporate Governance	• Good Business Conduct

Kenanga Group Sustainability Goals and Targets

In April 2022, guided by the Group's ESG Framework and Sustainability Plan, a 'Group Sustainability Goals and Targets' was presented to the GSMC by Group Marketing, Communications & Sustainability of KIBB, outlining the sustainability goals and targets for the Group, which was approved by the Board of KIBB on 6 April 2022, upon recommendation of the GNC.

Kenanga's Sustainability Roadmap 2023-2025

Subsequently, upon the recommendation of the GSMC and the GNC, the Board of KIBB, had on 7 December 2022, approved the Group Sustainability Roadmap 2023-2025, outlining the sustainability goals and targets for the Group for the next three (3) years.

Integration of ESG Targets and Metrics into the Employees' Balanced Scorecards

Following the approval of the Group's Sustainability Roadmap 2023-2025, relevant ESG Key Performance Indicators ("**KPIs**") were developed and incorporated into the Balanced Scorecards of relevant employees to track and monitor ESG performances.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Kenanga Group's Climate Change Risk Management Framework

On 9 December 2021, the Board had approved Kenanga Group's Climate Change Risk Management Framework ("**CCRM Framework**") to facilitate the incorporation of climate change-related risk considerations into the governance process, business strategy and operations, reporting and disclosure, as well as risk management system of Kenanga Group.

The climate change risk to be managed by the Group shall be governed by the existing risk governance structure that involves the Board, Board Committees, Management Committees, Business Units and Group Risk Management.

The CCRM Framework supports these efforts by facilitating robust and consistent assessments of economic activities and the impact on climate and the environment. The Framework also covers the sustainability strategy, principles, initiatives and performance of Kenanga Group and focuses on the issues that the Group have determined to be of greatest importance with regard to climate change.

In driving the above goals and targets, the Group developed an implementation plan in line with the Climate Risk Management and Scenario Analysis by BNM, the SC's Task Force of Climate-Related Financial Disclosures ("**TCFD**") Application Guide, and Bursa Securities' Enhanced Sustainability Reporting Guide.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS (Pursuant to Paragraph 15.26(a) of the MMLR)

The Board is fully accountable for ensuring that the Audited Financial Statements are prepared in accordance with the Companies Act 2016 and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group and of the profit and loss and cash flow as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable approved accounting standards in Malaysia have been complied with reasonable and prudent judgment and estimates have been made. The Audited Financial Statements are also prepared on a going concern basis, as the Board has a reasonable expectation, after having made enquiries that the Group has adequate resources, to continue its operational existence in the foreseeable future.

ADDITIONAL INFORMATION

Audit and Non-Audit Fees

The details of the audit and non-audit fees payable to the External Auditors, EY and its affiliates, for the Financial Year Ended 31 December 2022 are provided below.

	Group (RM)	KIBB (RM)
Statutory Audit	572,800	365,000
Audit/ Assurance Related	55,140	55,140
Non-Audit Fees – EY Assurance Team	67,000	25,000
Grand Total	**694,940**	**445,140**

Related Party Transactions ("RPTs") and Recurrent Related Party Transactions ("RRPTs")

RPTs and/ or RRPTs entered into by the Company and/ or KIBB Group are reviewed by the AC during its quarterly meetings to ensure compliance with the MMLR.

Material Contracts Involving Interests of Directors, GMD or Major Shareholders

There were no material contracts entered into by the Company or its subsidiary companies involving the interests of the Directors, the GMD or Major Shareholders which still subsisted at the end of the Financial Year Ended 31 December 2022.

Utilisation of Proceeds Raised from Corporate Proposals

There was no new fund-raising corporate exercise during the Financial Year Ended 31 December 2022.

The proceeds from the previous issuance of Subordinated Notes under the RM250 million in nominal value Tier 2 Subordinated Note Programme which was established on 27 March 2017 are being utilised by the Company for working capital requirement.

Details on the outstanding subordinated notes under the programme are set out under Note 25 of the Financial Statements section appearing on page 239 of this Annual Report.

Employees' Share Scheme

After obtaining the Shareholders' approval at an EGM held on 25 May 2017, KIBB had, on 21 September 2017, established and implemented the Scheme of up to 10% of its total issued share capital (excluding treasury shares) at any one time during the duration of the Scheme for the Eligible Employees[4] which would be valid for a period of five (5) years from its commencement date. Following the Board of KIBB's approval on 10 June 2020, the duration of the ESS has been extended for another five (5) years from 21 September 2022 to 20 September 2027 in accordance with the provisions of the By-Laws of the ESS.

The ESS comprises the Employees' Share Option Scheme ("**ESOS**") and Employees' Share Grant Plan ("**ESGP**"). It is governed by the ESS By-Laws approved by the Shareholders at the aforesaid EGM and administered by the ESS Committee, comprising three (3) INEDs.

Since the commencement of the ESS on 21 September 2017, six (6) offers had been made under the ESOS on 2 January 2018, 31 May 2018, 2 May 2019, 17 June 2019, 1 July 2020 and 2 August 2021 respectively. As for the ESGP, the Board of KIBB had on 4 March 2021, approved the granting of the Performance Share Plan ("**PSP**") Award to Eligible Employees of the Company and its non-dormant subsidiaries on 3 May 2021 where the PSP shares were vested on 2 June 2021 ("**Vesting Date**").

In determining the total number of shares to be awarded to each Eligible Employee, the ESS Committee and the GNC had taken into consideration amongst others, the Eligible Employees' performance, seniority (denoted by corporate rank) and contribution to the growth and performance of KIBB Group. As part of the conditions attached to the PSP Award, the PSP Grantee is restricted from selling/ transferring the shares issued to him/ her for a period of one (1) year from the Vesting Date.

The details of the ESS are set out under Note 54 of the Financial Statements section appearing on pages 344 to 352 of this Annual Report.

Brief details on the number of options granted, exercised, forfeited and outstanding since the commencement of the ESS on 21 September 2017 and during the Financial Year ("**FY**") 2018, FY 2019, FY 2020, FY 2021 and FY 2022 are set out below.

For the Period from 21 September 2017 to 31 December 2018

ESOS[(1)]	Total	GMD[(2)]	Senior Management	Other Entitled Employees
Granted	59,423,000	10,000,000[(3)]	16,580,000[(3)]	32,843,000[(3)]
Exercised	194,400	0	0	194,400
Forfeited[(4)]	1,479,000	0	0	1,479,000
Outstanding	57,749,600	10,000,000	16,580,000	31,169,600

[4] *The Employee(s) and Executive Directors of the KIBB Group who meet(s) the criteria of eligibility for participation in the Scheme as set out in By-Law 5*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FY 2019

ESOS[1]	Total	GMD[2]	Senior Management	Other Entitled Employees
Granted	6,431,000	0	750,000[5]	5,681,000[5]
Exercised	0	0	0	0
Forfeited[4]	1,528,000	0	0	1,528,000
Cancelled[6]	265,500	0	195,000	70,500
Outstanding	62,387,100	10,000,000	17,135,000	35,252,100

FY 2020

ESOS[1]	Total	GMD[2]	Senior Management	Other Entitled Employees
Granted	3,311,000	0	0	3,311,000[5]
Exercised	9,247,100	0	1,161,000	8,086,100
Forfeited	1,731,000	0	450,000[7]	1,281,000[4]
Cancelled[6]	952,500	0	195,000	757,500
Outstanding	53,767,500	10,000,000	15,329,000	28,438,500

FY 2021

ESOS[1]	Total	GMD[2]	Senior Management	Other Entitled Employees
Granted	4,578,000	0	0	4,578,000[5]
Adjustment[8]	0	0	80,000	-80,000
Exercised	25,675,000	3,000,000	9,419,000	13,256,000
Forfeited[4]	2,158,000	0	300,000	1,858,000
Cancelled[6]	227,500	0	0	227,500
Reinstatement[9]	450,000	0	450,000	0
Lapsed[10]	86,000	0	0	86,000
Outstanding	30,649,000	7,000,000	6,140,000	17,509,000
ESGP[1]	**Total**	**GMD[2]**	**Senior Management**	**Other Entitled Employees**
Granted	3,610,000	320,000	2,030,000	1,260,000
Vested [11]	3,610,000	320,000	2,030,000	1,260,000
Outstanding	0	0	0	0

CORPORATE GOVERNANCE OVERVIEW STATEMENT

FY 2022

ESOS[1]	Total	GMD[2]	Senior Management	Other Entitled Employees
Granted	0	0	0	0
Adjustment[12]	0	0	840,000	-840,000
Exercised	12,673,500	0	5,758,000	6,915,500
Forfeited	956,500	0	0	956,500
Cancelled[6]	269,500	0	0	269,500
Lapsed[10]	39,500	0	0	39,500
Outstanding	16,710,000	7,000,000	1,222,000	8,488,000
ESGP[1]	**Total**	**GMD[2]**	**Senior Management**	**Other Entitled Employees**
Granted	0	0	0	0
Adjustment	0	0	50,000	-50,000
Vested[11]	0	0	0	0
Outstanding	0	0	0	0

Notes:
(1) The ESOS and ESGP are offered to Eligible Employees.
(2) The GMD is not a Director of KIBB. None of the Directors of KIBB is entitled to participate in the ESOS and the ESGP.
(3) The offer to the GMD was granted on 31 May 2018 while the offer to Senior Management and Other Entitled Employees was granted on 2 January 2018 respectively.
(4) ESOS forfeiture due to staff resignation.
(5) The offer to Other Entitled Employees and Senior Management was granted on 2 May 2019, 17 June 2019, 1 July 2020 and 2 August 2021 respectively.
(6) ESOS cancellation due to vesting conditions not fully met.
(7) ESOS forfeiture in compliance with Section 92 of the Financial Services Act 2013.
(8) Adjustment made due to an employee's appointment as the Chief Executive Officer of I-VCAP Management Sdn Bhd. Hence, the re-categorisation of the ESOS.
(9) Reinstatement of the earlier cancelled ESOS in Note 7.
(10) ESOS lapsed due to unexercised options within the three (3) years of the Exercisable Period.
(11) PSP Grant vested and credited to employees' CDS account.
(12) Adjustment made due to an employee's appointment as a Group EXCO Member of KIBB. Hence, the re-categorisation of the ESOS.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Maximum Allowable Allocation of the Scheme

The aggregate maximum number of KIBB shares that may be offered to an Eligible Person under the Scheme shall be determined at the sole and absolute discretion of the ESS Committee after taking into consideration, amongst others, the provisions of the By-Laws of the ESS, MMLR of Bursa Securities or other applicable regulatory requirements prevailing during the option period relating to employees' and/ or directors' share issuance schemes, as well as, the performance, targets, position, annual appraised performance, seniority and length of service of the Eligible Person or such other matters which the ESS Committee may in its sole and absolute discretion deem fit and subject to the following:

a. aggregate maximum number of KIBB shares which may be made available under the Scheme shall not in aggregate exceed 10% of the issued share capital of the Company (excluding treasury shares) ("**ESS Shares**") at any point in time during the duration of the Scheme ("**Maximum ESS Shares**"); and

b. not more than 10% of the aggregate number of KIBB shares to be issued under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the issued share capital of KIBB (excluding treasury shares, if any).

The ESS granted to the GMD and Senior Management during FY 2022 and since the commencement of the ESS up to 31 December 2022 is tabulated below.

Description	1 January 2022 to 31 December 2022	Since Commencement Up to 31 December 2022
Percentage of the Aggregate Maximum Allocation over the Maximum ESS Shares	0%	0.70%
Actual Percentage of the ESOS Granted over the Maximum ESS Shares	0%	37.38%
Actual Percentage of the ESGP Vested over the Maximum ESS Shares	0%	3.32%

In respect of FY 2022, there was no allocation of the shares under the ESS made to the Eligible Employees and hence, no review was conducted.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 5 April 2023.

TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman of the Board

ETHICS AND COMPLIANCE STATEMENT

OVERVIEW

Kenanga Investment Bank Berhad and its subsidiary companies ("**Kenanga**") is committed to ensure our business and operations are conducted professionally in compliance with the applicable laws and regulations while adopting the highest standards of ethical principles and integrity. We continuously emphasise on the importance of a strong governance framework and robust operational controls in our pursuit of business opportunities with the goal of maintaining sustainable presence.

In Kenanga, we balance business performance with our motivation to preserve ethics and compliance, and this is reflected through the actions of our Board of Directors ("**Board**"), Senior Management and all other employees. We work in an environment where all are fully cognisance of the corporate culture of Kenanga and acknowledge their individual and collective accountability to meet compliance obligations that are consistent with our business risk tolerance.

OUR ETHICS AND COMPLIANCE MANAGEMENT STRUCTURE

Kenanga has established a strong ethics and compliance management structure to support the establishment of our governance framework. The structure sits within the Group Regulatory and Corporate Services ("**GRCS**") Division providing oversight on ethics and compliance programs so that Kenanga meets the regulatory objectives and upholds the integrity in all business dealings. This would ultimately ensure the required good corporate governance for sustainability of Kenanga.

The following six (6) departments within GRCS work together to carry out the overall responsibilities under the ethics and compliance structure:

Group Compliance	Manages the overall regulatory compliance issues in relation to the regulated activities as per the Licensing Handbook of the Securities Commission Malaysia
Group Financial Crime Compliance	Facilitates compliance with the applicable laws and regulatory requirements in relation to Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions
Group Prudential Supervision and Regulatory Affairs	Manages consultations with the regulators and provides sound advice to ensure compliance with regulatory requirements and expectations as well as standard practices across Kenanga
Group Business Ethics and Integrity	Develops and implements the applicable framework, policies and procedures towards promoting ethics and integrity in the business and operations of Kenanga
Group Legal	Manages legal documentation and provides legal consultation towards mitigating legal risks
Group Company Secretarial	Ensures integrity of the governance framework and compliance of the Board with statutory and regulatory requirements as well as facilitates communication and implementation of Board's decision.

ETHICS AND COMPLIANCE STATEMENT

OUR APPROACH OF PRESERVING GOOD GOVERNANCE

As a measure to achieve the highest standards of corporate governance in the highly regulated environment of the capital markets, the 'Ethics Risk Management Framework' ("**EMF**") and 'Compliance Management Framework' ("**CMF**") have been established within GRCS providing the structure and guidance for systematic and consistent oversight and monitoring functions for compliance and ethics. The same frameworks work to address and manage sustainability matters of Kenanga.

The EMF and CMF are risk-based, centre-led approaches that incorporate two (2) core principles of risk mitigation and risk monitoring which complement each other:

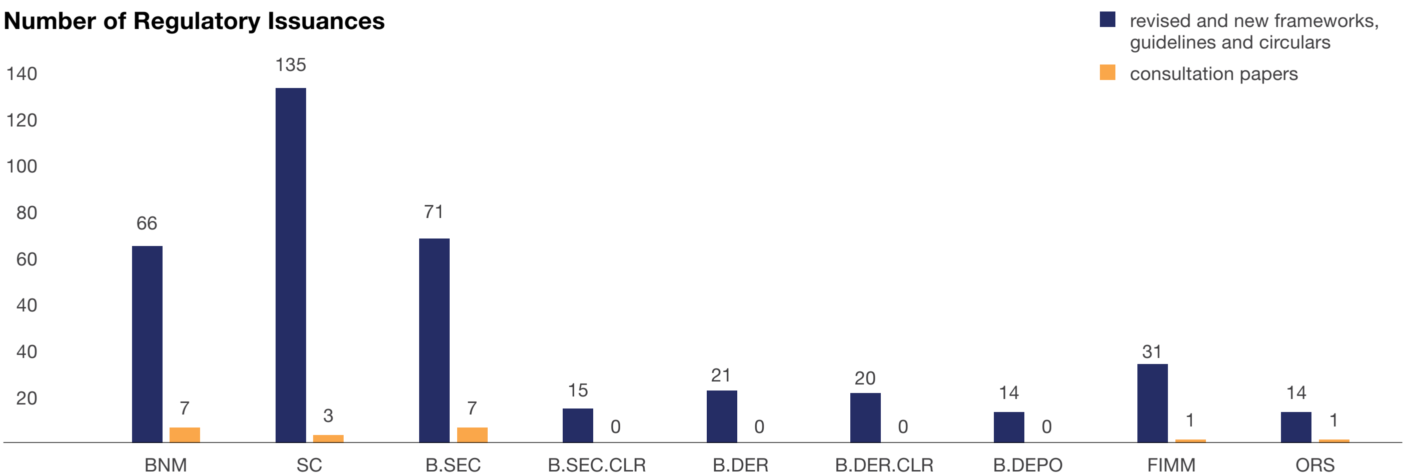
Ethics and Compliance Risk Mitigation	Ethics and Compliance Risk Monitoring
Identify the risks associated with business of Kenanga **Measure** the risks in order to assign their severity level **Assess** for appropriate controls to address any deficiencies **Implement** the controls involving the relevant parties in Kenanga **Educate and train** on the controls highlighting consequences of failing to comply	**Monitor and test** if risk mitigation is working properly via various measures: • Identify critical and high-risk areas • Identify key compliance risk mitigation activities • Identify routine business transaction associated to compliance obligations • Review and test compliance with legal and regulatory requirements • Review and test implementation of policies and procedures

In essence, the EMF and CMF are vital approaches which serve as foundations in the implementation and continuous review and update of the appropriate ethics and compliance programs in Kenanga. The approaches synchronise the handling of ethics and compliance issues in order to preserve the good corporate culture of Kenanga.

OUR REGULATORY AWARENESS AND COMPLIANCE TOOLS

GRCS plays a key role in the facilitation of regulatory issuances across Kenanga as an effort to ensure awareness of the employees of revised and new requirements issued by the regulators. In 2022, there were a total of three hundred eighty-seven (387) revised and new frameworks, guidelines and circulars, and nineteen (19) consultation papers which were facilitated by GRCS effectively.

Number of Regulatory Issuances



ETHICS AND COMPLIANCE STATEMENT

Further to the dissemination of the frameworks, guidelines and circulars, GRCS follows up on actions required of the affected divisions or departments up to completion and ensures compliance with the revised or new requirements via our Regulatory Issuances Impact Review ("**EDGE**") review exercise. In this regard, the EDGE serves as a tool to assist compliance of the divisions or departments with the requirements particularly where actions are required to be taken with regard to internal policies, procedures or controls.

ENHANCED INITIATIVES ON ETHICS AND COMPLIANCE

With the continued support of our Board and Senior Management, Kenanga had successfully undertook numerous initiatives in 2022 to further strengthen our internal controls. All new and ongoing initiatives were carefully considered, reviewed and reasonably challenged to guarantee positive acceptance and implementation.

- **Independent Review of Kenanga's Anti-Bribery and Corruption ("ABC") Compliance Program**

  Kenanga had appointed Baker Tilly MH Consulting Sdn Bhd ("**BTMHC**") as an independent third party to undertake an assessment on the effectiveness of ABC framework and compliance of Kenanga with the Guidelines on Adequate Procedures under Section 17A(5) of Malaysian Anti-Corruption Commission Act 2009 ("**MACCA**") as well as Securities Commission Malaysia's letter dated 16 March 2021 on Observations and Good Practices Relating to Compliance with Corporate Liability Provision ("**SC's Observations**").

  The independent review was conducted based on forty-one (41) observations criteria established pursuant to T.R.U.S.T principles of the Guidelines on Adequate Procedures and the outcome indicated that Kenanga has complied with forty (40) observations criteria (i.e. 97.6%).

Top Level Commitment	Risk Assessment	Undertake Control Measures	Systematic Review, Monitoring & Enforcement	Training and Compliance
5/5	**7/8**	**9/9**	**5/5**	**11/11**
Overall Scoring: 40/41 Compliance Percentage: 97.56%				

  Generally, BTMHC's observations and recommendations in relation to steps taken by Kenanga to address compliance with Section 17A of the MACCA as well as SC's Observations concluded that ABC Compliance Program of Kenanga is reasonable and effective, in all material respects, in accordance with the Guidelines on Adequate Procedures. The only outstanding observation where Kenanga is rated as 'Partially Compliant' is in relation to group-wide corruption risk assessment which is ongoing.

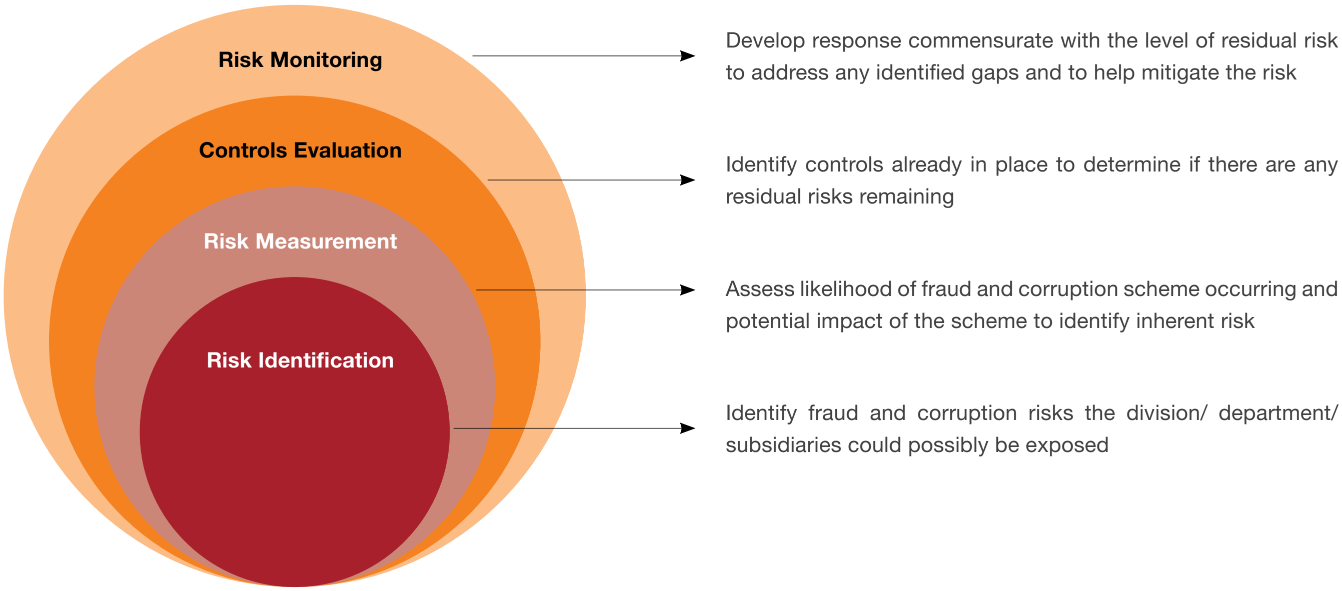
  Notwithstanding the achievement by Kenanga as independently assessed by BTMHC, we recognise that best practices should always grow and evolve in tandem with and to meet the ever-changing business landscape. As such, Kenanga is committed to adapting to the business and regulation changes over time, and to remain compliant with the laws that govern our business while constantly developing and improving in accordance with the best standards of the industry.

ETHICS AND COMPLIANCE STATEMENT

- **Fraud and Corruption Risk Assessments**

The extensive Fraud and Corruption Risk Assessment ("**FCRA**") exercise continued spanning across the different departments, divisions and subsidiaries of Kenanga. The FCRA is a group-wide risk assessment conducted to assess the inherent fraud and corruption risks exposures and the associated processes and controls by which these exposures are mitigated.

In carrying out the assessment by taking into consideration the propensity of fraud and corruption occurring, Kenanga assessed fraud and corruption risks against a set of 'risk appetite' metrics approved by the Board. The 'Guidance on Conduct of Fraud and Corruption Risk Assessment' is the guiding principle in conducting the FCRA which involves four (4) main core activities:



Due to the extensiveness of the FCRA exercise which covers Kenanga group-wide, research and study have been carried out by GRCS to identify critical or higher risk departments, divisions and subsidiaries for exposure of fraud and corruption. This considers various benchmarked reports and surveys issued on the subject matters. Pursuant to the research and study, the FCRA will be conducted by prioritising the departments, divisions and subsidiaries identified with higher risk indicators towards completion of the whole exercise for Kenanga.

- **Survey on Effective Management of Ethics and Integrity in Kenanga**

Kenanga values views and opinions of our employees. The employees are always encouraged to express views and concerns as this would assist Kenanga to identify if there is any issue in order to implement the necessary preventive or corrective measures. On this basis, the Survey on Ethics and Integrity Culture at Workplace ("**Ethics Survey**") was introduced.

The employees were encouraged to respond to the Ethics Survey which was conducted for the third time to gauge their views and perceptions on policies and practices related to ethics and integrity in Kenanga. Similar to the previous two (2) Surveys, the Ethics Survey 2022 was also conducted by segregating the employees into three (3) different groups based on their seniority level and each group was requested to respond to a different set of questionnaires covering three (3) core values.

ETHICS AND COMPLIANCE STATEMENT

CORE VALUES

Ethics and integrity practices embedded in Kenanga as part of a good corporate culture

Top-Level Commitment

Professional Accountability

Personal Integrity

Establish Metrics & Benchmarks

- Gauge the views and perceptions of the employees on policies and practices related to certain aspects of ethics and integrity in Kenanga
- Build strong corporate culture in ensuring that Kenanga operates in a transparent, ethical and sound manner

However, as the responses to the previous two (2) Surveys indicated an overall commendable result, all questions for the Ethics Survey 2022 have been revamped to obtain views and feedbacks involving more intrinsic aspects of ethics and integrity being practiced in Kenanga. The respondents were requested to assign rating (i.e. 'Agree', 'Neutral' or 'Disagree') to the statements depicting ethical practices of Kenanga as well as of the employees either professionally or in their personal capacity where it can affect their job functions.

A total of 85.54% employees responded to the Survey 2022:

SVP and Above	VP-AVP	SA-A
78.98%	91.90%	80.13%
124/157	522/568	383/478

TOTAL: 85.54%
(1029/1203)

Note:
SVP– Senior Vice President; VP – Vice President; AVP – Assistant Vice President; SA – Senior Associate; A – Associate

ETHICS AND COMPLIANCE STATEMENT

The overall responses to the Ethics Survey 2022 were positive where respondents from all the three (3) different groups generally 'Agree' that ethics and integrity are highly prioritised in business and operations of Kenanga; i.e. more than 97% of employees from the respective groups of employees responded 'Agree' to all the questions.

Core Values	Employee Group	Employees' Response		
		Agree	Neutral	Disagree
TOP LEVEL COMMITMENT: The scope of the questionnaire is to ascertain respondents' opinions on whether Board and Senior Management took visible strategic initiatives to set and communicate policies and objectives related to ethics and integrity, as well as to raise awareness, motivation and engagement.	SVP and Above	98.59%	1.41%	0.00%
	VP and AVP	97.51%	1.77%	0.72%
	SA and Associate	98.24%	1.50%	0.26%
PROFESSIONAL ACCOUNTABILITY: The scope of the questionnaire aims to understand whether the respondents acknowledge their responsibility to subscribe to ethics and integrity principles while undertaking assignments and commitments at work.	SVP and Above	100.00%	0.00%	0.00%
	VP and AVP	99.43%	0.45%	0.13%
	SA and Associate	99.39%	0.44%	0.17%
PERSONAL INTEGRITY: The scope of the questionnaire is to understand whether the respondents encompass good moral and ethical principles and values one holds themselves to gain trust, show self-respect, and display professionalism at work	SVP and Above	100.00%	0.00%	0.00%
	VP and AVP	99.49%	0.32%	0.19%
	SA and Associate	99.65%	0.17%	0.17%

In this regard, Kenanga acknowledges the feedbacks provided by the employees and will continuously engage to communicate our policies, principles and expectations of Kenanga to ensure preferable outcomes. The outcome from the Ethics Survey 2022 will form part of the factors in determining the necessary measures and actions for maintenance or enhancements of the ethical and compliance culture in Kenanga, where relevant.

UPHOLD HIGH STANDARDS OF CORPORATE GOVERNANCE

The Board maintains oversight of the ethics and compliance risks exposure to ensure effective implementation of the management strategies, frameworks and policies. In this regard, GRCS works closely with all stakeholders with the aim of aligning business direction with the established strategies, frameworks and policies that instil a culture where professionalism, ethics and compliance are key priorities.

- **Anti-Fraud, Bribery and Corruption**

  Kenanga is subject to the provisions of the MACCA as well as applicable local laws, rules, and regulations on anti-fraud, bribery and corruption issued by the relevant regulatory authorities. In this regard, Kenanga takes a zero-tolerance approach against all forms of fraud, bribery and corruption and requires the same approach from our Board, Senior Management as well as our employees. Similarly, Kenanga expects the same commitment from all third parties that we deal with on any matter and in any manner.

  The Group Anti-Fraud, Bribery and Corruption Policy ("**AFBC Policy**") sets out the guiding principles for Kenanga to address and manage fraud, bribery and corruption risks in all our dealings. The AFBC Policy specifies the principles in relation to top-level commitment, group-wide risk assessment and control measures as well as monitoring and training programs of Kenanga.

  In line with the AFBC Policy, the Group Anti-Fraud, Bribery and Corruption Reporting Procedure ("**AFBC Reporting Procedure**") was updated in 2022. The AFBC Reporting Procedure further detail the requirements and procedures for the Board and employees in relation to reporting of instances of fraud, bribery and corruption and the actions required to be taken in this regard.

- **Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT/TFS")**

  The rapid-evolving financial crime arising from ransomware, cryptocurrencies and the remaining impact of COVID-19 pandemic on money laundering have continued to be the trend of 2022. With the global effort led by Financial Action Task Force to combat money laundering, terrorism financing and proliferation financing ("**ML/TF/PF**") and to protect the integrity and stability of the international financial system, Kenanga has continued to strengthen the AML/CFT/TFS compliance framework in line with Kenanga's zero-tolerance of financial crime.

  These are demonstrated through, amongst others:

  - The top-level commitment, i.e. tone from the top for good AML/CFT/TFS compliance culture and corporate governance;
  - Enterprise-wide Business-based Risk Assessment to identify, assess, manage and mitigate the ML/TF/PF risks in relation to the operations and business;
  - Robust AML/CFT/TFS compliance framework comprising policy and procedures that define the standards, governing policies, principles and controls in managing the risks of ML/TF/PF on a risk-based approach; and
  - Internal controls to detect, deter and prevent Kenanga from being a conduit for ML/TF/PF

  In addition, digital acceleration continues to be the key effort of Kenanga to upgrade the automation of systems to ensure compliance with regulatory requirements and expectation, mitigate compliance and reputational risk, and stay competitive in business.

- **Code of Conduct for Employees**

  Good conduct is critical to delivering positive outcomes for our clients, stakeholders and capital markets at large. We empower our employees to do what is right by setting clear expectations through the Group Code of Ethics and Conduct for Employees ("**Employees Ethics Code**"), as well as by providing the support, tools and resources that employees need to act ethically, along with clear information about the various resources available to escalate concerns.

  Kenanga places confidence on our employees and the Employees Ethics Code is a testament to this belief that our values are reflected through the conduct and behaviour of our employees. All employees are expected to observe high standards of professionalism, integrity and conscientiousness, and must not put themselves in an obligated or compromised position in all dealings with each other as well as with external parties.

The commitment of all employees to comply with the Employees Ethics Code is procured and refreshed where all new recruits are required to acknowledge understanding on expectation in regard to the Code while similar acknowledgement is obtained from the existing employees annually.

- **Code of Conduct for Vendors**

Kenanga treats our vendors fairly through conduct of business and behaviour that are consistent with our ethical values and principles. It is also the goal of Kenanga to always collaborate with our vendors towards contributing to the sustainable development goals.

The Code of Conduct for Vendors ("**Vendors Conduct Code**") reflects the values of ethics and integrity of Kenanga and is principled on ensuring the highest standards of professional conduct from its vendors. The Vendors Conduct Code sets out the minimum standards of general business conduct and ethical practices expected of all vendors who engage with or undertake work for Kenanga. By requiring vendors to commit to the same, Kenanga takes the step towards ensuring that the parties it deals with are similarly committed to exemplary values.

- **Managing Conflict of Interest**

The Group Conflict Management Policy ("**Conflicts Policy**") sets forth the policies and guiding principles in managing conflicts of interest. The Conflicts Policy introduces two (2) broad categories of personal and business-related conflicts of interest and detail out the situations that may constitute the same. This was done to make clear the importance of identifying the various potential conflicts that may arise in the execution of the responsibilities entrusted upon the employees.

In addition to the Conflicts Policy, the Guidance on Conflict of Interest ("**Conflicts Guidance**") was adopted to provide further guidance towards identifying and managing personal and business-related conflicts of interest. The Conflicts Guidance further reinforces the primary responsibility of all parties in Kenanga in identifying, reporting and managing conflicts of interest.

The employees as well as department, divisions and subsidiaries within Kenanga are required to declare any actual, potential or perceived conflicts of interest, be it personal or business-related. This requirement is premised on the basis that such conflicts could interfere with the ability to act objectively and in the best interest of Kenanga, and in order for any conflicts to be properly managed by taking the necessary steps.

- **Gifts, Entertainment and Hospitality**

The Group Gifts, Entertainment and Hospitality Policy ("**GGEH Policy**") serves as one of the control measures involving situations that could be deemed as conflict of interest or could potentially give rise to the appearance of conflict of interest in relation to any business dealings between Kenanga and external parties. The GGEH Policy clarifies the position of Kenanga in regard to giving and acceptance of gifts, entertainment and hospitality in the conduct of business while ensuring the highest standards of ethics and integrity are preserved.

In addition to prescribing specific threshold limits and approval requirements in relation to gifts, entertainment and hospitality that employees of Kenanga may offer or receive, the GGEH Policy also stipulates that employees are strictly prohibited from offering or accepting gifts, entertainment and hospitality with a view to improperly cause undue influence on any other party in exchange of any business dealings.

- **Chinese Wall and Insider Trading**

Kenanga has an obligation to ensure that information pertaining to its business and clients, and all activities of the clients remain confidential. As such, the Group Chinese Wall Policy ("**Chinese Wall Policy**") is established to prevent and/ or control the flow of confidential and material non-public and price sensitive information ("**MNPI**") especially between the divisions and departments of Kenanga.

The Chinese Wall Policy establishes guidelines to avoid the risk of possible breach of insider trading provisions and prevent possible conflicts of interest issues. In managing the exposure or misuse of confidential and MNPI, personal trading of the employees is being monitored. This allows early detection of any sign of insider trading and assists to avoid potential violations of insider trading regulations and therefore, contribute to overall market integrity.

ETHICS AND COMPLIANCE STATEMENT

- **Anti-Trust and Fair Competition Practices**

  Kenanga is committed to acting fairly, responsibly and professionally when dealing with its clients. The Board and Senior Management set the tone from the top as the moral compass, inculcating a strong culture of fair business dealing to ensure that we operate in a transparent, ethical and sound manner.

  The Group Competition Act Cvompliance Policy ("**Competition Policy**") specifies the principles of fair business dealing of Kenanga and prohibits any practices that may be construed as anti-competitive. The Competition Policy is also built on ensuring an effective and clear stand to prevent or minimise the risk of competition law infringements and to help Kenanga to promptly detect any infringements that do occur.

- **Whistleblowing**

  Kenanga has established the Group Whistleblowing Policy and Guidance Notes ("**Whistleblowing Policy**") which allows any parties to speak up of their concerns relating to any behaviours, conducts, practices or omissions that are either unlawful or irregular. The Whistleblowing Policy also assures and provides safeguards for any parties speaking up in good faith.

  In our Ethics Survey 2022, more than 90% of the employees responded stating their confidence to raise concerns within Kenanga without fear of reprisal. This is a positive sign of effective communication by Kenanga on the commitment and determination to address any unlawful or irregular behaviours, conducts, practices or omissions the right way.

- **Common Reporting Standard ("CRS")**

  In compliance with the CRS requirements, Kenanga had submitted the financial account information of non-resident clients to the Inland Revenue Board of Malaysia ("**IRBM**") in June and July 2022 respectively. The submission involved ninety (90) entities and funds of Kenanga that have been registered with the IRBM for CRS purposes.

PROVISION OF TRAINING AND AWARENESS PROGRAMS

Kenanga recognises that effective communication is key to ensure that employees understand their roles and responsibilities in order to safeguard the interests of Kenanga and our stakeholders. Therefore, in 2022, GRCS has enhanced training programs as an extended effort in building ethical and compliance culture from within.

Further, the impact of COVID-19 pandemic has accelerated the need for innovation and technology, including transformation from instructor-based to online-based training. Premised on the same, Kenanga has reformed the method of training delivery by leveraging on technology more than ever. This also allows us to reach out to a larger audience residing in various places where Kenanga is present.

- **Fraud Awareness Campaign**

  Kenanga has been a Corporate Alliance Partner of the Association of Certified Fraud Examiners ("**ACFE**") since 2015, a partnership program which denotes commitment of Kenanga to the fight against fraud through educational opportunities and setting of the tone from the top.

  As part of the annual Fraud Awareness Campaign of Kenanga, the 6th Fraud Awareness Week ("**FAW**") was again held in 2022 under the theme 'Reaffirming Ethical and Moral Resilience for Good Governance'. The initiatives and activities for the FAW were executed across five (5) weeks, which began on 12 October 2022 towards the International FAW of the ACFE from 13 November 2022 until 19 November 2022.

  Apart from promoting fraud prevention and detection, the FAW seeks to reaffirm the commitment and belief of Kenanga in the importance of ethical and moral values in shaping good governance whilst moulding the corporate culture that thrives within the current evolving and transforming regulatory landscape. This also corresponds to the United Nations Global Compact's 10th Principle which emphasises on the need for businesses to work against corruption in all its forms.

  The FAW had also illustrated the emphasis of Kenanga on the 'Governance' pillar in line with the drive towards ensuring environmental, social and governance ("**ESG**") compliance. Kenanga had expanded our internal campaign that began six (6) years ago to create awareness of the importance of fighting fraud to the financial industry and in such process, remain committed to continue emphasising the importance of accountability, integrity and good governance to an even greater audience.

ETHICS AND COMPLIANCE STATEMENT

FAW Virtual Opening Ceremony

The Virtual Opening Ceremony of the 6th FAW was broadcasted 'live' on 14 November 2022. The Ceremony included pre-recorded talks with distinguished invitees giving views and updates on anti-fraud and anti-corruption efforts.

The key speakers include the Chairman of Kenanga Investment Bank Berhad, Y.A.M. Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail; the Chairman of Bursa Malaysia Berhad, Tan Sri Abdul Wahid Omar; as well as, the President and CEO for the Association of Certified Fraud Examiners, Mr. Bruce Dorris. In addition, Mr. Dan McCrum, an investigative journalist at the Financial Times also shared his experiences in revealing the financial scandal of Wirecard. He is the author of "*Money Men: A Hot Startup, A Billion Dollar Fraud, A Fight for the Truth*".

A total of 677 viewers tuned in to the live streaming of the Virtual Opening Ceremony in 2022 of which 165 viewers were from external parties. This indicated an increase of about eighty percent (80%) total viewers as compared to the Virtual Opening Ceremony in 2021.

FAW Games

The FAW Games in 2022 were also held online hence we were able to expand our anti-fraud network to reach a more varied range of professionals as part of our ongoing collaborative efforts. A total of 188 teams participated, i.e. 135 internal teams and 53 external teams, an increase of about thirty percent (30%) total teams participated as compared to the FAW Games in 2021. The external teams were representatives from regulators, enforcement and professional bodies, financial institutions, listed companies as well as vendors of Kenanga.

The FAW Games were divided into nine (9) different rounds, each of which consisted of friendly competitions employing a variety of fun and mind-challenging games. At the same time, the educational components encourage teamwork and critical thinking in decision-making to spread and instil the anti-fraud message.

FAW Team Photos and Feedbacks

As Kenanga emphasises our commitment to improving the corporate culture and maintaining a positive and professional environment, we continue to engage our employees by seeking feedbacks to further grow and thrive.

During the period of the FAW, all FAW Games participations from the employees of Kenanga were invited to participate in the FAW Team Photos and Feedbacks where the employees submitted a team photo with a quote on the importance of anti-fraud awareness training. Through the same channel, the participants shared their experience and expectation in regard to the FAW Games for further improvements.

FAW Microsite

The FAW Organising Committee had established a dedicated webpage for the sharing of milestones of Kenanga's FAW experience and promoting anti-fraud awareness and education through an online platform. The anti-fraud resources aim to keep the anti-fraud message going strong and to emphasise the serious consequences of failing to protect oneself from fraud and scams.

The Microsite will be enhanced from time-to-time as a measure to share the FAW journey of Kenanga in the effort to continuously emphasise the fraud prevention and detection message which has now widely expanded externally.

- **Annual Regulatory Seminar 2022**

  The 7th Annual Regulatory Seminar ("**ARS**") in 2022 was incorporated as one of the events for the 6th FAW and in aligning with the objective of addressing contemporary key issues of the FAW, the same theme was also adopted for the 7th ARS. The 7th ARS consisted of a total of 8-series of e-learning containing important subjects and messages that are relevant to the regulatory outlook and developments, fraud, ethics and integrity, governance, cyber security as well as regulators' expectations.

  The training sessions were conducted by various subject-matter experts within Kenanga and invited speakers including Mr. Dan MacCrum and Ms. Erika Cheung, Co-Founder of Ethics in Entrepreneurship who is also one of the whistleblowers in the Theranos scandal. The pre-recorded sessions were accessible online by all employees nationwide through learning portal of Kenanga and a short pre-and-post quiz was also held as a tool to evaluate the understanding of employees of the topics covered.

  A total of 1,134 employees enrolled to the 7th ARS. Upon completion of the training within the stipulated timeline and achieving a minimum of eighty-percent (80%) scores in the post quiz, employees who are holders of the Capital Markets Services Representative's Licence were also awarded ten (10) CPE points that have been accredited by Securities Industry Development Corporation.

- **Monday Must-Know Quiz ("MMKQ")**

  MMKQ is a new training and awareness initiative introduced in the form of a quiz which is mandatory for employees of Kenanga. The quiz covers a broad range of topics that are centered and focused on ethics and regulatory compliance, and served as a refresher on the policies and procedures of Kenanga on the subject matters.

  There were three (3) sets of a 5 (five) multiple-choice-questions quiz issued in 2022 based on a short video on the following topics:

  - Fraud Triangle
  - Anti-Bribery and Anti-Corruption
  - Conflict of Interest

  Each MMKQ was launched on the first Monday of three (3) selected months in 2022 and was opened for attempt by employees until end of the year.

- **Explainer Video on Unusual Trading Activities**

  GRCS issued an explainer video as an outreach program to all licensed dealers' representatives (including commissioned dealers' representatives), employees and Board in relation to the regulatory requirements for unusual trading activities.

  The explainer video highlighted the various types of irregular trading activities in the equity markets that could possibly threaten a fair and orderly market. The video further explained the common red flags, the escalation process and the consequence if the licensed dealers' representatives is found to be involved in the manipulative trading activity as well as the possible surveillance actions from the regulators.

- **Enhanced AML/CFT/TFS Review**

  As part of the continuous effort to mitigate ML/TF/PF risks of Kenanga, numerous AML/CFT/TFS reviews have been extended to all subsidiaries and carried out on a group-wide basis. In this regard, the enhancement of the monitoring mechanism will facilitate close monitoring of the level of AML/CFT/TFS compliance to meet the regulators' expectations.

  Kenanga has also rolled out the Enterprise Wide Risk Assessment 2022 and the Overview on ML/TF/PF Risk Assessment 2021 to enhance awareness and understanding of the Board and Senior Management of ML/TF/PF risks associated with business strategies, delivery channels and geographical coverage of its business, products and services offered and to be offered in order to maintain accountability and oversight for the establishment of AML/CFT/TFS policies and minimum standards. This will assist in the formulation of the AML/CFT/TFS policies to ensure that they are in line with the risks profiles, institutional and business structure, delivery channels and geographical coverage.

ETHICS AND COMPLIANCE STATEMENT

MAINTAINING A HIGH LEVEL OF CORPORATE GOVERNANCE

Details on Kenanga Investment Bank Berhad's corporate governance disclosure are available in the Corporate Governance Overview Statement appearing on pages 66 to 96 of this Annual Report and Corporate Governance Report which is available at Kenanga Investment Bank Berhad's website at https://www.kenanga.com.my.

OUR FOCUS AND STRATEGIC PRIORITIES FOR 2023

The importance of ESG has accelerated with the growing interest of the investors and introduction of new regulations on socially responsible investment and due to this, the advancement of the 'Governance' pillar remains a critical aspect for the business and operations of Kenanga in 2023. Kenanga seeks to ensure that our sustainability journey is one that is balanced and holistic, and that our adoption of ESG best practices is less risky and better positioned for a long-term presence.

Kenanga and GRCS will consistently implement a rigorous ESG compliance strategy and operational transparency to guarantee a quality regulatory framework and that our business and operations are carried out in accordance with good corporate governance.

- **Enhance the Use of Technologies and Innovation**

  Kenanga has adopted a governance strategy focusing on risk-based integration of compliance requirements and best practices in line with the laws, regulations and industry standards. As more services are offered in the digital environment, we will continuously develop new and update existing compliance requirements and best practices in line with the digitalisation in order to remain significant and relevant.

  At the same time, Kenanga will keep up with the development and changes in laws and regulations to achieve compliance effectiveness, and stay up-to-date by looking into innovation and being consistent with the regulators' expectations. We will strive to develop and take advantage of new technologies as these are essential processes across business and operational units while at the same time ensure effective compliance strategy in adapting to the changes.

- **Strengthen Controls to Combat Financial Crimes**

  Kenanga takes a zero-tolerance approach with respect to financial crimes in all our business dealings, be it involving our employees, clients, suppliers, contractors or other third parties. The COVID-19 pandemic has revealed further the necessity for Kenanga in establishing a stronger foundation that will better position us to combat financial crimes and similar risks that may have corrupting effect on society and the economic system as a whole.

  In addition, a more sophisticated group-wide ethics and compliance risk management program that gives a holistic perspective of hazards and improve risk monitoring, analysis, and reporting will be implemented. This would not only help to promote ethics and compliance but establish the right connection to corporate plans, processes, controls and laws, which would eventually allow Kenanga to manage financial crime risks proactively and gain a competitive edge.

- **Foster a 'Speak Up' Culture**

  Kenanga is committed to providing a respectful and inclusive environment to work in. We will continue to emphasise on the importance of employees speaking up to highlight any wrongdoing or breach of policies at the workplace either through direct communication with the superiors or the relevant channels in Kenanga such as the whistleblowing (Speak Up) channel.

  Through such emphasis, Kenanga sends a strong message to all employees as well as other stakeholders that bad organisational practice will not be tolerated. This also reassures the employees and stakeholders that their concerns are important, and encourages problems to be brought to the attention of Kenanga.

- **Promote Cultural Change Prioritising Ethics and Integrity**

  Effective ethics and compliance programs could help build a culture of integrity from the top to bottom and everyone 'walks the talk'. In Kenanga, we believe a strong ethical culture with diversity and inclusion could lead to greater efficiency, productivity and transparency. This would establish accountability of all parties on their respective areas while also helps to address any possible concerns of the employees on a constant basis.

  The cultural change strategies in Kenanga encourage and reinforce the right behaviours in our daily operations, and employees at all levels are committed to doing what is right while upholding good values and standards. Kenanga will continue to promote and instil consciousness of the employees to observe the highest standards of professionalism, integrity and conscientiousness in all dealings, be it with another employee or with external parties.

- **Ensure Data Privacy in the Age of Digital Transformation**

  Kenanga takes digital transformation as a necessary step in preserving our business and continuously ensure data protection and security in such process. This includes migrating business processes to automation, introduction of e-services, and the advent and usage of payments innovations. The use of new and innovative technologies will enable creativity and development of solutions both to meet regulatory requirements as well as to ensure data integrity.

  In this regard, Kenanga places a high priority on protecting personal data and maintaining electronic or hard copy files for records used in all our business activities. These security measures include ensuring that the data use, storage, dissemination, protection and access are all in compliance with the policies as well as the rights of the data owners are managed in accordance with the laws and regulations.

- **Intensify Awareness and Training**

  Kenanga believes that active stakeholders' engagement and ensuring that employees stay current with regulatory changes are crucial components of effective communication, as is transparency and inclusiveness of the process itself. As such, we are constantly exploring new ways to enable effective communication with the employees, including employing new digital technology in training as this would also allow involvement of a larger group of audience.

  Kenanga will maintain strategy-driven learning culture by introducing new learning opportunities through creative interactive activities to engage with employees at all levels on the importance of ethics and integrity, combating financial crimes, strong governance and fair treatment of all. Our training and education initiatives will remain relevant, timely and engaging in order to truly achieve the aims and goals of improving knowledge and understanding of the employees.

FORWARD LOOKING STATEMENT

Kenanga is always prepared to embrace new business challenges and technologies towards future growth with expanded business goals while ensuring that our principles and belief on good ethics and compliance are not compromised. Our utmost commitment is premised on the strong and unwavering support from our Board and Senior Management as well as collaborative efforts of all employees.

With the growing emphasis of ESG, Kenanga will further elevate our standards in keeping up with the interest of our clients and expectations of the regulators towards supporting sustainable and responsible investments. Therefore, we will consistently enhance our policies and internal controls in ensuring effective and relevant decisions in compliance with the laws and meeting the needs of our stakeholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), a listed issuer must ensure that its Board of Directors ("**Board**") includes in its annual report a statement about the state of its risk management and internal controls as a group. In addition, the Malaysian Code on Corporate Governance also stipulates that the Board should maintain a sound system of internal controls and review its effectiveness to safeguard Shareholders' investments and the Group's assets.

Set out below is the Board's Statement on Risk Management and Internal Control in compliance with the MMLR of Bursa Securities.

BOARD RESPONSIBILITY

The Board is committed to maintaining a sound system of internal controls and has instituted a risk management framework, as well as good corporate governance measures to monitor the effectiveness of the measures and controls put in place by the Group to safeguard Shareholders' investments and the Group's assets.

The Board is responsible for determining key strategies and policies for significant risks and control issues, whereas Management is responsible for the effective implementation of the Board's policies by way of identifying, monitoring and managing risks. However, as any system of internal controls will have its inherent limitations, the system has been designed to manage risks rather than provide absolute assurance against material misstatement, fraud or loss.

The Board has also received reasonable assurance from the Group Managing Director and Group Chief Financial and Operations Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board and Management of the Group are committed to the implementation of an internal control system to manage those risks that could affect the Group's continued growth and financial viability.

Measures are taken to continuously evaluate changes in the risk profile of the Group and business complexities to assist the Board and Management to anticipate and manage all potential risks and protect Shareholders' value.

The key elements of the Group's internal control system include the following:

Risk Management Framework

The risk governance structure in the Enterprise Risk Management Framework defines the roles and responsibilities throughout the organisation to ensure accountability and ownership. It sets out the principles of sound corporate governance to assess and manage risks to ensure that risk taking activities are aligned with the Group's long-term viability and its capacity to absorb losses.

The risk management philosophy adopted by the Group is based on the three (3) lines of defence approach. The line management is the first (1^{st}) line of defence and is primarily responsible for the day-to-day risk management by identifying the risks, assessing impact and taking appropriate actions to manage and mitigate risks.

The second (2^{nd}) line of defence is the oversight functions comprising Group Risk Management and Group Regulatory & Corporate Services ("**Group Regulatory**"). They perform independent monitoring of business units as well as reporting to Management and the Board to ensure that the Group conduct its business and operations within internal guidelines and in compliance with relevant regulatory requirements.

The third (3^{rd}) line of defence is Group Internal Audit ("**GIA**") which provides independent assurance to the Board on the adequacy and effectiveness of system of internal controls, risk management and governance processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Governance

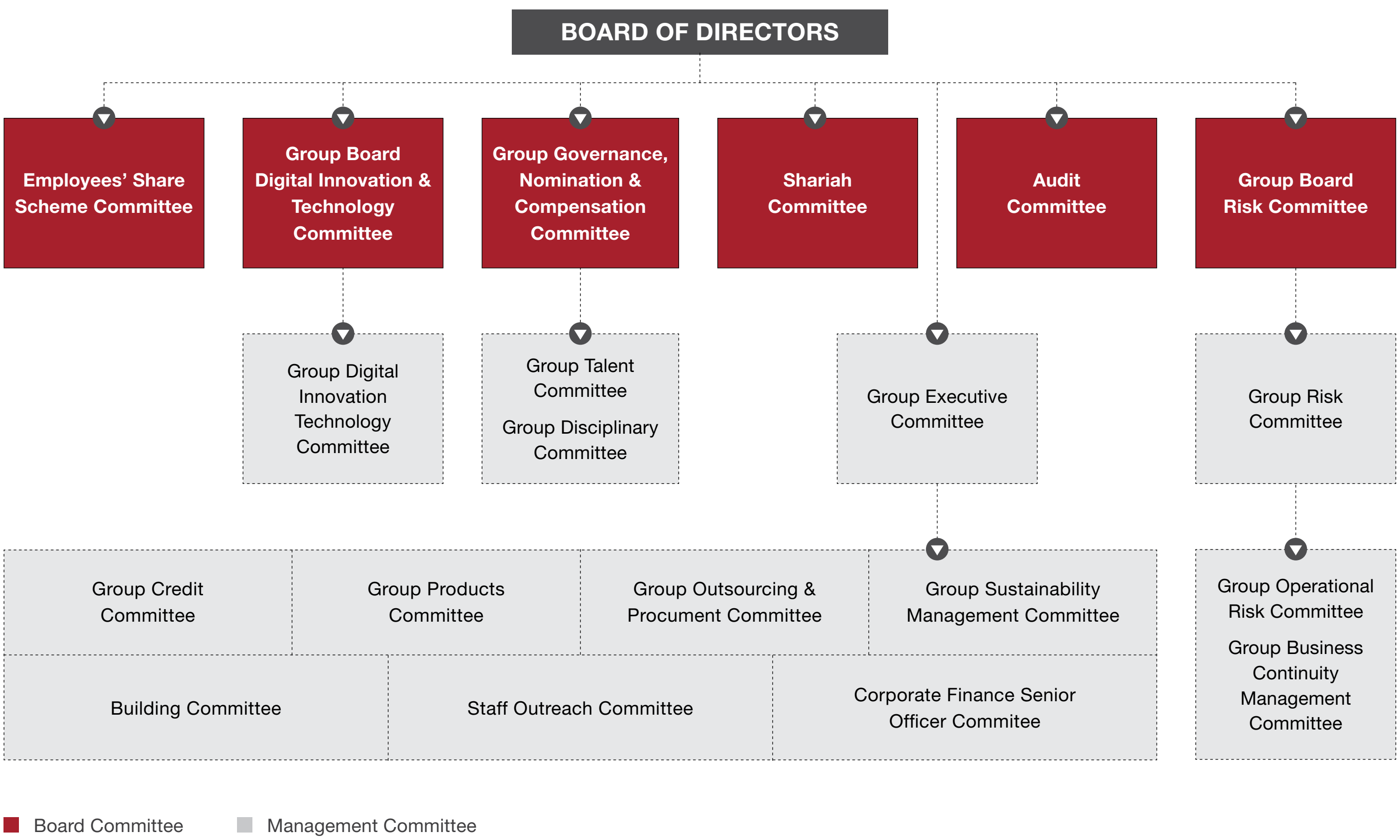
The Board, through its appointed committees such as the Group Board Risk Committee ("**GBRC**") and Group Board Digital Innovation & Technology Committee ("**GBDITC**"), ensures that the Group's activities are consistent with its approved risk appetite, strategies and policies.

The GBRC is supported by the Group Risk Committee ("**GRC**") that provides a forum to address and review the management of credit, operational, market, liquidity, technology and other significant risks to enable effective oversight, accountability and responsibilities for risk taking decisions. Assisting the GRC is the Group Operational Risk Committee and the Group Business Continuity Management Committee.

The GBDITC on the other hand, focuses on technologies and IT risk of the Group at the Board level and is supported by the Group Digital Innovation Technology Committee which covers the Group's technology plans and projects.

Quarterly meetings are held by the Audit Committee ("**AC**") together with Management to review issues highlighted in the reports by internal and external auditors, as well as audits conducted by regulators such as Bank Negara Malaysia ("**BNM**"), the Securities Commission Malaysia ("**SC**") and Bursa Securities; and the remedial measures or actions taken by Management in addressing the audit findings raised by the regulators.

The Group Governance, Nomination & Compensation Committee ("**GNC**") was established with the objective, among others, to support the Board in the effectiveness and the enhancement of the Group's governance structure, framework and policies and its compliance with the applicable statutory and regulatory requirements in relation thereof, including but not limited to, the MMLR of Bursa Securities, BNM's Policy Document on Corporate Governance, the Malaysian Code on Corporate Governance and the Malaysian Anti-Corruption Commission Act 2009, as well as the relevant latest developments in the corporate governance area.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Management Committees ("**MC**") are established to oversee specific responsibilities based on defined terms of references. MC meetings are held regularly to ensure that business operations are executed in accordance with approved strategies, policies and business directions. The MCs are responsible for, amongst others:

- reviewing the actual performance against expectations and budget;
- addressing any internal control issues with the AC, GBRC, GBDITC, GNC, Employees' Share Scheme Committee ("**ESSC**"), GIA, regulators and the external auditors; and
- addressing any matters arising from the meetings of the Board, AC, GBRC, GBDITC, GNC and the ESSC; and ensuring that actions are taken in relation to these matters.

Risk Management Process and Infrastructure

The risk management process is a combination of both bottom-up and top-down approaches to facilitate decision making based on available information known at the time and creating opportunities to refine inputs when new information is available.

In addition to establishment of risk policies, tools and methodologies to identify, quantify and manage the risks, Group Risk Management is also responsible for establishing the risk measurement and monitoring process to ensure that the Group's risk profile and portfolio concentration are reported to the various risk committees on a regular basis.

Internal Policies and Procedures

Policies and procedures which set out standard day-to-day operations and managing risks are formulated based on current regulatory requirements and industry best practices.

The adequacy and compliance with regulatory requirements of the policies and procedures are assessed by independent control functions such as risk management, compliance and audit, prior to obtaining approval from the Board or relevant MCs.

Existing policies and procedures are reviewed regularly to ensure improvements and in consideration of emerging or changing risks profile, new products or services as well as new or updated regulatory requirements.

Annual Business Plans and Budgets

The Board reviews and approves the business plans and budgets which are developed in line with the Group's strategies and risk appetite. Actual performances against the approved budgets are escalated to the Management and Board on a monthly basis allowing responses and corrective actions to be taken.

Human Capital Management

The organisational structure, which is aligned to business and operational requirements are led by Heads of Departments with accountability in place.

Human Resources' policies and procedures are reviewed regularly to ensure they remain relevant to manage operational and people related risks. There are regular trainings and updates for employees on requirements/ guidelines of BNM, Bursa Securities and the SC, as well as on the importance of corporate governance, risk management and internal control. Various awareness programmes on operational risks, ethics and fraud are also conducted regularly.

Extensive screenings of employees' background are conducted on hiring, as well as annually, and appropriate actions are taken on negative findings.

Key Performance Indicators are cascaded to each employee annually in alignment to the Group and Division goals and objectives, and performance appraisals are conducted based on the achievement of the set targets. Management's Compensation and Rewards is based on Pay for Performance principle. Compensation of Material Risk Takers and Other Material Risk Takers are reviewed annually by the GNC and Board.

Employee misconducts are managed based on established Consequence Management Framework and the disciplinary policies.

Business Continuity Management

Business Continuity Plans and Disaster Recovery Plans are established to ensure non-disruption of business or efficient business resumption. Regular testing or drills are also conducted for the purpose of staff preparedness, readiness of disaster recovery site, effectiveness of communication, escalation and recovery procedures. For effective business continuity management ("**BCM**"), awareness training is held annually for BCM coordinators and key persons.

Information Technology Security

The use of information technology ("**IT**") is essential and central to Group's business. In order to ensure the reliability and resiliency of the business operations to meet the expectations of customers and all stakeholders, and in line with the guidelines of regulators such as BNM's Policy Document on Risk Management in Technology, the Group has established the corporate Cyber Security Policy and implemented the necessary security procedures to protect the confidentiality, integrity and availability of information systems and data.

With the increase in adoption of digitalisation and service delivery via cyberspace, the Group will continue to reinforce its IT security efforts and initiatives to be aligned with the Group's current and envisaged operations, strategies and business environments. The IT security posture of the Group is also continuously reviewed and enhanced to mitigate the risks arising from new and emerging threats. In-house IT security training and security updates on the latest threats are constantly provided to all staff to ensure their awareness on the importance of IT security.

Compliance Function

The Board is unreservedly committed and always strives to adopt the principles and recommendations of the Malaysian Code on Corporate Governance issued by the SC, as well as, other relevant regulatory requirements relating to corporate governance. Compliance reviews and monitoring are undertaken by Group Regulatory using various tools and approaches based on the framework set by Group Compliance, a department of Group Regulatory. These reviews and monitoring are performed to assess the level of compliance with the relevant regulatory requirements and the respective companies' internal policies and procedures.

Any regulatory deviation or compliance breaches will be reported to the respective Boards of operating entities within the Group and the relevant regulators. Pursuant to this, appropriate corrective actions including disciplinary actions will be taken to address the breach with a view to pre-empt and prevent the occurrence of a similar breach.

Aside from Group Compliance, the five (5) other departments of Group Regulatory undertake functions to review and monitor compliance in their respective areas. In this respect, the Group Financial Crime Intelligence, Group Prudential Supervision & Regulatory Affairs, Group Business Ethics & Integrity, Group Legal and Group Company Secretarial provide timely, structured and comprehensive advice and support to the Group in matters relating to the laws, rules and regulations applicable to the Group.

Group Regulatory has also implemented self-assessment framework to facilitate and promote regulatory compliance by the business within the Group. For this purpose, a list of identified laws, regulations and other regulatory instruments applicable to the Group are documented and maintained to facilitate compliance.

Please refer to the 'Ethics and Compliance Statement' for more details on functions, roles and responsibilities of Group Regulatory.

Internal Audit

GIA provides independent and objective assurance to the Board that the established internal controls, risk management and governance processes are adequate and are operating effectively and efficiently. To ensure independence and objectivity, the GIA reports independently to the AC of KIBB and has no responsibilities or authority over any of the activities it reviews. GIA's scope of work and activities are guided by the Internal Audit Charter, mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework and relevant regulatory guidelines.

An Annual Audit Plan based on the appropriate risk-based methodology has been developed and approved by the AC. On a quarterly basis, audit reports and status of internal audit activities including the sufficiency of GIA resources are presented to the AC for review.

Periodic follow up reviews are conducted to ensure adequate and timely implementation of Management's action plans.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Associate and Joint Venture Companies

The Board does not regularly review the internal control systems of associate and joint venture companies as the Board does not have any direct control over their operations. Notwithstanding this, the Group's interests are served through representation on the Boards of the respective companies via receipt and review of management accounts, periodical reports as well as deliberation on proposals related to these companies. Such representation also provides the Board with information for decision-making on the continuity of the Group's investments based on the performance of these associate companies and joint venture companies.

Conclusion

The Board, through the AC and GBRC, confirms it has reviewed and considered the effectiveness of the Group's risk management and internal control system as adequate during the financial year and has taken into consideration any material developments up to the date of approval of the Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2022. The main financial risk areas faced by the Group and the guidelines and policies adopted to manage them are provided in detail under Note 50 of the Audited Financial Statements of the Bank for the Financial Year Ended 31 December 2022.

The Board is satisfied that there is an effective on-going process for identification, evaluation and management of risks and there are regular reviews to ensure controls are efficient and effective.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Audit and Assurance Practice Guides ("**AAPG**") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of the internal controls of the Group. AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 31 January 2023.

AUDIT COMMITTEE REPORT

1. COMPOSITION

1.1 The Audit Committee ("**AC**") of Kenanga Investment Bank Berhad ("**KIBB**") presently comprises solely Independent Non-Executive Directors ("**INED**") as follows:

1	2	3
Encik Jeremy Nasrulhaq	**Mr. Kanagaraj Lorenz**	**Puan Norazian Ahmad Tajuddin**
Chairman, Senior INED	Member, INED	Member, INED

In maintaining the adoption of Step Up Practice 9.4 of the Malaysian Code of Corporate Governance for the AC to comprise solely of Independent Directors, the Board of Directors of KIBB, upon the recommendation of the Group Governance, Nomination & Compensation Committee ("**GNC**") had, on 27 October 2022, approved the appointment of Puan Norazian Ahmad Tajuddin as a member of the AC, in place of Mr. Luk Wai Hong, William, who was re-designated from an INED to a Non-Independent Non-Executive Director of KIBB, effective from 1 November 2022.

1.2 The composition of the AC is in line with Paragraphs 15.09(1)(a) and 15.09(1)(b) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") which require the AC to comprise no fewer than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.

Two (2) of the AC members, namely Encik Jeremy Nasrulhaq, currently the Chairman of the AC and Mr. Kanagaraj Lorenz, are members of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants respectively, in line with the requirements of the MMLR of Bursa Securities. This strengthens the effectiveness of the AC and facilitates the AC's succession plan in terms of its membership to ensure full compliance with the relevant regulatory requirements.

1.3 The effectiveness of the AC as a whole, as well as its members individually, is assessed annually in accordance with the Board Evaluation Framework based on a set of criteria covering the areas of composition, processes and procedures, interaction with Management, as well as roles and responsibilities. Based on the assessment conducted in 2022, the Board of Directors ("**Board**") is satisfied with the performance of the AC and with the manner in which the AC has discharged its roles and responsibilities as stipulated in its Terms of Reference ("**TOR**"), which is available at the Company's corporate website at https://www.kenanga.com.my/investor-relations/corporate-governance.

2. AC MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2.1 During the Financial Year Ended 31 December 2022, the AC had convened seven (7) meetings. The meetings were appropriately structured where members were given the agenda and sufficient notification. The AC meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss emerging issues.

In view of the adherence to the internal Standard Operating Procedure ("**SOP**") put in place due to the COVID-19 pandemic in the first (1^{st}) half of year 2022, four (4) AC meetings were held fully virtual via Microsoft TEAMS Video Conferencing. In line with the revised internal SOP issued in the second (2) quarter of 2022, three (3) AC meetings were held in a hybrid format.

The AC conducted its meeting in an open and constructive communication mode and encouraged focused discussion, questioning and expressions of differing opinions.

AUDIT COMMITTEE REPORT

2.2 The Group Chief Internal Auditor ("**GCIA**") attended all meetings of the AC to present the respective internal audit reports. As and when necessary, the AC would request the attendance of relevant personnel at its meetings to brief the AC on specific issues arising from the internal audit reports.

The Group Chief Financial and Operations Officer ("**GCFOO**") and the Head of Group Finance on the other hand, attended the AC meeting to present the unaudited quarterly financial statements, audited financial statements, as well as other financial reporting related matters for the AC's deliberation and recommendation to the Board for approval.

2.3 In addition, separate private discussions were also held between the Chairman of the AC and/or the AC with the GCIA and between the AC and the External Auditors, Ernst & Young PLT ("**EY**"), without the presence of Management. During the period under review, the AC met with the External Auditors without Management's presence twice i.e., on 24 February 2022 and 25 October 2022, after the tabling of the Update Report in respect of the Financial Year Ended 31 December 2021's audit and the External Auditors' 2022 Audit Plan respectively.

During these meetings, the AC sought the feedback from the External Auditors with regard to the support provided by Management in terms of providing timely and accurate information, as well as the adequacy of resources in the financial reporting functions. Based on the External Auditors' feedback, Management was noted to have provided full cooperation to the External Auditors in the course of the External Auditors' audit assignments. The External Auditors had also indicated that Management had been very pro-active in approaching them for any issues arising during the year, which contributed to an effective audit planning by the External Auditors.

2.4 In fulfilling its reporting responsibility to the Board, after each meeting, the Chairman of the AC reported the AC's deliberations and recommendations to the Board.

The Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

2.5 **AC Members' Attendance at Meetings**

The details of the AC members' attendance at its meetings held during the Financial Year Ended 31 December 2022 are as stated below.

Audit Committee ("AC")

	Number of Meetings		
Name of Director	Held(1) (2)	Attended	Percentage (%)
Encik Jeremy Nasrulhaq (Chairman)	8	8	100.0%
Mr. Luk Wai Hong, William(3)	8	8(4)	100.0%
Mr. Kanagaraj Lorenz	8	8	100.0%
Puan Norazian Ahmad Tajuddin(5)	0	0	0.0%

Notes:
(1) Reflects the number of meetings held during the time the Director held office.
(2) Total number of meetings held was inclusive of one (1) joint meeting between AC and GBRC which was held on 30 August 2022.
(3) Ceased to be a member of the AC on 1 November 2022.
(4) Attended all the eight (8) meetings held up to 25 October 2022.
(5) Appointed as a member of the AC on 1 November 2022.

3. SUMMARY OF THE AC'S ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3.1 Financial Reporting

a. In discharging its role and responsibility pertaining to the Company's financial reporting, the AC had at its meeting held on 25 January 2022, reviewed the quarterly financial statements for the quarter ended 31 December 2021, as well as the annual audited financial statements in respect of the Financial Year Ended 31 December 2021.

   In reviewing the annual audited financial statements, the AC discussed with Management and the External Auditors, the accounting principles and standards that were applied and their judgment of the items that might affect the financial statements.

   The AC also deliberated on audit issues and key audit matters raised by the External Auditors and the action plans required to address those issues, based on the External Auditors' recommendations.

b. The subsequent quarterly financial statements for the quarters ended 31 March 2022, 30 June 2022 and 30 September 2022 were tabled and reviewed by the AC at its quarterly meetings held on 28 April 2022, 21 July 2022 and 25 October 2022 respectively, upon which the AC had recommended the quarterly financial statements to the Board for approval.

c. The AC had, at its meeting held on 25 October 2022, also reviewed the adoption of the impairment approach and the assumptions used in the annual assessment for impairment of assets of KIBB Group for the Financial Year Ended 31 December 2022 and recommended the same for the Board's approval, subject to a final assessment to be updated to the position as at 31 December 2022.

d. At each of its quarterly meeting, the AC was also notified of the amount of non-audit fees incurred and paid by KIBB Group to the External Auditors and their affiliate to ensure compliance with the Group's Policy on Non-Audit Services by External Auditors.

3.2 External Audit

a. The report by the External Auditors on the statutory audit of the financial statements of the Company for the Financial Year Ended 31 December 2021 was reviewed and deliberated by the AC at its meeting held on 25 January 2022.

   During its deliberations, in addition to the relevant disclosures in the Audited Financial Statements, the AC had also considered the recommendations made by the External Auditors towards enhancing internal controls and procedures.

b. The AC had also at the same meeting reviewed the list of services provided by the External Auditors during the financial year which comprised audit and regulatory-related services, issuance of a written communication to Management and the AC pertaining to the External Auditors' audit/ findings, together with the recommendations for improvements in controls and procedures.

   The External Auditors' services also included the review of the Statement on Risk Management and Internal Control, as well as other regulatory submission as required under the various regulatory requirements.

c. At its meeting held on 24 February 2022, the AC was updated by the External Auditors, on the latest status of the statutory audits conducted on KIBB and its Group of Companies ("**KIBB Group**" or "**the Group**") in respect of Financial Year Ended 31 December 2021. The AC had, at the same meeting, duly deliberated on the audit matters which required its attention.

The External Auditors had also reviewed the allocation of the shares of the Employees Share Options Scheme under the Employees' Share Scheme ("**ESS**") made to the Eligible Employees and Executive Directors of KIBB and its non-dormant subsidiaries and had reported to the AC at its meeting held on 24 February 2022, that in its opinion, the allocation of shares made under the ESS was in compliance with the criteria for allocation of shares under the ESS which had been disclosed to the Eligible Employees and Executive Directors of KIBB and its non-dormant subsidiaries. The AC had concurred with the External Auditors' opinion.

d. Pursuant to Section 67(1) of the Financial Services Act 2013, an auditor appointed by a licensed person shall meet the qualification criteria set out in Bank Negara Malaysia ("**BNM**")'s Policy Document on External Auditor and shall continue to meet the criteria throughout the audit engagement.

In addition, BNM's letter dated 3 May 2012 on "Supervisory Expectations on AC Pertaining to the Appointment/Re-Appointment of External Auditors" also sets out the areas of assessment to be performed.

Being a licensed financial institution under the Financial Services Act 2013, the Company is required to undertake an annual assessment on areas focusing on performance and independence of External Auditors.

In relation to the audit of the Company's financial statements for the Financial Year Ended 31 December 2021, the External Auditors had given a written assurance to the AC that they were independent in accordance with the By Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Code of Ethics for Professional Accountants (including International Independence Standards), throughout their audit engagement for 2021.

This written assurance by the External Auditors was contained in the External Auditors' report which was presented to the AC on 25 January 2022.

Following the implementation of the requirement for Annual Transparency Reporting by the SC's Audit Oversight Board and in line with Malaysian Code of Corporate Governance's criteria to guide decisions on the appointment and re-appointment of the external auditors, the 2021 Transparency Report was issued by EY and presented to the AC on 25 January 2022.

After taking into consideration the assessment carried out by Management and the 2021 Transparency Report, the AC at the same meeting, had concluded that the External Auditors had fulfilled all the qualification set out in BNM's Policy Document on External Auditor in terms of its performance and independence and had therefore, recommended to the Board that the External Auditors be re-appointed as the Company's External Auditors for the Financial Year 2022.

e. At its meeting held on 25 October 2022, the AC reviewed and approved the External Auditors' 2022 Audit Plan outlining their scope of work and proposed fees covering their recurring audit assignments, as well as other regulatory-related services.

During the presentation of their 2022 Audit Plan, the External Auditors had also highlighted to the AC the developments (as at 30 June 2022) in the financial reporting as summarised overleaf.

Malaysian Financial Reporting Standards ("**MFRS**") issued but not yet effective as at 1 January 2022

Description	Effective Date
Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)	1 January 2022
Property, Plant and Equipment Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)	1 January 2022
Onerous Contracts Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022
AIP[2] MFRS 1 First time Adoption of International Financial Reporting Standards Subsidiary as a First-Time Adopter	1 January 2022
AIP MFRS 9 Financial Instruments Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities	1 January 2022
AIP MFRS 141 Agriculture Taxation in Fair Value Measurements	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108)	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 and MFRS Practice Statement 2)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to MFRS 112)	1 January 2023
Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	In December 2015, the MASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting

f. In view of the significant growth in the business of Kenanga Investors Berhad ("**KIB**") and sizeable contribution towards the Group's bottom line, EY had tabled the report in respect of the statutory audit of the financial statements for the Financial Year Ended 31 December 2021 and audit plan for KIB and Its Subsidiaries in respect of the Financial Year Ended 31 December 2022 to the Audit and Risk Committee of KIB ("**ARC**") at its meetings held on 24 February 2022 and 19 October 2022 respectively. From the perspective of governance, EY will escalate key audit issues encountered at KIB level to the AC of KIBB for deliberation/ notation. Upon ARC's approval, the audit plan for the Financial Year Ended 31 December 2022 of KIB Group was tabled to the AC of KIBB for deliberation at its meeting held on 25 October 2022.

3.3 **Internal Audit**

a. At its meeting on 25 January 2022, the AC had reviewed and approved the 2022 Audit Plan tabled by Group Internal Audit ("**GIA**") after considering the adequacy of scope and comprehensiveness of the coverage of activities within KIBB Group, as well as the adequacy of resources in the internal audit department.

On 28 April 2022, the AC had deliberated and approved GIA's recommendation to co-source selected internal audit reviews which was subjected to GIA's requirements and to be performed in accordance with GIA's framework, as well as per the direction/ guidance from the Managers in-Charge from GIA.

[2] *AIP refers to Annual Improvements to MFRSs*

b. In 2022, the AC had reviewed and deliberated on a total of thirty-eight (38) internal audit reports in relation to the audits carried out by GIA, together with the audit recommendations made by GIA and Management's responses to those recommendations.

   Where appropriate, the AC had directed Management to rectify and improve the control and workflow procedures based on GIA's recommendations.

   The AC, at all its quarterly meetings, also reviewed the implementation status of the corrective actions arising from the audit recommendations to ensure that the key risks and control lapses were addressed in a timely manner.

   With regard to long outstanding audit recommendations, where appropriate, the relevant Heads of Department were invited to the AC meeting to provide relevant explanation for the delay in implementing such audit recommendations.

   In ensuring timely implementation of audit recommendations, the Company, under its Performance Management Framework, had introduced a demerit system for any delay in implementing high-risk audit recommendations of more than twelve (12) months.

c. In addition to the audit conducted on the processes and systems of Support and Business Units within KIBB Group, during the Financial Year 2022, GIA also conducted various regulatory required reviews in areas including amongst others, Anti-Money Laundering/ Counter Financing of Terrorism, Basel II (Pillar 3), Related Party Transactions, Verification of RM Marketable Securities, Staff Training Fund, Cyber Security, Management of Customer Information and Business Continuity Plan/ Disaster Recovery Plan Testing.

d. The AC at its meeting on 25 January 2022, had taken note of GIA's Annual Confirmation on Organisational Independence of Internal Audit Activity for the Financial Year 2021 in line with the International Standards for Professional Practice of Internal Auditing (Standards – 1110).

e. For the purpose of evaluating the performance of the GCIA, the AC had at its meeting on 25 January 2022, reviewed and deliberated the GCIA's 2021 Performance Appraisal, as well as the 2022 Balanced Scorecard, prior to submission of the same to the GNC for its further recommendation to the Board of KIBB for approval. The revised 2022 Balanced Scorecard incorporating the feedback/ comments provided by the AC, had been recommended to the Board of KIBB for approval by the AC at its meeting held on 24 February 2022.

   The AC's recommendation on the GCIA's 2021 Performance Appraisal and 2022 Balanced Scorecard were subsequently approved by the Board of KIBB on 26 January 2022 and 3 March 2022 respectively.

f. The AC at its meeting on 25 January 2022, had also taken note of the implementation status of the agreed plans from the Quality Assessment Report on GIA.

g. The AC, at its meeting on 25 October 2022 had deliberated and approved the revised Internal Audit Manual (Version 8) on the enhancement to the risk assessment process and the current Quality Assurance Improvement Program procedures in terms of approach, scope, process and resource of the internal assessment (i.e., periodic self-assessment) to be conducted.

h. The AC, at all its quarterly meetings also reviewed and noted the confirmed minutes of the ARC of KIB and Group Outsourcing and Procurement Committee meetings.

3.4 **Briefing on KIBB's Malaysian Financial Reporting Standards 9 Model Enhancement**

At its meeting on 24 February 2022, the AC had taken note of the IFRS 9 Model Enhancement in terms of the triggers, details, output of the model enhancement and the impact assessment on the final Expected Credit Loss briefed by an external consultant, Deloitte Business Advisory Sdn Bhd.

3.5 **Regulatory Examinations/ Inspection Report**

As stipulated in its TOR, the AC also deliberates on reports issued by the regulators arising from their examinations or inspections on entities within KIBB Group. This is to ensure proper implementation of appropriate remedial and corrective measures in respect of the findings arising from examinations/ inspections conducted by the regulators.

During the year, the AC had deliberated on the following two (2) regulatory audit reports:

Date of AC Meeting	Titles of Regulatory Audit Report
21 July 2022	BNM's Thematic Review on the Adequacy of Identification and Verification of Beneficial Ownership for Legal Firms and Foundations
21 July 2022	Final Inspection Report by Bursa Malaysia Berhad on KIBB's Subsidiary, Kenanga Futures Sdn Bhd Dated 22 June 2022

During its deliberation, the AC not only discussed in detail the findings, areas for enhancement and recommendations made by the respective regulators, but also on the action plans identified by Management in addressing the findings and implementation of the recommendations including the agreed timeline of implementation of such recommendations.

The implementation of the regulator's recommendations was tracked by Group Regulatory & Corporate Services Division of KIBB and reported to the respective regulators on a quarterly basis until full resolution of all findings raised.

3.6 **Related Party Transactions**

During its quarterly meetings, the AC also reviewed the related party transactions and recurrent related party transactions entered into by the Company and/or its group of companies to ensure compliance with the MMLR of Bursa Securities.

3.7 **Disclosure for Annual Report 2021**

Under its TOR, the AC was also tasked to review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures and internal control, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

In this regard, the AC at its meeting on 24 February 2022 and 21 March 2022 respectively had also reviewed and recommended to the Board of KIBB for approval, the disclosure of the following reports and/or statements in KIBB's 2021 Annual Report:

- Statement on Risk Management and Internal Control;
- AC Report;
- Sustainability Report and Sustainability Statement; and
- Corporate Governance ("**CG**") Overview Statement and CG Report.

AUDIT COMMITTEE REPORT

At the same meeting, the AC had also granted its concurrence on the Chairman's Statement and the Group Managing Director's Management Discussion & Analysis for incorporation into KIBB's 2021 Annual Report.

The AC's recommendation was subsequently approved by the Board of KIBB on 3 March 2022 and 6 April 2022 respectively.

3.8 **List of Disciplinary Actions Meted Out on Employees' Misconducts within KIBB Group**

The list of disciplinary actions meted out on KIBB Group's employees who had committed misconduct was tabled by Group Human Resource for the AC's notation at its meetings held on 25 January 2022, 28 April 2022 and 25 October 2022.

3.9 **Post Approval Review by Independent Credit Review ("ICR") Unit**

Pursuant to Paragraph 17.5 of BNM's Policy Document on Credit Risk, the outcomes of independent credit reviews are required to be escalated directly to the Board Risk Committee, Board Audit Committee and Senior Management.

In fulfilling the aforementioned requirement, ICR Unit of Group Risk Management, upon completion of its review, would table the review report to the AC for its deliberation.

In this regard, during 2022, the AC had deliberated on the following ICR review reports tabled by the ICR Unit:

Date of AC Meeting	Titles of Review Report
24 February 2022	Post Approval Review of Kenanga Capital Islamic Sdn Bhd
24 February 2022	Review of Treasury Bond Portfolio
21 July 2022	Post Approval Review on Share Margin Financing

During its deliberation, the AC had taken note of the findings raised by the ICR Unit arising from the respective reviews, as well as the recommendations made by the ICR Unit together with Management's action plans in addressing those findings.

3.10 **Integrity, Regulatory and Governance**

a. KIBB Group had implemented the following policies to facilitate its adherence to the Guidelines on Adequate Procedures issued pursuant to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009, and to keep abreast with the best practices and high standards of ethics and integrity:

   i. Group Conflict Management Policy;
   ii. Group Incoming Non-Commercial Sponsorship Policy; and
   iii. Group Gifts, Entertainment and Hospitality Policy.

   In line with the requirement specified in these polices, the information in relation to actual, potential or perceived conflicts, sponsorships, gifts, entertainment and hospitality, which fell within the scope of these policies received from the employees will be compiled and relevant report will be tabled by Group Business Ethics and Integrity ("**GBEI**") to the AC for its notification on an annual basis.

   In relation thereto, the AC at its meeting held on 25 January 2022 had taken note of the summary of information submitted by the employees within KIBB Group to GBEI for the period from December 2020 until December 2021.

b. The AC, at its meeting held on 25 January 2022 and 25 October 2022 had also taken note of the outcome of the review performed by the Group Prudential Supervision & Regulatory Affairs (“**GPSRA**”) in relation to the status of implementation of action plans identified by the relevant departments following GPSRA’s regulatory issuances of new, revised and updated regulations to ensure KIBB’s compliance with the relevant regulatory requirements prescribed by the respective regulators.

c. At its meeting held on 21 March 2022, the AC had reviewed and recommended to the Board of KIBB for approval, the amendments to its Terms of Reference.

d. At its meeting held 1 September 2022, the AC had reviewed and deliberated on the investigation report pertaining to a reported whistleblowing case. The AC, on 25 October 2022, further recommended to the Board of KIBB for approval, on areas identified for improvement based on GIA’s observations on the said whistleblowing case.

3.11 **Joint Meeting Between the AC and the GBRC**

Pursuant to BNM’s Policy Document on Risk Governance, the GBRC and the AC were expected to periodically meet to ensure effective exchange of information to enable effective coverage of all risks, including emerging risk issues that could have an impact on KIBB Group’s risk appetite and business plans.

In this regard, a joint meeting between the AC and the GBRC was held on 30 August 2022 as per the aforementioned requirement by BNM.

4. INTERNAL AUDIT FUNCTION

4.1 The internal audit function of KIBB is established in-house. In discharging its responsibilities, GIA, which reports functionally to the AC and administratively to the Group Managing Director, provides independent and objective assurance to the Board and Management that the policies, procedures and operations that Management has put in place for risk management, control and governance are adequate, operating effectively and efficiently, and in compliance with prescribed laws and regulations.

4.2 During the year under review, GIA carried out internal audit reviews based on its 2022 Audit Plan as approved by the AC. This Audit Plan was developed using a risk-based methodology. The audit reviews conducted by GIA included business support processes, Information Technology/ technical audits and compliance audits on regulatory requirements.

4.3 All GIA’s reports, detailing the audit findings, audit recommendations, as well as Management’s responses to those recommendations were circulated to the Group Managing Director and Heads of the respective Divisions/ Departments within KIBB Group. Follow-up reviews were performed on the implementation status of the audit recommendations and reported to the AC accordingly.

4.4 The total costs incurred by GIA in discharging its functions and responsibilities in 2022 amounted to RM4.773 million.

4.5 As at 31 December 2022, GIA’s headcount was eighteen (18).

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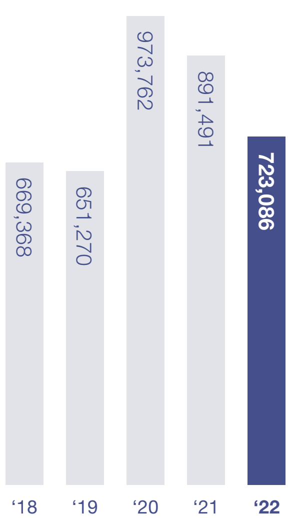
FIVE (5)-YEAR GROUP FINANCIAL SUMMARY

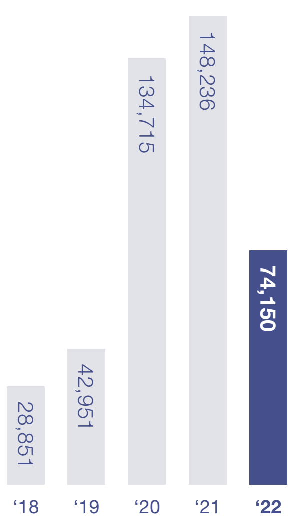
	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000 Restated	2018 RM'000
RESULTS					
Operating revenue	**723,086**	891,491	973,762	651,270	669,368
Profit before taxation continuing operations	**74,150**	148,236	134,715	42,951	28,851
Profit after taxation for the financial year attributable to equity holders of KIBB	**54,511**	118,390	102,082	26,386	11,911
ASSETS					
Total assets	**5,962,357**	6,418,522	6,575,067	6,630,774	6,546,528
SHAREHOLDERS' FUNDS					
Paid-up share capital	**253,834**	253,834	246,249	246,249	246,249
Shareholders' funds attributable to equity holders of KIBB	**1,017,280**	1,050,329	999,838	904,289	871,006
FINANCIAL RATIOS					
Net return on average shareholders funds (%)	**5.27**	11.55	10.72	2.97	1.35
Net return on average assets (%)	**0.88**	1.82	1.55	0.40	0.18
SHARE INFORMATION					
Basic earnings per share (sen)	**7.50**	16.29	14.56	3.78	1.67
Net assets backing per share (RM)	**1.41**	1.45	1.42	1.29	1.25
Dividend cover (times)	**1.23**	1.54	1.59	1.16	1.55
Net dividend per share (sen)	**6.00**	10.50	8.80	3.25	1.10

FIVE (5)-YEAR GROUP FINANCIAL HIGHLIGHTS

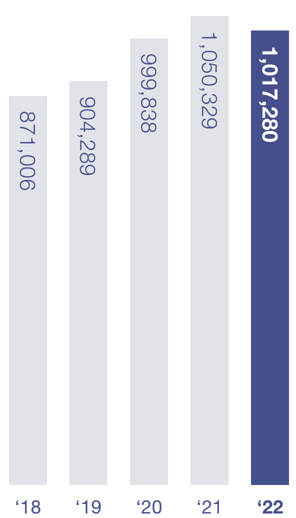
Operating Revenue (RM'000)



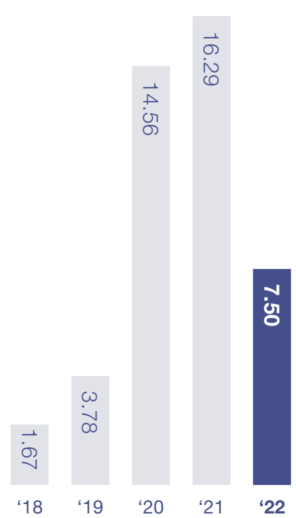
Profit Before Taxation (RM'000)



Shareholders' Funds (RM'000)



Basic Earnings per Share (sen)



DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of Kenanga Investment Bank Berhad ("the Bank" or "KIBB") and its subsidiaries ("the Group" or "Kenanga Group") for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the investment banking business, provision of stockbroking and related financial services. The principal activities of the subsidiaries are described in Note 13 to the financial statements.

There were no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit after taxation and zakat	54,502	54,919
Share of results in associates and joint ventures	852	-
Profit for the financial year	55,354	54,919
Attributable to:		
Equity holders of the Bank	54,511	54,919
Non-controlling interests	843	-
	55,354	54,919

There were no material transfers to or from reserves or provisions during the financial year other than those that have been disclosed in the statements of profit or loss and other comprehensive income and the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

During the financial year, an interim single tier dividend of 10.50 sen per ordinary shares on 733,906,299 ordinary shares in respect of the financial year ended 31 December 2021, which amounted to RM77,060,192 was paid on 15 April 2022.

Subsequent to the financial year end, on 24 February 2023, the Directors have declared a single tier interim dividend of 6.00 sen per share in respect of the financial year ended 31 December 2022 which amounted to total dividends payable of approximately RM44,145,756. This is computed based on issued and paid-up capital as at 31 December 2022 of 735,762,599 ordinary shares. The actual amount of dividends to be paid will depend on the number of shares in issue at the date of entitlement.

The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

DIRECTOR'S REPORT

KENANGA GROUP EMPLOYEES' SHARE SCHEME ("ESS" OR "SCHEME")

The Kenanga Group ESS is governed by the by-laws approved by the shareholders of the Bank at an Extraordinary General Meeting held on 25 May 2017. The ESS was implemented on 21 September 2017. It is valid for a period of five (5) years from its commencement date, and is administered by the ESS Committee. The ESS has been extended for another five (5) years from 21 September 2022 to 20 September 2027 in accordance with the provisions of the By-Laws of the ESS.

The aggregate maximum number of the shares which may be made available by the Bank under the Scheme shall not in aggregate exceed 10% of the issued share capital of the Bank (excluding treasury shares) at any point in time during the duration of the Scheme.

Other principal features of the ESS are as follows:

(i) The employees eligible to participate in the ESS must be at least eighteen (18) years of age on the Award date and are employed by, and are on the payroll of the Kenanga Group and are confirmed in service. The ESS applies to the Bank and its non-dormant subsidiary companies.

(ii) The entitlement under the ESS for the Executive Directors are subject to the approval of the shareholders in a general meeting and are not prohibited or disallowed by the relevant authorities or laws from participation in the Scheme.

The ESS encompasses two (2) primary schemes in the form of ESOS and Employee Share Grant Plan ("ESGP").

The actual allocation of share options to senior management of the Group over the maximum ESS shares was 37.38% as at 31 December 2022.

The actual allocation of share grant to senior management of the Group over the maximum ESS shares was 3.32% as at 31 December 2022.

More details of the ESS are as disclosed in Note 54 to the financial statements.

ISSUANCE OF SHARES

There were no new ordinary shares or debentures issued during the financial year.

BUSINESS REVIEW FOR 2022

The profit before tax ("PBT") of the Group and of the Bank for the financial year ended 31 December 2022 ("FYE22") were RM74.2 million and RM58.3 million, compared to PBT of RM148.2 million and RM120.4 million respectively in the previous financial year ("FYE21").

The performance of the Group's respective business segments are analysed below:

STOCKBROKING

Stockbroking division reported a lower PBT of RM2.5 million for FYE22 (FYE21: PBT of RM86.4 million) mainly due to lower net brokerage income as a consequence of lower trading volume and trading and investment income.

DIRECTOR'S REPORT

INVESTMENT BANKING

Investment Banking registered a lower PBT of RM15.8 million for FYE22 (FYE21: PBT of RM20.6 million) mainly due to lower net interest income generated and higher operating expenses and credit loss expenses.

INVESTMENT AND WEALTH MANAGEMENT

Investment and Wealth Management registered marked improvement in PBT of RM54.2 million for FYE22 (FYE21: PBT of RM34.9 million) which was achieved on the back of higher contribution from alternative products.

LISTED DERIVATIVES

The Listed Derivatives segment has turned around and recorded a PBT of RM2.1 million for FYE22 compared to loss before tax ("LBT") of RM1.8 million for FYE21 as a result of higher trading activities and higher interest income generated.

MONEY LENDING AND FINANCING

The Money Lending and Financing business reported a lower PBT of RM0.1 million for FYE22 compared to PBT of RM1.6 million for FYE21 mainly due to the provision of credit loss expense for an impaired loan.

CAPITAL RATIOS

The Group and the Bank remain on strong financial footing with total capital ratios of 28.913% (FYE21: 28.291%) and 30.682% (FYE21: 29.827%) respectively, well above the minimum prescribed by Bank Negara Malaysia ("BNM") of 10.5% including capital conservation buffer of up to 2.50%.

OUTLOOK AND PROSPECTS FOR 2023

As we move into 2023, we expect continued growth as the economy normalises, with a projected GDP of 4.3%. We believe there is some upside given the lower political risk, resilient private spending and the positive impact of China's relaxation of its zero-COVID policy. In addition, a further pick-up in tourism activity will continue to support the recovery in the services sector as well as further improvement in the labour market condition.

From monetary policy perspective, we expect BNM to keep the overnight policy rate ("OPR") unchanged at 2.75% and a rate change will depend on the inflation trend and growth outlook.

Overall, we are cautiously positive of the outlook for Kenanga in 2023 and the Group is committed to driving collaboration, innovation, digitalisation and sustainability in the marketplace to ensure continued growth in profitability and market share.

DIRECTOR'S REPORT

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Bank has maintained a Directors and Officers Liability Insurance on a group basis up to the aggregate limit of RM30.0 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office for the Group. The Directors and Officers shall not be indemnified by such insurance for any gross negligence, fraud, intentional breach of law or breach of trust proven against them. The total amount of insurance premium paid for the directors and officers of the Group for the current financial year was RM59,000.

DIRECTORS

The names of the Directors of the Bank in office since the beginning of the financial year and at the date of this report are:

Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail	(Independent Non-Executive Director/Chairman)
Ismail Harith Merican	(Non-Independent Non-Executive Director)
Luk Wai Hong, William (redesignated on 1 November 2022)	(Non-Independent Non-Executive Director)
Jeremy Bin Nasrulhaq	(Senior Independent Non-Executive Director)
Norazian Binti Ahmad Tajuddin	(Independent Non-Executive Director)
Kanagaraj Lorenz	(Independent Non-Executive Director)
Choy Khai Choon	(Non-Independent Non-Executive Director)
Chin Siew Siew (appointed on 1 June 2022)	(Independent Non-Executive Director)
Luigi Fortunato Ghirardello (retired on 26 May 2022)	(Non-Independent Non-Executive Director)

The names of the Directors of the Group's subsidiaries who served the respective Boards of the subsidiaries since the beginning of the current financial year to the date of this report are disclosed in Note 53 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors of the Bank as shown in Note 39 of the financial statements or from related corporations) by reason of a contract made by the Bank or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTOR'S REPORT

DIRECTORS' INTERESTS

According to the Register of Director's shareholdings, the interests of Directors in office at the end of the financial year, in shares of the Bank, were as follows:

The Bank:	**Number of Ordinary Shares**			
	At 1.1.2022	**Addition**	**Disposal**	**At 31.12.2022**
Direct interest:				
Norazian Binti Ahmad Tajuddin	10,000	-	-	10,000
Kanagaraj Lorenz	388,000	-	-	388,000
Jeremy Bin Nasrulhaq	187,900	-	-	187,900

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares of the Bank or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

DIRECTOR'S REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business as disclosed in Note 42 and Note 43 to the financial statements.

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due, other than those arising in the normal course of business as disclosed in Note 42 and Note 43 to the financial statements; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S POLICY DOCUMENT ON FINANCIAL REPORTING

The Directors have taken reasonable steps to ensure that the preparation of the financial statements of the Group and of the Bank are in compliance with the BNM's Policy Document on Financial Reporting.

SIGNIFICANT AND SUBSEQUENT EVENTS

There was no significant event during the financial year and subsequent to the financial year ended 31 December 2022 other than the event disclosed in Note 55 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Messrs. Ernst & Young PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 33 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors on 6 March 2023.

Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail **Jeremy Bin Nasrulhaq**

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail and Jeremy Bin Nasrulhaq, being two (2) of the Directors of Kenanga Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 140 to 353 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors on 6 March 2023.

Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail
Kuala Lumpur, Malaysia

Jeremy Bin Nasrulhaq

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Cheong Boon Kak, being the officer primarily responsible for the financial management of Kenanga Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 140 to 353 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Cheong Boon Kak
at Kuala Lumpur in the Federal Territory
on 6 March 2023.

Cheong Boon Kak
(MIA No: 10259)

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD
(INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kenanga Investment Bank Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 140 to 353.

In our opinion, the accompanying financial statements of the Group and of the Bank give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Risk area and rationale	***Our response***
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss	
As at 31 December 2022, loans, advances and financing represent RM1,690.48 million or 28.35% and RM1,703.51 million or 31.22% of the total assets of the Group and of the Bank respectively, and the financial instruments carried at amortised cost and fair value through other comprehensive income represent RM768.29 million or 12.89% and RM768.29 million or 14.08% of the total assets of the Group and of the Bank respectively. The Group and the Bank account for impairment losses on loans, advances and financing, and investments carried at amortised cost and fair value through other comprehensive income using a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgement and involves increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward looking macroeconomic factors and probability-weighted scenarios.	Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of the loans, advances and financing and investments. We assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL. For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's and the Bank's credit risk management practices. For the measurement of ECL, we assessed and tested reasonableness of the Group's and of the Bank's ECL models, including model input, model design and model performance and management overlays for significant portfolios. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Risk area and rationale	***Our response***
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (cont'd.)	
Refer to the summary of significant accounting policies in Note 3.4(k)(ii), significant accounting judgements, estimates and assumptions in Note 4(iii) and the disclosures of loans, advances and financing in Note 9, investments other than those carried at fair value through profit or loss in Note 7 and disclosure of credit risk exposures in Note 50(a) to the financial statements.	We evaluated if changes in modeling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed, tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions. With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. For cases where impairment has been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available. We also assessed whether the financial statement disclosures are adequate and appropriately reflect the Group's and of the Bank's exposures to credit risk.
Impairment of goodwill	
As at 31 December 2022, the goodwill recognised in the financial statements of the Group and of the Bank are RM241.03 million or 4.04% and RM252.91 million or 4.64% of the total assets of the Group and of the Bank respectively. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group and the Bank are required to annually test the amount of goodwill for impairment. These involve management judgement and are based on assumptions that are affected by expected future market and economic conditions. Refer to summary of significant accounting policies in Note 3.4(e)(i), significant accounting estimates and judgement in Note 4(i) and the disclosure of intangible assets in Note 17 to the financial statements.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, external economic and market data. We assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amount of goodwill. We also reviewed the adequacy of the Group's and of the Bank's disclosures within the financial statements about those key assumptions to which the VIU is most sensitive.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Risk area and rationale	***Our response***
Valuation of investments in unquoted equity instruments	
As at 31 December 2022, the carrying values of the Group's and of the Bank's investments in unquoted securities classified as fair value through profit or loss and fair value through other comprehensive income amounted to RM177.62 million and RM1.29 million and RM180.65 million and RM1.29 million respectively. The valuation of unquoted investments involved a range of judgement and estimates which are based on current and future market and economic conditions. As the fair values of unquoted financial investments cannot be obtained directly from active markets, they are determined using the market and income approach, as well as the adjusted net asset method. Each approach has its own inputs and valuation techniques in determining the fair value. The Group uses a variety of valuation techniques appropriate in the circumstances that include the use of financial models. The inputs to these models are taken from relevant observable inputs where possible and minimises the use of unobservable inputs. Such inputs include using prices and other relevant information of comparable peer companies, prices of recent transactions involving similar instruments and adjusted net assets amount. Judgements include considerations such as selection of comparable peer companies, growth rates and discount rates. Refer to summary of accounting policies in Note 3.4(j), significant accounting judgements, estimates and assumptions in Note 4(ii) and the disclosures of fair value of financial instruments in Note 51 to the financial statements.	Our audit procedures include reviewing and evaluating management's rationale for selecting and using the valuation models to assess if the use of such models was appropriate. We assessed the accuracy and appropriateness of market observable inputs. Our audit procedures also included, among others, understanding management's controls related to the development and calibration of any model used, challenged and assessed the assumptions used, taking into account historical evidence supporting underlying assumptions and comparing internal information against external economic and market data. As the fair values are sensitive towards changes to some of the key inputs, we also assessed the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's disclosures within the financial statements about those key assumptions to which the fair value is most sensitive.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and the Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on the Directors' Report.

Responsibilities of directors for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Auditors' responsibility for the audit of the financial statements (cont'd.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT.
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Sue Ean
03276/07/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
6 March 2023

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Most Beneficent, the Most Merciful.

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Skim Perbankan Islam of Kenanga Investment Bank Berhad ("KIBB SPI") during the financial year ended 31 December 2022. We have also conducted our review to form an opinion as to whether KIBB SPI has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of KIBB is responsible for ensuring that KIBB SPI conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of KIBB SPI, and to report to you.

We have assessed the work carried out by Shariah review which included examining, on a test basis, each type of transaction, the relevant documentation adopted by KIBB SPI.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that KIBB SPI has not violated the Shariah principles.

In our opinion:

(1). The contracts, transactions and dealings entered into by KIBB SPI during the financial year ended 31 December 2022 that we have reviewed are in compliance with the Shariah principles;

(2). The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

(3). Money which derived from the gharamah (penalty) shall be channel to the eligible beneficiaries;

(4). Relating to the financial year 2022, KIBB SPI has made a zakat payment on its business to two (2) states zakat authorities and the zakat is computed using the profit and loss method. The beneficiaries of the zakat fund were Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan and Lembaga Zakat Selangor; and

(5). Nothing has come to the Shariah committee's attention that causes the Shariah committee to believe that the operations, business, affairs and activities of KIBB SPI involve any material Shariah non-compliances.

We, the members of the Shariah Committee of KIBB, do hereby confirm that the operations of KIBB SPI for the financial year ended 31 December 2022 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee:

Dr. Ghazali Jaapar

Shariah Committee Member:

Dr. Mohammad Firdaus Mohammad Hatta

Dr. Fadillah Mansor

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

Group	Note	2022 RM'000	2021 RM'000
Assets			
Cash and bank balances	5	**1,732,786**	1,897,384
Financial assets at fair value through profit or loss	6	**322,139**	387,322
Debt instruments at fair value through other comprehensive income	7(a)	**317,879**	736,114
Equity instruments at fair value through other comprehensive income	7(a)	**1,294**	1,460
Debt instruments at amortised cost	7(b)	**449,114**	213,660
Derivative financial assets	8	**85,217**	81,453
Loans, advances and financing	9	**1,690,475**	1,775,413
Balances due from clients and brokers	10	**427,638**	334,465
Other assets	11	**183,753**	238,822
Statutory deposit with Bank Negara Malaysia	12	**58,403**	50,868
Tax recoverable		**31,819**	38,807
Investments in associates	14	**99,683**	87,171
Investment in joint ventures	15	**26,569**	31,969
Property, plant and equipment	16	**156,221**	163,475
Intangible assets	17	**329,219**	331,061
Right-of-use assets	18	**24,964**	18,473
Deferred tax assets	19	**25,184**	30,605
Total assets		**5,962,357**	6,418,522
Liabilities			
Deposits from customers	20	**3,161,078**	3,137,278
Deposits and placements of banks and other financial institutions	21	**415,359**	652,862
Balances due to clients and brokers	22	**732,709**	665,968
Derivative financial liabilities	23	**16,496**	28,760
Other liabilities	24	**367,258**	573,699
Borrowings	25	**206,000**	244,700
Lease liabilities	26	**25,324**	18,829
Provision for taxation and zakat		**15,245**	41,396
Deferred tax liabilities	19	**64**	-
Total liabilities		**4,939,533**	5,363,492
Equity			
Share capital	27	**253,834**	253,834
Treasury shares	27	**(13,538)**	(13,064)
Reserves	28	**776,984**	809,559
Total equity attributable to equity holders of the Bank		**1,017,280**	1,050,329
Non-controlling Interests		**5,544**	4,701
Total Equity		**1,022,824**	1,055,030
Total liabilities and shareholders' equity		**5,962,357**	6,418,522
Commitments and contingencies	42	**4,298,476**	4,534,285

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

Bank	Note	2022 RM'000	2021 RM'000
Assets			
Cash and bank balances	5	**1,262,925**	1,459,156
Financial assets at fair value through profit or loss	6	**324,626**	386,367
Debt instruments at fair value through other comprehensive income	7(a)	**317,879**	736,114
Equity instruments at fair value through other comprehensive income	7(a)	**1,294**	1,460
Debt instruments at amortised cost	7(b)	**449,114**	213,660
Derivative financial assets	8	**85,217**	81,453
Loans, advances and financing	9	**1,703,510**	1,749,615
Balances due from clients and brokers	10	**427,477**	334,370
Other assets	11	**125,433**	137,929
Statutory deposit with Bank Negara Malaysia	12	**58,403**	50,868
Tax recoverable		**13,850**	27,402
Investments in subsidiaries	13	**60,812**	60,812
Investment in an associate	14	**68,435**	68,435
Investment in joint ventures	15	**41,550**	40,000
Property, plant and equipment	16	**151,029**	159,624
Intangible assets	17	**331,132**	331,986
Right-of-use assets	18	**20,540**	15,204
Deferred tax assets	19	**12,966**	15,219
Total assets		**5,456,192**	5,869,674
Liabilities			
Deposits from customers	20	**3,299,305**	3,250,600
Deposits and placements of banks and other financial institutions	21	**415,359**	652,862
Balances due to clients and brokers	22	**262,976**	265,296
Derivative financial liabilities	23	**16,496**	28,760
Other liabilities	24	**248,727**	384,161
Borrowings	25	**188,500**	204,700
Lease liabilities	26	**20,757**	15,473
Provision for taxation and zakat		**291**	26,472
Total liabilities		**4,452,411**	4,828,324
Equity			
Share capital	27	**253,834**	253,834
Treasury shares	27	**(13,538)**	(13,064)
Reserves	28	**763,485**	800,580
Total equity		**1,003,781**	1,041,350
Total liabilities and shareholders' equity		**5,456,192**	5,869,674
Commitments and contingencies	42	**4,412,160**	4,637,316

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Bank	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	29	**723,086**	891,491	**477,060**	709,706
Interest income	30	**222,539**	210,372	**213,364**	204,444
Interest expense	31	**(112,813)**	(99,561)	**(127,531)**	(110,249)
Net interest income		**109,726**	110,811	**85,833**	94,195
Net income from Islamic banking operations	52(b)	**15,201**	16,828	**15,201**	16,828
Other operating income	32	**485,348**	656,881	**298,247**	492,654
Net income		**610,275**	784,520	**399,281**	603,677
Other operating expenses	33	**(533,173)**	(648,490)	**(343,661)**	(484,741)
Operating profit		**77,102**	136,030	**55,620**	118,936
Credit loss (expense)/reversal	34	**(3,923)**	(1,900)	**2,551**	(1,935)
Bad debts recovered	35	**119**	513	**119**	543
Reversal of impairment loss on investment in an associate		**-**	-	**-**	12,200
Impairment loss on investment in a subsidiary	13	**-**	-	**-**	(9,323)
		73,298	134,643	**58,290**	120,421
Share of results of associates and joint ventures		**852**	13,593	**-**	-
Profit before taxation and zakat		**74,150**	148,236	**58,290**	120,421
Taxation and zakat	40	**(18,796)**	(29,421)	**(3,371)**	(25,605)
Profit for the financial year		**55,354**	118,815	**54,919**	94,816
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss:					
Fair value loss on equity instruments at fair value through other comprehensive income ("FVOCI")		**(167)**	(529)	**(167)**	(529)
Share of other comprehensive income in associates		**57**	6,103	**-**	-
Income tax relating to fair value loss on equity instruments	19	**40**	127	**40**	127
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		**4,871**	2,648	**-**	-
Other comprehensive income/(loss) carried forward:		**4,801**	8,349	**(127)**	(402)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other comprehensive income/(loss) brought forward:		**4,801**	8,349	**(127)**	(402)
Fair value loss on debt instruments at FVOCI		**(9,242)**	(18,614)	**(9,242)**	(18,614)
Income tax relating to fair value loss on debt instruments	19	**2,313**	4,394	**2,313**	4,394
Other comprehensive loss for the financial year, net of tax		**(2,128)**	(5,871)	**(7,056)**	(14,622)
Total comprehensive income for the financial year, net of tax		**53,226**	112,944	**47,863**	80,194
Profit for the financial year attributable to:					
Equity holders of the Bank		**54,511**	118,390	**54,919**	94,816
Non-controlling interests		**843**	425	**-**	-
		55,354	118,815	**54,919**	94,816
Total comprehensive income attributable to:					
Equity holders of the Bank		**52,383**	112,519	**47,863**	80,194
Non-controlling interests		**843**	425	**-**	-
		53,226	112,944	**47,863**	80,194
Earnings per share attributable to equity holders of the Bank:					
Basic (sen)	41	**7.50**	16.29		
Diluted (sen)	41	**7.46**	15.94		

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable								
Group	**Ordinary shares (Note 27) RM'000**	**Capital reserve (Note 28) RM'000**	**Fair value reserve (Note 28) RM'000**	**Regulatory reserve (Note 28) RM'000**	**Exchange reserve (Note 28) RM'000**	**ESS reserve (Note 28) RM'000**	**Treasury shares (Note 27) RM'000**	**Retained profits (Note 28) RM'000**	**Non-controlling Interest RM'000**	**Total attributable to equity holders RM'000**
At 1 January 2022	253,834	88,938	6,590	18,921	19,204	2,809	(13,064)	673,097	4,701	1,055,030
Net profit for the financial year	-	-	-	-	-	-	-	54,511	843	55,354
Share of other comprehensive (loss)/income of associates	-	-	(10,456)	-	-	-	-	10,513	-	57
Other comprehensive (loss)/income	-	-	(7,056)	-	4,871	-	-	-	-	(2,185)
Total comprehensive (loss)/income for the financial year	-	-	(17,512)	-	4,871	-	-	65,024	843	53,226
Share-based payment under ESS scheme	-	-	-	-	-	407	-	-	-	407
Transfer of shares pursuant to exercise of ESS	-	-	-	-	-	-	15,623	(8,305)	-	7,318
Buy-back of shares	-	-	-	-	-	-	(16,097)	-	-	(16,097)
Transfer from regulatory reserve	-	-	-	(1,729)	-	-	-	1,729	-	-
Transfer to retained profits	-	-	-	-	-	(1,422)	-	1,422	-	-
Dividend paid (Note 45)	-	-	-	-	-	-	-	(77,060)	-	(77,060)
At 31 December 2022	253,834	88,938	(10,922)	17,192	24,075	1,794	(13,538)	655,907	5,544	1,022,824

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

		Non-distributable								
Group	Ordinary shares (Note 27) RM'000	Capital reserve (Note 28) RM'000	Fair value reserve (Note 28) RM'000	Regulatory reserve (Note 28) RM'000	Exchange reserve (Note 28) RM'000	ESS reserve (Note 28) RM'000	Treasury shares (Note 27) RM'000	Retained profits (Note 28) RM'000	Non-controlling Interest RM'000	Total attributable to equity holders RM'000
At 1 January 2021	246,249	88,938	15,916	18,661	16,556	6,144	(10,458)	617,832	5,103	1,004,941
Net profit for the financial year	-	-	-	-	-	-	-	118,390	425	118,815
Share of other comprehensive income of associates	-	-	5,296	-	-	-	-	807	-	6,103
Other comprehensive (loss)/income	-	-	(14,622)	-	2,648	-	-	-	-	(11,974)
Total comprehensive (loss)/income for the financial year	-	-	(9,326)	-	2,648	-	-	119,197	425	112,944
Share-based payment under ESS scheme	-	-	-	-	-	(678)	-	-	-	(678)
Issue of shares pursuant to exercise of ESS (Note 27)	7,585	-	-	-	-	-	-	-	-	7,585
Transfer of shares pursuant to exercise of ESS	-	-	-	-	-	-	12,317	(2,943)	-	9,374
Buy-back of shares	-	-	-	-	-	-	(14,923)	-	-	(14,923)
Transfer to regulatory reserve	-	-	-	260	-	-	-	(260)	-	-
Transfer to retained profits	-	-	-	-	-	(2,657)	-	2,657	-	-
Dividend paid (Note 45)	-	-	-	-	-	-	-	(64,213)	-	(64,213)
Adjustment to non-controlling interest	-	-	-	-	-	-	-	827	(827)	-
At 31 December 2021	253,834	88,938	6,590	18,921	19,204	2,809	(13,064)	673,097	4,701	1,055,030

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable						
Bank	**Ordinary shares (Note 27) RM'000**	**Regulatory reserve (Note 28) RM'000**	**Capital reserve (Note 28) RM'000**	**Fair value reserve (Note 28) RM'000**	**ESS reserve (Note 28) RM'000**	**Treasury shares (Note 27) RM'000**	**Retained profits (Note 28) RM'000**	**Total equity RM'000**
At 1 January 2022	**253,834**	**18,921**	**153,863**	**634**	**2,809**	**(13,064)**	**624,353**	**1,041,350**
Net profit for the financial year	-	-	-	-	-	-	**54,919**	**54,919**
Other comprehensive loss	-	-	-	**(7,056)**	-	-	-	**(7,056)**
Total comprehensive (loss)/income for the financial year	-	-	-	**(7,056)**	-	-	**54,919**	**47,863**
Share-based payment under ESS scheme	-	-	-	-	**407**	-	-	**407**
Transfer of shares pursuant to exercise of ESS	-	-	-	-	-	**15,623**	**(8,305)**	**7,318**
Buy-back of shares	-	-	-	-	-	**(16,097)**	-	**(16,097)**
Transfer from regulatory reserve	-	**(1,729)**	-	-	-	-	**1,729**	-
Transfer to retained profits	-	-	-	-	**(1,422)**	-	**1,422**	-
Dividend paid (Note 45)	-	-	-	-	-	-	**(77,060)**	**(77,060)**
At 31 December 2022	**253,834**	**17,192**	**153,863**	**(6,422)**	**1,794**	**(13,538)**	**597,058**	**1,003,781**
At 1 January 2021	246,249	18,661	153,863	15,256	6,144	(10,458)	594,296	1,024,011
Net profit for the financial year	-	-	-	-	-	-	94,816	94,816
Other comprehensive loss	-	-	-	(14,622)	-	-	-	(14,622)
Total comprehensive (loss)/income for the financial year	-	-	-	(14,622)	-	-	94,816	80,194
Share-based payment under ESS scheme	-	-	-	-	(678)	-	-	(678)
Issue of shares pursuant to exercise of ESS (Note 27)	7,585	-	-	-	-	-	-	7,585
Transfer of shares pursuant to exercise of ESS	-	-	-	-	-	12,317	(2,943)	9,374
Buy-back of shares	-	-	-	-	-	(14,923)	-	(14,923)
Transfer to regulatory reserve	-	260	-	-	-	-	(260)	-
Transfer to retained profits	-	-	-	-	(2,657)	-	2,657	-
Dividend paid (Note 45)	-	-	-	-	-	-	(64,213)	(64,213)
At 31 December 2021	253,834	18,921	153,863	634	2,809	(13,064)	624,353	1,041,350

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		**74,150**	148,236	**58,290**	120,421
Adjustments for:					
Depreciation of property, plant and equipment	33	**11,472**	11,714	**10,487**	10,829
Amortisation of intangible assets					
- software licence and client relationships	33	**6,462**	5,624	**5,508**	4,642
Amortisation of right-of-use assets	33	**8,039**	8,465	**6,660**	7,397
Lease interest expenses	31	**894**	965	**743**	905
ESS expenses	33	**326**	1,022	**326**	1,022
Credit loss expense/(reversal)	34	**3,923**	1,900	**(2,551)**	1,935
Impairment loss on investment in a subsidiary	13	**-**	-	**-**	9,323
Property, plant and equipment written off	33	**911**	231	**902**	-
Computer software work-in-progress written off	33	**608**	-	**608**	-
Fixed assets expensed off		**2,971**	-	**1,708**	-
Bad debts recovered	35	**(119)**	(513)	**(119)**	(543)
Reversal of impairment on investment in an associate		**-**	-	**-**	(12,200)
Gain on disposal of a subsidiary	32(c)	**-**	(4,729)	**-**	-
Gain on disposal of an associate	14(a)	**(9,117)**	-	**-**	-
Gross dividend income from investments	32(b)	**(1,527)**	(3,654)	**(60,492)**	(18,547)
Gain on disposal of property, plant and equipment	32(c)	**(111)**	(60)	**(93)**	(57)
Net (gain)/loss from sale of financial assets at fair value through profit or loss and derivatives		**(23,675)**	46,692	**(23,667)**	46,732
Net gain from sale of financial instruments at FVOCI		**(25)**	(1,580)	**(25)**	(1,580)
Share of results of associates and joint ventures		**(852)**	(13,593)	**-**	-
Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss and derivatives	32(b)	**8,954**	(148,011)	**10,454**	(150,784)
Operating gain before working capital changes		**83,284**	52,709	**8,739**	19,495
Decrease/(increase) in operating assets:					
Loans, advances and financing		**87,392**	91,780	**50,178**	105,302
Other assets		**48,680**	(49,740)	**10,962**	(42,492)
Statutory deposit with Bank Negara Malaysia		**(7,535)**	7,530	**(7,535)**	7,530
Balances due from clients and brokers		**(93,044)**	210,560	**(92,978)**	210,655
Trust monies and deposits	5	**(74,314)**	(67,444)	**33,914**	493
(Decrease)/increase in operating liabilities:					
Other liabilities		**(206,149)**	126,427	**(135,360)**	23,504
Balances due to clients and brokers		**66,741**	(54,697)	**(2,320)**	(139,895)
Deposits from customers		**23,800**	184,893	**48,705**	207,757
Deposits and placements of banks and other financial institutions		**(237,503)**	(413,223)	**(237,503)**	(413,223)
Cash (used in)/generated from operations		**(308,648)**	88,795	**(323,198)**	(20,874)
Taxation and zakat paid		**(30,200)**	(42,807)	**(11,394)**	(33,951)
Rental/lease payment (interest)	26	**(894)**	(1,064)	**(743)**	(1,006)
Net cash (used in)/generated from operating activities		**(339,742)**	44,924	**(335,335)**	(55,831)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D.)

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities					
Sale proceeds from disposal of an associate, net of cash	14(a)	**9,117**	-	**-**	-
Acquisition of subsidiaries net of cash acquired		**-**	(597)	**-**	-
Sale proceeds from disposal of a subsidiary, net of cash		**-**	5,372	**-**	-
Dividends received	32(b)	**1,527**	3,654	**60,492**	18,547
Purchase of property, plant and equipment	16	**(5,175)**	(12,230)	**(2,836)**	(11,556)
Purchase of intangible assets	17	**(8,792)**	(11,901)	**(7,646)**	(10,494)
Proceeds from disposal of property, plant and equipment and intangible assets		**781**	60	**763**	57
Capital injection in a joint venture	15	**(1,550)**	-	**(1,550)**	-
Net sale of securities		**237,489**	158,956	**232,539**	159,036
Net cash generated from investing activities		**233,397**	143,314	**281,762**	155,590
Cash flows from financing activities					
Dividend paid	45	**(77,060)**	(64,213)	**(77,060)**	(64,213)
Rental/lease payments (principal)	26	**(8,028)**	(8,261)	**(6,705)**	(7,185)
Net (repayment)/drawdown of borrowings		**(38,700)**	69,300	**(16,200)**	52,300
Share buy-back		**(16,446)**	(14,574)	**(16,446)**	(14,574)
Proceeds from exercise of ESS		**7,667**	14,916	**7,667**	14,916
Net cash used in financing activities		**(132,567)**	(2,832)	**(108,744)**	(18,756)
Net (decrease)/increase in cash and cash equivalents		**(238,912)**	185,406	**(162,317)**	81,003
Cash and cash equivalents at beginning of financial year		**1,469,803**	1,284,397	**1,337,127**	1,256,124
Cash and cash equivalents at end of financial year	5	**1,230,891**	1,469,803	**1,174,810**	1,337,127
Cash and cash equivalents comprise of the followings (Note 5):					
Cash and balances with banks		**1,700,779**	1,886,965	**1,240,970**	1,459,156
Deposits and placements with banks and other financial institutions		**32,007**	10,419	**21,955**	-
Less: Monies and short-term deposits held in trust on behalf of dealers' representatives		**(88,115)**	(122,029)	**(88,115)**	(122,029)
Less: Segregated funds from customers		**(413,780)**	(305,552)	**-**	-
		1,230,891	1,469,803	**1,174,810**	1,337,127

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. CORPORATE INFORMATION

The Bank is principally engaged in the investment banking business, provision of stockbroking and related financial services.

The Bank is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan.

The principal activities of the subsidiaries are described in Note 13. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements of the Bank have been approved and authorised for issue in accordance with a resolution of the Board of Directors on 6 March 2023.

2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT

2.1 New and amended Malaysian Financial Reporting Standards ("MFRSs") adopted

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended MFRSs, which became effective for the Group and the Bank during the current financial year:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 *Property, Plant and Equipment*)
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*)
- Reference to the Conceptual Framework (Amendments to MFRS 3 *Business Combinations*)
- Annual improvements to MFRS Standards 2018-2020

The adoption of the new and amended MFRSs did not have any significant impact on the financial position or performance of the Group and of the Bank.

2.2 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by BNM

During the financial year ended 31 December 2021, BNM had announced the extension of regulatory measures to facilitate loan/financing repayment assistance to borrowers/customers affected by the COVID-19 pandemic in line with the Government economic stimulus packages.

Six-month moratorium under Perlindungan Rakyat dan Pemulihan Ekonomi was announced on 28 June 2021. The moratorium applies to ringgit and foreign currency denominated loans/financing approved on or before 30 June 2021, not in arrears exceeding 90 days and customers must not be adjudicated bankrupts or under bankruptcy proceedings. In the absence of other factors relevant to the assessment, the moratorium does not automatically result in stage transfer under MFRS 9. The financial impact of the moratorium is reflected at the interest/profit income of the Group and of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

2.2 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by BNM (cont'd.)

The economic sectors that are most affected by COVID-19 and their exposure as at 2022 & 2021 are disclosed as below:

	Loans, advances and financing					
	Net of impairment (on-balance sheet)		Undrawn (off-balance sheet)		Total exposures	
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Sectors						
Oil and gas	**97,900**	94,483	**17,684**	27,599	**115,584**	122,082
Hotels and tourism	**12,464**	5,239	**-**	30,000	**12,464**	35,239
Retail food and non-food	**57,155**	97,563	**31,497**	31,284	**88,652**	128,847
Construction	**21,773**	3,835	**11,510**	19,085	**33,283**	22,920
Property development	**156,410**	190,716	**37,017**	18,582	**193,427**	209,298
	345,702	391,836	**97,708**	126,550	**443,410**	518,386

	Loans, advances and financing					
	Net of impairment (on-balance sheet)		Undrawn (off-balance sheet)		Total exposures	
Bank	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Sectors						
Oil and gas	**97,900**	94,483	**17,684**	27,599	**115,584**	122,082
Hotels and tourism	**-**	-	**-**	30,000	**-**	30,000
Retail food and non-food	**57,155**	88,457	**31,497**	31,284	**88,652**	119,741
Construction	**21,773**	14,166	**41,510**	19,085	**63,283**	33,251
Property development	**156,410**	190,716	**37,017**	18,582	**193,427**	209,298
	333,238	387,822	**127,708**	126,550	**460,946**	514,372

2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

2.2 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by BNM (cont'd.)

Group and Bank	Financial investments - bonds and sukuk (on-balance sheet) 2022 RM'000	2021 RM'000
Sectors		
Oil and gas	**47,145**	69,345
Hotels and tourism	**-**	6,451
Property development	**-**	48,029
	47,145	123,825

2.3 Standards issued but not yet effective

The following are new MFRSs, amended MFRSs and Interpretation Committee's ("IC") Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that will be effective for the Group and the Bank in future years. The Group and the Bank intend to adopt the relevant standards when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 17: *Insurance Contracts*	1 January 2023
Amendments to MFRS 17: *Insurance Contracts*	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2023
Disclosure of accounting policies (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2023
Definition of accounting estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*)	1 January 2023
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to MFRS 112 *Income Taxes*)	1 January 2023
Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 *Insurance Contracts*)	1 January 2023
Initial application of MFRS 17 and MFRS 9 - Comparative Information (Amendments to MFRS 17 *Insurance Contracts*)	1 January 2023
Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 *Leases*)	1 January 2024
Non-current Liabilities with Covenants (Amendments to MFRS 101 *Presentation of Financial Statements*)	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the Group and of the Bank have been prepared on a historical cost basis unless otherwise indicated.

3.2 Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), and the requirements of the Companies Act 2016 in Malaysia.

3.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency and all values are rounded to the nearest thousand ("RM'000"), unless otherwise stated.

3.4 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as at the reporting date.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank and consistent accounting policies are applied for like transactions and events in similar circumstances.

The Bank controls an investee if and only if the Bank has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(a) Basis of consolidation (cont'd.)

When the Bank has less than a majority of the voting rights of an investee, the Bank considers the following in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Bank, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date of acquisition, being the date of which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets and liabilities of the subsidiary and any differences is recognised in profit or loss. The subsidiary's cumulative gain and loss which have been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment in an associate or a joint venture.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(a) Basis of consolidation (cont'd.)

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed to income statement and disclosed under administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree on previous acquisition date is remeasured to fair value at the later stage's acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net assets of the subsidiary acquired. The accounting policy for goodwill is set out in Note 3.4(e)(i).

For business combinations involving entities or businesses under common control, the Group applies the merger (or common control) accounting, whereby no assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. No new goodwill arises in merger accounting.

The acquirer incorporates the acquired entity's results and balance sheet prospectively from the date on which the business combination between entities under common control occurred. Prior financial period's numbers are restated to reflect as if these entities have been under common control since the beginning of the earliest financial period presented in the financial statements.

Merger accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in reorganisation reserve.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(b) Subsidiaries

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Investment in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the investment cost over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted from the date on which the investee becomes an associate.

Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate is recognised in the Group's financial statements only to the extent of unrelated investors' interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associate are prepared as of the same reporting date as the Bank. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(c) Investment in associates (cont'd.)

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Bank's separate financial statements, investment in associate is accounted for at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Investment in jointly controlled entity

Jointly controlled entities are entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(e) Goodwill and intangible assets

(i) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(e) Goodwill and intangible assets (cont'd.)

(i) Goodwill (cont'd.)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.4(l).

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the financial year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embedded in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(e) Goodwill and intangible assets (cont'd.)

(ii) Other intangible assets (cont'd.)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets are amortised over their finite useful lives at the following annual rate:

Computer software and licence	14.28% to 33.33%

(f) Financial instruments – initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to clients, are initially recognised on the trade date, i.e., the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to clients when settlement has yet to be made on outstanding contracts which have been entered into on behalf of the clients.

(i) Initial recognition and subsequent measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 3.4(g)(i). Financial instruments are initially measured at their fair value (as defined in Note 3.4(j)), except in the case of financial assets and financial liabilities recorded at fair value through profit or loss ("FVTPL"), transaction costs are added to, or subtracted from this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group and the Bank account for the Day 1 profit or loss, as described below.

(ii) Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group and the Bank recognise the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(f) Financial instruments – initial recognition (cont'd.)

(iii) Measurement categories of financial assets and liabilities

The Group and the Bank classify all of their financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

(a) Amortised Cost, as explained in Note 3.4(g)(i);
(b) FVOCI, as explained in Notes 3.4(g)(v) and 3.4(g)(vi); or
(c) FVTPL, as explained in Notes 3.4(g)(iv) and 3.4 (g)(viii).

The Group and the Bank classify and measure their derivative and trading portfolio at FVTPL as explained in Notes 3.4(g)(ii) and 3.4(g)(iv). The Group and the Bank may designate financial instruments at FVTPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.4(g)(viii).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 3.4(g)(viii).

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(g) Financial assets and liabilities

(i) Due from banks, loans and advances to customers, financial investments at amortised cost

The Group and the Bank measure amounts due from banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(i) Due from banks, loans and advances to customers, financial investments at amortised cost (cont'd.)

The details of these conditions are outlined below.

(1) Business model assessment

The Group and the Bank determine their business model at the level that best reflects how they manage groups of financial assets to achieve their business objective.

The Group's and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key entity's management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group's and of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward, unless it has been determined that there has been a change in the original business model.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(i) Due from banks, loans and advances to customers, financial investments at amortised cost (cont'd.)

(2) The SPPI test

The Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. For the SPPI assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the 'underlying');
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors; and
- It is settled at a future date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(ii) Derivatives recorded at fair value through profit or loss (cont'd.)

The Bank enters into derivative transactions with various counterparties. These include equity swaps, forward foreign exchange contracts and options on foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

(iii) Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial liability or a non-financial host are separated from the host and accounted for as separate derivatives if:

a) the economic characteristics and risks are not closely related to the host;

b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (as defined above); and

c) the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Financial assets are classified based on the business model and SPPI assessments as outlined in Notes 3.4(g)(i)(1) and 3.4(g)(i)(2).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(iv) Financial assets or financial liabilities held for trading

The Group and the Bank classify financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense are recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities and short positions that have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Debt instruments at FVOCI

The Group and the Bank classify debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset meet the SPPI test.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 3.4(s)(ii). The ECL calculation for debt instruments at FVOCI is explained in Note 3.4(k)(ii). Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(vi) Equity instruments at FVOCI

Upon initial recognition, the Group and the Bank have the option to elect to classify irrevocably some of their equity investments as equity instruments at FVOCI when they meet the definition of Equity under MFRS 132 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Equity instruments classified as FVOCI are measured at fair value. Any gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

(vii) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost ("AC").

Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the effective interest rate ("EIR"). A compound financial instrument which contains both a liability and an equity component is separated at the issue date in the issuer's financial statements.

(viii) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative is prohibited.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(viii) Financial assets and financial liabilities at fair value through profit or loss (cont'd.)

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value.

Changes in fair value are recorded in profit or loss. Interest earned or incurred on instruments designated at FVTPL are accrued in other operating income, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

(ix) Undrawn loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group and the Bank are required to provide a loan or financing with pre-specified terms to the customer. These contracts fall under the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan or financing agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 9.2(d).

The Group and the Bank occasionally issue loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL allowance (as explained in Notes 3.4(k)(i) and 50(a)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(h) Reclassification of financial assets and liabilities

The Group and the Bank have not reclassified their financial assets and financial liabilities subsequent to their initial recognition, apart from the exceptional circumstances in which the Group and the Bank acquire, dispose of, or terminate a business line.

(i) Derecognition of financial assets and liabilities

(a) Derecognition due to substantial modification of terms and conditions

The Group and the Bank derecognise a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated substantially to the extent that, it becomes a new loan, with the difference in fair value recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchased or Originated Credit Impaired ("POCI").

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(i) Derecognition of financial assets and liabilities (cont'd.)

(a) Derecognition due to substantial modification of terms and conditions (cont'd.)

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group and the Bank consider the following factors:

- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

(b) Derecognition other than for substantial modification - Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group and the Bank also derecognise the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition as follows:

- The Group and the Bank have transferred their contractual rights to receive cash flows from the financial asset; or
- They retain the rights to the cash flows, but have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(i) Derecognition of financial assets and liabilities (cont'd.)

(b) Derecognition other than for substantial modification - Financial assets (cont'd.)

Pass-through arrangements are transactions whereby the Group and the Bank retain the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group and the Bank have no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group and the Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group and the Bank have to remit any cash flows it collect on behalf of the eventual recipients without material delay. In addition, the Group and the Bank are not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group and the Bank have transferred substantially all the risks and rewards of the asset; or
- The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Bank consider control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group and the Bank have neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's and of the Bank's continuing involvement, in which case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group and the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group and the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

NOTES TO THE FINANCIAL STATEMENTS

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3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(i) Derecognition of financial assets and liabilities (cont'd.)

(c) Derecognition other than for substantial modification - Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(j) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group and the Bank use valuation techniques that are appropriate in the circumstances for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 51.

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes from Bloomberg.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets

(i) Overview of the ECL principles

Under MFRS 9, the Group's and the Bank's loan and receivable impairment method is based on a forward-looking ECL approach. The Group and the Bank have been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under MFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the financial instruments (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL") as outlined in Note 3.4(k)(ii).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group and the Bank have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 50(a).

General approach

The Group and the Bank group their loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans or assets are first recognised, the Group and the Bank recognise an allowance based on 12mECLs. Stage 1 loans or assets also include facilities where the credit risk has improved and the loan or the assets has been reclassified from Stage 2.

- Stage 2: When a loan or an asset has shown a significant increase in credit risk ("SICR") since origination, the Group and the Bank record an allowance for the LTECLs. Stage 2 loans or assets also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- Stage 3: Loans or assets considered as credit-impaired (as outlined in Note 50(a)). The Group and the Bank record an allowance for the LTECLs.

- POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(i) Overview of the ECL principles (cont'd.)

General approach (cont'd.)

For financial assets for which the Group and the Bank have no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Simplified approach

The simplified approach does not require tracking change in credit risk, but instead requires a loss allowance to be recognised based on LTECLs at each reporting date.

The simplified approach is required for trade receivables or contract assets that do not contain a significant financing component.

However, either the general approach or the simplified approach can be applied separately, as an accounting policy choice, for:

- All trade receivables or contract assets that result from transactions within the scope of MFRS 15 *Revenue from Contracts with Customers* and that contain a significant financing component.
- All lease receivables that result from transaction that are within the scope of MFRS 16 *Leases*.

(ii) The calculation of ECLs

The Group and the Bank calculate ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at original EIR. A cash shortfall is the difference between the cash flows that are due to the Group and the Bank in accordance with the contract and the cash flows that the Group and the Bank expect to receive.

The key elements of the ECL calculations are outlined as follows:

- PD — The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 50(a).

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(ii) The calculation of ECLs (cont'd.)

The key elements of the ECL calculations are outlined as follows (cont'd.):

- EAD The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 50(a).

- LGD The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 50(a).

When estimating the ECLs, the Group and the Bank consider three scenarios (a base case, an upside or a downside). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group and the Bank have the legal right to call it earlier, or when the asset is revolving in nature, as further explained in Note 50(a).

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculate the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

  These expected 12-month default probabilities ("PD") are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- Stage 2: When a loan or an asset has shown a SICR since origination, the Group and the Bank record an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PD and LGD are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(ii) The calculation of ECLs (cont'd.)

The mechanics of the ECL method are summarised below (cont'd.):

- Stage 3: For loans or assets considered credit-impaired, the Group and the Bank recognise the LTECLs for these loans or assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Group and the Bank only recognise the cumulative changes in LTECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.

- Loan Commitments: When estimating LTECLs for undrawn loan commitments, the Group and the Bank estimate the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan.

(iii) Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

(iv) Purchased or originated credit impaired financial assets ("POCI")

For POCI financial assets, the Group and the Bank only recognise the cumulative changes in LTECLs since initial recognition in the loss allowance.

(v) Forward looking information

In their ECL models, the Group and the Bank rely on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Products ("GDP") growth rate; and
- Kuala Lumpur Composite Index ("KLCI")

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(v) Forward looking information (cont'd.)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and multiple-scenario analysis are provided in Note 50(a).

(vi) Collateral valuation

To mitigate its credit risks on financial assets, the Group and the Bank seek to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's and the Bank's accounting policy for collateral assigned to it through its lending arrangements is such that collateral, unless repossessed, is not recorded on the Group's and the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a monthly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group and the Bank use active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as real estate valuers, or based on housing price indices.

(vii) Collateral repossessed

The Group's and the Bank's policy are to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's and the Bank's policy.

In its normal course of business, the Group and the Bank do not physically repossess properties or other assets in their retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(viii) Write-offs

Financial assets are written off either partially or in their entirety only when the Group and the Bank have stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(ix) Rescheduled and restructured ("R&R") loans

The Group and the Bank sometimes make concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or otherwise enforce collection of collateral. The Group and the Bank consider a loan as R&R when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns. A rescheduling and restructuring of a loan may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's and the Bank's policy to monitor impaired R&R loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 (credit-impaired) asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Group and the Bank also reassess whether there has been a significant increase in credit risk, as set out in Note 50(a). Where a credit-impaired loan has been classified as R&R, the loan will continue to be classified as impaired until repayments based on the rescheduled or restructured terms have been observed continuously for a period of 6 months.

(l) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment assessment for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(l) Impairment of non-financial assets (cont'd.)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to OCI. In this case the impairment is also recognised in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine that asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(m) Cash and cash equivalents

Cash and cash equivalents as stated in the statements of cash flows comprise cash and short-term funds and deposits and placements with financial institutions that are readily convertible into cash with insignificant risk of changes in value.

(n) Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(o) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.4(l).

Depreciation are not made on freehold land because it has indefinite useful life and capital work-in-progress as these assets are not ready for use. Depreciation of other property, plant and equipment is provided for on a straight-line-basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building	2%
Motor vehicles	20% to 25%
Computer equipment	10% to 33.33%
Plant and office equipment	10% to 33.33%
Furniture and fittings	5% to 20%
Renovations	10% to 20%

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(p) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 18 and are subject to impairment in line with the Bank's policy as described in Note 3.4(l).

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(q) (i) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(q) (ii) Treasury shares

When the Bank re-acquires its own equity shares, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Shares re-acquired are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares. Should such treasury shares be reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount are shown as a movement in equity, as appropriate.

(r) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Derivative financial instruments are presented separately in the statements of financial position as assets (positive changes in fair values) and liabilities (negative changes in fair values). Any gains or losses arising from changes in the fair value of the derivatives are recognised immediately in profit or loss.

(s) Income recognition

The Group and the Bank recognise revenue from contracts with customers for the provision of services based on the five-step model as set out below:

- Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Bank expect to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.
- Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Bank allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Bank expect to be entitled in exchange for satisfying each performance obligation.
- Recognise revenue when (or as) the Group and the Bank satisfy a performance obligation.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(s) Income recognition (cont'd.)

The Group and the Bank satisfy a performance obligation and recognise revenue over time if the Group's and the Bank's performance:

- Do not create an asset with an alternative use to the Group and the Bank, and have an enforceable right to payment for performance completed to-date; or
- Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- Provide benefits that the customer simultaneously receives and consumes as the Group and the Bank perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Bank satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

(i) The effective interest rate method

Interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under MFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group and the Bank recognise interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(s) Income recognition (cont'd.)

(ii) Interest and similar income

The Group and the Bank calculate interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired (as set out in Note 3.4(k)(i)) and is, therefore, regarded as 'Stage 3', the Group and the Bank calculate interest income by applying the effective interest rate to the net amortised cost of the financial asset.

For POCI financial assets (as set out in Note 3.4(k)(iv)), the Group and the Bank calculate interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income and net gains or losses on financial assets at FVTPL, respectively.

(iii) Fee and other income

Brokerage fees are recognised on contract date upon execution of trade on behalf of clients computed based on a pre-determined percentage of the contract value.

Loan arrangement fees and commissions, management and participation fees, underwriting fees and placement fees are recognised as income when all conditions precedent are fulfilled.

Custodian fees, guarantee fees and fund management fees are recognised as income based on time apportionment basis.

Corporate advisory fees are recognised as income on the completion of each stage of the assignment.

Rollover fee is recognised upon the rollover of specific contracts under share margin financing.

Gain or loss on disposal of investments is recognised upon the transfer of risks and rewards of ownership.

(iv) Islamic banking income

Income from Islamic banking scheme is recognised on an accrual basis in accordance with Shariah principles.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(s) Income recognition (cont'd.)

(v) Other income

Dividend income is recognised when the right to receive the payment is established.

All other income items are recognised on an accrual basis.

(t) Interest, financing and profit expense

Interest expense on deposits from customers, placements of financial institutions and borrowings is recognised using EIR.

(u) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Bank and recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(u) Foreign currency (cont'd.)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rates of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(v) Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Zakat

This represents business zakat payable by the Group and the Bank in compliance with Shariah principles and as approved by the Group's and the Bank's Shariah Committee.

(iii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(v) Income taxes (cont'd.)

(iii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(w) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

(iii) Kenanga's Group Employees' share scheme ("ESS")

Employees (including Executive Directors and senior management) of the Group and of the Bank receive a remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are set out in Note 54. ESS cost is recognised in staff costs (Note 33), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Service performance conditions are reflected within the grant date fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(w) Employee benefits (cont'd.)

(iii) Kenanga's Group Employees' share scheme ("ESS") (cont'd.)

Equity-settled transactions (cont'd.)

Where the terms of equity-settled awards are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

(x) Segment information

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group and of the Bank who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 49, including the factors used to identify the reportable segments and the measurement basis of segment information.

(y) Contingent liabilities and contingent assets

The Group and the Bank do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Bank. The Group and the Bank do not recognise any contingent asset but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

(z) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in fiduciary capacity are not recognised as assets of the Group other than those recognised in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in accordance with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amount of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's and the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

(i) The Group and the Bank determine whether goodwill and other intangible assets are impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill and other intangible assets are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More detailed disclosures on the assessment of impairment of goodwill and other intangible assets are disclosed in Note 17.

(ii) The fair value of financial assets at fair value through profit or loss (Note 6), financial investments measured at FVOCI and at amortised cost (Note 7), derivative financial assets (Note 8) and derivative financial liabilities (Note 23) are derived from quoted and observable market prices. However, if the financial instruments are not traded in an active market, fair value may be established by using a valuation technique which includes but is not limited to using recent arm's length market transactions between knowledgeable, willing parties, and reference to the current fair value of another instrument that is substantially the same. The Group and the Bank use acceptable valuation technique which involves making assumptions based on market conditions and other factors as of the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(iii) The measurement of impairment losses under MFRS 9 on financial assets subject to impairment assessment requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Under MFRS 9, the Group's and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's internal credit rating model, which assigns PDs to the individual grades;
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECLs basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's and the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

<u>Overlays and adjustments for ECL amidst COVID-19 environment</u>

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2022.

These overlay adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2022.

The overlays involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(iii) (cont'd.)

Overlays and adjustments for ECL amidst COVID-19 environment (cont'd.)

The customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays were generally made at portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19. Total overlays for ECL inclusive of the macro-economic adjustments maintained by the Group as at 31 December 2022 are RM3.2 million (2021: RM3.2 million).

The scenarios applied in management overlay in estimating the reported ECL arising from COVID-19 uncertainties are set out in the table as follow:

	ECL provision	
Scenarios	2022 RM'000	2021 RM'000
1. Assigned higher LGD for exposures under moratorium	**-**	2,250
2. Drop in counterparty ratings	**245**	395
3. Stressed security cover	**270**	557
4. Security cover is below minimum requirement	**2,684**	-
Total	**3,199**	3,202

(iv) The Group and the Bank estimate the useful lives of property, plant and equipment and software based on factors such as the expected level of usage due to physical wear and tear, future technological developments and legal or other limits on the use of the relevant assets. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment, and software would increase the recorded depreciation and decrease their carrying value. The total carrying amounts of property, plant and equipment, and software are disclosed in Notes 16 and 17 respectively.

(v) Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As at financial year end, the total carrying value of unutilised tax losses and unabsorbed capital allowances are disclosed in Note 19.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(vi) The Group and the Bank assess whether there is any indication that investments in subsidiaries and investments in associates may be impaired at each reporting date.

If indicators are present, these assets are subject to impairment review. The impairment review comprises comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgements made by management in the process of applying the Group's and the Bank's accounting policies in respect of investments in subsidiaries and investments in an associate are as follows:

- The Bank determines whether its investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investments and deteriorating financial performance of the investments due to observed changes and fundamentals.

- Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flows and realisable net asset value.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the reporting date may have a significant risk of causing material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Investments in subsidiaries and associates of the Group are disclosed in Notes 13 and 14 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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5. CASH AND BANK BALANCES

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Cash and balances with banks and other financial institutions	**498,690**	526,368	**113,936**	137,757
Money at call and deposit placements	**1,234,096**	1,371,016	**1,148,989**	1,321,399
	1,732,786	1,897,384	**1,262,925**	1,459,156
Included in cash and bank balances are:				
Cash and cash equivalents	**1,230,891**	1,469,803	**1,174,810**	1,337,127
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	**501,895**	427,581	**88,115**	122,029
	1,732,786	1,897,384	**1,262,925**	1,459,156

Monies held in trust on behalf of clients of RM1,069,081,000 (2021: RM1,249,679,000) in respect of the stockbroking business are excluded from the cash and bank balances of the Group and of the Bank in accordance with Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At fair value				
Quoted securities:				
Shares and funds in Malaysia	**127,984**	205,052	**127,443**	204,833
Shares and funds outside Malaysia	**16,529**	1,889	**16,529**	1,889
Unquoted securities:				
Shares and funds in Malaysia	**168,584**	156,508	**171,612**	155,772
Unquoted debt securities in Malaysia:				
Islamic Corporate Sukuk	**9,042**	23,873	**9,042**	23,873
	322,139	387,322	**324,626**	386,367

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL

	Group and Bank	
	2022 RM'000	2021 RM'000
(a) Financial instruments at Fair Value Through Other Comprehensive Income ("FVOCI"):		
Debt instruments:		
Malaysian Government Securities	**19,373**	40,042
Malaysian Government Investment Certificates	**59,534**	91,934
Islamic Negotiable Instruments of Deposits	**-**	199,724
Islamic Corporate Sukuk	**184,377**	275,452
Corporate Bonds	**54,595**	128,962
	317,879	736,114
Equity instruments:		
Unquoted Shares in Malaysia	**1,294**	1,460
Total financial instruments at FVOCI	**319,173**	737,574

Impairment losses on financial instruments subject to impairment assessment

Debt instruments at FVOCI

The table below shows the fair value of the Group's and of the Bank's debt instruments measured at FVOCI by credit risk, based on the Group's and of the Bank's internal credit rating system and year-end stage classification. Details of the Group's and of the Bank's internal rating system are explained in Note 50(a).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

(a) Financial instruments at FVOCI (cont'd.):

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

Debt instruments at FVOCI (cont'd.)

	2022			
Group and Bank **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Investment grade	**312,901**	**4,978**	**-**	**317,879**

	2021			
Group and Bank **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Investment grade	736,114	-	-	736,114

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

	2022			
Group and Bank	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	**736,114**	**-**	**-**	**736,114**
New assets originated or purchased	**816,955**	**-**	**-**	**816,955**
Assets derecognised or matured (excluding write-offs)	**(1,206,250)**	**-**	**-**	**(1,206,250)**
Change in fair value	**(29,135)**	**195**	**-**	**(28,940)**
Transfer of stages	**(4,783)**	**4,783**	**-**	**-**
As at 31 December	**312,901**	**4,978**	**-**	**317,879**

	2021			
Group and Bank	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	769,742	-	-	769,742
New assets originated or purchased	1,593,269	-	-	1,593,269
Assets derecognised or matured (excluding write-offs)	(1,611,235)	-	-	(1,611,235)
Change in fair value	(15,662)	-	-	(15,662)
As at 31 December	736,114	-	-	736,114

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

(a) Financial instruments at FVOCI (cont'd.):

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

Debt instruments at FVOCI (cont'd.)

An analysis of changes in the fair value and the corresponding ECLs is as follows (cont'd.):

	2022			
Group and Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total ECL RM'000**
As at 1 January	**390**	**-**	**-**	**390**
Impact of re-measurement of ECL	**50**	**78**	**-**	**128**
Changes in model assumption and methodology	**(129)**	**-**	**-**	**(129)**
Transfer of stages	**(50)**	**50**	**-**	**-**
As at 31 December	**261**	**128**	**-**	**389**

	2021			
Group and Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total ECL RM'000**
As at 1 January	386	-	-	386
Impact of re-measurement of ECL	4	-	-	4
As at 31 December	390	-	-	390

(b) Financial instruments at amortised cost:

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Debt instruments:		
Malaysian Government Securities	**49,677**	-
Malaysian Government Investment Certificates	**177,316**	39,912
Corporate Bonds	**20,002**	20,012
Islamic Corporate Sukuk	**202,119**	153,785
	449,114	213,709
Less: Allowance for ECL	**-**	(49)
Total financial instruments at amortised cost	**449,114**	213,660

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

(b) Financial instruments at amortised cost (cont'd.):

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's and the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's and of the Bank's internal grading system are explained in Note 50(a).

	2022			
Group and Bank Internal rating grade	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Investment grade	**449,114**	**-**	**-**	**449,114**

	2021			
Group and Bank Internal rating grade	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Investment grade	213,709	-	-	213,709

An analysis of changes in the gross carrying amount and the corresponding ECLs is as follows:

	2022			
Group and Bank Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**213,709**	**-**	**-**	**213,709**
New assets purchased	**485,257**	**-**	**-**	**485,257**
Assets derecognised or matured (excluding write-offs)	**(249,128)**	**-**	**-**	**(249,128)**
Change in fair value	**(724)**	**-**	**-**	**(724)**
As at 31 December	**449,114**	**-**	**-**	**449,114**

	2021			
Group and Bank Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	193,140	-	-	193,140
New assets purchased	81,070	-	-	81,070
Assets derecognised or matured (excluding write-offs)	(56,660)	-	-	(56,660)
Change in fair value	(3,841)	-	-	(3,841)
As at 31 December	213,709	-	-	213,709

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

(b) Financial instruments at amortised cost (cont'd.):

An analysis of changes in the gross carrying amount and the corresponding ECLs is as follows (cont'd.):

	2022			
Group and Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**49**	**-**	**-**	**49**
Changes in model assumption or methodology	**(49)**	**-**	**-**	**(49)**
As at 31 December	**-**	**-**	**-**	**-**

	2021			
Group and Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	105	-	-	105
Assets derecognised or matured (excluding write-offs)	(4)	-	-	(4)
Impact of net re-measurement of ECL	(52)	-	-	(52)
As at 31 December	49	-	-	49

8. DERIVATIVE FINANCIAL ASSETS

	Group and Bank	
	2022 RM'000	**2021 RM'000**
At fair value		
Dual currency investment - Options	**10**	3
Equity related contracts - Options	**29,449**	29,515
Equity related contracts - Swap	**3,295**	408
Equity related contracts - Forward	**52,463**	51,527
	85,217	81,453

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. DERIVATIVE FINANCIAL ASSETS (CONT'D.)

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Contract/Notional amount		
Dual currency investment - Options	**2,126**	1,361
Equity related contracts - Options	**28,438**	29,492
Equity related contracts - Swap	**64,187**	24,123
Equity related contracts - Forward	**57,354**	57,354
	152,105	112,330

The contractual or underlying notional amounts of derivative financial assets held at fair value through profit or loss reflect the value of transactions outstanding as at reporting date, and do not represent amounts at risk.

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At amortised cost				
Term loans/financing	**500,905**	539,077	**525,953**	565,616
Share margin financing	**1,153,056**	1,170,899	**1,153,056**	1,170,899
Other lending and factoring receivables	**58,885**	82,742	**-**	-
Advances to group employees	**2**	97	**2**	97
Subordinated term loan*	**-**	-	**45,067**	30,039
Gross loans, advances and financing	**1,712,848**	1,792,815	**1,724,078**	1,766,651
Less: Allowance for ECL				
- Stage 1 - 12-month ECL	**(170)**	(2,949)	**(635)**	(3,247)
- Stage 2 - Lifetime ECL not credit impaired	**(2,900)**	-	**(2,900)**	-
- Stage 3 - Lifetime ECL credit impaired	**(19,303)**	(14,453)	**(17,033)**	(13,789)
Net loans, advances and financing	**1,690,475**	1,775,413	**1,703,510**	1,749,615

* **Subordinated term loan to a subsidiary**

The subordinated loan granted to a subsidiary company, Kenanga Futures Sdn Bhd, is unsecured with effective interest rate of 4.76% per annum (2021: 4.39%) and is repayable by November 2026.

NOTES TO THE FINANCIAL STATEMENTS

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9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Gross loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic business enterprises				
- Small and medium enterprises	**240,319**	256,439	**200,583**	196,055
- Others	**492,321**	534,052	**562,436**	590,630
Individuals	**979,667**	993,814	**960,518**	971,456
Foreign enterprises	**541**	8,510	**541**	8,510
	1,712,848	1,792,815	**1,724,078**	1,766,651

(ii) Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
In Malaysia	**1,709,313**	1,786,437	**1,720,543**	1,760,273
Outside Malaysia	**3,535**	6,378	**3,535**	6,378
	1,712,848	1,792,815	**1,724,078**	1,766,651

(iii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate				
- Other fixed rate loans	**1,211,941**	1,253,641	**1,153,056**	1,170,899
Variable rate				
- Other variable rates	**497,904**	529,826	**568,019**	586,404
- Base lending rate plus	**3,001**	9,251	**3,001**	9,251
Interest free	**2**	97	**2**	97
	1,712,848	1,792,815	**1,724,078**	1,766,651

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Gross loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of securities	**1,401,784**	1,427,343	**1,401,784**	1,427,343
Working capital	**138,982**	169,221	**170,161**	169,429
Others	**172,082**	196,251	**152,133**	169,879
	1,712,848	1,792,815	**1,724,078**	1,766,651

(v) Gross loans, advances and financing analysed by residual contractual maturity are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within one year	**1,494,342**	1,483,133	**1,484,823**	1,484,244
More than one year	**218,506**	309,682	**239,255**	282,407
	1,712,848	1,792,815	**1,724,078**	1,766,651

9.1 Movements in impaired loans, advances and financing ("Impaired LAF")

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At beginning of the financial year	**73,141**	41,294	**64,700**	40,630
Impaired during the financial year	**9,188**	39,958	**4,041**	31,537
Reclassified as performing	**(30,505)**	-	**(30,505)**	-
Amount recovered during the financial year	**(8,645)**	(8,111)	**(7,890)**	(7,467)
At end of the financial year	**43,179**	73,141	**30,346**	64,700
Less: Allowance for ECL	**(19,303)**	(14,453)	**(17,033)**	(13,789)
Net impaired LAF	**23,876**	58,688	**13,313**	50,911
Net impaired LAF as a % of net loans, advances and financing	**1.41%**	3.31%	**0.78%**	2.91%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.1 Movements in impaired loans, advances and financing ("Impaired LAF") (cont'd.)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
9.1.1 Impaired LAF by geographical distribution				
Outside Malaysia	**541**	2,556	**541**	2,556
Malaysia	**42,638**	70,585	**29,805**	62,144
Gross impaired LAF	**43,179**	73,141	**30,346**	64,700
9.1.2 Impaired LAF by purpose				
Working capital	**5,630**	664	**-**	-
Purchase of securities	**30,346**	64,700	**30,346**	64,700
Others	**7,203**	7,777	**-**	-
	43,179	73,141	**30,346**	64,700

9.2 Impairment allowance for loans, advances and financing are as follows:

(a) Term loans/financing and subordinated term loan

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's and the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of ECL allowances. Details of the Group's and of the Bank's internal rating system are explained in Note 50(a).

	2022			
Group Internal rating grade	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Performing:				
- Satisfactory	**374,906**	**-**	**-**	**374,906**
- Substandard	**62,613**	**63,386**	**-**	**125,999**
Total	**437,519**	**63,386**	**-**	**500,905**

	2021			
Group Internal rating grade	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Performing:				
- Satisfactory	408,006	-	-	408,006
- Substandard	67,998	63,073	-	131,071
Total	476,004	63,073	-	539,077

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(a) Term loans/financing and subordinated term loan (cont'd.)

	2022			
Bank **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Performing:				
- Satisfactory	**445,021**	**-**	**-**	**445,021**
- Substandard	**62,613**	**63,386**	**-**	**125,999**
Total	**507,634**	**63,386**	**-**	**571,020**

	2021			
Bank **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Performing:				
- Satisfactory	464,584	-	-	464,584
- Substandard	67,998	63,073	-	131,071
Total	532,582	63,073	-	595,655

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(a) Term loans/financing and subordinated term loan (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loans/financing and subordinated term loan is as follows:

	2022			
Group **Gross carrying amount**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	**476,004**	**63,073**	**-**	**539,077**
New assets originated or purchased	**147,622**	**4,625**	**-**	**152,247**
Assets derecognised or repaid (excluding write-offs)	**(186,132)**	**(4,318)**	**-**	**(190,450)**
Modification of contractual cash flow of assets	**25**	**6**	**-**	**31**
As at 31 December	**437,519**	**63,386**	**-**	**500,905**

	2021			
Group **Gross carrying amount**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	499,884	87,909	-	587,793
New assets originated or purchased	155,500	4,359	-	159,859
Assets derecognised or repaid (excluding write-offs)	(170,255)	(38,460)	-	(208,715)
Transfers of stages	(9,165)	9,165	-	-
Modification of contractual cash flow of assets	40	100	-	140
As at 31 December	476,004	63,073	-	539,077

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(a) Term loans/financing and subordinated term loan (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loans/financing and subordinated term loan is as follows (cont'd.):

	2022			
Bank **Gross carrying amount**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	**532,582**	**63,073**	**-**	**595,655**
New assets originated or purchased	**165,979**	**4,625**	**-**	**170,604**
Assets derecognised or repaid (excluding write-offs)	**(190,952)**	**(4,318)**	**-**	**(195,270)**
Modification of contractual cash flow of assets	**25**	**6**	**-**	**31**
As at 31 December	**507,634**	**63,386**	**-**	**571,020**

	2021			
Bank **Gross carrying amount**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	572,878	87,909	-	660,787
New assets originated or purchased	169,225	4,359	-	173,584
Assets derecognised or repaid (excluding write-offs)	(200,396)	(38,460)	-	(238,856)
Transfers of stages	(9,165)	9,165	-	-
Modification of contractual cash flow of assets	40	100	-	140
As at 31 December	532,582	63,073	-	595,655

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(a) Term loans/financing and subordinated term loan (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loans/financing and subordinated term loan is as follows (cont'd.):

	2022			
Group **ECL allowances**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	**2,936**	**-**	**-**	**2,936**
New assets originated or purchased	**93**	**-**	**-**	**93**
Assets derecognised or repaid (excluding write-offs)	**(122)**	**-**	**-**	**(122)**
Impact of remeasurement	**(12)**	**-**	**-**	**(12)**
Changes in model assumption or methodology	**(2,725)**	**2,900**	**-**	**175**
As at 31 December	**170**	**2,900**	**-**	**3,070**

	2021			
Group **ECL allowances**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	3,059	-	-	3,059
New assets originated or purchased	46	-	-	46
Assets derecognised or repaid (excluding write-offs)	(184)	-	-	(184)
Impact of remeasurement	15	-	-	15
As at 31 December	2,936	-	-	2,936

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(a) Term loans/financing and subordinated term loan (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loans/financing and subordinated term loan is as follows (cont'd.):

	2022			
Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**3,203**	**-**	**-**	**3,203**
New assets originated or purchased	**256**	**-**	**-**	**256**
Assets derecognised or repaid (excluding write-offs)	**(153)**	**-**	**-**	**(153)**
Impact of remeasurement	**(12)**	**-**	**-**	**(12)**
Changes in model assumption or methodology	**(2,725)**	**2,900**	**-**	**175**
As at 31 December	**569**	**2,900**	**-**	**3,469**

	2021			
Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	3,312	-	-	3,312
New assets originated or purchased	155	-	-	155
Assets derecognised or repaid (excluding write-offs)	(474)	-	-	(474)
Impact of remeasurement	210	-	-	210
As at 31 December	3,203	-	-	3,203

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(b) Share margin financing

Group and Bank Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
Performing:				
- Strong	**339,547**	**-**	**-**	**339,547**
- Satisfactory	**752,549**	**30,438**	**-**	**782,987**
- Substandard	**176**	**-**	**-**	**176**
Non-performing:				
- Default	**-**	**-**	**30,346**	**30,346**
Total	**1,092,272**	**30,438**	**30,346**	**1,153,056**
2021				
Performing:				
- Strong	439,308	-	-	439,308
- Satisfactory	569,959	63	-	570,022
- Substandard	54,316	-	-	54,316
- Non-rated	42,553	-	-	42,553
Non-performing:				
- Default	-	-	64,700	64,700
Total	1,106,136	63	64,700	1,170,899

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to share margin financing is as follows:

	2022			
Group and Bank Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**1,106,136**	**63**	**64,700**	**1,170,899**
New assets originated or purchased	**725,922**	**282**	**4,041**	**730,245**
Assets derecognised or repaid (excluding write-offs)	**(712,517)**	**(7,361)**	**(7,856)**	**(727,734)**
Transfers of stages	**(3,179)**	**33,684**	**(30,505)**	**-**
Impact of remeasurement	**(24,090)**	**3,770**	**(34)**	**(20,354)**
As at 31 December	**1,092,272**	**30,438**	**30,346**	**1,153,056**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(b) Share margin financing (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to share margin financing is as follows (cont'd.):

	2021			
Group and Bank Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	1,139,747	28,647	40,630	1,209,024
New assets originated or purchased	1,035,477	111	2	1,035,590
Assets derecognised or repaid (excluding write-offs)	(1,056,785)	(28,548)	(7,589)	(1,092,922)
Transfers of stages	(29,763)	(1,772)	31,535	-
Impact of remeasurement	17,460	1,625	122	19,207
As at 31 December	1,106,136	63	64,700	1,170,899

	2022			
Group and Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**-**	**-**	**13,789**	**13,789**
Assets derecognised or repaid (excluding write-offs)	**-**	**-**	**(1,706)**	**(1,706)**
Net remeasurement of allowance	**-**	**-**	**4,950**	**4,950**
As at 31 December	**-**	**-**	**17,033**	**17,033**

	2021			
Group and Bank ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	-	2,356	7,253	9,609
New assets originated or purchased	-	-	(5)	(5)
Transfer of stages	-	(2,356)	2,356	-
Assets derecognised or repaid (excluding write-offs)	-	-	(1,801)	(1,801)
Net remeasurement of allowance	-	-	5,986	5,986
As at 31 December	-	-	13,789	13,789

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(c) Other lending and factoring receivables and advances to group employees

Other lending and factoring receivables

	2022			
Group **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Performing:				
- Strong	34,009	-	-	34,009
- Satisfactory	12,043	-	-	12,043
Non-performing:				
- Default	-	-	10,563	10,563
- Individually impaired	-	-	2,270	2,270
Total	46,052	-	12,833	58,885

	2021			
Group **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Performing:				
- Strong	56,676	-	-	56,676
- Satisfactory	12,386	5,239	-	17,625
Non-performing:				
- Default	-	-	7,777	7,777
- Individually impaired	-	-	664	664
Total	69,062	5,239	8,441	82,742

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(c) Other lending and factoring receivables and advances to group employees (cont'd.)

__Other lending and factoring receivables (cont'd.)__

Group

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other financing is as follows:

	2022			
Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**69,062**	**5,239**	**8,441**	**82,742**
New assets originated or purchased	**102,748**	**233**	**895**	**103,876**
Assets derecognised or repaid (excluding write-offs)	**(125,758)**	**(264)**	**(1,711)**	**(127,733)**
Transfers of stages	**-**	**(5,208)**	**5,208**	**-**
As at 31 December	**46,052**	**-**	**12,833**	**58,885**

	2021			
Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	84,972	-	664	85,636
New assets originated or purchased	99,193	-	-	99,193
Assets derecognised or repaid (excluding write-offs)	(99,500)	(1,943)	(644)	(102,087)
Transfers of stages	(15,603)	7,182	8,421	-
As at 31 December	69,062	5,239	8,441	82,742

	2022			
ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**13**	**-**	**664**	**677**
New assets originated or purchased	**-**	**-**	**1,786**	**1,786**
Assets derecognised or repaid (excluding write-offs)	**(13)**	**-**	**(180)**	**(193)**
As at 31 December	**-**	**-**	**2,270**	**2,270**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(c) Other lending and factoring receivables and advances to group employees (cont'd.)

Other lending and factoring receivables (cont'd.)

Group

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other financing is as follows (cont'd.):

	2021			
ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	53	-	664	717
Assets derecognised or repaid (excluding write-offs)	(40)	-	-	(40)
As at 31 December	13	-	664	677

Advances to group employees

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Gross carrying amount	**2**	97

(d) Undrawn commitment

	2022			
Group Internal rating grade	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Performing:				
- Satisfactory	**80,561**	**-**	**-**	**80,561**
Total	**80,561**	**-**	**-**	**80,561**

	2021			
Group Internal rating grade	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Performing:				
- Satisfactory	72,017	-	-	72,017
- Non-rated	30,000	-	-	30,000
Total	102,017	-	-	102,017

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(d) Undrawn commitment (cont'd.)

	2022			
Bank **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Performing:				
- Satisfactory	**170,561**	**-**	**-**	**170,561**
Total	**170,561**	**-**	**-**	**170,561**

	2021			
Bank **Internal rating grade**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Performing:				
- Satisfactory	155,517	-	-	155,517
- Non-rated	30,000	-	-	30,000
Total	185,517	-	-	185,517

An analysis of changes in the outstanding exposure and the corresponding ECL allowances in relation to undrawn commitment is as follows:

	2022			
Group **Outstanding exposure**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	**102,017**	**-**	**-**	**102,017**
New exposures	**257,411**	**-**	**-**	**257,411**
Exposures derecognised or matured/ lapsed (excluding write-offs)	**(278,867)**	**-**	**-**	**(278,867)**
As at 31 December	**80,561**	**-**	**-**	**80,561**

	2021			
Group **Outstanding exposure**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	158,900	-	-	158,900
New exposures	112,192	-	-	112,192
Exposures derecognised or matured/ lapsed (excluding write-offs)	(169,075)	-	-	(169,075)
As at 31 December	102,017	-	-	102,017

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(d) Undrawn commitment (cont'd.)

An analysis of changes in the outstanding exposure and the corresponding ECL allowances in relation to undrawn commitment is as follows (cont'd.):

	2022			
Bank **Outstanding exposure**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	**185,517**	**-**	**-**	**185,517**
New exposures	**278,911**	**-**	**-**	**278,911**
Exposures derecognised or matured/ lapsed (excluding write-offs)	**(293,867)**	**-**	**-**	**(293,867)**
As at 31 December	**170,561**	**-**	**-**	**170,561**

	2021			
Bank **Outstanding exposure**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	226,400	-	-	226,400
New exposures	138,192	-	-	138,192
Exposures derecognised or matured/ lapsed (excluding write-offs)	(179,075)	-	-	(179,075)
As at 31 December	185,517	-	-	185,517

	2022			
Bank **ECL allowances**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	**44**	**-**	**-**	**44**
New exposures	**89**	**-**	**-**	**89**
Exposures derecognised or repaid (excluding write-offs)	**(67)**	**-**	**-**	**(67)**
As at 31 December	**66**	**-**	**-**	**66**

	2021			
Bank **ECL allowances**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
As at 1 January	75	-	-	75
Exposures derecognised or repaid (excluding write-offs)	(38)	-	-	(38)
Impact of net remeasurement	7	-	-	7
As at 31 December	44	-	-	44

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.3 COVID-19 customer relief and support measures

As at 31 December 2022

Group and Bank	Individuals Stage 1 RM'000	Individuals Total RM'000	Corporates Stage 1 RM'000	Corporates Stage 2 RM'000	Corporates Total RM'000
Total payment moratoriums and repayment assistances	**18,041**	**18,041**	**68,328**	**63,383**	**131,711**
Matured and repaying according to revised schedules	**3,001**	**3,001**	**50,296**	**63,383**	**113,679**
Resume repayment as per original schedules	**15,040**	**15,040**	**18,032**	**-**	**18,032**
As a percentage of total:					
Matured and repaying according to revised schedules	**17%**	**17%**	**74%**	**100%**	**86%**
Resume repayment as per original schedules	**83%**	**83%**	**26%**	**-**	**14%**
	100%	**100%**	**100%**	**100%**	**100%**

As at 31 December 2021

Group and Bank	Individuals Stage 1 RM'000	Individuals Total RM'000	Corporates Stage 1 RM'000	Corporates Stage 2 RM'000	Corporates Total RM'000
Total payment moratoriums and repayment assistances	24,797	24,797	109,775	63,073	172,848
Matured and repaying according to revised schedules	15,546	15,546	33,591	-	33,591
Extended	9,251	9,251	76,184	63,073	139,257
As a percentage of total:					
Matured and repaying according to revised schedules	63%	63%	31%	-	19%
Extended	37%	37%	69%	100%	81%
	100%	100%	100%	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

10. BALANCES DUE FROM CLIENTS AND BROKERS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Balances due from clients and brokers	**430,415**	337,276	**430,254**	337,181
Less: Allowance for ECL	**(2,777)**	(2,811)	**(2,777)**	(2,811)
	427,638	334,465	**427,477**	334,370

10.1 ECL allowance for balance due from clients and brokers are as follows:

An analysis of changes in the ECL allowances in relation to balances due from clients and brokers is as follows:

Group and Bank	Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
2022			
ECL allowances			
As at 1 January	**1,535**	**1,276**	**2,811**
Charged during the financial year	**175**	**609**	**784**
Written back during the financial year	**(179)**	**(624)**	**(803)**
Written off during the financial year	**-**	**(15)**	**(15)**
As at 31 December	**1,531**	**1,246**	**2,777**

Group and Bank	Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
2021			
ECL allowances			
As at 1 January	1,553	4,670	6,223
Charged during the financial year	290	533	823
Written back during the financial year	(308)	(446)	(754)
Written off during the financial year	-	(3,481)	(3,481)
As at 31 December	1,535	1,276	2,811

NOTES TO THE FINANCIAL STATEMENTS

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11. OTHER ASSETS

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Assets segregated for customers	(a)	**56,596**	93,849	**-**	-
Interest/income receivable		**9,602**	9,556	**9,424**	9,546
Amounts due from subsidiary companies	(b)	**-**	-	**30,581**	29,716
Amounts due from related parties	(c)	**49**	57	**49**	57
Prepayments and deposits		**21,217**	20,169	**18,496**	17,809
Other debtors	(d)	**107,515**	58,521	**73,927**	36,371
Treasury trade receivables		**-**	49,892	**-**	49,892
Amounts due from trustees		**433**	12,000	**-**	-
		195,412	244,044	**132,477**	143,391
Allowance for ECL					
- Other debtors	11.1	**(11,659)**	(5,222)	**(6,804)**	(5,222)
- Amount due from subsidiary companies	11.2	**-**	-	**(240)**	(240)
		183,753	238,822	**125,433**	137,929

11.1 ECL allowance for other debtors are as follows:

Group ECL allowances	2022 Non-Credit Impaired RM'000	2022 Credit Impaired RM'000	2022 Total RM'000
As at 1 January	**223**	**4,999**	**5,222**
New assets originated or purchased	**1,764**	**5,168**	**6,932**
Assets derecognised or repaid (excluding write-offs)	**-**	**(1,688)**	**(1,688)**
Transfer of stages	**(1,583)**	**1,583**	**-**
Impact of net remeasurement	**-**	**1,193**	**1,193**
As at 31 December	**404**	**11,255**	**11,659**

Group ECL allowances	2021 Non-Credit Impaired RM'000	2021 Credit Impaired RM'000	2021 Total RM'000
As at 1 January	145	6,003	6,148
New assets originated or purchased	1,054	251	1,305
Assets derecognised or repaid (excluding write-offs)	-	(3,372)	(3,372)
Written off	-	(189)	(189)
Transfer of stages	(976)	976	-
Impact of net remeasurement	-	1,330	1,330
As at 31 December	223	4,999	5,222

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

11. OTHER ASSETS (CONT'D.)

11.1 ECL allowance for other debtors are as follows (cont'd.):

Bank ECL allowances	2022 Non-Credit Impaired RM'000	 Credit Impaired RM'000	 Total RM'000
As at 1 January	**223**	**4,999**	**5,222**
New assets originated or purchased	**1,764**	**313**	**2,077**
Assets derecognised or repaid (excluding write-offs)	**-**	**(1,688)**	**(1,688)**
Transfer of stages	**(1,583)**	**1,583**	**-**
Impact of net remeasurement	**-**	**1,193**	**1,193**
As at 31 December	**404**	**6,400**	**6,804**

Bank ECL allowances	2021 Non-Credit Impaired RM'000	 Credit Impaired RM'000	 Total RM'000
As at 1 January	146	6,004	6,150
New assets originated or purchased	1,055	251	1,306
Assets derecognised or repaid (excluding write-offs)	-	(3,375)	(3,375)
Written off	-	(189)	(189)
Transfer of stages	(978)	978	-
Impact of net remeasurement	-	1,330	1,330
As at 31 December	223	4,999	5,222

11.2 ECL allowance for amounts due from subsidiary companies are as follows:

Bank ECL allowances	2022 Stage 1 RM'000	 Stage 2 RM'000	 Stage 3 RM'000	 Total RM'000
As at 1 January / 31 December	**240**	**-**	**-**	**240**

Bank ECL allowances	2021 Stage 1 RM'000	 Stage 2 RM'000	 Stage 3 RM'000	 Total RM'000
As at 1 January	226	-	-	226
Impact of net remeasurement	14	-	-	14
As at 31 December	240	-	-	240

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

11. OTHER ASSETS (CONT'D.)

(a) Assets segregated for customers

These represent margin deposits paid by a subsidiary company to Bursa Malaysia Derivatives Clearing Berhad.

(b) Amounts due from subsidiary companies

Included in the amount due from subsidiary companies is the term loan given to a subsidiary company, Kenanga Investors Berhad. The loan is unsecured and bears interest of 1.0% per annum above cost of funds. The tenure for the loan is 6 years from 5 July 2019.

(c) Amounts due from related parties

Amounts due from all related parties comprised of payments of expenses made on behalf of these related parties and are unsecured, non-interest bearing and repayable on demand.

(d) Other debtors

Included in other debtors are receivables from corporate advisory billings which are non-interest bearing and generally on 90 day (2021: 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA ("BNM")

The non-interest bearing statutory deposit is maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009. The amount is determined as a set percentage of net eligible liabilities.

13. INVESTMENTS IN SUBSIDIARIES

Bank	2022 RM'000	2021 RM'000
Unquoted shares:		
At cost	**73,064**	73,064
Less: Accumulated impairment losses	**(12,252)**	(12,252)
	60,812	60,812

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiary companies are as follows:

		Effective equity interest	
Name	**Principal activities**	**2022 %**	**2021 %**
Local subsidiary companies			
Kenanga Futures Sdn Bhd	Futures broker	**100**	100
Kenanga Nominees (Asing) Sdn Bhd	Provision of nominee services	**100**	100
Kenanga Nominees (Tempatan) Sdn Bhd	Provision of nominee services	**100**	100
Kenanga Private Equity Sdn Bhd	Private equity management	**100**	100
ECML Berhad	Dealings in securities and derivatives, and provision of corporate finance and other advisory services	**100**	100
Kenanga Digital Sdn Bhd (f.k.a. ECML Nominees (Tempatan) Sdn Bhd)	Online digital platform or portal business and provision of information technology services	**100**	100
Avenue Kestrel Sdn Bhd	Stock broking business	**100**	100
K & N Kenanga Holdings Berhad	Investment holding	**100**	100
The subsidiary company of K & N Kenanga Holdings Berhad is:			
SSSB Management Services Sdn Bhd	Stock broking business	**100**	100
Kenanga Management & Services Sdn Bhd	Investment in property and provision of management and maintenance services	**100**	100
Kenanga Investors Berhad	Promotion and management of collective investment schemes and management of investment funds	**100**	100
The subsidiary companies of Kenanga Investors Berhad are:			
Kenanga Islamic Investors Berhad	Management of Islamic collective investment schemes and Islamic investment funds	**100**	100
I-VCAP Management Sdn Bhd ("I-VCAP")	Provision of Shariah-compliant investment management services	**100**	100
KUT Nominees (Tempatan) Sdn Bhd	Provision of nominee services	**100**	100
KUT Nominees (Asing) Sdn Bhd	Provision of nominee services	**100**	100
Kenanga Funds Berhad	Promotion and management of unit trust funds and the management of investment funds	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiary companies are as follows (cont'd.):

Name	Principal activities	Effective equity interest 2022 %	2021 %
Local subsidiary companies (cont'd.)			
Kenanga Capital Sdn Bhd	Licensed money lender	**100**	100
The subsidiary company of Kenanga Capital Sdn Bhd is:			
Kenanga Capital Islamic Sdn Bhd	Islamic factoring and leasing	**51**	51
Overseas subsidiary company			
Rakuten Trade Singapore Pte. Ltd. * (Formally known as ("f.k.a.") Kenanga Singapore Pte. Ltd.)	Dealing in securities, advising in corporate finance, securities financing and providing custodial services for securities	**50**	100

* Audited by an affiliate of Messrs. Ernst & Young PLT
Kenanga Singapore Pte. Ltd. has changed its name to Rakuten Trade Singapore Pte. Ltd. ("RTSPL") effective from 26 January 2022 and RTSPL became a joint venture entity arising from the change of the Bank's shareholding in RTSPL from 100% to 50% while Rakuten Securities, Inc.'s shareholding is 50% (Note 15 (c)).

14. INVESTMENTS IN ASSOCIATES

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Unquoted shares at cost	**69,834**	88,644	**68,435**	68,435
Share of post acquisition gain/(loss)	**14,926**	(6,919)	**-**	-
Share of changes in other comprehensive (loss)/ income	**(4,500)**	5,956	**-**	-
Dividends received	**(102)**	(102)	**-**	-
Foreign exchange differences	**24,074**	19,202	**-**	-
	104,232	106,781	**68,435**	68,435
Less: Accumulated impairment losses	**(4,549)**	(19,610)	**-**	-
	99,683	87,171	**68,435**	68,435
Represented by:				
Share of net tangible assets	**99,683**	87,171		

14. INVESTMENTS IN ASSOCIATES (CONT'D.)

(a) Details of the associates are as follows:

Name	Place of incorporation	Principal activities	Effective equity interest 2022 %	2021 %
Kenanga Investment Corporation Ltd *	Sri Lanka	Investment banking related activities	**45.0**	45.0
Al Wasatah Al Maliah Company * ("Wasatah Capital")	Kingdom of Saudi Arabia	Dealing as principal and provision of underwriting, arranging, managing investment funds and custodian services	**29.6**	29.6
Kenanga Vietnam Securities Joint Stock Corporation *^	Vietnam	Securities, brokerage depository and advisory business	**-**	49.0

* Audited by firms other than Messrs. Ernst & Young PLT

^ On 12 May 2022, K & N Kenanga Holdings Berhad ("KNKH"), a wholly-owned subsidiary of the Bank, entered into a Share Purchase Agreement with Hung An Dien Co. Ltd. ("HADCL"), a company organised and existing under the laws of Vietnam, to dispose 6,615,000 shares in Kenanga Vietnam Securities Joint Stock Corporation ("KVS"), representing 49% of the entire issued and outstanding capital of KVS to HADCL. Consequential to the disposal, KVS ceased to be an associate company of KNKH. The Group recorded a net gain on disposal of associate of RM9.1 million as disclosed in Note 32 (c).

The detail of the disposal of associate is as follows:

	RM'000
Unquoted shares at cost	18,810
Share of post acquisition losses	(3,532)
Foreign exchange differences	(217)
Less: Accumulated impairment losses	(15,061)
Net assets disposed	-
Sales proceeds from disposal	9,588
Less: Expenses incurred in relation to the disposal	(471)
Net gain on disposal	9,117

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14. INVESTMENTS IN ASSOCIATES (CONT'D.)

(a) Details of the associates are as follows (cont'd.):

The Group and the Bank carried out an impairment assessment on the associates in accordance with the accounting policy stated in Note 3.4(l). The recoverable amount is based on the Group's share of net tangible assets of the associates. Based on management's assessment, the Group and the Bank have made adequate provision for impairment loss on the investments as at the financial year end.

(b) Summarised financial information of the material associate is as follows:

The summarised financial information represents the amounts in the MFRS financial statements of the material associate and not the Group's share of those amounts.

(i) Summarised statement of financial position

	Wasatah Capital	
	2022	**2021**
	RM'000	**RM'000**
Current assets	**218,134**	90,389
Non-current assets	**128,266**	196,093
Total assets	**346,400**	286,482
Current liabilities	**25,923**	13,704
Non-current liabilities	**4,809**	3,720
Total liabilities	**30,732**	17,424
Net assets *	**315,668**	269,058

* The net assets are net of zakat expenses which are not shared by non-Saudi shareholders in accordance with the regulations of Zakat department of Zakat & Income Tax as applicable in the Kingdom of Saudi Arabia. Therefore, the net assets will not represent the Group's and the Bank's share of net assets in Wasatah Capital as disclosed in Note 14(b)(iii) below. The difference will be the total zakat expenses that were fully borne by the Saudi shareholders.

(ii) Summarised statement of profit or loss and other comprehensive income

	Wasatah Capital	
	2022	**2021**
	RM'000	**RM'000**
Revenue	**70,091**	40,832
Profit before taxation	**38,416**	20,811
Tax (expense)/credit	**(3,577)**	177
Other comprehensive income	**189**	20,617
Total comprehensive income	**35,028**	41,605

NOTES TO THE FINANCIAL STATEMENTS

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14. INVESTMENTS IN ASSOCIATES (CONT'D.)

(b) Summarised financial information of the material associate is as follows (cont'd.):

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the material associate

	Wasatah Capital	
	2022 RM'000	**2021 RM'000**
Net assets at 1 January	**312,124**	261,598
Profit before taxation	**38,416**	20,811
Other comprehensive income	**189**	20,617
Movement of foreign exchange reserve	**16,828**	9,098
Net assets at 31 December	**367,557**	312,124
Interest in Wasatah Capital	**29.60%**	29.60%
Share of net assets at 31 December	**108,797**	92,389
Accumulated Group's share of tax expense	**(5,031)**	(1,454)
Accumulated impairment losses	**(4,549)**	(4,549)
Carrying value of the Group's interest in Wasatah	**99,217**	86,386
Carrying value of other associates	**466**	785
Total carrying value of Group's interest in associates	**99,683**	87,171

(c) Aggregate information of associates that are not individually material

	2022 RM'000	**2021 RM'000**
The Group's share of results in associates, representing share of total comprehensive loss	**8**	5

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15. INVESTMENT IN JOINT VENTURES

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Unquoted shares				
At beginning of the financial year	**40,000**	40,000	**40,000**	40,000
Add: Subscription of new shares in a joint venture company	**1,550**	-	**1,550**	-
	41,550	40,000	**41,550**	40,000
Cumulative share of results	**(14,981)**	(8,031)	**-**	-
At the end of financial year	**26,569**	31,969	**41,550**	40,000

(a) The summarised income and expenses of the joint ventures are as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Revenue	**31,645**	59,194
(Loss)/profit after taxation	**(13,900)**	14,500

(b) The summarised assets and liabilities of the joint ventures are as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Total assets	**566,646**	539,226
Total liabilities	**513,326**	475,288

(c) Details of the joint ventures held by the Bank are as follows:

	Percentage (%) of equity held		
Name	**2022 %**	**2021 %**	**Principal activities**
Rakuten Trade Sdn Bhd	**50**	50	Dealing in securities restricted to listed securities and investment advice
Rakuten Trade Singapore Pte. Ltd. (Formally known as ("fka") Kenanga Singapore Pte. Ltd.) (Note 13)	**50**	100	Dealing in securities, advising in corporate finance, securities financing and providing custodial services for securities

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31 DECEMBER 2022

16. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Computer hardware RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
2022									
Cost									
At 1 January 2022	81,910	46,830	6,430	33,098	28,159	27,494	35,267	3,638	262,826
Transfer*	-	-	-	900	-	-	-	(909)	(9)
Additions	-	-	199	1,812	658	52	444	2,010	5,175
Reclassification	-	-	-	2,384	98	314	1,096	(3,892)	-
Disposals/write-off	-	-	(1,907)	(1,057)	(829)	(1,512)	(2,083)	-	(7,388)
At 31 December 2022	81,910	46,830	4,722	37,137	28,086	26,348	34,724	847	260,604
Accumulated depreciation									
At 1 January 2022	-	5,373	5,503	23,514	18,466	21,444	25,051	-	99,351
Transfer*	-	-	-	33	-	-	-	-	33
Depreciation charge for the financial year (Note 33)	-	937	325	4,785	2,152	1,307	1,966	-	11,472
Disposals/write-off	-	-	(1,907)	(1,044)	(678)	(1,428)	(1,416)	-	(6,473)
At 31 December 2022	-	6,310	3,921	27,288	19,940	21,323	25,601	-	104,383
Net carrying amount									
At 31 December 2022	81,910	40,520	801	9,849	8,146	5,025	9,123	847	156,221

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Computer hardware RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
2021									
Cost									
At 1 January 2021	81,910	46,830	6,808	29,051	27,631	27,860	33,693	1,979	255,762
Transfer	-	-	-	-	-	-	-	(1,740)	(1,740)
Additions	-	-	76	5,740	455	390	1,678	3,891	12,230
Reclassification	-	-	-	345	114	-	33	(492)	-
Disposals/write-off	-	-	(454)	(2,038)	(41)	(756)	(137)	-	(3,426)
At 31 December 2021	81,910	46,830	6,430	33,098	28,159	27,494	35,267	3,638	262,826
Accumulated depreciation									
At 1 January 2021	-	4,437	5,666	21,048	16,352	20,651	22,678	-	90,832
Depreciation charge for the financial year (Note 33)	-	936	291	4,504	2,146	1,420	2,417	-	11,714
Disposals/write-off	-	-	(454)	(2,038)	(32)	(627)	(44)	-	(3,195)
At 31 December 2021	-	5,373	5,503	23,514	18,466	21,444	25,051	-	99,351
Net carrying amount									
At 31 December 2021	81,910	41,457	927	9,584	9,693	6,050	10,216	3,638	163,475

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Computer hardware RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
2022									
Cost									
At 1 January 2022	81,910	46,830	6,174	30,364	26,843	25,531	31,420	3,371	252,443
Transfer*	-	-	-	900	-	-	-	(909)	(9)
Additions	-	-	-	1,536	582	47	369	302	2,836
Reclassification	-	-	-	2,266	-	-	191	(2,457)	-
Disposals/write-off	-	-	(1,738)	(966)	(826)	(1,513)	(2,083)	-	(7,126)
At 31 December 2022	81,910	46,830	4,436	34,100	26,599	24,065	29,897	307	248,144
Accumulated depreciation									
At 1 January 2022	-	5,374	5,313	21,363	17,571	20,139	23,059	-	92,819
Transfer*	-	-	-	33	-	-	-	-	33
Depreciation charge for the financial year (Note 33)	-	937	281	4,432	2,034	1,192	1,611	-	10,487
Disposals/write-off	-	-	(1,738)	(966)	(676)	(1,428)	(1,416)	-	(6,224)
At 31 December 2022	-	6,311	3,856	24,862	18,929	19,903	23,254	-	97,115
Net carrying amount									
At 31 December 2022	81,910	40,519	580	9,238	7,670	4,162	6,643	307	151,029

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Computer hardware RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
2021									
Cost									
At 1 January 2021	81,910	46,830	6,614	25,732	26,297	25,190	29,717	1,979	244,269
Transfer	-	-	-	-	-	-	-	(1,740)	(1,740)
Additions	-	-	-	5,629	438	351	1,670	3,468	11,556
Reclassification	-	-	-	189	114	-	33	(336)	-
Disposals/write-off	-	-	(440)	(1,186)	(6)	(10)	-	-	(1,642)
At 31 December 2021	81,910	46,830	6,174	30,364	26,843	25,531	31,420	3,371	252,443
Accumulated depreciation									
At 1 January 2021	-	4,437	5,472	18,372	15,536	18,852	20,963	-	83,632
Depreciation charge for the financial year (Note 33)	-	937	281	4,177	2,041	1,297	2,096	-	10,829
Disposals/write-off	-	-	(440)	(1,186)	(6)	(10)	-	-	(1,642)
At 31 December 2021	-	5,374	5,313	21,363	17,571	20,139	23,059	-	92,819
Net carrying amount									
At 31 December 2021	81,910	41,456	861	9,001	9,272	5,392	8,361	3,371	159,624

* Transfer to/from computer software of RM909,000 and RM900,000 respectively.

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17. INTANGIBLE ASSETS

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Total intangible assets					
Goodwill	(a)	**241,027**	241,277	**252,909**	252,909
Merchant banking licence	(b)	**52,500**	52,500	**52,500**	52,500
Fund management contracts	(c)	**4,169**	4,169	**-**	-
Computer software and work- in-progress	(d)	**28,273**	29,767	**25,723**	26,577
Trading and clearing rights for derivatives broking	(e)	**416**	416	**-**	-
Client relationships	(f)	**2,834**	2,932	**-**	-
		329,219	331,061	**331,132**	331,986

(a) Goodwill

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Cost				
At beginning of the financial year	**277,044**	276,549	**288,676**	288,676
Acquisition of a subsidiary	**-**	495	**-**	-
Reclassified to client relationships	**(250)**	-	**-**	-
At end of the financial year	**276,794**	277,044	**288,676**	288,676
Accumulated impairment loss				
At beginning/end of the financial year	**35,767**	35,767	**35,767**	35,767
Net carrying amount	**241,027**	241,277	**252,909**	252,909

(b) Merchant banking licence

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Carrying amount				
At beginning/end of the financial year	**52,500**	52,500	**52,500**	52,500

(c) Fund management contracts

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Carrying amount				
At beginning/end of the financial year	**4,169**	4,169	**-**	-

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17. INTANGIBLE ASSETS (CONT'D.)

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
(d) Computer software and work-in-progress					
(i) Computer software					
Cost					
At beginning of the financial year		**56,365**	53,804	**52,093**	47,662
Transfer*		**9**	-	**9**	-
Additions		**5,333**	4,584	**4,187**	4,145
Reclassification		**4,855**	709	**4,855**	361
Disposals/write-off		**(150)**	(2,732)	**(150)**	(75)
Adjustment to expenses		**(1,259)**	-	**-**	-
At end of the financial year		**65,153**	56,365	**60,994**	52,093
Accumulated amortisation					
At beginning of the financial year		**36,250**	33,133	**33,244**	28,677
Transfer*		**(33)**	-	**(33)**	-
Amortisation (Note 33)		**6,035**	5,092	**5,508**	4,642
Disposals/write-off		**(82)**	(1,975)	**(82)**	(75)
At end of the financial year		**42,170**	36,250	**38,637**	33,244
Net carrying amount		**22,983**	20,115	**22,357**	18,849
(ii) Work-in-progress					
Carrying amount					
At beginning of the financial year		**9,652**	1,304	**7,728**	-
Transfer from property, plant and equipment		**-**	1,740	**-**	1,740
Addition		**3,459**	7,317	**3,459**	6,349
Reclassification		**(4,855)**	(709)	**(4,855)**	(361)
Disposals/write-off		**(1,210)**	-	**(1,210)**	-
Adjustment to expenses		**(1,756)**	-	**(1,756)**	-
At end of the financial year		**5,290**	9,652	**3,366**	7,728

* Transfer from property, plant and equipment work-in-progress of RM909,000 and transfer to computer hardware of RM900,000.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

17. INTANGIBLE ASSETS (CONT'D.)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(e) Trading and clearing rights for derivatives broking					
Carrying amount					
At beginning/end of the financial year		**416**	416	**-**	-
(f) Client relationships					
Carrying amount					
At beginning of the financial year		**2,932**	2,525	**-**	-
Reclassified from goodwill		**250**	-	**-**	-
Reclassified from deferred tax		**79**	939	**-**	-
Amortisation (Note 33)		**(427)**	(532)	**-**	-
At end of the financial year		**2,834**	2,932	**-**	-

(g) Impairment test on intangible assets

The intangible assets consist of:

Goodwill and client relationships

Goodwill and client relationships have been allocated to the following CGUs:

	Group	
	2022 RM'000	2021 RM'000
Stockbroking	**147,459**	147,459
Investment banking	**55,651**	55,651
Investment management	**40,751**	41,099
	243,861	244,209

Merchant banking licence

- Merchant banking licence which is allocated to the Bank's stockbroking and investment banking CGUs represents contribution to BNM for a licence to carry on merchant banking business to transform the Bank from a Universal Broker into an Investment Bank.

Fund management contracts

- Intangible asset relating to fund management contracts arising from the acquisition of one of the Bank's subsidiary operations is allocated to the unit trust and asset management (investment management) CGU.

17. INTANGIBLE ASSETS (CONT'D.)

(g) Impairment test on intangible assets (cont'd.)

<u>Trading and clearing rights</u>

- The value of trading and clearing rights issued by Bursa Malaysia Derivatives Berhad which is allocated to the futures broking CGU.

All of the above intangible assets have indefinite useful lives and an annual impairment review has been carried out in accordance with MFRS 136 *Impairment of Assets* and MFRS 138 *Intangible Assets*.

Client relationships which have definite useful lives and amortised over the estimated remaining useful lives.

Key assumptions used in value-in-use calculations

For annual impairment testing purposes, the recoverable amounts of the CGUs, which are reportable business segments, are determined based on their value-in-use. The value-in-use is computed by discounting the future cash flows of the unit, which is based on financial budget and projections approved by the Board.

The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of intangible assets:

(i) Cash flow projections and growth rates

Cash flow projections for the first to third year are based on the most recent three years financial budget and business plan approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the fourth to fifth year are extrapolated using growth rates in revenue and expenses of the business. Cash flows beyond the fifth year are projected to remain constant and estimated as a terminal value by discounting future cash flows to present value.

(ii) Discount rate

The discount rate used is based on the business units' pre-tax weighted average cost of capital plus an appropriate risk premium at the date of assessment at 8.59% (2021: 9.30%) per annum.

(h) Sensitivity to changes in assumptions

Management believes that a reasonably possible change in any of the above key assumptions would not cause, in overall basis, the recoverable amounts of the intangible assets to be lower than the carrying values of the CGUs.

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18. RIGHT-OF-USE ASSETS

Group	Building RM'000	Equipment RM'000	Total RM'000
2022			
Cost			
At 1 January 2022	**33,507**	**-**	**33,507**
Additions	**20,170**	**-**	**20,170**
Derecognition	**(19,422)**	**-**	**(19,422)**
At 31 December 2022	**34,255**	**-**	**34,255**
Accumulated amortisation			
At 1 January 2022	**15,034**	**-**	**15,034**
Amortisation for the financial year (Note 33)	**8,039**	**-**	**8,039**
Derecognition	**(13,782)**	**-**	**(13,782)**
At 31 December 2022	**9,291**	**-**	**9,291**
Net carrying amount			
At 31 December 2022	**24,964**	**-**	**24,964**
2021			
Cost			
At 1 January 2021	33,167	290	33,457
Additions	11,540	-	11,540
Derecognition	(11,200)	(290)	(11,490)
At 31 December 2021	33,507	-	33,507
Accumulated amortisation			
At 1 January 2021	9,985	290	10,275
Amortisation for the financial year (Note 33)	8,465	-	8,465
Derecognition	(3,416)	(290)	(3,706)
At 31 December 2021	15,034	-	15,034
Net carrying amount			
At 31 December 2021	18,473	-	18,473

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18. RIGHT-OF-USE ASSETS (CONT'D.)

Bank	Building 2022 RM'000	Building 2021 RM'000
Cost		
At 1 January	**29,606**	30,864
Additions	**17,646**	9,048
Derecognition	**(19,195)**	(10,306)
At 31 December	**28,057**	29,606
Accumulated depreciation		
At 1 January	**14,402**	9,528
Amortisation for the financial year (Note 33)	**6,660**	7,394
Derecognition	**(13,545)**	(2,520)
At 31 December	**7,517**	14,402
Net carrying amount		
At 31 December	**20,540**	15,204

19. DEFERRED TAXATION

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	**30,605**	14,127	**15,219**	8,722
Reclassification *	**(79)**	-	**-**	-
Recognised in profit or loss (Note 40)	**(7,759)**	11,957	**(4,606)**	1,976
Recognised in other comprehensive income	**2,353**	4,521	**2,353**	4,521
At end of the financial year	**25,120**	30,605	**12,966**	15,219

* Arising from Purchase Price Allocation exercise on I-VCAP, the Group had reclassified deferred tax arising from a business combination from cost of investment in subsidiary amounting to RM79,000.

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Deferred tax assets	**25,184**	30,605	**12,966**	15,219
Deferred tax liabilities	**(64)**	-	**-**	-
	25,120	30,605	**12,966**	15,219

NOTES TO THE FINANCIAL STATEMENTS
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19. DEFERRED TAXATION (CONT'D.)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	**36,691**	42,818	**24,350**	27,301
Deferred tax liabilities	**(11,571)**	(12,213)	**(11,384)**	(12,082)
	25,120	30,605	**12,966**	15,219

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Fair value reserve RM'000	Excess of capital allowances over depreciation RM'000	Intangible assets/ Right-of-use assets RM'000	Total RM'000
At 1 January 2022	**(199)**	**(8,449)**	**(3,565)**	**(12,213)**
Transfer to intangible assets	**-**	**-**	**(79)**	**(79)**
Recognised in profit or loss	**-**	**1,803**	**(1,281)**	**522**
Recognised in other comprehensive income	**199**	**-**	**-**	**199**
At 31 December 2022	**-**	**(6,646)**	**(4,925)**	**(11,571)**
At 1 January 2021	(4,720)	(6,083)	(5,121)	(15,924)
Disposal of a subsidiary (Note 13)	-	156	-	156
Recognised in profit or loss	-	(2,522)	1,556	(966)
Recognised in other comprehensive income	4,521	-	-	4,521
At 31 December 2021	(199)	(8,449)	(3,565)	(12,213)

NOTES TO THE FINANCIAL STATEMENTS

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19. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax assets of the Group:

	Fair value reserve RM'000	Impairment allowance and provisions RM'000	Unabsorbed capital allowances and tax losses RM'000	Intangible assets/ Lease liabilities RM'000	Total RM'000
At 1 January 2022	**152**	**39,561**	**-**	**3,105**	**42,818**
Recognised in profit or loss	**-**	**(17,043)**	**7,178**	**1,584**	**(8,281)**
Recognised in other comprehensive income	**2,154**	**-**	**-**	**-**	**2,154**
At 31 December 2022	**2,306**	**22,518**	**7,178**	**4,689**	**36,691**
At 1 January 2021	152	24,607	146	5,146	30,051
Transfer to intangible assets	-	-	-	(939)	(939)
Recognised in profit or loss	-	14,954	(146)	(1,102)	13,706
At 31 December 2021	152	39,561	-	3,105	42,818

Deferred tax liabilities of the Bank:

	Fair value reserve RM'000	Excess of capital allowances over depreciation RM'000	Right-of-use assets RM'000	Total RM'000
At 1 January 2022	**(199)**	**(8,234)**	**(3,649)**	**(12,082)**
Recognised in profit or loss	**-**	**1,780**	**(1,281)**	**499**
Recognised in other comprehensive income	**199**	**-**	**-**	**199**
At 31 December 2022	**-**	**(6,454)**	**(4,930)**	**(11,384)**
At 1 January 2021	(4,720)	(5,725)	(5,121)	(15,566)
Recognised in profit or loss	-	(2,509)	1,472	(1,037)
Recognised in other comprehensive income	4,521	-	-	4,521
At 31 December 2021	(199)	(8,234)	(3,649)	(12,082)

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19. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax assets of the Bank:

	Fair value reserve RM'000	Unabsorbed capital allowances and tax losses RM'000	Impairment allowance and provisions RM'000	Lease liabilities RM'000	Total RM'000
At 1 January 2022	**-**	**-**	**23,257**	**4,044**	**27,301**
Recognised in profit or loss	**-**	**7,205**	**(13,878)**	**1,568**	**(5,105)**
Recognised in other comprehensive income	**2,154**	**-**	**-**	**-**	**2,154**
At 31 December 2022	**2,154**	**7,205**	**9,379**	**5,612**	**24,350**
At 1 January 2021	-	-	19,142	5,146	24,288
Recognised in profit or loss	-	-	4,115	(1,102)	3,013
At 31 December 2021	-	-	23,257	4,044	27,301

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2022 RM'000	2021 RM'000
Unutilised tax losses carried forward	10,793	8,101
Unutilised capital allowances carried forward	2,280	2,180
	13,073	10,281

On 27 December 2018, the Finance Act 2018 was gazetted and section 10 of the Finance Act 2018 made amendments to Section 44 of Income Tax Act 1967 ("ITA"). Effective year of assessment ("YA") 2019, the ability to carry forward the unabsorbed losses is restricted to a maximum period of ten (10) consecutive years. The unabsorbed capital allowances for the Group are not subject to 10 year limitation period and available for offsetting against future taxable profits of the Group. These utilisation of carried forward tax losses and allowances are also subject to no substantial change in shareholding of the Group under the Income Tax Act. 1967 and guidelines issued by the tax authority.

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20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Fixed term deposits	**2,350,345**	2,464,706	**2,468,356**	2,516,015
Short term money deposits	**614,784**	563,833	**635,000**	625,846
Negotiable instruments of deposits	**128,684**	68,891	**128,684**	68,891
Call money deposits	**67,265**	39,848	**67,265**	39,848
	3,161,078	3,137,278	**3,299,305**	3,250,600
(i) The maturity structure is as follows:				
Due within six months	**2,692,617**	2,268,323	**2,830,844**	2,381,645
Six months to one year	**286,971**	747,040	**286,971**	747,040
More than one year	**181,490**	121,915	**181,490**	121,915
	3,161,078	3,137,278	**3,299,305**	3,250,600
(ii) The deposits are sourced from the following types of customers:				
Government and statutory bodies	**740,926**	671,186	**740,926**	671,186
Individuals	**143,417**	98,500	**143,417**	98,500
Business enterprises	**745,665**	1,007,435	**745,665**	1,007,435
Non-bank financial institutions	**1,266,173**	1,160,157	**1,266,173**	1,160,157
Subsidiaries and related companies	**264,897**	200,000	**403,124**	313,322
	3,161,078	3,137,278	**3,299,305**	3,250,600

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Licensed investment banks	**50,000**	-
Other financial institutions	**365,359**	593,126
Bank Negara Malaysia	**-**	59,736
	415,359	652,862

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22. BALANCES DUE TO CLIENTS AND BROKERS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Balances due to clients and brokers	**732,709**	665,968	**262,976**	265,296

Balances due to clients and brokers represent amounts payable in respect of outstanding contracts entered into on behalf of these clients where settlements have yet to be made. These balances are generally on 1 to 2 trading days (2021: 1 to 2 trading days) term.

23. DERIVATIVE FINANCIAL LIABILITIES

	Group and Bank	
	2022 RM'000	2021 RM'000
At fair value		
Dual currency investment - Options	**10**	3
Equity related contracts - Options	**15,688**	23,534
Equity related contract - Swaps	**798**	5,223
	16,496	28,760
Contract/notional amount		
Dual currency investment - Options	**2,126**	1,361
Equity related contracts - Options	**159,722**	180,364
Equity related contract - Swaps	**11,438**	55,251
	173,286	236,976

The contractual or underlying notional amounts of derivative financial liabilities held at fair value through profit or loss reflect the value of transactions outstanding as at reporting date, and do not represent amounts at risk.

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24. OTHER LIABILITES

		Group		Bank	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Interest/income payable		**16,041**	13,301	**16,074**	13,032
Retention for contra losses		**16**	17	**16**	17
Structured products		**2,879**	3,168	**2,879**	3,168
Treasury trade payables		**-**	49,892	**-**	49,892
Accruals and provisions	(i)	**184,440**	285,642	**60,859**	101,232
Amount held in trust on behalf of:					
- Dealer's representatives		**88,115**	122,029	**88,115**	122,029
Securities borrowing and lending		**11,635**	28,867	**11,635**	28,867
Deposits and other creditors		**63,226**	70,783	**69,109**	65,923
Amount due to trustees		**906**	-	**-**	-
Amount due to subsidiaries		**-**	-	**40**	1
		367,258	573,699	**248,727**	384,161

(i) Included in accruals and provisions, the movements of provisions are as follows:

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
As at 1 January	**59,954**	51,885	**42,533**	42,703
Provisions made, net	**29,572**	56,204	**8,805**	39,189
Utilisations	**(55,828)**	(48,135)	**(39,500)**	(39,359)
As at 31 December	**33,698**	59,954	**11,838**	42,533

The nature of the provisions made above are for provision for annual leave, bonus, potential liabilities and directors' fee.

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25. BORROWINGS

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Secured:					
Revolving bank loan	(a)	**8,000**	19,200	**8,000**	19,200
Unsecured:					
Revolving bank loans	(b)	**17,500**	40,000	**-**	-
Subordinated notes	(c)	**180,500**	185,500	**180,500**	185,500
		206,000	244,700	**188,500**	204,700

(a) The revolving bank loan amounting to RM8.0 million (2021: RM19.2 million) bears interest of 0.5% (2021: 0.5%) per annum above cost of funds. The loan is secured by a first party legal charge over Kenanga Tower, the corporate office building of Kenanga Investment Bank Berhad. The tenure for the loan is 7 years from 24 May 2016.

(b) The revolving bank loans bear interest of 1.50% to 2.00% over cost of funds (2021: 1.50% to 2.00% over cost of funds) plus cost of maintaining statutory reserve and liquidity requirements and are payable on maturity of the loans. The maximum tenure for the loans is 3 months (2021: 3 months).

(c) On 27 March 2017, the Bank established a RM250 million Tier 2 Subordinated Note Programme in nominal value which has a tenure of up to thirty (30) years.

The outstanding subordinated notes under this programme as at 31 December 2022 are as follows:

Issue date	Tranches	RM'000	Rate (p.a.)	Tenure
29 January 2018	2	10,000	6.60%	10 years (non-callable 5 years)
18 September 2018	3	10,000	6.40%	
20 March 2020	4	50,000	5.25%	
28 August 2020	5	47,000	4.40%	
28 May 2021	6	63,500	4.48%	
		180,500		

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26. LEASE LIABILITIES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As at 1 January	**18,829**	23,382	**15,473**	21,442
Additions	**20,170**	11,540	**17,646**	9,048
Accretion of interest	**894**	1,064	**743**	1,006
Payments	**(8,922)**	(9,325)	**(7,448)**	(8,191)
Derecognition	**(5,647)**	(7,832)	**(5,657)**	(7,832)
As at 31 December	**25,324**	18,829	**20,757**	15,473

The maturity analysis of lease liabilities is disclosed as below:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within 1 year	**7,772**	7,121	**6,445**	6,180
Between one and five years	**17,552**	11,708	**14,312**	9,293
	25,324	18,829	**20,757**	15,473

27. SHARE CAPITAL

	Group and Bank			
	Number of Ordinary Shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**735,762**	722,741	**253,834**	246,249
Issuance of shares pursuant to ESS exercise	**-**	13,021	**-**	7,585
At 31 December	**735,762**	735,762	**253,834**	253,834

Treasury shares

	Group and Bank			
	Number of Ordinary Shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
At 1 January	**10,476**	14,807	**13,064**	10,458
Share buy back	**15,682**	11,933	**16,097**	14,923
Transfer to staff pursuant to ESS exercise	**(12,674)**	(16,264)	**(15,623)**	(12,317)
At 31 December	**13,484**	10,476	**13,538**	13,064

27. SHARE CAPITAL (CONT'D.)

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 11 June 2020, had approved its plan to purchase its own shares up to 10% of existing total issued and paid-up share capital.

During the financial year, the Bank bought back 15,681,600 (2021: 11,933,200) ordinary shares at an average price of RM1.0265 (2021: RM1.2505) from the open market. The share buy-back transactions were financed by internally generated funds. As at 31 December 2022, the total number of shares held as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016 was 13,484,300. Accordingly the adjusted issued and paid-up share capital of the Company (excluding 13,484,300 treasury shares) as at 31 December 2022 was RM240,296,155 (2021: RM240,769,575) comprising 722,278,299 (2021: 725,286,399) shares.

28. RESERVES

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-distributable:					
Capital reserve		**88,938**	88,938	**153,863**	153,863
Fair value reserve	(a)	**(10,922)**	6,590	**(6,422)**	634
Exchange reserve	(b)	**24,075**	19,204	**-**	-
Regulatory reserve	(c)	**17,192**	18,921	**17,192**	18,921
ESS reserve		**1,794**	2,809	**1,794**	2,809
		121,077	136,462	**166,427**	176,227
Distributable:					
Retained profits		**655,907**	673,097	**597,058**	624,353
		776,984	809,559	**763,485**	800,580

The nature and purpose of each category of reserves are as follows:

(a) Fair value reserve is in respect of unrealised fair value gains and losses on financial investments at FVOCI, net of tax

(b) The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of the associated companies.

(c) Regulatory reserve is maintained in addition to the impairment allowance for non-impaired credit exposures that has been assessed and recognised in accordance with MFRS in compliance with BNM requirements.

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29. OPERATING REVENUE

Revenue of the Bank comprises all types of revenue derived from brokerage, lending, treasury, investment, trading and other banking activities undertaken by the Bank.

Revenue of the Group comprises all types of revenue derived from brokerage, lending, treasury, investment, trading and investment management and other banking activities undertaken by the Group.

30. INTEREST INCOME

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Loans, advances and financing				
- Interest income other than from recoveries from impaired loans *	**113,000**	122,620	**111,229**	120,431
Money at call and deposit placements with financial institutions	**58,078**	43,138	**50,680**	39,397
Financial investments measured at FVOCI	**15,863**	19,276	**15,863**	19,276
Financial investments at amortised cost	**8,276**	5,394	**8,276**	5,394
Others	**27,322**	19,944	**27,316**	19,946
	222,539	210,372	**213,364**	204,444

* Included reversal of net modification loss relating to COVID-19 relief measures of the Group and of the Bank of RM31,000 (2021: reversal of RM140,000) in the current financial year.

31. INTEREST EXPENSE

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Deposits from customers	**82,572**	86,064	**86,256**	88,274
Deposits and placements from banks and other financial institutions	**830**	1,804	**830**	1,804
Borrowings	**10,791**	9,277	**9,367**	8,685
Lease interest expenses	**894**	965	**743**	905
Others	**17,726**	1,451	**30,335**	10,581
	112,813	99,561	**127,531**	110,249

NOTES TO THE FINANCIAL STATEMENTS

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32. OTHER OPERATING INCOME

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Fee income:				
Brokerage fees	**166,610**	313,354	**166,610**	313,354
Corporate advisory fees	**10,331**	6,932	**10,468**	7,049
Processing fees on loans, advances and financing	**3,057**	1,766	**1,679**	706
Underwriting commissions	**891**	1,839	**891**	1,839
Placement fees	**19,303**	15,230	**11,043**	12,649
Commissions	**12,703**	11,861	**-**	-
Management fee income	**202,047**	152,510	**359**	1,352
Other fee income	**18,269**	18,647	**6,345**	7,029
Other	**1,653**	1,625	**437**	353
	434,864	523,764	**197,832**	344,331

The timing of revenue recognition for fee income is as follows:

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Fee income from providing financial services at a point in time:				
Brokerage fees	**166,610**	313,354	**166,610**	313,354
Corporate advisory fees	**19**	-	**114**	-
Processing fees on loans, advances and financing	**3,057**	1,766	**1,679**	706
Underwriting commissions	**891**	1,839	**891**	1,839
Placement fees	**15,643**	12,139	**7,383**	9,558
Commissions	**12,703**	11,861	**-**	-
Management fee income	**70,471**	36,097	**359**	1,352
Other fee income	**18,269**	18,647	**6,345**	7,029
Other	**1,653**	1,625	**437**	353
	289,316	397,328	**183,818**	334,191
Fee income from providing financial services over time:				
Corporate advisory fees	**10,312**	6,932	**10,354**	7,049
Placement fees	**3,660**	3,091	**3,660**	3,091
Management fee income	**131,576**	116,413	**-**	-
	145,548	126,436	**14,014**	10,140
Total fee income from contracts with customers	**434,864**	523,764	**197,832**	344,331

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32. OTHER OPERATING INCOME (CONT'D.)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(b) Investment and trading income:				
Net gain/(loss) from sale of financial assets at fair value through profit or loss and derivatives	**23,675**	(45,678)	**23,667**	(45,718)
Unrealised (loss)/profit on revaluation of financial assets at fair value through profit or loss and derivatives	**(8,954)**	148,011	**(10,454)**	150,784
Net gain from sale of financial investments at FVOCI	**25**	9	**25**	9
Gross dividend income from:				
- Financial assets at fair value through profit or loss	**1,429**	3,410	**1,394**	3,303
- Financial investments at FVOCI	**98**	244	**98**	244
- Subsidiaries	**-**	-	**59,000**	15,000
Interest income from financial assets at FVTPL	**610**	2,176	**610**	2,176
	16,883	108,172	**74,340**	125,798
(c) Other income:				
Foreign exchange gain, net	**8,121**	10,792	**8,241**	10,716
Gain on disposal of property, plant and equipment	**111**	60	**93**	57
Other operating income	**7,359**	2,602	**8,963**	3,481
Other non-operating income				
- Rental income	**2,074**	1,674	**3,897**	3,525
- Gain on disposal of a subsidiary	**-**	4,729	**-**	-
- Gain on disposal of an associate	**9,117**	-	**-**	-
- Others	**6,819**	5,088	**4,881**	4,746
	33,601	24,945	**26,075**	22,525
Total other operating income	**485,348**	656,881	**298,247**	492,654

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33. OTHER OPERATING EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Personnel costs				
- Salaries, allowances and bonuses	**175,000**	195,241	**122,095**	149,029
- EPF	**20,839**	20,066	**16,490**	16,014
- ESS	**408**	1,302	**326**	1,024
- Others	**25,588**	30,524	**11,084**	16,444
	221,835	247,133	**149,995**	182,511
Establishment costs				
- Depreciation of property, plantand equipment (Note 16)	**11,472**	11,714	**10,487**	10,829
- Amortisation of intangible assets (Note 17(d) and (f))	**6,462**	5,624	**5,508**	4,642
- Amortisation of right-of-use assets (Note 18)	**8,039**	8,465	**6,660**	7,397
- Rental of premise	**476**	397	**370**	324
- Rental of equipment	**783**	640	**499**	412
- Repairs and maintenance	**7,551**	5,836	**3,784**	3,635
- Information technology expenses	**17,415**	14,792	**17,396**	14,779
- Others	**6,699**	6,249	**3,249**	2,746
	58,897	53,717	**47,953**	44,764
Marketing expenses				
- Promotion and advertisement	**12,375**	18,822	**4,452**	4,317
- Travel and entertainment	**3,829**	4,040	**1,700**	668
- Others	**880**	448	**764**	289
	17,084	23,310	**6,916**	5,274
Administration and general expenses				
- Communication expenses	**4,932**	4,680	**4,235**	4,053
- Regulatory charges	**26,965**	33,361	**24,112**	31,224
- Printing and stationery	**1,184**	1,266	**666**	781
- Administrative expenses	**13,171**	15,230	**11,368**	12,911
- Professional fees and legal fees	**4,638**	5,285	**3,891**	4,939
- Fees and brokerage	**184,467**	264,508	**94,525**	198,284
	235,357	324,330	**138,797**	252,192
Total other operating expenses	**533,173**	648,490	**343,661**	484,741

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

33. OTHER OPERATING EXPENSES (CONT'D.)

Included in the other operating expenses are the following:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Auditors' remuneration				
- Statutory audit	**573**	583	**365**	355
- Assurance related	**55**	58	**55**	58
- Other services	**67**	97	**25**	30
Directors' remuneration (Note 39)	**3,828**	3,930	**3,497**	3,642
Property, plant and equipment written off	**911**	231	**902**	-
Computer software work-in-progress written off	**608**	-	**608**	-

34. CREDIT LOSS REVERSAL/(EXPENSES)

The table below shows the ECL charges on financial instruments for the financial year recorded in the income statement:

Group

(a) Movements in ECL on debt instruments and loans, advances and financing:

2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Debts instruments at FVOCI (Note 7(a))	**79**	**(78)**	**-**	**1**
Debts instruments at amortised cost (Note 7(b))	**49**	**-**	**-**	**49**
Loans, advances and financing (Note 9.2)	**(121)**	**-**	**(5,030)**	**(5,151)**
Recoveries from share margin financing	**-**	**-**	**7,596**	**7,596**
Credit loss reversal/(expenses)	**7**	**(78)**	**2,566**	**2,495**

2021	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Debts instruments at FVOCI (Note 7(a))	(4)	-	-	(4)
Debts instruments at amortised cost (Note 7(b))	56	-	-	56
Loans, advances and financing (Note 9.2)	163	-	(2,783)	(2,620)
Credit loss reversal/(expenses)	215	-	(2,783)	(2,568)

NOTES TO THE FINANCIAL STATEMENTS

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34. CREDIT LOSS REVERSAL/(EXPENSES) (CONT'D.)

Group (cont'd.)

(b) Movements in ECL on other financial assets:

2022	**Non-Credit Impaired RM'000**	**Credit-Impaired RM'000**	**Total RM'000**
Balances due from clients and brokers (Note 10.1)	**4**	**15**	**19**
Other debtors (Note 11.1)	**(1,764)**	**(4,673)**	**(6,437)**
Credit loss (expenses)/reversal	**(1,760)**	**(4,658)**	**(6,418)**

2021	**Non-Credit Impaired RM'000**	**Credit-Impaired RM'000**	**Total RM'000**
Balances due from clients and brokers (Note 10.1)	18	(87)	(69)
Other debtors (Note 11.1)	(1,054)	1,791	737
Credit loss (expenses)/reversal	(1,036)	1,704	668

Bank

(a) Movements in ECL on debt instruments, loan commitments, loans, advances and financing and amount due from subsidiaries:

2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Debts instruments at FVOCI (Note 7(a))	**79**	**(78)**	**-**	**1**
Debts instruments at amortised cost (Note 7(b))	**49**	**-**	**-**	**49**
Loans, advances and financing (Note 9.2)	**(266)**	**-**	**(3,244)**	**(3,510)**
Loan commitments (Note 9.2(d))	**(22)**	**-**	**-**	**(22)**
Recoveries from share margin financing	**-**	**-**	**7,596**	**7,596**
Credit loss (expenses)/reversal	**(160)**	**(78)**	**4,352**	**4,114**

NOTES TO THE FINANCIAL STATEMENTS

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34. CREDIT LOSS REVERSAL/(EXPENSES) (CONT'D.)

Bank (cont'd.)

(a) Movements in ECL on debt instruments, loan commitments, loans, advances and financing and amount due from subsidiaries (cont'd.):

2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debts instruments at FVOCI (Note 7(a))	(4)	-	-	(4)
Debts instruments at amortised cost (Note 7(b))	56	-	-	56
Loans, advances and financing (Note 9.2)	109	-	(2,783)	(2,674)
Loan commitments (Note 9.2(d))	31	-	-	31
Amount due from subsidiaries	(14)	-	-	(14)
Credit loss reversal/(expenses)	178	-	(2,783)	(2,605)

(b) Movements in ECL on other financial assets:

2022	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
Balances due from clients and brokers (Note 10.1)	**4**	**15**	**19**
Other debtors (Note 11.1)	**(1,764)**	**182**	**(1,582)**
Credit loss (expenses)/reversal	**(1,760)**	**197**	**(1,563)**

2021	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
Balances due from clients and brokers (Note 10.1)	18	(87)	(69)
Other debtors (Note 11.1)	(1,055)	1,794	739
Credit loss (expenses)/reversal	(1,037)	1,707	670

NOTES TO THE FINANCIAL STATEMENTS
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35. BAD DEBTS RECOVERED/(WRITTEN OFF)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans, advances and financing	**9**	506	**9**	506
Balances due from clients and brokers	**110**	37	**110**	37
Other debtors	**-**	(30)	**-**	-
	119	513	**119**	543

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Bank had the following transactions with related parties during the financial year.

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Transactions				
Income earned:				
Brokerage fees:				
- Key management personnel	**5**	1	**5**	1
- Related company	**2,466**	6,642	**2,466**	6,642
Rollover fees:				
- Related company	**169**	151	**169**	151
Corporate advisory fees:				
- Subsidiaries	**-**	-	**137**	117
Processing fees on loans, advances and financing:				
- Subsidiaries	**-**	-	**172**	89
Management fee income:				
- Subsidiary	**-**	-	**17**	38
Other income:				
- Subsidiary	**-**	-	**1,300**	74
Interest on loans, advances and financing:				
- Subsidiaries	**-**	-	**4,639**	4,895
- Related company	**1,179**	1,264	**1,179**	1,264

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Transactions (cont'd.)				
Income earned (cont'd.):				
Interest on others:				
- Subsidiaries	-	-	5	13
Group support services charged:				
- Subsidiaries	-	-	7,075	6,504
- Related company	-	-	119	174
Dividend income:				
- Subsidiaries (Note 32)	-	-	59,000	15,000
Rental of premises:				
- Subsidiaries	-	-	1,545	845
- Related company	348	348	348	348
Rental of car park:				
- Subsidiaries	-	-	252	251
Referral and cost sharing fees:				
- Subsidiary	-	-	454	511
Expenditure incurred:				
Interest on deposits and placements:				
- Subsidiaries	-	-	3,684	2,211
- Key management personnel	25	11	25	11
- Related company	5,436	4,143	5,436	4,143
- Other related party	1,003	227	1,003	227
Interest on debt securities products:				
- Subsidiary	-	-	12,609	9,130
Staff training cost:				
- Subsidiaries	-	-	111	154
Direct placement cost				
- Subsidiary	-	-	8,260	2,581
Other expenses				
- Subsidiary	-	-	1	1
- Related company	331	165	331	165

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36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Transactions (cont'd.)				
Expenditure incurred (cont'd.):				
Incentive fees- management fees income				
- Subsidiary	**-**	-	**1,920**	1,658
Incentive fees- agent				
- Subsidiary	**-**	-	**986**	549
Service charge:				
- Subsidiary	**-**	-	**921**	1,017
Balances				
Amount due from:				
Loans, advances and financing:				
- Subsidiaries	**-**	-	**70,000**	56,500
Commitment receivables:				
- Subsidiaries	**-**	-	**15**	9
Other receivables:				
- Subsidiaries	**-**	-	**30,581**	29,716
Amount due to:				
Deposits and placements:				
- Subsidiaries (Note 20)	**-**	-	**138,227**	113,322
- Related company (Note 20)	**264,897**	200,000	**264,897**	200,000
- Other related party	**90,666**	75,800	**90,666**	75,800
- Key management personnel	**1,438**	232	**1,438**	232
Balances due to clients and brokers:				
- Key management personnel	**73**	90	**73**	90
Interest receivable on loan, advances and financing:				
- Subsidiaries	**-**	-	**116**	78
Interest payable on deposits:				
- Subsidiaries	**-**	-	**499**	263
- Related company	**1,155**	1,187	**1,155**	1,187
Deposit for Index trading				
- Subsidiaries	**-**	-	**697**	543
Other payables:				
- Subsidiaries	**-**	-	**40**	1

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Bank are:

(i) Subsidiaries

Details of the subsidiaries are shown in Note 13.

(ii) Associates

Details of the associates are as disclosed in Note 14.

(iii) Joint Ventures

Details of the joint ventures are disclosed in Note 15.

(iv) Other related parties

Name	Relationship
Cahya Mata Capital Sdn Bhd (Fka CMS Capital Sdn Bhd)	Substantial shareholder of the Bank
Cahya Mata Sarawak Berhad	Holding company of a substantial shareholder of the Bank

The Directors are of the opinion that the above transactions were entered into in the normal course of business and have been established under terms that are no less favourable than those obtainable in transactions with unrelated parties.

37. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

Credit transactions and exposures to connected parties as disclosed below include the extension of credit facilities and/or off-balance sheet credit exposures such as loan commitments:

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Outstanding credit exposures with connected parties	**193,301**	173,066
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	**6.23%**	5.73%
- which is impaired or in default	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

37. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONT'D.)

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties issued on 16 July 2014, which will be effective from 1 January 2008.

Based on these guidelines, connected parties refer to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

38. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Group Managing Director				
- Short term employee benefits	**5,420**	5,212	**5,420**	5,212
- Post-employment benefits: EPF	**854**	733	**854**	733
Senior Management				
- Short term employee benefits	**26,946**	23,694	**19,544**	18,031
- Post-employment benefits: EPF	**3,485**	3,151	**2,464**	2,365
	36,705	32,790	**28,282**	26,341

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly including all executive directors and senior management.

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39. DIRECTORS' REMUNERATION

Remuneration in aggregate for Directors for the financial year is as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Bank:				
Non-executive directors' remuneration:				
- Fees	**3,251**	3,274	**3,010**	3,072
- Other remuneration, including meeting allowance	**546**	580	**456**	498
Total directors' remuneration	**3,797**	3,854	**3,466**	3,570
Estimated money value of benefits-in-kind	**31**	76	**31**	72
Total for directors of the Bank (Note 33)	**3,828**	3,930	**3,497**	3,642

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

	Remuneration received from the Group			
	Fees RM'000	Other emolument RM'000	Benefits-in-kind RM'000	Total RM'000
31 December 2022				
Non-Executive Directors:				
Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail	**520**	**24**	**31**	**575**
Luigi Fortunato Ghirardello	**193**	**38**	**-**	**231**
Ismail Harith Merican	**300**	**40**	**-**	**340**
Luk Wai Hong, William	**487**	**122**	**-**	**609**
Jeremy Bin Nasrulhaq	**390**	**70**	**-**	**460**
Norazian Binti Ahmad Tajuddin	**462**	**108**	**-**	**570**
Kanagaraj Lorenz	**370**	**66**	**-**	**436**
Choy Khai Choon	**344**	**56**	**-**	**400**
Chin Siew Siew	**185**	**22**	**-**	**207**
Total Directors' remuneration	**3,251**	**546**	**31**	**3,828**

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39. DIRECTORS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (cont'd.):

	Remuneration received from the Group			
	Fees RM'000	Other emolument RM'000	Benefits-in-kind RM'000	Total RM'000
31 December 2021				
Non-Executive Directors:				
Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail	537	36	31	604
Izlan Bin Izhab	-	-	19	19
Datuk Syed Ahmad Alwee Alsree	225	32	13	270
Dato' Richard Alexander John Curtis	146	26	13	185
Luigi Fortunato Ghirardello	410	82	-	492
Ismail Harith Merican	300	42	-	342
Luk Wai Hong, William	465	116	-	581
Jeremy Bin Nasrulhaq	390	74	-	464
Norazian Binti Ahmad Tajuddin	417	104	-	521
Kanagaraj Lorenz	370	68	-	438
Choy Khai Choon	14	-	-	14
Total Directors' remuneration	3,274	580	76	3,930

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40. TAXATION AND ZAKAT

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Current income tax:				
Tax expense for the financial year	**14,756**	40,917	**-**	26,132
(Over)/under provision in prior years	**(4,070)**	872	**(1,526)**	1,109
	10,686	41,789	**(1,526)**	27,241
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	**1,979**	(10,168)	**1,955**	555
Over/(under) provision of deferred tax assets in prior years	**5,780**	(2,572)	**2,651**	(2,531)
	7,759	(12,740)	**4,606**	(1,976)
Zakat	**351**	372	**291**	340
Total income tax expense	**18,796**	29,421	**3,371**	25,605

Domestic income tax is calculated at the statutory tax rate of 24% (2021: 24%) on the estimated chargeable profit for the financial year.

A reconciliation of taxation applicable to profit before taxation at the statutory income tax rate to taxation at the effective tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit before taxation and zakat	**74,150**	148,236	**58,290**	120,421
Taxation at Malaysian statutory income tax rate of 24% (2021: 24%)	**17,796**	35,577	**13,990**	28,901
Effect of income not subject to tax	**(6,795)**	(10,219)	**(14,518)**	(4,465)
Effect of expenses not deductible for tax purposes	**5,064**	4,955	**2,483**	2,251
Deferred tax asset not recognised on unutilised business losses	**646**	391	**-**	-
Deferred tax asset not recognised on unabsorbed capital allowances	**24**	45	**-**	-
Under/(over) provision of deferred tax assets in prior years	**5,780**	(2,572)	**2,651**	(2,531)
(Over)/under provision of income tax expense in prior years	**(4,070)**	872	**(1,526)**	1,109
Tax expense for the year	**18,445**	29,049	**3,080**	25,265
Zakat	**351**	372	**291**	340
Tax expense and zakat for the financial year	**18,796**	29,421	**3,371**	25,605

41. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2022	**2021**
Profit for the financial year attributable to equity holders of the Bank (RM'000)	**54,511**	118,390
Weighted average number of ordinary shares in issue excluding treasury shares ('000)	**726,672**	726,885
Effects of dilution ('000)	**4,406**	15,723
Adjusted weighted average number of ordinary shares in issue ('000)	**731,078**	742,608
Earnings per share (sen)		
- basic	**7.50**	16.29
- fully diluted	**7.46**	15.94

There were no potential dilutive ordinary shares outstanding as at 31 December 2022.

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42. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

As at reporting date, the commitments and contingencies are as follows:

	Group		Bank	
	2022 Principal amount RM'000	**2021 Principal amount RM'000**	**2022 Principal amount RM'000**	**2021 Principal amount RM'000**
Commitments to extend credit with maturity of less than 1 year:				
- share margin financing	**2,749,435**	2,774,310	**2,749,435**	2,774,310
- foreign exchange related contracts	**43,452**	8,477	**43,452**	8,477
Other commitments with an original maturity of less than 1 year:				
- corporate loans	**55,561**	50,742	**130,561**	124,242
Other commitments with an original maturity of more than 1 year:				
- corporate loans	**25,000**	55,275	**40,000**	61,275
Monies held in trust on behalf of client (Note 5)	**1,069,081**	1,249,679	**1,069,081**	1,249,679
Securities borrowing and lending	**11,102**	27,637	**11,102**	27,637
Derivative financial assets (Note 8):				
- dual currency investment - options	**2,126**	1,361	**2,126**	1,361
- equity related contracts - options	**29,338**	29,492	**29,338**	29,492
- equity related contracts - swap	**64,187**	24,123	**64,187**	24,123
- equity related contracts - forward	**57,354**	57,354	**57,354**	57,354
Derivative financial liabilities (Note 23):				
- dual currency investment - options	**2,126**	1,361	**2,126**	1,361
- equity related contracts - options	**159,722**	180,364	**159,722**	180,364
- equity related contracts - swaps	**11,438**	55,251	**11,438**	55,251
Capital commitment:				
- Authorised and contracted for	**18,554**	18,859	**17,247**	17,399
Investment in equity funds	**-**	-	**24,991**	24,991
	4,298,476	4,534,285	**4,412,160**	4,637,316

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43. CONTINGENT LIABILITIES

Group and Bank	2022 RM'000	2021 RM'000
On 27 November 2019, the Bank was served with a sealed Writ of Summons and Statement of Claim filed by Lai Sing Foo ("the Plaintiff"). The Plaintiff is alleging that, inter alia, the second (2nd) Defendant (who is a Dealer's Representative ("DR") of KIBB has arranged for the Plaintiff to purchase shares of a public listed company with a promise to buy back at a higher price from the third (3rd) Defendant (a third party). The Plaintiff alleges that the 3rd Defendant has failed to buy back the said shares which caused the Plaintiff to suffer losses and claims, inter alia, the difference between the sale proceeds of the said shares and RM3.6 million. The Plaintiff's claims against KIBB are on the basis that, inter alia, the 2nd Defendant is a DR with KIBB. In this regard, KIBB will contest the Plaintiff's claim in the Court. The Plaintiff, KIBB and the 3rd Defendant presented their evidence during the trial from 11 to 13 August 2021. On 3 November 2021, the High Court dismissed the Plaintiff's claim against KIBB and the 3rd Defendant with costs of RM25,000.00 to be paid to each. The Plaintiff's claim against the 2nd Defendant was allowed with costs of RM25,000.00 to be paid to the Plaintiff. On 25 November 2021, the Plaintiff filed a Notice of Appeal in the Court of Appeal against the High Court's decision. The matter was fixed for case management in the Court of Appeal on 16 March 2022 and the date of case management was revised to 27 March 2023.	**3,600**	3,600

Based on legal advice obtained, the Board of Directors are of the opinion that the Bank has good grounds to defend these claims and that no provisions are necessary as at reporting date.

44. OPERATING LEASE ARRANGEMENTS

A summary of the sub-lease receipts expected to be received under non-cancellable sublease are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Future minimum sub lease receipts:				
Subsidiaries	**-**	-	**2,886**	1,484
External parties	**442**	508	**442**	508
	442	508	**3,328**	1,992

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45. DIVIDEND

During the financial year, an interim single tier dividend of 10.50 sen (2021 interim single tier dividend: 8.80 sen) per ordinary share on 733,906,299 ordinary shares (2021: 729,698,099 ordinary shares) in respect of the financial year ended 31 December 2021, which amounted to RM77,060,192 (2021: RM64,213,435) was paid on 15 April 2022 (2021: 20 April 2021).

Subsequent to the financial year end, on 24 February 2023, the Directors have declared a single tier interim dividend of 6.00 sen per share in respect of the financial year ended 31 December 2022 amounting to total dividends payable of approximately RM44,145,756. This is computed based on issued and paid-up capital as at 31 December 2022 of 735,762,599 ordinary shares. The actual amount of dividends to be paid will depend on the number of shares in issue at the date of entitlement.

The financial statements for the current financial year do not reflect this interim dividend. Such dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

46. OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Related accounts not set off in the statements of financial position		
Group	**Gross amounts of recognised financial asset/ liability RM'000**	**Gross amounts of recognised financial asset/ liability set off in the statements of financial position RM'000**	**Net amounts of recognised financial assets presented in the statements of financial position RM'000**	**Financial instruments RM'000**	**Cash collateral received RM'000**	**Net amount RM'000**
2022						
Balances due from clients and brokers (Note 10)	**856,151**	**(428,513)**	**427,638**	**2,919,653**	**174,399**	**-**
Balances due to clients and brokers (Note 22)	**1,424,199**	**(691,490)**	**732,709**	**-**	**-**	**732,709**
2021						
Balances due from clients and brokers (Note 10)	699,884	(365,419)	334,465	2,332,231	214,647	-
Balances due to clients and brokers (Note 22)	1,296,683	(630,715)	665,968	-	-	665,968

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46. OFFSETTING OF FINANCIAL INSTRUMENTS (CONT'D.)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (cont'd.):

Bank	Gross amounts of recognised financial asset/ liability RM'000	Gross amounts of recognised financial asset/ liability set off in the statements of financial position RM'000	Net amounts of recognised financial assets presented in the statements of financial position RM'000	Related accounts not set off in the statements of financial position: Financial instruments RM'000	Related accounts not set off in the statements of financial position: Cash collateral received RM'000	Net amount RM'000
2022						
Balances due from clients and brokers (Note 10)	**855,990**	**(428,513)**	**427,477**	**2,919,653**	**174,399**	**-**
Balances due to clients and brokers (Note 22)	**954,464**	**(691,488)**	**262,976**	**-**	**-**	**262,976**
2021						
Balances due from clients and brokers (Note 10)	699,789	(365,419)	334,370	2,332,231	214,647	-
Balances due to clients and brokers (Note 22)	896,010	(630,714)	265,296	-	-	265,296

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47. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Capital management

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by BNM in supervising the Bank.

The primary objectives of the Group's and of the Bank's capital management are to ensure that the Group and the Bank comply with regulatory capital requirements and the Group and the Bank maintain strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group and the Bank manage its capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group and the Bank may adjust the amount of dividend payments to its shareholders, return capital to its shareholders or issue capital securities. Nevertheless, it is under constant scrutiny of the Board.

Capital adequacy

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk (Basel II). The minimum regulatory capital adequacy requirements for Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total risk weighted assets.

(i) Components of Tier 1 and Tier 2 capital:

The capital adequacy ratios of the Group and of the Bank are as follows:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
CET 1 capital ratio	**20.936%**	20.665%	**21.626%**	21.332%
Tier 1 capital ratio	**20.936%**	20.665%	**21.626%**	21.332%
Total capital ratio	**28.913%**	28.291%	**30.682%**	29.827%
After deducting interim dividends *				
CET 1 capital ratio	**19.231%**	17.860%	**19.687%**	18.198%
Tier 1 capital ratio	**19.231%**	17.860%	**19.687%**	18.198%
Total capital ratio	**27.231%**	25.523%	**28.775%**	26.741%

* Refer to interim dividends declared subsequent to the financial year end.

47. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONT'D.)

Capital adequacy (cont'd.)

(i) Components of Tier 1 and Tier 2 capital (cont'd.):

The capital adequacy ratios of the Group and of the Bank are as follows (cont'd.):

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CET 1 capital/Tier 1 capital				
Paid-up share capital	**253,834**	253,834	**253,834**	253,834
Retained profits	**655,907**	673,097	**597,058**	624,353
Other reserves	**121,077**	136,462	**166,427**	176,227
Less: Goodwill	**(241,027)**	(241,277)	**(252,909)**	(252,909)
55% of cumulative gains on financial investments at FVOCI	**-**	(3,625)	**-**	(349)
Deferred tax assets	**(25,184)**	(30,605)	**(12,966)**	(15,219)
Other intangibles	**(88,192)**	(89,784)	**(78,223)**	(79,077)
Regulatory reserve	**(17,192)**	(18,921)	**(17,192)**	(18,921)
Treasury shares	**(13,538)**	(13,064)	**(13,538)**	(13,064)
Other CET 1 regulatory adjustments specified by BNM	**1,510**	1,765	**1,020**	944
Investment in ordinary shares of unconsolidated financial entities	**(126,252)**	(119,140)	**(170,596)**	(169,047)
Total CET 1/Tier 1 capital	**520,943**	548,742	**472,915**	506,772
Tier 2 Capital				
Subordinated obligations capital	**180,500**	185,500	**180,500**	185,500
General provisions ^	**17,972**	16,986	**17,549**	16,321
Total Tier 2 capital	**198,472**	202,486	**198,049**	201,821
Total Capital	**719,415**	751,228	**670,964**	708,593

^ Refers to loss allowances measured at an amount to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

* The portion of regulatory adjustments not deducted from Tier 2 (as the Group and the Bank do 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).

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47. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONT'D.)

Capital adequacy (cont'd.)

(i) Components of Tier 1 and Tier 2 capital (cont'd.):

Breakdown of risk weighted assets in the various categories of risks are as follows:

	2022		2021	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
Group				
Credit risk	**5,031,093**	**1,437,747**	5,567,911	1,358,911
Market risk	**-**	**142,514**	-	456,072
Operational risk	**-**	**894,847**	-	828,589
Large exposure risk	**-**	**13,108**	-	11,794
Total Risk Weighted Assets	**5,031,093**	**2,488,216**	5,567,911	2,655,366
Bank				
Credit risk	**4,450,896**	**1,403,888**	5,061,023	1,305,693
Market risk	**-**	**141,026**	-	440,663
Operational risk	**-**	**628,776**	-	617,538
Large exposure risk	**-**	**13,108**	-	11,794
Total Risk Weighted Assets	**4,450,896**	**2,186,798**	5,061,023	2,375,688

(ii) Transitional arrangements for regulatory capital treatment of accounting provisions

The Bank has elected to apply the transitional arrangements for regulatory capital treatment of accounting provisions for four financial years beginning on 1 January 2020 and apply the transitional arrangements with 31 December 2020 as the first reporting period.

Under the transitional arrangements, the Bank is allowed to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures ("Stage 1 and Stage 2 provisions") to CET 1 Capital.

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47. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONT'D.)

Capital adequacy (cont'd.)

(ii) Transitional arrangements for regulatory capital treatment of accounting provisions (cont'd.)

The capital adequacy ratios of the Group and of the Bank are as follows:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
With transitional arrangement				
CET 1 capital ratio	**20.936%**	20.665%	**21.626%**	21.332%
Tier 1 capital ratio	**20.936%**	20.665%	**21.626%**	21.332%
Total capital ratio	**28.913%**	28.291%	**30.682%**	29.827%
Without transitional arrangement				
CET 1 capital ratio	**20.876%**	20.599%	**21.579%**	21.292%
Tier 1 capital ratio	**20.876%**	20.599%	**21.579%**	21.292%
Total capital ratio	**28.852%**	28.225%	**30.636%**	29.787%

48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and the fair values of the financial assets and liabilities of the Group and of the Bank are as follows:

	2022		2021	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Cash and bank balances	**1,732,786**	**1,732,786**	1,897,384	1,897,384
Financial assets at fair value through profit or loss	**322,139**	**322,139**	387,322	387,322
Financial investments at fair value through other comprehensive income	**319,173**	**319,173**	737,574	737,574
Financial investments at amortised cost	**449,114**	**458,563**	213,660	219,155
Derivative financial assets	**85,217**	**85,217**	81,453	81,453
Loans, advances and financing	**1,690,475**	**1,696,451**	1,775,413	1,782,095
Balances due from clients and brokers	**427,638**	**427,638**	334,465	334,465
Other assets, excluding prepayments and deposits	**162,536**	**162,536**	219,401	219,401
Statutory deposit with Bank Negara Malaysia	**58,403**	**58,403**	50,868	50,868

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48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

The carrying amounts and the fair values of the financial assets and liabilities of the Group and of the Bank are as follows (cont'd.):

Group	2022 Carrying amount RM'000	2022 Fair value RM'000	2021 Carrying amount RM'000	2021 Fair value RM'000
Financial liabilities				
Deposits from customers	**3,161,078**	**3,161,078**	3,137,278	3,137,372
Deposits and placements of banks and other financial institutions	**415,359**	**415,359**	652,862	652,862
Balances due to clients and brokers	**732,709**	**732,709**	665,968	665,968
Derivative financial liabilities	**16,496**	**16,496**	28,760	28,760
Other liabilities, excluding deposits	**233,794**	**233,794**	434,169	434,169
Borrowings	**206,000**	**170,255**	244,700	204,020

Bank	2022 Carrying amount RM'000	2022 Fair value RM'000	2021 Carrying amount RM'000	2021 Fair value RM'000
Financial assets				
Cash and bank balances	**1,262,925**	**1,262,925**	1,459,156	1,459,156
Financial assets at fair value through profit or loss	**324,626**	**324,626**	386,367	386,367
Financial investments at fair value through other comprehensive income	**319,173**	**319,173**	737,574	737,574
Financial investments at amortised cost	**449,114**	**458,563**	213,660	219,155
Derivative financial assets	**85,217**	**85,217**	81,453	81,453
Loans, advances and financing	**1,703,510**	**1,710,413**	1,749,615	1,757,618
Balances due from clients and brokers	**427,477**	**427,477**	334,370	334,370
Other assets, excluding prepayments and deposits	**106,937**	**106,937**	121,777	121,777
Statutory deposit with Bank Negara Malaysia	**58,403**	**58,403**	50,868	50,868
Financial liabilities				
Deposits from customers	**3,299,305**	**3,299,305**	3,250,600	3,250,694
Deposits and placements of banks and other financial institutions	**415,359**	**415,359**	652,862	652,862
Balances due to clients and brokers	**262,976**	**262,976**	265,296	265,296
Derivative financial liabilities	**16,496**	**16,496**	28,760	28,760
Other liabilities, excluding deposits	**137,123**	**137,123**	245,664	245,664
Borrowings	**188,500**	**125,746**	204,700	164,018

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48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Financial assets/liabilities for which fair value approximates carrying value

The carrying amounts of financial assets and financial liabilities that have a short-term maturity and deposits/accounts without a specific maturity, approximate fair values.

(ii) Financial assets at FVTPL, FVOCI and AC

The fair values are estimated based on quoted or observable market prices at the reporting date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the reporting date.

(iii) Derivatives

Fair values are estimated based on quoted or observable market prices at the reporting date.

Options are valued using Black-Scholes model and Swaps are valued using discounted cash flows. These valuation techniques incorporates various market and observable assumptions including market rate volatility.

(iv) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans, advances and financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at the reporting date offered to new borrowers/customers with similar credit profiles.

(v) Deposits from customers

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. The fair values of Islamic deposits are deemed to approximate their carrying amounts as profit rates are determined at the end of their holding periods based on the profit generated from the assets invested.

(vi) Deposits and placements of banks and other financial institutions

The carrying values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. For deposits and placements with maturities of one year and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(vii) Borrowings

The fair values of borrowings are estimated based on expected future cash flows discounted at applicable variable rates offered for borrowings.

49. SEGMENTAL REPORTING

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure. The Group is organised into six major operating divisions. The division form the basis of which the Group reports its segment information.

(i) Investment banking - Investment banking business, treasury and related financial services;

(ii) Stockbroking - Dealings in securities and investment related services;

(iii) Listed derivatives - Futures broking;

(iv) Money lending and financing - Money lending, Islamic factoring and leasing;

(v) Investment and wealth management - Management of funds and unit trusts; and

(vi) Corporate and others - Support services comprising all middle and back office functions costs that are not allocated out to business segments and include business operations conducted by the Group's associates in the Kingdom of Saudi Arabia and Sri Lanka and joint ventures, Rakuten Trade Sdn Bhd and Rakuten Trade Singapore Pte Ltd.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group income taxes are managed on group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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49. SEGMENTAL REPORTING (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments:

2022	Investment banking RM'000	Stock broking RM'000	Listed derivatives RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Revenue								
External sales	161,345	320,294	19,730	8,861	219,582	(6,726)	-	723,086
- Interest income	118,149	111,765	7,261	6,475	4,253	52	-	247,955
- Fee income/(expense)	33,119	176,545	12,284	2,386	215,390	(42)	-	439,682
- Trading and investment income/(loss)	4,855	25,882	-	-	(123)	(6,692)	-	23,922
- Other operating income/(loss)	5,222	6,102	185	-	62	(44)	-	11,527
Inter segment sales	28,206	(41,843)	1,200	-	21,856	10,985	(20,404)	-
Total revenue	189,551	278,451	20,930	8,861	241,438	4,259	(20,404)	723,086
Result								
Net income/(loss)	77,480	263,832	18,965	6,223	238,989	67,504	(62,718)	610,275
Other operating (expenses)/income	(59,815)	(265,750)	(16,886)	(4,302)	(179,944)	(11,395)	4,919	(533,173)
Credit loss (expense)/ reversal	(1,920)	4,300	-	(1,772)	(4,854)	168	155	(3,923)
Impairment of investment in a subsidiary	-	-	-	-	-	(277)	277	-
Bad debt recovered/ (written off)	32	90	-	-	-	(3)	-	119
Share of results in associates and joint ventures	-	-	-	-	-	852	-	852
Profit/(loss) before taxation and zakat	15,777	2,472	2,079	149	54,191	56,849	(57,367)	74,150
Taxation and zakat								(18,796)
Net profit for the financial year								55,354

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

49. SEGMENTAL REPORTING (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments (cont'd.):

2022	Investment banking and stock broking RM'000	Listed derivatives RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Other information							
Net interest and finance income	92,743	6,457	3,684	50	1,410	12,656	117,000
Depreciation and amortisation	(12,844)	(471)	(158)	(4,527)	(9,321)	1,348	(25,973)
Non cash items							
- Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss and derivatives	(3,556)	-	-	(165)	(6,759)	1,526	(8,954)

2022	Investment banking and stock broking RM'000	Listed derivatives RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Assets							
Investments in associates	-	-	-	-	99,683	-	99,683
Investment in joint ventures	-	-	-	-	26,569	-	26,569
Addition to property, plant and equipment and intangible assets	10,482	56	8	3,421	-	-	13,967
Segment assets	5,456,192	536,765	68,968	247,638	15,635	(362,841)	5,962,357
Liabilities							
Segment liabilities	4,452,411	518,823	49,528	171,597	1,834	(254,660)	4,939,533

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

49. SEGMENTAL REPORTING (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments (cont'd.):

2021	Investment banking RM'000	Stock broking RM'000	Listed derivatives RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Revenue								
External sales	138,571	537,581	15,520	9,026	165,864	24,929	-	891,491
- Interest income	108,119	115,823	3,664	7,101	195	397	-	235,299
- Fee income/(expense)	24,250	326,224	11,856	1,925	165,252	(112)	-	529,395
- Trading and investment income	681	87,937	-	-	154	24,828	-	113,600
- Other operating income/ (loss)	5,521	7,597	-	-	263	(184)	-	13,197
Inter segment sales	41,252	(44,606)	761	-	11,321	9,727	(18,455)	-
Total revenue	179,823	492,975	16,281	9,026	177,185	34,656	(18,455)	891,491
Result								
Net income	76,003	480,591	15,106	6,615	191,123	44,991	(29,909)	784,520
Other operating (expenses)/income	(55,152)	(391,604)	(16,948)	(5,017)	(156,225)	(35,571)	12,027	(648,490)
Credit loss (expense)/ income	(218)	(2,852)	-	40	-	1,134	(4)	(1,900)
Bad debt recovered	-	228	-	-	-	285	-	513
Share of results in associates and a joint venture	-	-	-	-	-	13,593	-	13,593
Profit/(loss) before taxation and zakat	20,633	86,363	(1,842)	1,638	34,898	24,432	(17,886)	148,236
Taxation and zakat								(29,421)
Net profit for the financial year								118,815

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

49. SEGMENTAL REPORTING (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments (cont'd.):

2021	Investment banking and stock broking RM'000	Listed derivatives RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Other information							
Net interest and finance income	98,600	3,154	4,021	416	1,243	9,249	116,683
Depreciation and amortisation	(13,063)	(472)	(156)	(3,792)	(9,780)	1,460	(25,803)
Non cash items							
- Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss and derivatives	127,154	-	-	6	23,630	(2,779)	148,011

2021	Investment banking and stock broking RM'000	Listed derivatives RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Assets							
Investments in associates	-	-	-	-	87,171	-	87,171
Investment in a joint venture	-	-	-	-	31,969	-	31,969
Addition to property, plant and equipment and intangible assets	22,050	45	55	3,415	-	-	25,565
Segment assets	5,869,674	450,123	95,990	310,770	15,510	(323,545)	6,418,522
Liabilities							
Segment liabilities	4,828,324	433,725	75,984	231,896	1,561	(207,998)	5,363,492

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

49. SEGMENTAL REPORTING (CONT'D.)

Notes

A Additions to non-current assets consist of:

	2022 RM'000	2021 RM'000
Property, plant and equipment		
- Additions during the financial year (Note 16)	**5,175**	12,230
Intangible assets		
- Additions during the financial year (Note 17)	**8,792**	13,335
	13,967	25,565

B The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2022 RM'000	2021 RM'000
Investments in subsidiaries	**(81,600)**	(81,110)
Investments in associates and joint ventures	**15,801**	9,962
Intangible assets	**(39,584)**	(40,090)
Inter-segment assets	**(257,458)**	(212,307)
	(362,841)	(323,545)

C The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2022 RM'000	2021 RM'000
Deposits accepted from subsidiaries	**(138,227)**	(113,322)
Inter-segment liabilities	**(116,433)**	(94,676)
	(254,660)	(207,998)

NOTES TO THE FINANCIAL STATEMENTS

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50. FINANCIAL RISK MANAGEMENT

The Group and the Bank adopt a proactive and continuous approach in managing risks and have established a risk management framework to ensure that adequate policies and processes are in place to identify and manage the risks within the defined policies and guidelines as approved by the Board of Directors.

The Group's and the Bank's financial risks are centrally managed by the various committees within the delegated authority by the Board of Directors. These committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Group Board Risk Committee and the Board of Directors.

The Group Risk Management assumes the independent oversight of risks undertaken by the Group and the Bank, and takes the lead in the formulation of risk policies, controls and processes. This is further enhanced by the periodic risk assessment audit carried out by the Group's and the Bank's Internal Audit.

The main risk areas faced by the Group and the Bank and the guidelines and policies adopted to manage them are as follows:

(a) Credit risk

Credit risk or the risk of counterparties defaulting, are minimised by the application of credit approvals, limits and monitoring procedures. Balance due from clients and brokers are monitored on an ongoing basis via periodic management reporting. The Group and the Bank through its directors and management, review all significant exposures to customers and counterparties as well as any major concentration of credit risk related to any financial instrument.

The Group and the Bank have risk management procedures in place to manage these risks to ensure that all the procedures and principles relating to risk management are adhered to.

Credit-related commitments risks

The Group and the Bank enter into various commitments which include commitments to extend credit lines and obligation under underwriting agreements. Such commitments expose the Group and the Bank to similar risks to loans and financing and are mitigated by the same processes and policies.

Impairment assessment

For the purpose of determining the risk of default occurring, default is defined based on the credit risk management practises.

Portfolio	Default
Loans, advances and financing	Declaration of event of default with rating "D" and below
Share margin financing	Margin of financing below 100% or declaration of event of default
Trade receivables- stockbroking	More than 30 days past due from contra losses
Other receivables- asset management	More than 30 days past due
Other receivables- advisory fees	More than 30 days past due
Other receivables- factoring	More than 30 days past due
Debt securities at amortised cost or FVOCI	Declaration of event of default with rating "D" and below

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

In the context of the Group and of the Bank, two approaches as specified in MFRS 9 shall be applied in the measurement of ECL i.e. general approach and simplified approach.

General approach recognises impairment based on a three-stages approach which is intended to reflect the deterioration in credit quality of a financial instrument.

General approach

- Stage 1 covers financial instruments that have not deteriorated significantly in credit quality since initial recognition or (where the optional low credit risk simplification is applied) that have low credit risk.

- Stage 2 covers financial instruments that have deteriorated significantly in credit quality since initial recognition (unless the low credit risk simplification has been applied and is relevant) but that do not have objective evidence of a credit loss event.

- Stage 3 covers financial instruments that have objective evidence of impairment at the reporting date.

Low Credit Risk

The Group and the Bank shall adopt practical expedients for its applicable portfolios as detailed in the table below:

Practical Expedient	Low Credit Risk
Applicable portfolio	Government and quasi-government bonds, commercial paper, interbank deposit placement/lending.
Criteria	• the financial instrument has a low risk of default; • the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and • adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.
Measurement	12-month ECL
Methodology	PD x LGD x EAD formula

Definition of 12-month ECL

12-month ECL are a portion of the lifetime ECLs that represent the ECLs that result from probable default events on a financial instrument occurring in the next 12 months. They are weighted by the probability of such a default occurring.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

General approach (cont'd.)

Measurement of ECL by General Approach:

Stage 1

- For financial instruments in stage 1, the Group and the Bank are required to recognise 12 month ECL. For financial instruments that are deemed as low credit risk, 12 month ECL is recognised.

Stage 2

- When a financial instrument transfers to stage 2, the Group and the Bank are required to recognise lifetime ECL.

Stage 3

- For financial instruments in stage 3, the Group and the Bank will continue to recognise lifetime ECL but based on specific provision approach.

The ECL under general approach can be written in the formula below:

ECL = PD x LGD x EAD

Key Components of ECL Measurement

Probability of Default ("PD")

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on the internal credit risk rating model, comprising both quantitative and qualitative factors. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

The Bank adopted external PD published by local rating agency i.e. Malaysia Rating Corporate Berhad ("MARC") as proxy, following adequate assessment and analysis on the suitability of data application i.e. rating mapping exercise due to lack of sufficient size and history.

Loss Given Default ("LGD")

The rating mapping exercise involves the process whereby the Group's and the Bank's existing Internal Credit Risk Rating ("ICRR") is being mapped against MARC rating for the same counterparty. The Group and the Bank assess the definition of each ICRR rating band and makes reference to the definition of MARC rating band. Overall, both the rating models have the same rating band i.e. AAA, AA, A, BBB, BB, B, C & D with BBB as the lowest investment grade and BB and below as non-investment grade. The detailed rating characteristic for each rating band is similar in which AAA indicates superior or extremely high repayment capability and will be rated 'D' upon default. For unrated corporate loans, a default rating of 'BBB2' is applied (as per existing computation).

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

General approach (cont'd.)

Key Components of ECL Measurement (cont'd.)

Loss Given Default ("LGD") (cont'd.)

Details on mapping of the Group's and of the Bank's ICRR to the external ratings are presented in Note 50(a)(i).

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group and the Bank would expect to receive, taking into account cash flows from any collateral.

Exposure at Default ("EAD")

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Simplified approach

The Group and the Bank shall adopt two practical expedients for their applicable portfolios as detailed in the table below:

Practical Expedient	Provision Matrix
Applicable portfolio	Trade receivables, contract assets and lease receivables, balances due to clients and brokers.
Criteria	• Contract assets without significant financing component • Trade receivables without a significant financing component
Measurement	Lifetime ECL
Methodology	Based on the 'age' of receivables i.e. ageing bucket

Definition of Lifetime ECL

Lifetime ECL are the losses that result from all possible events of default at any point during the expected life of the financial instrument.

Measurement of ECL by Simplified Approach

For financial instruments that apply the provision matrix, ageing bucket based on definition of default is established and incorporates the forward-looking element.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

Period over which ECL is measured

The Group and the Bank measure ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities that include both a loan and an undrawn commitment component, the Group's and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period. For such financial instruments, the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

Significant increase in credit risk ("SICR")

SICR is defined as a significant change in the estimated default risk over the remaining expected life of the financial instrument. A SICR event triggers the measurement of loss allowance at an amount equal to lifetime ECL instead of the 12-month ECL estimate.

The indicators for SICR are established to facilitate the staging assessment (from stage 1 to 2) for portfolios that apply the general approach in the measurement of ECL. An asset moves from 12-month ECL (stage 1) to lifetime ECL (stage 2) when there is a significant deterioration in credit quality after initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group and the Bank take into account qualitative and quantitative reasonable and supportable forward looking information.

An asset classified under stage 2 can potentially be transferred to stage 3 if the credit quality deteriorates further. It is also possible that an asset classified under stage 1 experiences drastic credit deterioration and requires to be directly transferred to stage 3. Accordingly, different stage transfer criteria/triggers are established to satisfy the mentioned staging assessment.

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all the above portfolios. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Group Risk Management.

Grouping financial assets measured on a collective basis

Asset classes where the Bank calculates ECL on a collective basis include:

- Debt instruments at fair value through other comprehensive income
- Debt instruments at amortised cost
- Loans, advances and financing
- Balances due from clients and brokers
- Other receivables

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

Grouping financial assets measured on a collective basis (cont'd.)

The Group and the Bank classify these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the financial assets, as described below:

For debt instruments these are:
- Internal grade
- Exposure value

For loan and financing these are:
- Product type (corporate loan, factoring and share margin)
- Internal credit rating
- Exposure value
- Collateral type
- Borrower's industry

For balance due from clients and broker and other receivables these are:
- Exposure value
- Collateral type

Forward-looking and probability-weighted

To determine unbiased probability-weighted amount of ECL which considers range of possible outcomes and use of information about economic conditions, the Group and the Bank use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group and the Bank apply probabilities to the forecast scenarios. The Group and the Bank have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data to estimate the relationships between macro-economic variables and credit risk and credit losses. These are being reviewed and monitored for appropriateness on a quarterly basis.

Pearson's Correlation Test

Pearson's Correlation model is used to test the linkage between each possible macroeconomic indicators and credit risk. The Group and the Bank will then select the relevant macroeconomic indicator(s) that show significant correlation (P-value) to default rate and has the most dynamic impact to credit risk.

Multiple-scenario Analysis

The Group and the Bank generate a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group and the Bank then use these forecasts, which are probability-weighted, to adjust their estimates of PDs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

Forward-looking and probability-weighted (cont'd.)

Multiple-scenario Analysis (cont'd.)

The scenarios by state of economy namely, "Booming", "Normal" and "Downside" were used as defined in below table:

State of Economy	GDP Growth Rate (annual)	KLCI Index (point)
Downturn (D)	<4.0%	<1,700
Normal (N)	4.0%-6.0%	-1,700 - 1,900
Booming (B)	>6.0%	>1,900

The assumptions used for the ECL estimates as at 31 December 2022 are set out below.

Economic Factor	Scenario	2022	2023	2024
GDP Growth Rate	1	B	N	B
	2	B	N	N
	3	D	D	D
KLCI Index	1	D	N	N
	2	D	D	N
	3	D	D	D

The assumptions used for the ECL estimates as at 31 December 2021 are set out below.

Economic Factor	Scenario	2021	2022	2023
GDP Growth Rate	1	N	B	N
	2	D	N	N
	3	D	D	D
KLCI Index	1	N	B	B
	2	D	D	N
	3	D	D	D

The weightings assigned to each state of economy as at 31 December 2022 were as follows:

	State of Economy	Weighting
	B	15%
All portfolios	N	80%
	D	5%

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

Forward-looking and probability-weighted (cont'd.)

Multiple-scenario Analysis (cont'd.)

The weightings assigned to each state of economy as at 31 December 2021 were as follows:

	State of Economy	Weighting
	B	10%
All portfolios	N	60%
	D	30%

Expert judgement

Expert credit judgement is used to complement the assumptions made in the absence of sufficient data during the model development process and incorporation of forward-looking element over a range of possible scenarios into the ECL. The exercise of such judgement, together with any separately-calculated adjustments to the results to address limitations in the core modelling approach - will require particular attention in the governance process.

Therefore, the use of expert judgement shall be applied as and when necessary and shall be governed by the following:

I. All expert judgements need to be properly documented and backed by reasonable and supportable information that is available without undue cost or effort.

II. Any expert judgement including new proposal, changes or updates, is required to be endorsed in accordance with the governance process as stipulated in this Framework.

III. The Group and the Bank intend to apply expert judgement including but not limited to below areas:

   a. Definition of macroeconomic scenario and its probability for ECL measurement;
   b. Assumptions made during modelling process in relation to ECL due to data limitations; and
   c. Others as decided by relevant committee.

IV. Any management adjustment made shall be tabled to Group Credit Committee for concurrence.

Risk concentration: maximum exposure to credit risk without taking account of any collateral and other credit enhancement

The Group's and the Bank's concentration risk is managed by counterparty and by industry sector. The Group and the Bank apply single counterparty exposure limits to protect against unacceptably large exposures to single counterparty risk.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by geography before the effect of mitigation through the use of master netting and collateral agreements is not presented as the Group's and the Bank's activities are principally conducted in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2022

Group	Manufacturing (incl. agri-based) RM'000	Electricity, gas & water supply RM'000	Wholesale & retail trade, and hotel & restaurant RM'000	Real estate RM'000	Transport, storage and communications RM'000	Finance and insurance RM'000	Household RM'000	Others RM'000	Total RM'000
Financial assets									
Cash and bank balances	-	-	-	-	-	1,732,786	-	-	1,732,786
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	58,403	-	-	58,403
Balances due from clients and brokers	5,660	-	-	227	922	166,464	234,208	20,157	427,638
Financial assets at FVTPL									
Islamic Corporate Sukuk	-	9,042	-	-	-	-	-	-	9,042
Unquoted shares and unit trust funds in Malaysia	-	26,662	-	-	-	44,950	-	96,972	168,584
Derivative financial assets	-	-	-	27,465	15	-	5,274	52,463	85,217
Net loans, advances and financing									
Term loans	-	-	57,110	-	5,989	-	22,137	328,532	413,768
Islamic term loans	-	-	-	2,513	-	-	41,689	39,865	84,067
Share margin financing	-	-	24,756	30,423	-	-	866,346	201,187	1,122,712
Islamic share margin financing	-	-	-	-	-	-	13,311	-	13,311
Others	-	-	12,464	-	-	-	20,424	23,729	56,617
Financial investments at FVOCI									
Malaysian Government Securities	-	-	-	-	-	19,373	-	-	19,373
Malaysian Government Investment Certificates	-	-	-	-	-	59,534	-	-	59,534
Corporate Bonds	-	14,889	-	-	-	25,151	-	14,555	54,595
Islamic Corporate Sukuk	-	23,214	-	-	19,997	120,938	-	20,228	184,377
Unquoted equities	-	-	-	-	-	-	-	1,294	1,294
Financial investments at AC									
Corporate Bonds	-	-	-	-	-	20,002	-	-	20,002
Malaysian Government Securities	-	-	-	-	-	49,677	-	-	49,677
Malaysian Government Investment Certificates	-	-	-	-	-	177,316	-	-	177,316
Islamic Corporate Sukuk	-	-	-	-	-	202,119	-	-	202,119
Other assets, excluding prepayments and deposits	-	-	-	-	-	-	-	162,536	162,536
	5,660	73,807	94,330	60,628	26,923	2,676,713	1,203,389	961,518	5,102,968

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2021

Group	Manufacturing (incl. agri-based) RM'000	Electricity, gas & water supply RM'000	Wholesale & retail trade, and hotel & restaurant RM'000	Real estate RM'000	Transport, storage and communications RM'000	Finance and insurance RM'000	Household RM'000	Others RM'000	Total RM'000
Financial assets									
Cash and bank balances	-	-	-	-	-	1,897,384	-	-	1,897,384
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	50,868	-	-	50,868
Balances due from clients and brokers	620	-	395	-	-	118,107	206,397	8,946	334,465
Financial assets at FVTPL									
Islamic Corporate Sukuk	-	23,873	-	-	-	-	-	-	23,873
Unquoted shares and unit trust funds in Malaysia	-	-	-	-	-	-	-	156,508	156,508
Derivative financial assets	-	-	-	27,500	15	-	2,411	51,527	81,453
Net loans, advances and financing									
Term loans	-	-	63,711	15,732	-	-	24,534	342,579	446,556
Islamic term loans	-	-	-	14,868	-	-	36,058	38,659	89,585
Share margin financing	5,845	-	-	25,025	-	-	885,600	227,169	1,143,639
Islamic share margin financing	-	-	-	-	-	-	13,471	-	13,471
Others	-	-	14,345	-	-	-	17,640	50,177	82,162
Financial investments at FVOCI									
Malaysian Government Securities	-	-	-	-	-	40,042	-	-	40,042
Malaysian Government Investment Certificates	-	-	-	-	-	91,934	-	-	91,934
Islamic Negotiable Instruments of Deposits	-	-	-	-	-	199,724	-	-	199,724
Corporate Bonds	-	15,055	-	42,982	-	30,848	-	40,077	128,962
Islamic Corporate Sukuk	-	54,337	-	5,047	30,551	164,594	-	20,923	275,452
Unquoted equities	-	-	-	-	-	-	-	1,460	1,460
Financial investments at AC									
Corporate Bonds	-	-	-	-	-	20,012	-	-	20,012
Malaysian Government Investment Certificates	-	-	-	-	-	39,912	-	-	39,912
Islamic Corporate Sukuk	-	-	6,451	-	-	147,285	-	-	153,736
Other assets, excluding prepayments and deposits	-	-	-	-	-	-	-	218,653	218,653
	6,465	93,265	84,902	131,154	30,566	2,800,710	1,186,111	1,156,678	5,489,851

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2022

Bank	Manufacturing (incl. agri-based) RM'000	Electricity, gas & water supply RM'000	Wholesale & retail trade, and hotel & restaurant RM'000	Real estate RM'000	Transport, storage and communications RM'000	Finance and insurance RM'000	Household RM'000	Others RM'000	Total RM'000
Financial assets									
Cash and bank balances	-	-	-	-	-	1,262,925	-	-	1,262,925
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	58,403	-	-	58,403
Balances due from clients and brokers	5,660	-	-	227	922	166,464	234,208	19,996	427,477
Financial assets at FVTPL									
Islamic Corporate Sukuk	-	9,042	-	-	-	-	-	-	9,042
Unquoted shares and unit trust funds in Malaysia	-	26,662	-	-	-	44,950	-	100,000	171,612
Derivative financial assets	-	-	-	27,465	15	-	5,274	52,463	85,217
Net loans, advances and financing									
Term loans	-	-	57,110	-	5,989	29,952	22,137	368,230	483,418
Islamic term loans	-	-	-	2,513	-	-	41,689	39,865	84,067
Share margin financing	-	-	24,756	30,423	-	-	866,346	201,187	1,122,712
Islamic share margin financing	-	-	-	-	-	-	13,311	-	13,311
Others	-	-	-	-	-	-	2	-	2
Financial investments at FVOCI									
Malaysian Government Securities	-	-	-	-	-	19,373	-	-	19,373
Malaysian Government Investment Certificates	-	-	-	-	-	59,534	-	-	59,534
Corporate Bonds	-	14,889	-	-	-	25,151	-	14,555	54,595
Islamic Corporate Sukuk	-	23,214	-	-	19,997	120,938	-	20,228	184,377
Unquoted equities	-	-	-	-	-	-	-	1,294	1,294
Financial investments at AC									
Corporate Bonds	-	-	-	-	-	20,002	-	-	20,002
Malaysian Government Securities	-	-	-	-	-	49,677	-	-	49,677
Malaysian Government Investment Certificates	-	-	-	-	-	177,316	-	-	177,316
Islamic Corporate Sukuk	-	-	-	-	-	202,119	-	-	202,119
Other assets, excluding prepayments and deposits	-	-	-	-	-	-	-	106,937	106,937
	5,660	73,807	81,866	60,628	26,923	2,236,804	1,182,967	924,755	4,593,410

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2021

Bank	Manufacturing (incl. agri-based) RM'000	Electricity, gas & water supply RM'000	Wholesale & retail trade, and hotel & restaurant RM'000	Real estate RM'000	Transport, storage and communications RM'000	Finance and insurance RM'000	Household RM'000	Others RM'000	Total RM'000
Financial assets									
Cash and bank balances	-	-	-	-	-	1,459,156	-	-	1,459,156
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	50,868	-	-	50,868
Balances due from clients and brokers	620	-	395	-	-	118,107	206,397	8,851	334,370
Financial assets at FVTPL									
Islamic Corporate Sukuk	-	23,873	-	-	-	-	-	-	23,873
Unquoted shares and unit trust funds in Malaysia	-	-	-	-	-	-	-	155,772	155,772
Derivative financial assets	-	-	-	27,500	15	-	2,411	51,527	81,453
Net loans, advances and financing									
Term loans	-	-	63,711	15,732	-	26,538	24,534	372,308	502,823
Islamic term loans	-	-	-	14,868	-	-	36,058	38,659	89,585
Share margin financing	5,845	-	-	25,025	-	-	885,600	227,169	1,143,639
Islamic share margin financing	-	-	-	-	-	-	13,471	-	13,471
Others	-	-	-	-	-	-	97	-	97
Financial investments at FVOCI									
Malaysian Government Securities	-	-	-	-	-	40,042	-	-	40,042
Malaysian Government Investment Certificates	-	-	-	-	-	91,934	-	-	91,934
Islamic Negotiable Instruments of Deposits	-	-	-	-	-	199,724	-	-	199,724
Corporate Bonds	-	15,055	-	42,982	-	30,848	-	40,077	128,962
Islamic Corporate Sukuk	-	54,337	-	5,047	30,551	164,594	-	20,923	275,452
Unquoted equities	-	-	-	-	-	-	-	1,460	1,460
Financial investments at AC									
Corporate Bonds	-	-	-	-	-	20,012	-	-	20,012
Malaysian Government Investment Certificates	-	-	-	-	-	39,912	-	-	39,912
Islamic Corporate Sukuk	-	-	6,451	-	-	147,285	-	-	153,736
Other assets, excluding prepayments and deposits	-	-	-	-	-	-	-	120,120	120,120
	6,465	93,265	70,557	131,154	30,566	2,389,020	1,168,568	1,036,866	4,926,461

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
(i) Cash;
(ii) Charges over financial instruments;
(iii) Securities;
(iv) Charges over real estate properties, inventory and trade receivables;
(v) Mortgages over properties; or
(vi) Financial guarantees.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

(i) Internal Credit Risk Ratings

The table below provides a mapping of the Group's and of the Bank's internal credit risk grades to external ratings:

Notches	KIBB Obligor Rating	External Rating	Classification of Credit Risk Grade	Description
1	AAA	AAA	Investment Grade	Superior capacity to meet its financial obligation.
2 3 4	AA1 AA2 AA3	AA		Strong capacity to meet its financial obligations. The entity is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
5 6 7	A1 A2 A3	A		Adequate capacity to meet its financial obligations. The entity is more susceptible to adverse changes in circumstances, economic and/or operating environments.
8 9 10	BBB1 BBB2 BBB3	BBB		Moderate capacity to meet its financial obligations. The entity is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(i) Internal Credit Risk Ratings (cont'd.)

The table below provides a mapping of the Group's and of the Bank's internal credit risk grades to external ratings (cont'd.):

Notches	KIBB Obligor Rating	External Rating	Classification of Credit Risk Grade	Description
11 12 13	BB1 BB2 BB3	BB	Non-Investment Grade	Weak capacity to meet its financial obligations. The entity is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
14 15 16	B1 B2 B3	B		Very weak capacity to meet its financial obligations. The entity has a limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
17 18 19	C1 C2 C3	C		High likelihood of defaulting on its financial obligations. The entity is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations.
20	D	D	Default	Currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the entity that could jeopardise the payment of financial obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets

The credit quality of financial assets is managed by the Group and the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's and the Bank's internal credit rating system.

Credit quality of financial assets neither past due nor impaired

The credit quality of financial assets is managed by the Group and the Bank using internal ratings which aim to reflect the relative ability of counterparties to fulfill, on time, their credit-related obligations, and is based on their current probability of default.

Internal rating	
Strong credit profile	Customers that have demonstrated superior stability in their operating and financial performance over the long-term, and whose debt servicing capacity is not significantly vulnerable to foreseeable events. This rating broadly corresponds to ratings "AAA" to "AA" of RAM Rating Services Berhad ("RAM") and Malaysian Rating Corporation Berhad ("MARC") respectively.
Satisfactory risk	Customers that have consistently demonstrated sound operational and financial stability over the medium to long term, even though some may be susceptible to cyclical trends or variability in earnings. This rating broadly corresponds to ratings "A" to "BBB" of RAM and MARC respectively.
Substandard	Customers that have demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term. This rating broadly corresponds to ratings "BB" to "C" of RAM and MARC respectively.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Group	Neither past due nor impaired: Strong credit profile Stage 1 RM'000	Neither past due nor impaired: Satisfactory risk Stage 1 RM'000	Neither past due nor impaired: Sub-standard Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2022									
Cash and bank balances	1,732,786	-	-	-	-	-	-	-	1,732,786
Statutory deposit with Bank Negara Malaysia	58,403	-	-	-	-	-	-	-	58,403
Financial assets at FVTPL									
Islamic Corporate Sukuk	9,042	-	-	-	-	-	-	-	9,042
Unquoted shares and unit trust funds in Malaysia	168,584	-	-	-	-	-	-	-	168,584
Net loans, advances and financing									
Term loans	-	313,978	39,305	-	63,385	-	-	(2,900)	413,768
Islamic term loans	-	60,929	23,308	-	-	-	-	(170)	84,067
Share margin financing	328,509	750,276	176	-	30,438	30,346	(17,033)	-	1,122,712
Islamic share margin financing	11,038	2,273	-	-	-	-	-	-	13,311
Others	34,009	12,043	-	2	-	12,833	(2,270)	-	56,617
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	19,373	-	-	-	-	-	-	-	19,373
Malaysian Government Investment Certificates	59,534	-	-	-	-	-	-	-	59,534
Islamic Corporate Sukuk	179,399	-	-	-	4,978	-	-	-	184,377
Corporate Bonds	54,595	-	-	-	-	-	-	-	54,595
Equity instrument:									
Unquoted equities	-	-	-	1,294	-	-	-	-	1,294
Financial investments at AC									
Corporate Bonds	20,002	-	-	-	-	-	-	-	20,002
Malaysian Government Securities	49,677	-	-	-	-	-	-	-	49,677
Malaysian Government Investment Certificates	177,316	-	-	-	-	-	-	-	177,316
Islamic Corporate Sukuk	202,119	-	-	-	-	-	-	-	202,119
Derivative financial assets	-	-	-	85,217	-	-	-	-	85,217
Balances due from clients and brokers	397,657	-	-	-	13,156	19,602	(1,246)	(1,531)	427,638
Other assets, excluding prepayments and deposits	147,741	-	-	80	4,447	21,927	(11,327)	(332)	162,536
Total	3,649,784	1,139,499	62,789	86,593	116,404	84,708	(31,876)	(4,933)	5,102,968

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Group	Neither past due nor impaired								
	Strong credit profile Stage 1 RM'000	Satisfactory risk Stage 1 RM'000	Sub-standard Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2021									
Cash and bank balances	1,897,384	-	-	-	-	-	-	-	1,897,384
Statutory deposit with Bank Negara Malaysia	50,868	-	-	-	-	-	-	-	50,868
Financial assets at FVTPL									
Islamic Corporate Sukuk	23,873	-	-	-	-	-	-	-	23,873
Unquoted shares and unit trust funds in Malaysia	156,508	-	-	-	-	-	-	-	156,508
Net loans, advances and financing									
Term loans	-	342,698	43,190	-	63,073	-	-	(2,405)	446,556
Islamic term loans	-	65,309	24,807	-	-	-	-	(531)	89,585
Share margin financing	439,292	556,908	53,912	42,553	63	64,700	(13,789)	-	1,143,639
Islamic share margin financing	16	13,051	404	-	-	-	-	-	13,471
Others	56,675	12,387	-	97	5,239	8,441	(664)	(13)	82,162
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	40,042	-	-	-	-	-	-	-	40,042
Malaysian Government Investment Certificates	91,934	-	-	-	-	-	-	-	91,934
Islamic Corporate Sukuk	275,452	-	-	-	-	-	-	-	275,452
Corporate Bonds	128,962	-	-	-	-	-	-	-	128,962
Islamic Negotiable Instruments of Deposits	199,724	-	-	-	-	-	-	-	199,724
Equity instrument:									
Unquoted equities	-	-	-	1,460	-	-	-	-	1,460
Financial investments at AC									
Corporate Bonds	20,012	-	-	-	-	-	-	-	20,012
Malaysian Government Investment Certificates	39,912	-	-	-	-	-	-	-	39,912
Islamic Corporate Sukuk	147,285	6,451	-	-	-	-	-	-	153,736
Derivative financial assets	-	-	-	81,453	-	-	-	-	81,453
Balances due from clients and brokers	305,235	-	-	-	14,333	17,708	(1,276)	(1,535)	334,465
Other assets, excluding prepayments and deposits	214,654	-	-	-	1,872	7,349	(4,999)	(223)	218,653
Total	4,087,828	996,804	122,313	125,563	84,580	98,198	(20,728)	(4,707)	5,489,851

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Bank	Neither past due nor impaired Strong credit profile Stage 1 RM'000	Satisfactory risk Stage 1 RM'000	Sub-standard Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2022									
Cash and bank balances	1,262,925	-	-	-	-	-	-	-	1,262,925
Statutory deposit with Bank Negara Malaysia	58,403	-	-	-	-	-	-	-	58,403
Financial assets at FVTPL									
Islamic Corporate Sukuk	9,042	-	-	-	-	-	-	-	9,042
Unquoted shares and unit trust funds in Malaysia	171,612	-	-	-	-	-	-	-	171,612
Net loans, advances and financing									
Term loans	-	384,092	39,305	-	63,386	-	-	(3,365)	483,418
Islamic term loans	-	60,929	23,308	-	-	-	-	(170)	84,067
Share margin financing	328,509	750,276	176	-	30,438	30,346	(17,033)	-	1,122,712
Islamic share margin financing	11,038	2,273	-	-	-	-	-	-	13,311
Others	-	-	-	2	-	-	-	-	2
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	19,373	-	-	-	-	-	-	-	19,373
Malaysian Government Investment Certificates	59,534	-	-	-	-	-	-	-	59,534
Islamic Corporate Sukuk	179,399	-	-	-	4,978	-	-	-	184,377
Corporate Bonds	54,595	-	-	-	-	-	-	-	54,595
Equity instrument:									
Unquoted equities	-	-	-	1,294	-	-	-	-	1,294
Financial investments at AC									
Corporate Bonds	20,002	-	-	-	-	-	-	-	20,002
Malaysian Government Securities	49,677	-	-	-	-	-	-	-	49,677
Malaysian Government Investment Certificates	177,316	-	-	-	-	-	-	-	177,316
Islamic Corporate Sukuk	202,119	-	-	-	-	-	-	-	202,119
Derivative financial assets	-	-	-	85,217	-	-	-	-	85,217
Balances due from clients and brokers	397,496	-	-	-	13,156	19,602	(1,246)	(1,531)	427,477
Other assets, excluding prepayments and deposits	88,693	-	-	-	7,571	17,717	(6,472)	(572)	106,937
Total	3,089,733	1,197,570	62,789	86,513	119,529	67,665	(24,751)	(5,638)	4,593,410

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Bank	Neither past due nor impaired Strong credit profile Stage 1 RM'000	Neither past due nor impaired Satisfactory risk Stage 1 RM'000	Neither past due nor impaired Sub-standard Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2021									
Cash and bank balances	1,459,156	-	-	-	-	-	-	-	1,459,156
Statutory deposit with Bank Negara Malaysia	50,868	-	-	-	-	-	-	-	50,868
Financial assets at FVTPL									
Islamic Corporate Sukuk	23,873	-	-	-	-	-	-	-	23,873
Unquoted shares and unit trust funds in Malaysia	155,772	-	-	-	-	-	-	-	155,772
Net loans, advances and financing									
Term loans	-	399,276	43,190	-	63,073	-	-	(2,716)	502,823
Islamic term loans	-	65,309	24,807	-	-	-	-	(531)	89,585
Share margin financing	439,292	556,908	53,912	42,553	63	64,700	(13,789)	-	1,143,639
Islamic share margin financing	16	13,051	404	-	-	-	-	-	13,471
Others	-	-	-	97	-	-	-	-	97
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	40,042	-	-	-	-	-	-	-	40,042
Malaysian Government Investment Certificates	91,934	-	-	-	-	-	-	-	91,934
Islamic Corporate Sukuk	275,452	-	-	-	-	-	-	-	275,452
Corporate Bonds	128,962	-	-	-	-	-	-	-	128,962
Islamic Negotiable Instruments of Deposits	199,724	-	-	-	-	-	-	-	199,724
Equity instrument:									
Unquoted equities	-	-	-	1,460	-	-	-	-	1,460
Financial investments at AC									
Corporate Bonds	20,012	-	-	-	-	-	-	-	20,012
Malaysian Government Investment Certificates	39,912	-	-	-	-	-	-	-	39,912
Islamic Corporate Sukuk	147,285	6,451	-	-	-	-	-	-	153,736
Derivative financial assets	-	-	-	81,453	-	-	-	-	81,453
Balances due from clients and brokers	305,140	-	-	-	14,333	17,708	(1,276)	(1,535)	334,370
Other assets, excluding prepayments and deposits	116,359	-	-	-	1,872	7,350	(4,999)	(462)	120,120
Total	3,493,799	1,040,995	122,313	125,563	79,341	89,758	(20,064)	(5,244)	4,926,461

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Credit risk exposure for each internal credit risk rating

Internal credit rating	Group Total 2022 RM'000	Bank Total 2022 RM'000
Strong		
AAA	**3,155,409**	**2,624,044**
AA	**494,376**	**465,690**
Satisfactory		
A	**849,543**	**882,102**
BBB	**320,208**	**345,256**
Substandard		
BB	**123,275**	**123,275**
B	**15**	**15**
C	**4,978**	**4,978**
Default		
D	**52,832**	**42,914**
Non-rated	**102,332**	**105,136**
	5,102,968	**4,593,410**

Internal credit rating	Group Total 2021 RM'000	Bank Total 2021 RM'000
Strong		
AAA	3,406,419	2,858,974
AA	694,207	649,033
Satisfactory		
A	729,493	739,960
BBB	272,841	299,379
Substandard		
BB	126,249	126,249
B	57,201	57,201
C	408	408
Default		
D	77,470	69,694
Non-rated	125,563	125,563
	5,489,851	4,926,461

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Ageing analysis of financial assets which are past due but not impaired

	Less than 1 month RM'000	1 to 12 months RM'000	>12 months RM'000	Total RM'000
Group				
2022				
Share margin financing	**-**	**-**	**34,273**	**34,273**
Corporate loans	**63,386**	**-**	**-**	**63,386**
Other loans	**-**	**-**	**7,203**	**7,203**
Other assets	**-**	**-**	**80**	**80**
Total	**63,386**	**-**	**41,556**	**104,942**
2021				
Share margin financing	-	64	9,983	10,047
Corporate loans	63,101	-	-	63,101
Other assets	-	-	80	80
Total	63,101	64	10,063	73,228
Bank				
2022				
Share margin financing	**-**	**-**	**34,273**	**34,273**
Corporate loans	**63,386**	**-**	**-**	**63,386**
Other assets	**-**	**-**	**80**	**80**
Total	**63,386**	**-**	**34,353**	**97,739**
2021				
Share margin financing	-	64	9,983	10,047
Corporate loans	63,101	-	-	63,101
Other assets	-	-	80	80
Total	63,101	64	10,063	73,228

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(v) Estimated value of collateral and other charges related to financial assets that are past due and individually impaired

	Cash and securities RM'000	Real estate RM'000	Other RM'000	Total value of collateral RM'000	Credit exposure RM'000	Unsecured portion of credit exposure RM'000
Group						
2022						
Loans, advances and financing						
Share margin financing	**3,982**	**5,496**	**-**	**9,478**	**26,511**	**17,033**
Others	**3,360**	**-**	**-**	**3,360**	**5,630**	**2,270**
Balances due from clients and brokers	**-**	**-**	**-**	**-**	**1,246**	**1,246**
Other assets	**-**	**-**	**10,600**	**10,600**	**21,927**	**11,327**
	7,342	**5,496**	**10,600**	**23,438**	**55,314**	**31,876**
2021						
Loans, advances and financing						
Share margin financing	35,134	6,891	-	42,025	55,814	13,789
Others	-	-	-	-	664	664
Balances due from clients and brokers	-	-	-	-	1,276	1,276
Other assets	-	-	2,350	2,350	7,349	4,999
	35,134	6,891	2,350	44,375	65,103	20,728

NOTES TO THE FINANCIAL STATEMENTS

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(v) Estimated value of collateral and other charges related to financial assets that are past due and individually impaired (cont'd.)

	Cash and securities RM'000	Real estate RM'000	Other RM'000	Total value of collateral RM'000	Credit exposure RM'000	Unsecured portion of credit exposure RM'000
Bank						
2022						
Loans, advances and financing						
Share margin financing	**3,982**	**5,496**	**-**	**9,478**	**26,511**	**17,033**
Balances due from clients and brokers	**-**	**-**	**-**	**-**	**1,246**	**1,246**
Other assets	**-**	**-**	**11,245**	**11,245**	**17,717**	**6,472**
	3,982	**5,496**	**11,245**	**20,723**	**45,474**	**24,751**
2021						
Loans, advances and financing						
Share margin financing	35,134	6,891	-	42,025	55,814	13,789
Balances due from clients and brokers	-	-	-	-	1,276	1,276
Other assets	-	-	2,351	2,351	7,350	4,999
	35,134	6,891	2,351	44,376	64,440	20,064

NOTES TO THE FINANCIAL STATEMENTS

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk

Market risk is the risk of loss arising from changes in prices of equity instruments and other financial instruments in the markets in which the Group and the Bank operate. The Group and the Bank also engage in bond proprietary trading to generate revenue in anticipation of changes in prices that may occur in the debt capital market.

The Group and the Bank manage the risk of unfavourable price changes by cautious reviews of investments and collaterals held with continuous monitoring of their performance and risk profiles by qualified personnel.

(i) Interest rate risk

In macro terms, interest rate risk refers to the overall sensitivity of the Group's and of the Bank's earnings and/or economic values of the Group's and of the Bank's portfolio to changes in interest rates. Interest rate risk is managed through various risk management techniques including re-pricing gap, net interest income simulation and stress testing.

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The effect of changes in the levels of interest rates on the market value of securities is monitored regularly and the outcome of mark-to-market valuations is escalated to management regularly. The table below summarises the effective interest rates at the reporting date and the periods in which the financial instruments will reprice or mature, whichever is the earlier.

Interest rate sensitivity analysis

The Board has established limits on the trading and non-trading interest rate gaps activities. In accordance with the Group's and the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The sensitivity of interest rate to the statements of profit and loss and other comprehensive income and equity is the effect of the assumed changes in interest rates level on the profit and loss for the financial year, based on the financial assets and financial liabilities held as at the reporting date.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Group 2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and bank balances	1,202,089	32,007	-	-	-	498,690	-	1,732,786	2.19
Financial assets at FVTPL	-	-	-	-	-	-	322,139	322,139	3.76
Financial instruments at FVOCI	9,978	45,017	10,078	105,393	147,413	1,294	-	319,173	3.91
Financial instruments at AC	-	45,029	60,067	80,528	263,490	-	-	449,114	4.29
Derivative financial assets	-	-	-	-	-	85,217	-	85,217	
Loans, advances and financing	1,634,219	8,638	23,301	24,315	-	2	-	1,690,475	7.02
Balances due from clients and brokers	-	-	-	-	-	427,638	-	427,638	
Other assets	56,596	-	-	-	-	127,157	-	183,753	
Other non interest sensitive balances	-	-	-	-	-	752,062	-	752,062	
Total assets	2,902,882	130,691	93,446	210,236	410,903	1,892,060	322,139	5,962,357	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Group (cont'd.) 2022 (cont'd.)	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	1,856,701	851,371	453,006	-	-	-	-	3,161,078	2.35
Deposits and placement of banks and other financial institutions	378,359	37,000	-	-	-	-	-	415,359	2.35
Borrowings	25,500	-	-	-	180,500	-	-	206,000	4.76
Derivative financial liabilities	-	-	-	-	-	16,496	-	16,496	
Balances due to clients and brokers	-	-	-	-	-	732,709	-	732,709	
Other liabilities-structured product	2,879	-	-	-	-	-	-	2,879	29.86
Other non interest sensitive balances	-	-	-	-	-	405,012	-	405,012	
Total liabilities	2,263,439	888,371	453,006	-	180,500	1,154,217	-	4,939,533	
Equity	-	-	-	-	-	1,017,280	-	1,017,280	
Non-controlling interest	-	-	-	-	-	5,544	-	5,544	
Total liabilities and shareholders' equity	2,263,439	888,371	453,006	-	180,500	2,177,041	-	5,962,357	
On-balance sheet interest sensitivity gap	639,443	(757,680)	(359,560)	210,236	230,403	(284,981)	322,139	-	
Cumulative interest sensitivity gap	639,443	(118,237)	(477,797)	(267,561)	(37,158)	(322,139)	-	-	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Group (cont'd.) 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and bank balances	1,360,597	10,419	-	-	-	526,368	-	1,897,384	1.71
Financial assets at FVTPL	-	-	-	-	-	-	387,322	387,322	4.35
Financial instruments at FVOCI	169,864	49,881	169,272	159,037	188,060	1,460	-	737,574	3.70
Financial instruments at AC	-	6,452	-	166,346	40,862	-	-	213,660	4.37
Derivative financial assets	-	-	-	-	-	81,453	-	81,453	
Loans, advances and financing	1,684,831	14,513	18,657	57,315	-	97	-	1,775,413	6.91
Balances due from clients and brokers	-	-	-	-	-	334,465	-	334,465	
Other assets	93,849	-	-	-	-	144,973	-	238,822	
Other non interest sensitive balances	-	-	-	-	-	752,429	-	752,429	
Total assets	3,309,141	81,265	187,929	382,698	228,922	1,841,245	387,322	6,418,522	

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Group (cont'd.) 2021 (cont'd.)	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	1,638,170	666,478	732,630	100,000	-	-	-	3,137,278	1.89
Deposits and placement of banks and other financial institutions	369,958	242,904	40,000	-	-	-	-	652,862	1.89
Borrowings	56,200	3,000	-	-	185,500	-	-	244,700	4.54
Derivative financial liabilities	-	-	-	-	-	28,760	-	28,760	
Balances due to clients and brokers	-	-	-	-	-	665,968	-	665,968	
Other liabilities-structured product	3,168	-	-	-	-	-	-	3,168	21.45
Other non interest sensitive balances	-	-	-	-	-	630,756	-	630,756	
Total liabilities	2,067,496	912,382	772,630	100,000	185,500	1,325,484	-	5,363,492	
Equity	-	-	-	-	-	1,050,329	-	1,050,329	
Non-controlling interest	-	-	-	-	-	4,701	-	4,701	
Total liabilities and shareholders' equity	2,067,496	912,382	772,630	100,000	185,500	2,380,514	-	6,418,522	
On-balance sheet interest sensitivity gap	1,241,645	(831,117)	(584,701)	282,698	43,422	(539,269)	387,322	-	
Cumulative interest sensitivity gap	1,241,645	410,528	(174,173)	108,525	151,947	(387,322)	-	-	

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Bank 2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and bank balances	1,127,034	21,955	-	-	-	113,936	-	1,262,925	2.19
Financial assets at FVTPL	-	-	-	-	-	-	324,626	324,626	3.76
Financial instruments at FVOCI	9,978	45,017	10,078	105,393	147,413	1,294	-	319,173	3.91
Financial instruments at AC	-	45,029	60,067	80,528	263,490	-	-	449,114	4.29
Derivative financial assets	-	-	-	-	-	85,217	-	85,217	
Loans, advances and financing	1,700,507	3,001	-	-	-	2	-	1,703,510	7.02
Balances due from clients and brokers	-	-	-	-	-	427,477	-	427,477	
Other assets	-	-	-	30,341	-	95,092	-	125,433	
Other non interest sensitive balances	-	-	-	-	-	758,717	-	758,717	
Total assets	2,837,519	115,002	70,145	216,262	410,903	1,481,735	324,626	5,456,192	

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Bank (cont'd.) 2022 (cont'd.)	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	1,963,144	881,767	454,394	-	-	-	-	3,299,305	2.35
Deposits and placement of banks and other financial institutions	378,359	37,000	-	-	-	-	-	415,359	2.35
Borrowings	8,000	-	-	-	180,500	-	-	188,500	4.74
Derivative financial liabilities	-	-	-	-	-	16,496	-	16,496	
Balances due to clients and brokers	-	-	-	-	-	262,976	-	262,976	
Other liabilities-structured product	2,879	-	-	-	-	-	-	2,879	29.86
Other non interest sensitive balances	-	-	-	-	-	266,896	-	266,896	
Total liabilities	2,352,382	918,767	454,394	-	180,500	546,368	-	4,452,411	
Equity	-	-	-	-	-	1,003,781	-	1,003,781	
Total liabilities and shareholders' equity	2,352,382	918,767	454,394	-	180,500	1,550,149	-	5,456,192	
On-balance sheet interest sensitivity gap	485,137	(803,765)	(384,249)	216,262	230,403	(68,414)	324,626	-	
Cumulative interest sensitivity gap	485,137	(318,628)	(702,877)	(486,615)	(256,212)	(324,626)	-	-	

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Bank 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and bank balances	1,321,399	-	-	-	-	137,757	-	1,459,156	1.71
Financial assets at FVTPL	-	-	-	-	-	-	386,367	386,367	4.35
Financial instruments at FVOCI	169,864	49,881	169,272	159,037	188,060	1,460	-	737,574	3.70
Financial instruments at AC	-	6,452	-	166,346	40,862	-	-	213,660	4.37
Derivative financial assets	-	-	-	-	-	81,453	-	81,453	
Loans, advances and financing	1,738,367	11,151	-	-	-	97	-	1,749,615	6.91
Balances due from clients and brokers	-	-	-	-	-	334,370	-	334,370	
Other assets	-	-	-	29,761	-	108,168	-	137,929	
Other non interest sensitive balances	-	-	-	-	-	769,550	-	769,550	
Total assets	3,229,630	67,484	169,272	355,144	228,922	1,432,855	386,367	5,869,674	

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Bank (cont'd.) 2021 (cont'd.)	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	1,715,418	701,132	734,050	100,000	-	-	-	3,250,600	1.89
Deposits and placement of banks and other financial institutions	369,958	242,904	40,000	-	-	-	-	652,862	1.89
Borrowings	19,200	-	-	-	185,500	-	-	204,700	4.54
Derivative financial liabilities	-	-	-	-	-	28,760	-	28,760	
Balances due to clients and brokers	-	-	-	-	-	265,296	-	265,296	
Other liabilities- structured product	3,168	-	-	-	-	-	-	3,168	21.45
Other non interest sensitive balances	-	-	-	-	-	422,938	-	422,938	
Total liabilities	2,107,744	944,036	774,050	100,000	185,500	716,994	-	4,828,324	
Equity	-	-	-	-	-	1,041,350	-	1,041,350	
Total liabilities and shareholders' equity	2,107,744	944,036	774,050	100,000	185,500	1,758,344	-	5,869,674	
On-balance sheet interest sensitivity gap	1,121,886	(876,552)	(604,778)	255,144	43,422	(325,489)	386,367	-	
Cumulative interest sensitivity gap	1,121,886	245,334	(359,444)	(104,300)	(60,878)	(386,367)	-	-	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Interest rate sensitivity analysis

The following table demonstrates the impact of a +/- 150 basis points change in interest rates, ceteris paribus, on the Group's profit or loss and equity.

Change in interest rates 2022	Impact on profit or loss 2022 RM'000	Impact on equity* 2022 RM'000	Change in interest rates 2021	Impact on profit or loss 2021 RM'000	Impact on equity* 2021 RM'000
+150	**(3,500)**	**(33,302)**	+150	(2,874)	(14,413)
-150	**3,500**	**33,302**	-150	2,874	14,413

* exclude tax impact

(ii) Foreign currency exchange risk

Foreign currency risk is the risk of financial loss due to adverse movements in foreign exchange rates.

The Group and the Bank are exposed to currency risk primarily through trading activities that are governed by the Foreign Exchange Proprietary Trading Policy.

Currency rate sensitivity analysis

The following table shows the impact of a 5% movement of MYR, ceteris paribus, on the Group's profit/loss:

Foreign currency is denoted in the table below:

Currency	*Abbreviation*	*Currency*	*Abbreviation*	*Currency*	*Abbreviation*
AUD	*Australian Dollar*	*EUR*	*Euro*	*IDR*	*Indonesian Rupiah*
CHF	*Swiss Franc*	*GBP*	*British Pound*	*JPY*	*Japanese Yen*
CNY	*Chinese Yuan*	*HKD*	*Hong Kong Dollar*	*NZD*	*New Zealand Dollar*
PHP	*Philippine Peso*	*THB*	*Thai Baht*	*SAR*	*Saudi Riyal*
SGD	*Singapore Dollar*	*USD*	*US Dollar*		

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(ii) Foreign currency exchange risk (cont'd.)

Currency rate sensitivity analysis (cont'd.)

Currency	Changes in foreign exchange Rates	Impact on profit or loss 2022 RM'000	Impact on equity 2022 RM'000	Changes in foreign exchange Rates	Impact on profit or loss 2021 RM'000	Impact on equity 2021 RM'000
AUD	5%	(11)	-	5%	75	-
CHF	5%	0	-	5%	1	-
CNY	5%	3	-	5%	18	-
EUR	5%	(10)	-	5%	(2)	-
GBP	5%	(3)	-	5%	(38)	-
HKD	5%	(12)	-	5%	71	-
IDR	5%	5	-	5%	3	-
JPY	5%	(43)	-	5%	(0)	-
NZD	5%	(1)	-	5%	1	-
PHP	5%	2	-	5%	2	-
SGD	5%	108	-	5%	(6)	-
THB	5%	4	-	5%	6	-
USD	5%	(98)	-	5%	249	-

Arising from the Group's investment in the associate company in Saudi Arabia, there is a natural position held in foreign currency exposure in Saudi Riyal. The following shows the impact of a 5% price movement on this position:

Currency	Changes in foreign exchange Rates	Impact on profit or loss 2022 RM'000	Impact on equity 2022 RM'000	Changes in foreign exchange Rates	Impact on profit or loss 2021 RM'000	Impact on equity 2021 RM'000
SAR	5%	-	(4,961)	5%	-	(4,319)

NOTES TO THE FINANCIAL STATEMENTS

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(iii) Equity price sensitivity analysis

Equity price risk is the risk of financial loss arising from adverse changes in prices of equities and equity derivatives.

The following table demonstrates the impact of a +/- 30% change in equity prices across the board on the Group's profit or loss and equity.

Currency	Change in equity price 2022	Impact on profit or loss 2022 RM'000	Impact on equity 2022 RM'000	Change in equity price 2021	Impact on profit or loss 2021 RM'000	Impact on equity 2021 RM'000
Equity-	**+30%**	**31,812**	**-**	+30%	17,179	-
investments	**-30%**	**(56,362)**	**-**	-30%	(49,939)	-

From risk management perspective, a risk limits framework governing the activities of equity and equity derivatives trading has been established, primarily intended to:

1) Prevent excessive exposures to a single risk factor or a group of risk factors; and
2) Constrain the general level of risk taking for a business.

Additionally, other components of limit framework including stop-loss trigger, issuance size, permitted products, management oversights etc. were put in place for better governance as well as to embrace best practices of market risk management. The risk framework was designed in accordance to the Group's and the Bank's risk appetite and a closely controlled risk parameter, e.g. stop-loss trigger, will ensure losses arising from the course of trading are limited.

In addition, the Group's associate company has made some equity investments in Saudi Arabia. The impact of a +/- 30% change in equity prices on the Group arising from these investments are shown as follows:

Currency	Change in equity price 2022	Impact on profit or loss 2022 RM'000	Impact on equity 2022 RM'000	Change in equity price 2021	Impact on profit or loss 2021 RM'000	Impact on equity 2021 RM'000
Equity-	**+30%**	**-**	**11,323**	+30%	-	17,403
investments	**-30%**	**-**	**(11,323)**	-30%	-	(17,403)

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk

Liquidity risk is the risk of loss as a result of the Group's or of the Bank's inability to meet cash flow obligations on a timely and cost effective manner. Liquidity risk is managed through the Liquidity Coverage Ratio Framework issued by BNM, internal policies and management oversight by Group Risk Committee. A Contingency Funding Plan has been formulated covering across the policies, procedures, roles and responsibilities, funding strategies and notwithstanding, the deployment of such in a liquidity event.

The Group and the Bank actively manage their operating cash flows and the availability of funding so as to ensure that all funding needs are being met. As part of its overall prudent liquidity management, the Group and the Bank maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements in addition to maintaining available banking facilities, to meet any immediate operating cash flow requirements.

In accordance with BNM's Liquidity Coverage Ratio guideline, the Group and the Bank maintain a portfolio of highly marketable and diverse assets which are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group and the Bank maintain a statutory deposit with BNM equal to 2.0% of net eligible liabilities.

(i) Analysis of assets and liabilities by remaining contractual maturities

The table below summarises the contractual maturity profile of the Group's assets and liabilities as at 31 December 2022. The contractual maturity profile often may not reflect the actual behavioural patterns.

Group 2022	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Assets								
Cash and bank balances	498,690	1,202,089	32,007	-	-	-	-	1,732,786
Financial assets at FVTPL	-	-	-	-	-	9,042	313,097	322,139
Financial instruments at FVOCI	-	9,978	45,017	-	10,078	252,806	1,294	319,173
Financial instruments at AC	-	-	45,029	50,002	10,065	344,018	-	449,114
Derivative financial assets	-	27,479	-	-	4,530	53,208	-	85,217
Loans, advances and financing	228,608	1,139,384	5,639	79,749	18,595	218,500	-	1,690,475
Balances due from clients and brokers	-	427,638	-	-	-	-	-	427,638
Other assets	4,991	65,255	3,415	2,304	-	-	107,788	183,753
Others	-	1,697	1,288	1,922	3,839	16,218	727,098	752,062
Total assets	732,289	2,873,520	132,395	133,977	47,107	893,792	1,149,277	5,962,357

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

Group 2022	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	67,265	1,789,437	851,371	390,922	62,083	-	-	3,161,078
Deposits and placements of banks and other financial institutions	-	378,359	37,000	-	-	-	-	415,359
Derivative financial liabilities	-	286	991	1,833	13,386	-	-	16,496
Balances due to clients and brokers	-	732,709	-	-	-	-	-	732,709
Borrowings	-	17,500	2,800	2,800	2,400	180,500	-	206,000
Other liabilities balances	1,707	104,539	7,929	3,703	4,102	17,843	268,068	407,891
Total liabilities	68,972	3,022,830	900,091	399,258	81,971	198,343	268,068	4,939,533
Net maturity mismatch	663,317	(149,310)	(767,696)	(265,281)	(34,864)	695,449	881,209	1,022,824

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

Group 2022	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Commitments to extend credit:								
- share margin financing	2,749,435	-	-	-	-	-	-	2,749,435
- foreign exchange related contracts	-	24,684	21,500	-	-	-	-	46,184
Miscellaneous commitments-monies held in trust on behalf of client	1,069,081	-	-	-	-	-	-	1,069,081
Other commitments-corporate loan	70,561	10,000	-	-	-	-	-	80,561
Securities borrowing and lending	11,102	-	-	-	-	-	-	11,102
Total commitments and guarantees	3,900,179	34,684	21,500	-	-	-	-	3,956,363

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

The table below summarises the contractual maturity profile of the Group's assets and liabilities as at 31 December 2021. The contractual maturity profile often may not reflect the actual behavioural patterns.

Group 2021	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Assets								
Cash and bank balances	526,368	1,360,597	10,419	-	-	-	-	1,897,384
Financial assets at FVTPL	-	-	-	-	-	23,873	363,449	387,322
Financial instruments at FVOCI	-	169,864	49,881	70,530	98,742	347,097	1,460	737,574
Financial instruments at AC	-	-	1,489	-	-	212,171	-	213,660
Derivative financial assets	-	38	-	29,465	51,950	-	-	81,453
Loans, advances and financing	229,505	1,159,841	56,391	18,657	2,943	307,979	97	1,775,413
Balances due from clients and brokers	-	334,465	-	-	-	-	-	334,465
Other assets	6,740	150,491	3,134	1,754	-	-	76,703	238,822
Others	-	1,479	1,156	1,734	3,437	10,668	733,955	752,429
Total assets	762,613	3,176,775	122,470	122,140	157,072	901,788	1,175,664	6,418,522

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

Group 2021	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	39,848	1,598,322	666,478	492,875	239,755	100,000	-	3,137,278
Deposits and placements of banks and other financial institutions	-	369,958	242,904	40,000	-	-	-	652,862
Derivative financial liabilities	-	-	4,712	4,031	20,017	-	-	28,760
Balances due to clients and brokers	-	665,968	-	-	-	-	-	665,968
Borrowings	-	37,000	5,800	2,800	5,600	193,500	-	244,700
Other liabilities balances	630	181,851	5,610	3,220	4,287	40,092	398,234	633,924
Total liabilities	40,478	2,853,099	925,504	542,926	269,659	333,592	398,234	5,363,492
Net maturity mismatch	722,138	323,845	(803,008)	(420,729)	(112,482)	567,836	777,430	1,055,030

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

Group 2021	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Commitments to extend credit:								
- share margin financing	2,774,310	-	-	-	-	-	-	2,774,310
- foreign exchange related contracts	-	7,930	-	2,292	-	-	-	10,222
Miscellaneous commitments- monies held in trust on behalf of client	1,249,679	-	-	-	-	-	-	1,249,679
Other commitments- corporate loan	50,742	-	-	-	-	14,000	41,275	106,017
Securities borrowing and lending	27,637	-	-	-	-	-	-	27,637
Total commitments and guarantees	4,102,368	7,930	-	2,292	-	14,000	41,275	4,167,865

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

The table below summarises the contractual maturity profile of the Bank's assets and liabilities as at 31 December 2022. The contractual maturity profile often may not reflect the actual behavioural patterns.

Bank 2022	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Assets								
Cash and bank balances	113,936	1,127,034	21,955	-	-	-	-	1,262,925
Financial assets at FVTPL	-	-	-	-	-	9,042	315,584	324,626
Financial instruments at FVOCI	-	9,978	45,017	-	10,078	252,806	1,294	319,173
Financial instruments at AC	-	-	45,029	50,002	10,065	344,018	-	449,114
Derivative financial assets	-	27,479	-	-	4,530	53,208	-	85,217
Loans, advances and financing	253,656	1,136,023	2	72,530	2,513	238,786	-	1,703,510
Balances due from clients and brokers	-	427,477	-	-	-	-	-	427,477
Other assets	5,572	8,048	3,415	2,304	-	29,761	76,333	125,433
Others	-	1,582	1,058	1,587	3,174	13,139	738,177	758,717
Total assets	373,164	2,737,621	116,476	126,423	30,360	940,760	1,131,388	5,456,192

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

Bank 2022	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	67,265	1,895,880	881,767	392,310	62,083	-	-	3,299,305
Deposits and placements of banks and other financial institutions	-	378,359	37,000	-	-	-	-	415,359
Derivative financial liabilities	-	286	991	1,833	13,386	-	-	16,496
Balances due to clients and brokers	-	262,976	-	-	-	-	-	262,976
Borrowings	-	-	2,800	2,800	2,400	180,500	-	188,500
Other liabilities balances	1,707	104,460	7,705	3,374	3,439	14,603	134,487	269,775
Total liabilities	68,972	2,641,961	930,263	400,317	81,308	195,103	134,487	4,452,411
Net maturity mismatch	304,192	95,660	(813,787)	(273,894)	(50,948)	745,657	996,901	1,003,781

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

Bank 2022	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Commitments to extend credit:								
- share margin financing	2,749,435	-	-	-	-	-	-	2,749,435
- foreign exchange related contracts	-	24,684	21,500	-	-	-	-	46,184
Miscellaneous commitments-monies held in trust on behalf of client	1,069,081	-	-	-	-	-	-	1,069,081
Other commitments-corporate loan	100,561	10,000	-	-	45,000	15,000	-	170,561
Securities borrowing and lending	11,102	-	-	-	-	-	-	11,102
Total commitments and guarantees	3,930,179	34,684	21,500	-	45,000	15,000	-	4,046,363

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

The table below summarises the contractual maturity profile of the Bank's assets and liabilities as at 31 December 2021. The contractual maturity profile often may not reflect the actual behavioural patterns.

Bank 2021	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Assets								
Cash and bank balances	137,757	1,321,399	-	-	-	-	-	1,459,156
Financial assets at FVTPL	-	-	-	-	-	23,873	362,494	386,367
Financial instruments at FVOCI	-	169,864	49,881	70,530	98,742	347,097	1,460	737,574
Financial instruments at AC	-	-	1,489	-	-	212,171	-	213,660
Derivative financial assets	-	38	-	29,465	51,950	-	-	81,453
Loans, advances and financing	256,044	1,157,109	53,029	-	2,943	280,393	97	1,749,615
Balances due from clients and brokers	-	334,370	-	-	-	-	-	334,370
Other assets	6,456	56,632	3,134	1,754	-	29,761	40,192	137,929
Others	-	1,396	991	1,486	2,972	8,359	754,346	769,550
Total assets	400,257	3,040,808	108,524	103,235	156,607	901,654	1,158,589	5,869,674

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

Bank 2021	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	39,848	1,675,570	701,132	494,295	239,755	100,000	-	3,250,600
Deposits and placements of banks and other financial institutions	-	369,958	242,904	40,000	-	-	-	652,862
Derivative financial liabilities	-	-	4,712	4,031	20,017	-	-	28,760
Balances due to clients and brokers	-	265,296	-	-	-	-	-	265,296
Borrowings	-	-	2,800	2,800	5,600	193,500	-	204,700
Other liabilities balances	630	181,503	5,450	2,978	3,828	37,676	194,041	426,106
Total liabilities	40,478	2,492,327	956,998	544,104	269,200	331,176	194,041	4,828,324
Net maturity mismatch	359,779	548,481	(848,474)	(440,869)	(112,593)	570,478	964,548	1,041,350

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

Bank 2021	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Commitments to extend credit:								
- share margin financing	2,774,310	-	-	-	-	-	-	2,774,310
- foreign exchange related contracts	-	7,930	-	2,292	-	-	-	10,222
Miscellaneous commitments-monies held in trust on behalf of client	1,249,679	-	-	-	-	-	-	1,249,679
Other commitments-corporate loan	124,242	-	-	-	-	20,000	41,275	185,517
Securities borrowing and lending	27,637	-	-	-	-	-	-	27,637
Total commitments and guarantees	4,175,868	7,930	-	2,292	-	20,000	41,275	4,247,365

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(ii) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances reported in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Group 2022	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Financial liabilities							
Deposits from customers	**1,862,375**	**882,553**	**397,455**	**64,377**	**-**	**-**	**3,206,760**
Deposits and placements of banks and other financial institutions	**380,124**	**37,376**	**-**	**-**	**-**	**-**	**417,500**
Derivative financial liabilities	**286**	**991**	**1,833**	**13,386**	**-**	**-**	**16,496**
Balances due to clients and brokers	**732,709**	**-**	**-**	**-**	**-**	**-**	**732,709**
Borrowings	**17,586**	**2,826**	**2,826**	**2,423**	**268,951**	**-**	**294,612**
Other liabilities balances	**106,246**	**7,929**	**3,703**	**4,102**	**17,843**	**268,068**	**407,891**
Total undiscounted financial liabilities	**3,099,326**	**931,675**	**405,817**	**84,288**	**286,794**	**268,068**	**5,075,968**

Group 2021	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Financial liabilities							
Deposits from customers	1,643,651	672,971	499,094	244,109	123,025	-	3,182,850
Deposits and placements of banks and other financial institutions	370,666	243,910	40,454	-	-	-	655,030
Derivative financial liabilities	-	4,712	4,031	20,017	-	-	28,760
Balances due to clients and brokers	665,968	-	-	-	-	-	665,968
Borrowings	37,162	5,853	2,818	5,637	193,159	-	244,629
Other liabilities balances	182,556	5,687	3,317	4,460	39,670	398,234	633,924
Total undiscounted financial liabilities	2,900,003	933,133	549,714	274,223	355,854	398,234	5,411,161

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank 2022	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Financial liabilities							
Deposits from customers	**1,969,437**	**913,107**	**398,864**	**64,377**	**-**	**-**	**3,345,785**
Deposits and placements of banks and other financial institutions	**380,124**	**37,376**	**-**	**-**	**-**	**-**	**417,500**
Derivative financial liabilities	**286**	**991**	**1,833**	**13,386**	**-**	**-**	**16,496**
Balances due to clients and brokers	**262,976**	**-**	**-**	**-**	**-**	**-**	**262,976**
Borrowings	**-**	**2,826**	**2,826**	**2,423**	**268,951**	**-**	**277,026**
Other liabilities balances	**106,167**	**7,705**	**3,374**	**3,439**	**14,603**	**134,487**	**269,775**
Total undiscounted financial liabilities	**2,718,990**	**962,005**	**406,897**	**83,625**	**283,554**	**134,487**	**4,589,558**

Bank 2021	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Financial liabilities							
Deposits from customers	1,721,198	707,751	500,546	244,109	123,025	-	3,296,629
Deposits and placements of banks and other financial institutions	370,666	243,910	40,454	-	-	-	655,030
Derivative financial liabilities	-	4,712	4,031	20,017	-	-	28,760
Balances due to clients and brokers	265,296	-	-	-	-	-	265,296
Borrowings	-	2,818	2,818	5,637	193,159	-	204,433
Other liabilities balances	182,210	5,555	3,137	4,154	37,009	194,041	426,106
Total undiscounted financial liabilities	2,539,370	964,746	550,986	273,917	353,193	194,041	4,876,254

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or resulting from external events.

Operational risk is managed through an effective operational risk management framework which include development of policies, processes and procedures for managing operational risk in the Group, independent review of the risk management function by internal audit and oversight by the management and Board of Directors.

The operational risk management processes include identifying and assessing operational risks of the Group and operational risk loss data collection to track the factual information which can assist the organisation and business and support units to effectively understand where their real risks exist, identify control weaknesses, underlying causes and introduce controls to strengthen the weaknesses.

Any actual, near-miss or potential losses from any operational risk loss events are to be reported to Management.

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement

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 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Group

2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	106,014	-	106,014
- Equity securities	144,513	-	71,612	216,125
Financial investments at FVOCI				
- Debt securities	-	317,879	-	317,879
- Equity securities	-	-	1,294	1,294
Derivative financial assets	-	85,217	-	85,217
Financial assets for which fair values are disclosed				
Financial investments at AC	-	458,563	-	458,563
Loans, advances and financing	-	-	1,696,451	1,696,451
	144,513	967,673	1,769,357	2,881,543
Financial liability measured at fair value				
Derivative financial liabilities	3,979	12,517	-	16,496
Financial liabilities for which fair values are disclosed				
Borrowings	-	170,255	-	170,255
	3,979	182,772	-	186,751

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Group

2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	119,318	-	119,318
- Equity securities	206,941	5,291	55,772	268,004
Financial investments at FVOCI				
- Debt securities	-	736,114	-	736,114
- Equity securities	-	-	1,460	1,460
Derivative financial assets	-	81,453	-	81,453
Financial assets for which fair values are disclosed				
Financial investments at AC	-	219,155	-	219,155
Loans, advances and financing	-	-	1,782,095	1,782,095
	206,941	1,161,331	1,839,327	3,207,599
Financial liability measured at fair value				
Derivative financial liabilities	23,499	5,261	-	28,760
Financial liabilities for which fair values are disclosed				
Borrowings	-	204,020	-	204,020
	23,499	209,281	-	232,780

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Bank

2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	109,042	-	109,042
- Equity securities	143,972	-	71,612	215,584
Financial investments at FVOCI				
- Debt securities	-	317,879	-	317,879
- Equity securities	-	-	1,294	1,294
Derivative financial assets	-	85,217	-	85,217
Financial assets for which fair values are disclosed				
Financial investments at AC	-	458,563	-	458,563
Loans, advances and financing	-	-	1,710,413	1,710,413
	143,972	970,701	1,783,319	2,897,992
Financial liability measured at fair value				
Derivative financial liabilities	3,979	12,517	-	16,496
Financial liabilities for which fair values are disclosed				
Borrowings	-	152,746	-	152,746
	3,979	165,263	-	169,242

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Bank

2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	123,873	-	123,873
- Equity securities	206,722	-	55,772	262,494
Financial investments at FVOCI				
- Debt securities	-	736,114	-	736,114
- Equity securities	-	-	1,460	1,460
Derivative financial assets	-	81,453	-	81,453
Financial assets for which fair values are disclosed				
Financial investments at AC	-	219,155	-	219,155
Loans, advances and financing	-	-	1,757,618	1,757,618
	206,722	1,160,595	1,814,850	3,182,167
Financial liability measured at fair value				
Derivative financial liabilities	23,499	5,261	-	28,760
Financial liabilities for which fair values are disclosed				
Borrowings	-	164,018	-	164,018
	23,499	169,279	-	192,778

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

There have been no transfers between Level 1 and Level 2 during the financial years.

The methods and assumptions used to estimate the fair value of the financial instruments not measured at fair value are as disclosed in Note 48.

Movements in Level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	Group and Bank	
	Equity securities at FVTPL RM'000	Equity securities at FVOCI RM'000
2022		
Balance at the beginning of the financial year	**55,772**	**1,460**
Acquisition of investments during the financial year	**10,000**	**-**
Revaluation gain/(loss) during the financial year	**5,840**	**(166)**
Balance at the end of the financial year	**71,612**	**1,294**
2021		
Balance at the beginning of the financial year	48,453	1,990
Acquisition of investments during the financial year	10,990	-
Changes in level of fair value during the financial year	(25,068)	-
Revaluation gain/(loss) during the financial year	21,397	(530)
Balance at the end of the financial year	55,772	1,460

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING

The Islamic banking operations of the Bank are as follows:

(a) Statements of financial position as at 31 December 2022

		Group and Bank	
	Note	2022 RM'000	2021 RM'000
Assets			
Cash and bank balances	(e)	**438,476**	424,712
Financial assets at FVTPL	(f)	**100,000**	100,000
Financial investments at FVOCI	(g)(i)	**65,618**	242,521
Financial investments at AC	(g)(ii)	**116,829**	68,044
Financing and advances	(h)	**97,492**	103,491
Balances due from clients and brokers		**1,477**	2,124
Other assets	(i)	**2,474**	3,246
Property, plant and equipment		**13**	18
Intangible assets		**2**	3
Deferred tax assets		**115**	-
Total assets		**822,496**	944,159
Liabilities			
Deposits from customers	(j)	**472,902**	555,137
Balances due to clients and brokers		**4,606**	7,493
Other liabilities	(k)	**150,968**	193,784
Deferred tax liabilities		**-**	308
Provision for taxation and zakat		**3,024**	3,472
Total liabilities		**631,500**	760,194
Islamic banking capital funds			
Islamic banking funds		**120,000**	120,000
Reserves		**70,996**	63,965
Total Islamic banking capital funds		**190,996**	183,965
Total liabilities and Islamic banking capital funds		**822,496**	944,159

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(b) Statements of profit or loss and other comprehensive income For the financial year ended 31 December 2022

		Group and Bank	
		2022	**2021**
	Note	**RM'000**	**RM'000**
Income derived from investment of depositors' funds	(l)	**26,727**	29,229
Income derived from investment of shareholders' funds	(m)	**6,616**	6,725
Credit loss (expense)/reversal		**(87)**	181
Total attributable income		**33,256**	36,135
Profit distributed to depositors	(n)	**(17,704)**	(18,262)
Net Income		**15,552**	17,873
Finance cost		**(438)**	(864)
Personnel expenses	(o)(i)	**(805)**	(768)
Other overhead expenses	(o)(ii)	**(3,013)**	(3,065)
Profit before taxation and zakat		**11,296**	13,176
Taxation and zakat		**(3,024)**	(3,472)
Profit for the financial year		**8,272**	9,704
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Fair value loss on debt instruments at FVOCI		**(1,630)**	(5,435)
Income tax relating to fair value loss on debt instruments		**423**	1,305
Total other comprehensive income for the financial year, net of tax		**7,065**	5,574

For consolidation with the conventional banking operations, income from Islamic Banking Window as shown on the face of the statements of profit or loss of the Group and of the Bank comprise of the following items:

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Income derived from investment of depositors' funds	**26,727**	29,229
Income derived from investment of shareholders' funds	**6,616**	6,725
Total income before impairment allowances and overhead expenses	**33,343**	35,954
Profit distributed to depositors	**(17,704)**	(18,262)
Finance cost	**(438)**	(864)
Income from Islamic Banking Window operations reported in the statements of profit or loss of the Group and of the Bank	**15,201**	16,828

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(c) Statements of cash flows
For the financial year ended 31 December 2022

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Cash flows from operating activities		
Profit before taxation and zakat	**11,296**	13,176
Adjustments for:		
Depreciation of plant and equipment (Note 52(o)(ii))	**6**	8
Amortisation of intangible assets (Note 52(o)(ii))	**1**	1
Credit loss expense/(reversal)	**87**	(181)
Realised loss from sale of financial assets at FVTPL (Note 52(l))	**-**	1,014
Realised gain from sale of financial investments at FVOCI (Note 52(l))	**-**	(1,571)
Operating profit before working capital changes	**11,390**	12,447
Changes in operating assets:		
Financing and advances	**6,040**	10,560
Balances due from clients and brokers	**647**	(665)
Other assets	**771**	697
Changes in operating liabilities:		
Deposits from customers	**(82,235)**	(110,356)
Balances due to clients and brokers	**(2,887)**	3,084
Other liabilities	**(45,982)**	76,918
Cash used in operating activities	**(112,256)**	(7,315)
Taxation and zakat paid	**(340)**	(430)
Net cash used in operating activities	**(112,596)**	(7,745)
Cash flows from investing activities		
Purchase of property, plant and equipment	**-**	(2)
Net sale/(purchase) of securities	**126,360**	(19,864)
Net cash flows generated from/(used in) investing activities	**126,360**	(19,866)
Net change in cash and cash equivalents	**13,764**	(27,611)
Cash and cash equivalents at beginning of the financial year	**424,712**	452,323
Cash and cash equivalents at end of the financial year	**438,476**	424,712

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(d) Statements of changes in Islamic banking funds
For the financial year ended 31 December 2022

	Non- distributable					Distributable	
	Islamic banking fund RM'000	**Fair value reserve RM'000**	**Regulatory reserve RM'000**	**ESS reserve RM'000**	**Capital reserve* RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2022	**120,000**	**906**	**2,314**	**13**	**5,248**	**55,484**	**183,965**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**8,272**	**8,272**
Other comprehensive loss for the financial year	**-**	**(1,207)**	**-**	**-**	**-**	**-**	**(1,207)**
Share based payment under ESS	**-**	**-**	**-**	**1**	**-**	**(35)**	**(34)**
Transfer to retained profits	**-**	**-**	**-**	**(6)**	**-**	**6**	**-**
Transfer from regulatory reserve	**-**	**-**	**(53)**	**-**	**-**	**53**	**-**
At 31 December 2022	**120,000**	**(301)**	**2,261**	**8**	**5,248**	**63,780**	**190,996**
At 1 January 2021	120,000	5,036	2,442	19	5,248	45,649	178,394
Profit for the financial year	-	-	-	-	-	9,704	9,704
Other comprehensive loss for the financial year	-	(4,130)	-	-	-	-	(4,130)
Share based payment under ESS	-	-	-	3	-	(6)	(3)
Transfer to retained profits	-	-	-	(9)	-	9	-
Transfer from regulatory reserve	-	-	(128)	-	-	128	-
At 31 December 2021	120,000	906	2,314	13	5,248	55,484	183,965

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

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(e) Cash and bank balances

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Current account with BNM and banks	**19,476**	35,712
Money at call and deposit placements with:		
Licensed banks	**149,000**	30,000
Domestic non-bank financial institutions	**270,000**	-
Bank Negara Malaysia	**-**	359,000
	438,476	424,712

(f) Financial assets at FVTPL

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
At fair value		
Unquoted securities in Malaysia:		
Funds	**100,000**	100,000

(g) Financial investments other than those measured at FVTPL

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
(i) Financial investments at Fair Value through Other Comprehensive Income ("FVOCI"):		
Money market instruments:		
Malaysian Government Investment Certificates	**-**	20,116
Negotiable Instruments of Deposits	**-**	149,844
	-	169,960
Debt instruments:		
Corporate Sukuk	**65,618**	72,561
Total financial investments at FVOCI	**65,618**	242,521

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
(ii) Financial investments at AC:		
Money market instruments:		
Malaysian Government Investment Certificates	**39,236**	9,995
Debt instruments:		
Corporate Sukuk	**77,593**	58,049
Total financial investments at AC	**116,829**	68,044
Total financial investments other than those measured at FVTPL	**182,447**	310,565

(iii) Impairment losses on financial investments subject to impairment assessment

AC

An analysis of changes in the ECL is, as follows:

	Group and Bank 2021	
	RM'000	**RM'000**
	Stage 1	**Total**
Movement in ECL		
As at 1 January	56	56
New assets originated or purchased	(4)	(4)
Impact of net re-measurement of ECL	(52)	(52)
As at 31 December	-	-

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(h) Financing and advances

	Group and Bank	
	2022 RM'000	2021 RM'000
Commodity Murabahah term financing		
- Shariah contract - others	**26,323**	20,011
Commodity Murabahah revolving credit		
- Shariah contract - others	**57,913**	70,105
Commodity Murabahah share margin financing		
- Shariah contract - others	**13,311**	13,471
Gross financing and advances	**97,547**	103,587
Less: Allowance for ECL	**(55)**	(96)
Net financing and advances	**97,492**	103,491

	Group and Bank	
	2022 RM'000	2021 RM'000
(i) Gross financing and advances analysed by type of customer are as follows:		
Domestic business enterprises	**42,548**	54,058
Individuals	**54,999**	49,529
	97,547	103,587
(ii) Gross financing and advances analysed by geographical distribution are as follows:		
In Malaysia	**97,547**	103,587
(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:		
Fixed rate	**13,311**	13,471
Variable rate- Cost plus	**84,236**	90,116
	97,547	103,587
(iv) Gross financing and advances analysed by economic purpose are as follows:		
Purchase of securities	**36,618**	38,278
Working capital	**57,914**	48,905
Others	**3,015**	16,404
	97,547	103,587
(v) Gross financing and advances analysed by residual contractual maturity are as follows:		
Within one year	**73,737**	65,236
More than one year	**23,810**	38,351
	97,547	103,587

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(h) Financing and advances (cont'd.)

(vi) Impairment allowance for financing and advances are as follows:

	2022	
Group & Bank ECL allowances	**Stage 1 RM'000**	**Total RM'000**
As at 1 January	**96**	**96**
New assets originated	**93**	**93**
Assets derecognised or repaid (excluding write-offs)	**(122)**	**(122)**
Net remeasurement of allowance	**(12)**	**(12)**
As at 31 December	**55**	**55**

	2021	
Group & Bank ECL allowances	**Stage 1 RM'000**	**Total RM'000**
As at 1 January	219	219
New assets originated	47	47
Assets derecognised or repaid (excluding write-offs)	(185)	(185)
Net remeasurement of allowance	15	15
As at 31 December	96	96

(i) Other assets

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Income receivables	**2,433**	3,238
Prepayment	**6**	6
Other receivables	**89**	55
Less: ECL	**(54)**	(53)
	2,474	3,246

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(i) Other assets (cont'd.)

(i) Impairment allowance for other receivables:

	2022		
ECL allowances	**Non-credit Impaired RM'000**	**Credit Impaired RM'000**	**Total RM'000**
As at 1 January	**15**	**38**	**53**
New assets originated	**11**	**-**	**11**
Assets derecognised or repaid (excluding write-offs)	**-**	**(12)**	**(12)**
Transfer of stages during the year	**(25)**	**25**	**-**
Net remeasurement of allowance	**-**	**2**	**2**
As at 31 December	**1**	**53**	**54**

	2021		
ECL allowances	**Non-credit Impaired RM'000**	**Credit Impaired RM'000**	**Total RM'000**
As at 1 January	17	38	55
New assets originated	9	-	9
Assets derecognised or repaid (excluding write-offs)	-	(11)	(11)
Transfer of stages during the year	(11)	11	-
As at 31 December	15	38	53

(j) Deposits from customers

		Group and Bank	
		2022 RM'000	**2021 RM'000**
(i)	By type of deposit:		
	Tawarruq (Commodity Murabahah deposits)	**472,902**	555,137
(ii)	By type of customers:		
	Government and statutory bodies	**100,000**	141,918
	Domestic non-bank institutions	**264,126**	226,211
	Business enterprises	**93,560**	176,319
	Individuals	**670**	583
	Subsidiary companies	**14,546**	10,106
		472,902	555,137
(iii)	By maturity:		
	Due within six months	**372,902**	450,137
	Due more than six months	**100,000**	105,000
		472,902	555,137

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(k) Other liabilities

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Mudarabah Specific Investment Account	**12,237**	12,630
Profit payables	**2,123**	2,277
Other payables	**136,608**	178,877
	150,968	193,784

Included in other payables is fund pending distribution to charitable organisations:

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Balance as at 1 January	**-**	7
Distribution during the year	**-**	(7)
Balance as at 31 December	**-**	-

(l) Income derived from investment of depositors' funds

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Finance income and hibah		
Financing and advances	**1,889**	1,921
Deposits and placements with financial institutions	**8,966**	6,864
Financial investments other than those measured at FVTPL	**8,290**	9,982
Accretion of discount	**(349)**	(496)
Others	**4**	2
	18,800	18,273
Other operating income		
Net loss on sale of financial assets at FVTPL	**-**	(1,014)
Net gain on sale of financial investments other than those measured at FVTPL	**-**	1,571
Fees on financing and advances	**1,083**	461
Brokerage fee	**3,395**	4,952
Profit income	**3,192**	4,871
Advisory fee	**340**	218
Direct trading expenses	**(106)**	(121)
Other non-operating income	**23**	18
	7,927	10,956
	26,727	29,229

NOTES TO THE FINANCIAL STATEMENTS
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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(m) Income derived from investment of shareholders' funds

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing and advances	**4,535**	4,432
Financial investments other than those measured at FVTPL	**2,291**	2,547
Accretion of premium	**(210)**	(254)
	6,616	6,725

(n) Profit distributed to depositors

	Group and Bank	
	2022 RM'000	2021 RM'000
Deposits from customers and financial institutions		
- Murabahah Fund	**14,841**	15,975
Others	**2,863**	2,287
	17,704	18,262

(o) Other operating expenses

	Group and Bank	
	2022 RM'000	2021 RM'000
(i) Personnel expenses		
- salaries, wages, allowances and bonus	**637**	617
- EPF	**100**	96
- other staff related expense	**68**	55
	805	768
(ii) Other overhead expenses		
Establishment costs		
- depreciation	**6**	8
- amortisation	**1**	1
- office rental	**58**	58
- others	**16**	13
	81	80

NOTES TO THE FINANCIAL STATEMENTS

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(o) Other operating expenses (cont'd.)

(ii) Other overhead expenses (cont'd.)

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Marketing and trading expenses		
- advertisement and promotions	**1**	8
	1	8
Administration and general expenses		
- Fees and brokerage	**543**	824
- Support service charges	**1,936**	1,715
- Shariah committee expenses	**185**	155
- Others	**267**	283
	2,931	2,977
Total other overhead expenses	**3,013**	3,065

(p) Shariah Committees' remuneration

Remuneration in aggregate for Shariah Committees for the financial year is as follows:

	Remuneration received		
Group & Bank	**Fees**	**Other emolument**	**Total**
Committees members:			
31 December 2022			
Dr. Ghazali Jaapar	**73,000**	**7,200**	**80,200**
Dr. Mohammad Firdaus Mohammad Hatta	**49,000**	**6,000**	**55,000**
Dr. Fadillah Mansor	**43,000**	**6,000**	**49,000**
	165,000	**19,200**	**184,200**
31 December 2021			
Dr. Ghazali Jaapar	67,000	7,700	74,700
Dr. Mohammad Firdaus Mohammad Hatta	38,000	7,000	45,000
Dr. Fadillah Mansor	30,567	4,000	34,567
	135,567	18,700	154,267

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(q) Capital adequacy

	Group and Bank	
	2022 RM'000	2021 RM'000
CET 1/Tier 1 capital		
Islamic banking funds	**120,000**	120,000
Retained profits	**63,780**	55,484
Reserves	**7,216**	8,481
Less:		
Intangible assets	**(2)**	(3)
Deferred tax	**(115)**	-
55% of cumulative gains on financial investments at FVOCI	**-**	(499)
Regulatory reserve	**(2,261)**	(2,314)
Total CET 1/Tier 1 capital	**188,618**	181,149
Tier 2 capital		
General provision	**2,446**	2,411
Total Tier 2 capital	**2,446**	2,411
Total capital	**191,064**	183,560
CET 1 capital ratio	**71.578%**	77.917%
Tier 1 capital ratio	**71.578%**	77.917%
Total capital ratio	**72.506%**	78.954%

The breakdown of risk-weighted assets (excluding any deferred tax assets) in the various categories of risk-weights are as follows:

	2022		2021	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Group and Bank				
Credit risk	**756,603**	**234,543**	883,247	202,433
Operational risk	**-**	**28,971**	-	30,058
Total risk weighted assets	**756,603**	**263,514**	883,247	232,491

NOTES TO THE FINANCIAL STATEMENTS

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(r) Commitments and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

As at reporting date, the commitments and contingencies are as follows:

	Group & Bank	
	2022 Principal amount RM'000	**2021 Principal amount RM'000**
Commitments to extend credit with maturity of less than 1 year:		
- share margin financing	**9,439**	9,269
- corporate financing	**68,350**	52,000
Commitments to extend credit with maturity of more than 1 year:		
- corporate financing	**-**	11,275
	77,789	72,544

(s) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contracts is dependent on the nature of the products, either financing or deposit product.

NOTES TO THE FINANCIAL STATEMENTS
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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(t) Liquidity risk

Analysis of assets and liabilities by remaining contractual maturities

The table below summarises the contractual maturity profile of the Islamic banking operation's assets and liabilities as at 31 December 2022. The contractual maturity profile often may not reflect the actual behavioural patterns.

Group and Bank 2022	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Assets								
Cash and bank balances	19,476	419,000	-	-	-	-	-	438,476
Financial assets at FVTPL	-	-	-	-	-	-	100,000	100,000
Financial instruments at FVOCI	-	4,978	5,003	-	-	55,637	-	65,618
Financial instruments at AC	-	-	-	10,000	-	106,829	-	116,829
Financing and advances	57,913	13,256	-	-	2,513	23,810	-	97,492
Balances due from clients and brokers	-	1,477	-	-	-	-	-	1,477
Other assets	5	1,535	407	519	-	-	8	2,474
Others	-	-	-	-	-	-	130	130
Total assets	77,394	440,246	5,410	10,519	2,513	186,276	100,138	822,496
Liabilities								
Deposits from customers	-	358,984	113,268	650	-	-	-	472,902
Balances due to clients and brokers	-	4,606	-	-	-	-	-	4,606
Other liabilities balances	-	170	1,950	3	-	3,024	148,845	153,992
Total liabilities	-	363,760	115,218	653	-	3,024	148,845	631,500
Net maturity mismatch	77,394	76,486	(109,808)	9,866	2,513	183,252	(48,707)	190,996

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52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(t) Liquidity risk (cont'd.)

Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

Group and Bank 2021	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
Assets								
Cash and bank balances	35,712	389,000	-	-	-	-	-	424,712
Financial assets at FVTPL	-	-	-	-	-	-	100,000	100,000
Financial instruments at FVOCI	-	149,844	-	25,152	-	67,525	-	242,521
Financial instruments at AC	-	-	1,500	-	-	66,544	-	68,044
Financing and advances	48,809	13,471	2,860	-	-	38,351	-	103,491
Balances due from clients and brokers	-	2,124	-	-	-	-	-	2,124
Other assets	-	2,177	551	511	-	-	7	3,246
Others	-	-	-	-	-	-	21	21
Total assets	84,521	556,616	4,911	25,663	-	172,420	100,028	944,159
Liabilities								
Deposits from customers	-	384,043	66,586	4,508	-	100,000	-	555,137
Balances due to clients and brokers	-	7,493	-	-	-	-	-	7,493
Other liabilities balances	-	287	74	-	-	5,387	191,816	197,564
Total liabilities	-	391,823	66,660	4,508	-	105,387	191,816	760,194
Net maturity mismatch	84,521	164,793	(61,749)	21,155	-	67,033	(91,788)	183,965

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53. DIRECTORS OF SUBSIDIARIES OF THE GROUP

The following is the list of Directors who served on the Boards of the subsidiaries of the Group since the beginning of the financial year to the date of the Directors' report:

No	Name of subsidiaries	Name of Directors
1	Kenanga Futures Sdn Bhd	Luigi Fortunato Ghirardello Emmanuel, Dominique, Martial, Georges, Faure Sree Kumar A/L C K Nayar Azila Binti Abdul Aziz Vaithiyanathan A/L Madavan Lem Siow Hui (appointed on 15 September 2022)
2	Kenanga Nominees (Asing) Sdn Bhd	Lee Kok Khee Ng Yoke Mun Nuryasmin Lee Binti Abdullah Cheong Boon Kak Ruslan Bin Md Nor Vaithiyanathan A/L Madavan
3	Kenanga Nominees (Tempatan) Sdn Bhd	Lee Kok Khee Ng Yoke Mun Nuryasmin Lee Binti Abdullah Cheong Boon Kak Ruslan Bin Md Nor Vaithiyanathan A/L Madavan
4	Kenanga Private Equity Sdn Bhd	Datuk Chay Wai Leong Cheong Boon Kak Vaithiyanathan A/L Madavan Megat Mizan Nicholas Denney (resigned on 2 November 2022)
5	ECML Berhad	Lee Kok Khee Vaithiyanathan A/L Madavan
6	Kenanga Digital Sdn Bhd (fka ECML Nominees (Tempatan) Sdn Bhd)	Lee Kok Khee Cheong Boon Kak (appointed on 1 January 2023) Ian Wyatt Lloyd (appointed on 1 January 2023) Ng Yoke Mun (resigned on 1 January 2023) Tan Tong Nam (resigned on 31 March 2022) Chan Tuck Kiong (resigned on 1 January 2023) Nuryasmin Lee Binti Abdullah (resigned on 1 January 2023) Vaithiyanathan A/L Madavan (resigned on 1 January 2023)

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53. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

No	Name of subsidiaries	Name of Directors
7	Avenue Kestrel Sdn Bhd	Lee Kok Khee Vaithiyanathan A/L Madavan
8	K & N Kenanga Holdings Berhad	Datuk Chay Wai Leong Datuk Roslan Bin Hj Tik Cheong Boon Kak
9	SSSB Management Services Sdn Bhd	Lem Siow Hui Vaithiyanathan A/L Madavan (appointed on 1 November 2022) Megat Mizan Nicholas Denney (resigned on 2 November 2022)
10	Kenanga Management & Services Sdn Bhd	Vaithiyanathan A/L Madavan Lem Siow Hui (appointed on 1 November 2022) Megat Mizan Nicholas Denney (resigned on 2 November 2022)
11	Kenanga Investors Berhad	Norazian Binti Ahmad Tajuddin Imran Devindran Bin Abdullah Datuk Wira Ismitz Matthew De Alwis Luk Wai Hong, William Syed Zafilen Bin Syed Alwee (retired on 1 January 2022)
12	Kenanga Islamic Investors Berhad	YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail Datuk Wira Ismitz Matthew De Alwis Megat Mizan Nicholas Denney (alternate to YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail) Zulkifli Bin Ishak Norazian Binti Ahmad Tajuddin (appointed on 9 February 2022) Dato' Zuraidah Binti Atan (retired on 1 January 2022)
13	KUT Nominees (Tempatan) Sdn Bhd	Lee Kok Khee Datuk Wira Ismitz Matthew De Alwis
14	KUT Nominees (Asing) Sdn Bhd	Lee Kok Khee Datuk Wira Ismitz Matthew De Alwis

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

53. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

No	Name of subsidiaries	Name of Directors
15	Kenanga Funds Berhad	Cheong Boon Kak Datuk Wira Ismitz Matthew De Alwis Tan Ping Ying (appointed on 8 November 2022)
16	Kenanga Capital Sdn Bhd	Datuk Roslan Bin Hj Tik Lee Kok Khee Megat Mizan Nicholas Denney (resigned on 2 November 2022) Dato' Azlan Bin Abu Rais @ A Rais Al Noah (retired on 13 July 2022)
17	Kenanga Capital Islamic Sdn Bhd	Cheong Boon Kak Ang Xing Xian Edwin Tan Sze Chied (appointed on 1 March 2023) Datuk Roslan Bin Hj Tik (appointed on 2 November 2022 and resigned on 1 March 2023) Megat Mizan Nicholas Denney (resigned on 2 November 2022)
18	I-VCAP Management Sdn Bhd	Luk Wai Hong, William Imran Devindran Bin Abdullah Datuk Wira Ismitz Matthew De Alwis Syed Umar Bin Abdul Rahman Alhadad Norazian Binti Ahmad Tajuddin (Appointed on 1 November 2022) Syed Zafilen Bin Syed Alwee (retired on 1 January 2022)

NOTES TO THE FINANCIAL STATEMENTS

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54. EQUITY COMPENSATION BENEFITS

Kenanga's Group Employees' Share Scheme ("ESS")

The Bank has established and implemented an ESS for the employees of the Bank and its non-dormant subsidiary companies. The ESS consists of two types of awards in the form of ESOS and ESGP.

(1) ESOS

Under the ESOS award, the ESS Committee may, within the period of the Scheme and at its discretion, offer to the eligible employees a certain number of ESOS options to subscribe for the Bank's shares at the exercise prices subject to the applicable terms and conditions of the by-laws.

Subject to acceptance, the participants will be vested the options which can then be exercised within a period of three years, provided that all the vesting conditions are fulfilled.

Key features of the ESOS awards since the beginning of the scheme until the end of the current financial year are as follow:

First offer

Offer date	Vesting date	Number of options ('000)	Exercise price (RM)
2.1.2018	1.3.2018	2,218	0.575
2.1.2018	2.5.2019	13,320	0.575
2.1.2018	1.7.2020	12,231	0.575
2.1.2018	1.12.2020	224	0.575
2.1.2018	2.8.2021	16,560	0.575
2.1.2018	28.10.2021	300	0.575

Second offer

Offer date	Vesting date	Number of options ('000)	Exercise price (RM)
31.5.2018	2.5.2019	3,000	0.630
31.5.2018	1.7.2020	3,000	0.630
31.5.2018	2.8.2021	4,000	0.630

Third offer

Offer date	Vesting date	Number of options ('000)	Exercise price (RM)
2.5.2019	1.6.2019	386	0.605
2.5.2019	1.7.2020	1,404	0.605
2.5.2019	2.8.2021	1,325	0.605
2.5.2019	1.9.2022	1,272	0.605

Fourth offer

Offer date	Vesting date	Number of options ('000)	Exercise price (RM)
17.6.2019	1.7.2020	225	0.595
17.6.2019	2.8.2021	225	0.595

The remaining options were forfeited due to resignation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

Fifth offer

Offer date	Vesting date	Number of options ('000)	Exercise price (RM)
1.7.2020	1.8.2020	356	0.580
1.7.2020	2.8.2021	792	0.580
1.7.2020	1.9.2021	17	0.580
1.7.2020	1.9.2022	623	0.580

Sixth offer

Offer date	Vesting date	Number of options ('000)	Exercise price (RM)
2.8.2021	1.9.2021	308	1.370
2.8.2021	1.9.2022	818	1.370

Details of share options granted under ESOS:

Offer date	Vesting date	Number of options ('000)	Exercise price	Number of exercisable options ('000)	Exercise period
02.01.2018	01.03.2018	2,218,000	0.575	-	01.03.2018-28.02.2021
02.01.2018	02.05.2019	14,161,500	0.575	-	02.05.2019-01.05.2022
02.01.2018	01.07.2020	14,161,500	0.575	68,500	01.07.2020-30.06.2023
02.01.2018	01.12.2020	224,000	0.575	-	01.12.2020-31.05.2021
02.01.2018	02.08.2021	18,358,000	0.575	3,535,000	02.08.2021-01.08.2024
02.01.2018	28.10.2021	300,000	0.575	-	02.08.2021-01.08.2024
31.05.2018	02.05.2019	3,000,000	0.630	-	02.05.2019-01.05.2022
31.05.2018	01.07.2020	3,000,000	0.630	3,000,000	01.07.2020-30.06.2023
31.05.2018	02.08.2021	4,000,000	0.630	4,000,000	02.08.2021-01.08.2024
02.05.2019	01.06.2019	386,000	0.605	-	01.06.2019-31.05.2022
02.05.2019	01.07.2020	1,588,500	0.605	-	01.07.2020-30.06.2023
02.05.2019	02.08.2021	1,588,500	0.605	94,500	02.08.2021-01.08.2024
02.05.2019	01.09.2022	2,118,000	0.605	1,164,000	01.09.2022-31.08.2025
17.06.2019	01.07.2020	225,000	0.595	-	01.07.2020-30.06.2023
17.06.2019	02.08.2021	225,000	0.595	-	02.08.2021-01.08.2024
17.06.2019	N/A *	300,000	0.595	-	N/A

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

Details of share options granted under ESOS: (cont'd.)

Offer date	Vesting date	Number of options ('000)	Exercise price	Number of exercisable options ('000)	Exercise period
01.07.2020	01.08.2020	356,000	0.580	66,000	01.08.2020-31.07.2023
01.07.2020	02.08.2021	870,000	0.580	236,500	02.08.2021-01.08.2024
01.07.2020	01.09.2021	16,500	0.580	-	01.09.2021-31.08.2024
01.07.2020	01.09.2022	886,500	0.580	573,000	01.09.2022-31.08.2025
01.07.2020	N/A*	1,182,000	0.580	N/A	N/A
02.08.2021	01.09.2021	308,000	1.370	234,000	01.09.2021-31.08.2024
02.08.2021	01.09.2022	1,281,000	1.370	777,000	01.09.2022-31.08.2025
02.08.2021	N/A*	1,281,000	1.370	N/A	N/A
02.08.2021	N/A*	1,708,000	1.370	N/A	N/A

* Unvested.

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movement in, share options during the financial year:

ESOS First Offer

2022

Offer date	Opening As at 1.1.2022	Movement during the financial year			Outstanding As at 31.12.2022
		Granted	Exercised	Forfeited / Cancelled	
02.01.2018	**15,053,500**	**-**	**11,386,500**	**63,500**	**3,603,500**
WAEP (RM)	**0.575**	**-**	**0.575**	**0.575**	**0.575**

2021

Offer date	Opening As at 1.1.2021	Movement during the financial year			Outstanding As at 31.12.2021
		Granted	Exercised	Forfeited / Cancelled	
02.01.2018	35,913,000	450,000	20,852,500	457,000	15,053,500
WAEP (RM)	0.575	0.575	0.575	0.575	0.575

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

ESOS Second Offer

2022

Offer date	Opening As at 1.1.2022	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2022
31.05.2018	**7,000,000**	**-**	**-**	**-**	**7,000,000**
WAEP (RM)	**0.630**	**-**	**-**	**-**	**0.630**

2021

Offer date	Opening As at 1.1.2021	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2021
31.5.2018	10,000,000	-	3,000,000	-	7,000,000
WAEP (RM)	0.630	-	0.630	-	0.630

ESOS Third Offer

2022

Offer date	Opening As at 1.1.2022	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2022
02.05.2019	**2,298,000**	**-**	**853,500**	**186,000**	**1,258,500**
WAEP (RM)	**0.605**	**-**	**0.605**	**0.605**	**0.605**

2021

Offer date	Opening As at 1.1.2021	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2021
02.05.2019	4,285,500	-	1,342,000	645,500	2,298,000
WAEP (RM)	0.605	-	0.605	0.605	0.605

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

ESOS Fourth Offer

2022

Offer date	Opening As at 1.1.2022	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2022
17.06.2019	**-**	**-**	**-**	**-**	**-**
WAEP (RM)	**-**	**-**	**-**	**-**	**-**

2021

Offer date	Opening As at 1.1.2021	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2021
17.06.2019	525,000	-	225,000	300,000	-
WAEP (RM)	0.595	-	0.595	0.595	-

ESOS Fifth Offer

2022

Offer date	Opening As at 1.1.2022	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2022
01.07.2020	**2,579,500**	**-**	**429,500**	**304,500**	**1,845,500**
WAEP (RM)	**0.580**	**-**	**0.580**	**0.580**	**0.580**

2021

Offer date	Opening As at 1.1.2021	Movement during the financial year Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2021
01.07.2020	3,044,000	-	255,500	209,000	2,579,500
WAEP (RM)	0.580	-	0.580	0.580	0.580

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

ESOS Sixth Offer

2022

Offer date	Opening As at 1.1.2022	Movement during the financial year: Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2022
02.08.2021	**3,718,000**	**-**	**4,000**	**711,500**	**3,002,500**
WAEP (RM)	**1.370**	**-**	**1.370**	**1.370**	**1.370**

2021

Offer date	Opening As at 1.1.2021	Movement during the financial year: Granted	Exercised	Forfeited / Cancelled	Outstanding As at 31.12.2021
02.08.2021	-	4,578,000	-	860,000	3,718,000
WAEP (RM)	N/A	1.370	-	1.370	1.370

The fair values of share options granted were estimated using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options are granted. The fair values of share options and the key inputs for share options valuation are as follows:

ESOS First Offer

	Tranches of vesting: First tranche	Second tranche	Third tranche	Fourth tranche
Fair value of share options (RM)	0.0856	0.0963	0.1047	0.1111
Share price at offer date (RM)	0.550	0.550	0.550	0.550
Exercise price (RM)	0.575	0.575	0.575	0.575
Expected volatility (%)	26.92%	26.92%	26.92%	26.92%
Risk free rate (%)	3.688%	3.688%	3.688%	3.688%
Expected dividend yield (%)	4.00%	4.00%	4.00%	4.00%

The exercise period is 3 years from vesting date.

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

ESOS Second Offer

	Tranches of vesting:		
	First tranche	Second tranche	Third tranche
Fair value of share options (RM)	0.1030	0.1140	0.1220
Share price at offer date (RM)	0.595	0.595	0.595
Exercise price (RM)	0.630	0.630	0.630
Expected volatility (%)	28.07%	28.07%	28.07%
Risk free rate (%)	3.883%	3.883%	3.883%
Expected dividend yield (%)	4.00%	4.00%	4.00%

The exercise period is 3 years from vesting date.

ESOS Third Offer

	Tranches of vesting:			
	First tranche	Second tranche	Third tranche	Fourth tranche
Fair value of share options (RM)	0.1103	0.1251	0.1404	0.1535
Share price at offer date (RM)	0.580	0.580	0.580	0.580
Exercise price (RM)	0.605	0.605	0.605	0.605
Expected volatility (%)	28.10%	28.10%	28.10%	28.10%
Risk free rate (%)	3.610%	3.610%	3.610%	3.610%
Expected dividend yield (%)	1.80%	1.80%	1.80%	1.80%

The exercise period is 3 years from vesting date.

ESOS Fourth Offer

	Tranches of vesting:		
	First tranche	Second tranche	Third tranche
Fair value of share options (RM)	0.1188	0.1338	0.1467
Share price at offer date (RM)	0.570	0.570	0.570
Exercise price (RM)	0.595	0.595	0.595
Expected volatility (%)	27.90%	27.90%	27.90%
Risk free rate (%)	3.460%	3.460%	3.460%
Expected dividend yield (%)	1.80%	1.80%	1.80%

The exercise period is 3 years from vesting date.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

ESOS Fifth Offer

	Tranches of vesting:			
	First tranche	Second tranche	Third tranche	Fourth tranche
Fair value of share options (RM)	0.0981	0.102	0.1046	0.1038
Share price at offer date (RM)	0.550	0.550	0.550	0.550
Exercise price (RM)	0.580	0.580	0.580	0.580
Expected volatility (%)	29.450%	29.450%	29.450%	29.450%
Risk free rate (%)	2.480%	2.480%	2.480%	2.480%
Expected dividend yield (%)	7.220%	7.220%	7.220%	7.220%

The exercise period is 3 years from vesting date.

ESOS Sixth Offer

	Tranches of vesting:			
	First tranche	Second tranche	Third tranche	Fourth tranche
Fair value of share options (RM)	0.2105	0.2244	0.2259	0.2205
Share price at offer date (RM)	1.270	1.270	1.270	1.270
Exercise price (RM)	1.370	1.370	1.370	1.370
Expected volatility (%)	35.713%	35.713%	35.713%	35.713%
Risk free rate (%)	2.500%	2.500%	2.500%	2.500%
Expected dividend yield (%)	9.263%	9.263%	9.263%	9.263%

The exercise period is 3 years from vesting date.

(2) ESGP

Under the ESGP award, the ESS Committee may, within the period of the Scheme and at its discretion, grant to the eligible employees an ESGP awards, in the form of Restricted Share Plan ("RSP") and/or Performance Share Plan ("PSP").

Subject to acceptance, the awards will be vested to the grantees at no consideration, provided all the vesting conditions as determined by the ESS Committee are fulfilled, in accordance with the terms of the by-laws and taking into account the objectives of the RSP and the PSP as stipulated.

54. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(2) ESGP (cont'd.)

Key features of the RSP and PSP awards are as follow:

(a) RSP

The RSP is a restricted share incentive plan, in recognition of the loyalty and individual contributions of the eligible employees towards the development, growth and success of the Group.

The vesting conditions are stipulated and determined by the ESS Committee, which may include, amongst others, the achievement of individual performance as measured by both qualitative and quantitative key performance indicators ("KPIs"), during such period as stipulated in the ESGP award.

(b) PSP

The PSP is a performance share plan in recognition of the contribution of the eligible employees as drivers of the growth and performance of the Group.

The PSP is intended to promote the alignment in the strategic achievements of the Group with that of the eligible employees to drive the creation of shareholders' value and the growth of long term financial performance of the Group.

The vesting conditions are stipulated and determined by the ESS Committee, which may include, amongst others, the achievement of relevant service objectives and specific performance targets as measured by both qualitative and quantitative KPIs, during such period as stipulated in the ESGP award.

On 2 January 2018, 3,612,735 units of share grant were allocated under PSP and on 3 May 2021, 3,610,000 units of shares were awarded to eligible Senior Management of the Group and of the Bank.

Details of share options awarded under PSP:

Award date	Number of PSP share awarded	Vesting date
03.05.2021	3,610,000	02.06.2021

PSP Grantee is restricted from selling or transferring the shares issued to him or her for a period of one year from the award date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

55. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) There was no significant event during the financial year ended 31 December 2022 other than the following:

Changes in composition of the Group

(i) On 12 May 2022, K & N Kenanga Holdings Berhad ("KNKH"), a wholly-owned subsidiary of the Bank, entered into a Share Purchase Agreement with Hung An Dien Co. Ltd. ("HADCL), a company organised and existing under the laws of Vietnam, to dispose 6,615,000 shares in Kenanga Vietnam Securities Joint Stock Corporation ("KVS"), representing 49% of the entire issued and outstanding capital of KVS to HADCL. Consequential to the disposal, KVS ceased to be an associate company of KNKH.

(ii) On 26 October 2021, KIBB entered into a conditional Joint Venture Agreement with Rakuten Securities, Inc. and KSPL to jointly collaborate in providing online brokerage services through KSPL in Singapore.

KSPL has changed its name to Rakuten Trade Singapore Pte. Ltd. ("RTSPL") effective from 26 January 2022 and RTSPL became a joint venture entity arising from the change of the Bank's shareholding in RTSPL from 100% to 50% while Rakuten Securities, Inc.'s shareholding is 50%.

(b) There was no significant event subsequent to the financial year ended 31 December 2022 other than the following:

Changes in composition of the Group

Pursuant to the call and put option agreement between Kenanga Capital Sdn Bhd ("KCSB") and Bay Amarantite Sdn Bhd ("BASB") dated 30 June 2020, BASB had on 17 February 2023 exercised its call option to purchase additional 31% of Kenanga Capital Islamic Sdn Bhd's ("KCISB") ordinary shares. Upon completion of the option exercise, KCSB's shareholdings in KCISB will be reduced to 20% and KCISB will cease to be a subsidiary of KCSB.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

SHARE CAPITAL

Total Number of Issued Shares : 735,762,599 Ordinary Shares (Including 9,308,300 Treasury Shares)
Class of Shares : Ordinary Shares
Voting Rights : One (1) Vote per Ordinary Share

Size of Holding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100	7,009	29.16	180,640	0.02
100 to 1,000	5,251	21.85	2,431,738	0.34
1,001 to 10,000	9,513	39.58	32,981,227	4.54
10,001 to 100,000	1,945	8.09	56,861,954	7.83
100,001 to Less Than 5% of Issued Shares	315	1.31	396,205,970	54.54
5% and Above of Issued Shares	2	0.01	237,792,770	32.73
TOTAL	**24,035**	**100.00**	**726,454,299[(1)]**	**100.00**

(1) Excluding 9,308,300 Treasury Shares retained by the Company as at 31 March 2023.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1	CMS Capital Sdn Bhd	136,823,000	18.83
2	Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail	100,969,770	13.90
3	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Tokai Tokyo Securities Co., Ltd.	34,514,799	4.75
4	Chua Sim Neo @ Diana Chua	34,080,300	4.69
5	Abdul Aziz Bin Hashim	29,753,712	4.10
6	Aiza Binti Abdul Aziz	24,798,856	3.41
7	Infotech Mark Sdn Bhd	22,106,340	3.04
8	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Pui Cheng Wui	12,673,900	1.74
9	Lim Kuan Gin	12,350,816	1.70
10	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	9,903,600	1.36
11	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd.	9,551,139	1.31
12	Koon Poh Keong	9,195,000	1.27
13	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund	6,888,200	0.95
14	Affin Hwang Nominees (Tempatan) Sdn Bhd Southern Corporation (Nibong Tebal) Sdn Bhd for Tan Lee Sim	6,800,000	0.94
15	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	6,401,000	0.88
16	Song Kim Lee	6,300,000	0.87
17	Datuk Chay Wai Leong	5,820,000	0.80
18	Hwang Enterprises Sdn Bhd	5,550,000	0.76
19	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong And Shanghai Banking Corporation Limited	5,354,286	0.74
20	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Progress Fund	4,320,200	0.59
21	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Income Fund	4,066,400	0.56
22	Vibrant Model Sdn Bhd	4,000,000	0.55
23	RHB Trustees Berhad Exempt AN for Kenanga Investment Bank Berhad	3,627,000	0.50
24	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Participating Fund	3,430,600	0.47
25	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad	3,400,000	0.47
26	Pui Cheng Wui	3,274,600	0.45
27	Lim Gaik Bway @ Lim Chiew Ah	2,660,400	0.37
28	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Ng Koh Lip	2,400,099	0.33
29	Pui Boon Keng	2,147,000	0.30
30	HSBC Nominees (Asing) Sdn Bhd Societe Generale Paris	2,035,000	0.28
	TOTAL	**515,196,017**	**70.91**

SUBSTANTIAL SHAREHOLDERS', DIRECTORS' & GROUP MANAGING DIRECTOR'S INTERESTS IN SECURITIES

Substantial Shareholders' Interest in Shares

	No. of Ordinary Shares			
Name of Substantial Shareholders	**Direct Interest**	**Percentage (%)**	**Indirect Interest**	**Percentage (%)**
Cahya Mata Capital Sdn Bhd (formerly known as CMS Capital Sdn Bhd)	136,823,000	18.83	-	-
Cahya Mata Sarawak Berhad	-	-	136,823,000[(1)]	18.83
Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail	100,969,770	13.90	198,100[(2)]	0.03

(1) Deemed interest pursuant to Section 8(4) of the Companies Act 2016 by virtue of shares held by Cahya Mata Capital Sdn Bhd (formerly known as CMS Capital Sdn Bhd).
(2) Deemed interest by virtue of shares held by person connected.

DIRECTORS' SHAREHOLDINGS

	No. of Ordinary Shares			
Name of Directors	**Direct Interest**	**Percentage (%)**	**Indirect Interest**	**Percentage (%)**
Jeremy Nasrulhaq	187,900	0.03	-	-
Norazian Ahmad Tajuddin	10,000	*	-	-
Kanagaraj Lorenz	388,000	0.05	-	-

* Negligible

GROUP MANAGING DIRECTOR'S INTEREST IN SECURITIES[(1)]

	No. of Ordinary Shares				
Name of Directors	**Direct Interest**	**Percentage (%)**	**Indirect Interest**	**Percentage (%)**	**No. of Options Held under the Employees' Share Option Scheme**
Datuk Chay Wai Leong[(2)]	5,820,000	0.80	-	-	7,000,000

(1) Securities cover shares and options
(2) Datuk Chay Wai Leong is not a Director of the Company

NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Ninth (49th) Annual General Meeting ("**49th AGM**") of Kenanga Investment Bank Berhad ("**the Company**" or "**KIBB**") will be held fully virtual at Level 19, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia ("**Broadcast Venue**") on Thursday, 25 May 2023 at 11.00 a.m. through live streaming and online remote voting via the Remote Participation and Electronic Voting Facilities ("**RPEV Facilities**") which are available at Boardroom Share Registrars Sdn Bhd ("**Boardroom**")'s online platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the Financial Year Ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.

2. To elect Madam Chin Siew Siew who retires in accordance with Clause 84 of the Company's Constitution and who, being eligible, offers herself for election. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire by rotation in accordance with Clause 78 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   3.1 Encik Jeremy Nasrulhaq; **Ordinary Resolution 2**
   3.2 Puan Norazian Ahmad Tajuddin; and **Ordinary Resolution 3**
   3.3 Mr. Kanagaraj Lorenz. **Ordinary Resolution 4**

4. To approve the payment of the Non-Executive Directors' fees totalling RM3,009,917.82 in respect of the Financial Year Ended 31 December 2022. **Ordinary Resolution 5**

5. To approve the payment of benefits payable to Non-Executive Directors of up to an amount of RM1,300,000.00 from 26 May 2023 until the next AGM of the Company. **Ordinary Resolution 6**

6. To re-appoint Ernst & Young PLT as Auditors of the Company for the Financial Year Ending 31 December 2023 and to authorise the Board of Directors to determine their remuneration. **Ordinary Resolution 7**

AS SPECIAL BUSINESS

7. **Authority to Directors to Issue Shares** **Ordinary Resolution 8**

   To consider, and if thought fit, to pass the following Ordinary Resolution:

   "**THAT** subject always to the Companies Act 2016, the Company's Constitution and approvals of the relevant governmental/ regulatory authorities, the Board of Directors be and is hereby authorised pursuant to Section 75 and Section 76 of the Companies Act 2016, to issue shares in the Company at any time to such persons and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and the Board of Directors be and is also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued **AND THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING

8. **Proposed Renewal of Share Buy-Back Authority** **Ordinary Resolution 9**

To consider, and if thought fit, to pass the following Ordinary Resolution:

"**THAT** subject to the provisions of the Companies Act 2016, the Company's Constitution, Bursa Malaysia Securities Berhad's Main Market Listing Requirements and the approvals of all relevant governmental and/ or regulatory authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of the Company ("**Proposed Renewal of Share Buy-Back Authority**") as may be determined by the Board of Directors of the Company from time to time through Bursa Malaysia Securities Berhad, upon such terms and conditions as the Board of Directors may deem fit in the interest of the Company, provided that -

a. the aggregate number of shares to be purchased pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares for the time being of the Company and in compliance with the public shareholding spread requirements as stipulated in Paragraph 8.02(1) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements or other requirements as may be determined by Bursa Malaysia Securities Berhad from time to time;

b. the maximum funds to be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's latest audited retained profits of RM597,057,532.16 as at 31 December 2022;

c. the authority conferred by this Resolution shall commence immediately upon the passing of this Ordinary Resolution and shall continue to be in force until:

   i. the conclusion of the next AGM of the Company at which time it will lapse, unless by Ordinary Resolution passed at the AGM, the authority is renewed either unconditionally or subject to conditions; or

   ii. the expiration of the period within which the next AGM after that date is required by law to be held; or

   iii. revoked or varied by Ordinary Resolution passed by the Shareholders of the Company in a general meeting,

   whichever occurs first; but not so as to prejudice the completion of the purchase of its own shares by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of Bursa Malaysia Securities Berhad's Main Market Listing Requirements or any other relevant authorities;

d. upon the purchase by the Company of its own shares, the Board of Directors be and is hereby authorised to -

   i. cancel the shares so purchased;

   ii. retain part of the shares so purchased as Treasury Shares and cancel the remainder;

   iii. retain the shares so purchased as Treasury Shares;

   iv. distribute the Treasury Shares as share dividends to Shareholders;

   v. resell the Treasury Shares or any of the said shares in accordance with Bursa Malaysia Securities Berhad's Main Market Listing Requirements;

NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING

vi. transfer the Treasury Shares, or any of the said shares for the purposes of or under an employees' share scheme;

vii. transfer the Treasury Shares, or any of the said shares as purchase consideration;

viii. cancel the Treasury Shares or any of the said shares; or

ix. sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister of Domestic Trade and Consumer Affairs may by order prescribe;

AND THAT the Board of Directors of the Company be and is hereby authorised to take all steps as are necessary or expedient to implement or to effect the Proposed Renewal of Share Buy-Back Authority with full power to assent to any condition, modification, variation and/ or amendment as may be imposed by the relevant authorities and to take all such steps as may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

9. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

BY ORDER OF THE BOARD

NORLIZA ABD SAMAD
CCM PC No.: 201908002139
MAICSA 7011089
Group Company Secretary

Kuala Lumpur
26 April 2023

Notes:

1. Registration for RPEV Facilities

1.1 The Company's fully virtual 49th AGM will be conducted online, without a physical meeting venue. Members can attend, participate and vote in the meeting remotely or online via Boardroom's online platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) by using the RPEV Facilities. The only venue involved is the Broadcast Venue where only the essential individuals are physically present to organise the fully virtual 49th AGM.

1.2 Registration for RPEV is opened from the date of the Notice of the 49th AGM on Wednesday, 26 April 2023 until such time before the voting session ends at the 49th AGM on Thursday, 25 May 2023.

1.3 Member(s), proxy(ies), corporate representative(s) or attorney(s) are required to register as a user with Boardroom's Online website first and then pre-register their attendance for the 49th AGM for verification of their eligibility to attend the 49th AGM using the RPEV Facilities based on the General Meeting Record of Depositors as at 18 May 2023.

2. Proxy

2.1 For the purpose of determining a member who shall be entitled to attend this 49th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 60 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 18 May 2023. Only a member whose name appears in the Record of Depositors as at 18 May 2023 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend and/ or vote on his/ her behalf.

NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING

2.2 A member of the Company entitled to attend, participate, speak and vote at this AGM is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/ her place. There shall be no restriction as to the qualification of the proxy. Since the 49th AGM will be conducted via a virtual meeting, a member who is unable to attend and vote at the Meeting may appoint the Chairman of the Meeting as his/ her proxy and indicate the voting instruction in the Proxy Form. For Corporate Shareholder, Authorised Nominee and Exempt Authorised Nominee, other than the Chairman of the Meeting, you may appoint a Proxy who is not the Chairman of the Meeting.

2.3 A member who is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

*2.4 Where a member is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

2.5 Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his/ her shareholdings to be represented by each proxy.

2.6 The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/ her attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialled.

*2.7 Duly completed Proxy Form must be deposited at the office of the Company's share registrar, Boardroom at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not later than **Wednesday, 24 May 2023 at 11.00 a.m.** Alternatively, you may choose to submit the proxy appointment electronically via Boardroom's Smart Investor Portal Online website at https://investor.boardroomlimited.com before the Proxy Form submission cut-off time as mentioned above. For further information on the electronic submission of Proxy Form, kindly refer to the procedures provided in the Administrative Guide.*

2.8 Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 49th AGM will be put to vote on a poll.

3. Audited Financial Statements for the Financial Year Ended 31 December 2022

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require Shareholders' approval and hence, will not be put for voting.

4. Ordinary Resolution 1 - Election of Director Who Retires in Accordance with Clause 84 of the Company's Constitution

Clause 84 of the Constitution provides amongst others, that the Board of Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director to the existing Board of Directors and any Director so appointed shall hold office only until the next AGM and shall then be eligible for election.

Accordingly, Madam Chin Siew Siew who was appointed as an Independent Non-Executive Director of the Company on 1 June 2022, shall hold office until the 49th AGM and shall then be eligible for election pursuant to Clause 84 of the Company's Constitution.

The profile of Madam Chin Siew Siew can be found in the 2022 Annual Report of the Company.

5. Ordinary Resolutions 2 to 4 - Re-Elections of Directors Who Retire in Accordance with Clause 78 of the Company's Constitution

Clause 78 of the Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. Pursuant thereto, three (3) Independent Non-Executive Directors of the Company, namely Encik Jeremy Nasrulhaq, Puan Norazian Ahmad Tajuddin and Mr. Kanagaraj Lorenz, shall retire in accordance with Clause 78 of the Company's Constitution.

NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING

*For the purpose of determining the eligibility of the Directors to stand for re-election at the 49th AGM, the Board of Directors through its Group Governance, Nomination & Compensation Committee ("**GNC**") had assessed each of the retiring Directors, and considered the following:*

a. The Director's performance and contribution based on the outcome of the performance evaluation conducted on the Board of Directors, Board Committees and Individual Directors;

b. The Director's level of contribution to the Board of Directors' deliberations through his/ her skills, experience and strength in qualities;

c. The level of independence demonstrated by the Director, and his/ her ability to act in the best interests of the Company in decision-making; and

d. The Director's fitness and proprietary in line with the fit and proper criteria as stated under Clause 6.1.5 of the Board Succession Planning Framework for Kenanga Group.

Based on its assessment, the GNC had, at its meeting on 28 February 2023, recommended the election/ re-elections of the aforementioned Directors to be put forth to the Shareholders for approval at the forthcoming AGM. The GNC's recommendation was approved by the Board of Directors at its meeting on 6 March 2023.

The profiles of Encik Jeremy Nasrulhaq, Puan Norazian Ahmad Tajuddin and Mr. Kanagaraj Lorenz can be found in the 2022 Annual Report of the Company.

6. Directors' Remuneration

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board of Directors has agreed that the Shareholders' approval shall be sought at the 49th AGM on the Directors' remuneration in two (2) separate resolutions as follows:

*a. **Ordinary Resolution 5** on payment of Directors' fees in respect of the Financial Year Ended 31 December 2022; and*

*b. **Ordinary Resolution 6** on payment of Directors' benefits from 26 May 2023 to the next AGM in 2024 ("**Current Period**").*

7. Directors' Fees

*The payment of the fees to the Non-Executive Chairman and Non-Executive Directors ("**NEDs**") in respect of the Financial Year Ended 31 December 2022 will only be paid if the proposed **Ordinary Resolution 5** is passed at the 49th AGM pursuant to Section 230(1)(b) of the Companies Act 2016.*

8. Benefits Payable to the NEDs

a. The benefits payable to the NEDs comprise the allowances and other emoluments payable to the Chairman and members of the Board of Directors of the Company and its subsidiaries, as well as the Board Committees.

b. The current Directors' remuneration framework of the Company is as set out below.

Description	Chairman	Board Members
Benefits (applicable to the Company only)	Leave passage, driver, car, medical benefits and other claimable benefits	Medical benefits

Type of Meeting	Chairman (per meeting)	NED/ Member (per meeting)
Board of Directors' Meeting	RM2,000	RM2,000
General Meeting	RM2,000	RM2,000
Board Committee Meeting	RM2,000	RM2,000

NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING

*c. Payment of the benefits to the NEDs of the Company and its subsidiaries is made on a monthly basis and/ or as and when incurred if the proposed **Ordinary Resolution 6** is passed at the 49th AGM. The Board of Directors is of the view that it is just and equitable for the NEDs to be paid the Directors' Remuneration (excluding Directors' fees) on a monthly basis and/ or as and when incurred, particularly after discharging their responsibilities and rendering their services to the Company and its subsidiaries throughout the Current Period.*

9. Ordinary Resolution 7 - Re-Appointment of Auditors

*The Audit Committee of the Company ("**AC**"), at its meeting held on 30 January 2023, had undertaken an annual assessment of the performance and independence of the External Auditors, Ernst & Young PLT in accordance with Section 67(1) of the Financial Services Act 2013 and Section 76(1) of the Islamic Financial Services Act 2013.*

Based on the assessment, the AC had recommended to the Board of Directors for approval, the re-appointment of Ernst & Young PLT as the Company's External Auditors, given that Ernst & Young PLT had fulfilled all the qualifications set out in Bank Negara Malaysia's Policy Document on External Auditor in terms of its performance, as well as independence.

The assessment conducted had taken into consideration the following factors:

a. Level of knowledge, capabilities, experience and quality of previous work;

b. Level of engagement with the AC/ Board of Directors;

c. Ability to provide constructive observations, implications and recommendations in areas which require improvements;

d. Appropriateness of audit approach and the effectiveness of audit planning;

e. Ability to perform the audit work within the agreed duration given;

f. Non-audit services rendered by the External Auditors to KIBB Group did not impede independence; and

g. Ability of the External Auditors to demonstrate unbiased stance when interpreting the standards/ policy adopted by the Company.

The Board of Directors had also noted that the AC when assessing the proposal on Ernst & Young PLT's re-appointment, had also taken into consideration the 2022 Transparency Report tabled by Ernst & Young PLT, outlining the audit firm's legal and governance structures, measures to uphold audit quality and manage risks, as well as measurements of audit quality indicators.

In terms of its independence, Ernst & Young PLT had confirmed that it was independent of KIBB Group and KIBB in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Code of Ethics for Professional Accountants (including International Independence Standards).

Based on the assessment, the Board of Directors had concurred with the AC's recommendation and concluded that Ernst & Young PLT had fulfilled all the qualification criteria set out in Bank Negara Malaysia's Policy Document on External Auditor in terms of its performance and independence and further recommended the same to the Shareholders for approval at the 49th AGM, subject to the approval from Bank Negara Malaysia.

Subsequent to the above, Bank Negara Malaysia had on 6 April 2023 granted its approval for the re-appointment of Ernst & Young PLT as KIBB Group's External Auditors and Ms. Ng Sue Ean as the Engagement Partner and the appointment of Mr. Brandon Bruce Sta Maria as the Concurring Partner for the Financial Year Ending 31 December 2023.

10. Special Business

10.1 Ordinary Resolution 8 - Authority to Directors to Issue Shares

*The proposed **Ordinary Resolution 8** is a renewal of the general mandate pursuant to Section 75 and Section 76 of the Companies Act 2016 obtained from Shareholders of the Company at the previous AGM held on 26 May 2022 and, if passed, will give powers to the Board of Directors to issue ordinary shares in the share capital of the Company up to an aggregate amount not exceeding ten percent (10%) of the total number of issued shares of the Company for the time being. This general mandate, unless revoked or varied at a general meeting, will expire at the next AGM.*

NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING

The general mandate from Shareholders is to provide the Company the flexibility to undertake any share issuance during the financial year without having to convene a general meeting. The rationale for this proposed mandate is to allow for possible share issue and/ or fund raising exercises including placement of shares for the purpose of funding current and/ or future investment project, working capital and/ or acquisitions, as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on urgent basis and thereby reducing the administrative time and costs associated with the convening of additional Shareholders' meeting(s). In any event, the exercise of the mandate is only to be undertaken if the Board of Directors considers it to be in the best interest of the Company.

The general mandate obtained from the Shareholders of the Company at the previous AGM held on 26 May 2022 had not been utilised and hence, no proceed was raised therefrom.

10.2 Ordinary Resolution 9 - Proposed Renewal of Share Buy-Back Authority

*The proposed **Ordinary Resolution 9**, if passed, will empower the Board of Directors to allocate an amount not exceeding the retained profits of the Company for the purpose of and to purchase such amount of ordinary shares in the Company from time to time on the market of Bursa Malaysia Securities Berhad upon such terms and conditions as the Board of Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being.*

The Shareholders' mandate for the Proposed Renewal of Share Buy-Back Authority is subject to renewal on an annual basis.

Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Share Buy-Back Statement dated 26 April 2023 which is dispatched together with the Notice of 49th AGM.

11. Abstention from Voting

11.1 The NEDs referred to in Ordinary Resolutions 2, 3 and 4, namely Encik Jeremy Nasrulhaq, Puan Norazian Ahmad Tajuddin and Mr. Kanagaraj Lorenz, who are Shareholders of the Company, will abstain from voting on the resolution in respect of their respective re-elections at the 49th AGM.

11.2 The NEDs of the Company who are the Shareholders of the Company will abstain from voting on Ordinary Resolution 5 and Ordinary Resolution 6 concerning the Directors' fees and Directors' benefits at the 49th AGM, respectively.

In this respect, Encik Jeremy Nasrulhaq, Puan Norazian Ahmad Tajuddin and Mr. Kanagaraj Lorenz, who are Shareholders of the Company, will abstain from voting on Ordinary Resolution 5 and Ordinary Resolution 6.

12. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

13. Publication of AGM Notice on the Company's Website

Pursuant to Section 320 of the Companies Act 2016, the Notice of the Company's 49th AGM is also available on the Company's website at https://www.kenanga.com.my/investor-relations/AGM2023 throughout the period beginning from the date of the Notice until the conclusion of the 49th AGM.

STATEMENT ACCOMPANYING NOTICE OF FORTY-NINTH (49TH) ANNUAL GENERAL MEETING ("49TH AGM")

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

1. **Details of Individual Who is Standing for Election as Director (Excluding Directors Standing for Re-Election)**

   The profile of Madam Chin Siew Siew who is standing for election as Director at the 49th AGM of the Company as per Agenda 2 of the Notice of 49th AGM can be found in the 2022 Annual Report of the Company.

2. **Ordinary Resolution on Authority to Issue and Allot New Ordinary Shares in the Company**

   The proposed Ordinary Resolution 8 on the general mandate for issuance of shares is a renewal mandate. As at the date of the Notice of the 49th AGM, no new shares were issued pursuant to the general mandate granted to the Directors at the last AGM held on 26 May 2022.

   Details on the authority to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016 are provided under the Explanatory Notes on Special Business in this Notice.

CORPORATE DIRECTORY

EQUITY BROKING BRANCHES

KUALA LUMPUR

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SELANGOR

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KIBB USJ
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PENANG

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MELAKA

KIBB Bandar Melaka
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NEGERI SEMBILAN

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CORPORATE DIRECTORY

EQUITY BROKING BRANCHES

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KIBB Yong Peng
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PAHANG

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KIBB Triang Electronic Access Facility
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SARAWAK

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CORPORATE DIRECTORY

ASSET & WEALTH MANAGEMENT BRANCHES

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KIB Kota Damansara
C26-1 Dataran Sunway,
Jalan PJU 5/17, Kota Damansara,
47810 Petaling Jaya, Selangor
T : +603-6150 3612
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KIB KLUANG
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Pusat Perniagaan Komersial Haji Manan,
86000 Kluang, Johor
T : +607-710 2700
F : +607-710 2150

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PROXY FORM

CDS Account No.: ____________________

KENANGA INVESTMENT BANK BERHAD
Company Registration No. 197301002193 (15678-H)
(Incorporated in Malaysia)

I/ We ______________________________ NRIC No./ Passport No./ Company No. ______________
(FULL NAME AS PER NRIC/ PASSPORT/ CERTIFICATE OF INCORPORATION IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

being a member of **Kenanga Investment Bank Berhad** hereby appoint ______________________________
(FULL NAME AS PER NRIC/ PASSPORT IN BLOCK LETTERS)

NRIC No./ Passport No. ______________________________ of ______________________________

____
(FULL ADDRESS)

and/ or falling him ______________________________ NRIC No./ Passport No. ______________
(FULL NAME AS PER NRIC/ PASSPORT IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

or failing him, THE CHAIRMAN OF THE MEETING as my/ our proxy to vote for me/ us and on my/ our behalf at the Forty-Ninth (49th) Annual General Meeting (“**49th AGM**”) of the Company to be held fully virtual at Level 19, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia through live streaming and online remote voting via the Remote Participation and Electronic Voting Facilities (“**RPEV Facilities**”) which are available at Boardroom Share Registrars Sdn Bhd (“**Boardroom**”)’s online platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) on Thursday, 25 May 2023 at 11.00 a.m. and at any adjournment thereof.

My/ Our proxy is to vote as indicated below.

NO.	RESOLUTIONS		FOR	AGAINST
ORDINARY RESOLUTION				
1.	Election of Madam Chin Siew Siew pursuant to Clause 84 of the Company’s Constitution	**RESOLUTION 1**		
2.	Re-election of the following Directors pursuant to Clause 78 of the Company’s Constitution:			
	2.1 Encik Jeremy Nasrulhaq	**RESOLUTION 2**		
	2.2 Puan Norazian Ahmad Tajuddin	**RESOLUTION 3**		
	2.3 Mr. Kanagaraj Lorenz	**RESOLUTION 4**		
3.	Payment of Directors’ fees totaling RM3,009,917.82	**RESOLUTION 5**		
4.	Payment of benefits to the Non-Executive Directors of up to an amount of RM1,300,000.00 from 26 May 2023 until the next AGM of the Company	**RESOLUTION 6**		
5.	Re-Appointment of Ernst & Young PLT as Auditors	**RESOLUTION 7**		
AS SPECIAL BUSINESS				
6.	Authority to Directors to Issue Shares	**RESOLUTION 8**		
7.	Proposed Renewal of Share Buy-Back Authority	**RESOLUTION 9**		

Please indicate with an “X” in the appropriate spaces provided to indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy may vote as he/ she thinks fit, or at his/ her discretion, abstain from voting.

Date this……………day of ……………………………2023

FOR APPOINTMENT OF TWO (2) PROXIES, PLEASE INDICATE THE PERCENTAGE OF SHAREHOLDINGS TO BE REPRESENTED BY THE PROXIES		
	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

NUMBER OF SHARES HELD

____
Signature/ Common Seal of Member

Notes:

1. ***Registration for RPEV Facilities***
   1.1 *The Company's fully virtual 49th AGM will be conducted online, without a physical meeting venue. Members can attend, participate and vote in the meeting remotely or online via Boardroom's online platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) by using the RPEV Facilities. The only venue involved is the Broadcast Venue where only the essential individuals are physically present to organise the fully virtual 49th AGM.*
   1.2 *Registration for RPEV Facilities is opened from the date of the Notice of 49th AGM on Wednesday, 26 April 2023 until such time before the voting session ends at the 49th AGM on Thursday, 25 May 2023.*
   1.3 *Member(s), proxy(ies), corporate representative(s) or attorney(s) are required to register as a user with Boardroom's online website first and then pre-register their attendance for the 49th AGM for verification of their eligibility to attend the 49th AGM using the RPEV Facilities based on the General Meeting Record of Depositors as at 18 May 2023.*

2. ***Proxy***
   2.1 *For the purpose of determining a member who shall be entitled to attend this 49th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 60 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 18 May 2023. Only a member whose name appears in the Record of Depositors as at 18 May 2023 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend and/ or vote on his/ her behalf.*
   2.2 *A member of the Company entitled to attend, participate, speak and vote at this AGM is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/ her place. There shall be no restriction as to the qualification of the proxy. Since the 49th AGM will be conducted via a virtual meeting, a member who is unable to attend and vote at the Meeting may appoint the Chairman of the Meeting as his/ her proxy and indicate the voting instruction in the Proxy Form. For Corporate Shareholder, Authorised Nominee and Exempt Authorised Nominee, other than the Chairman of the Meeting, you may appoint a Proxy who is not the Chairman of the Meeting.*
   2.3 *A member who is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
   2.4 *Where a member is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (**"Omnibus Account"**), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
   2.5 *Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/ she specifies the proportion of his/ her shareholdings to be represented by each proxy.*
   2.6 *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/ her attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialled.*
   2.7 *Duly completed Proxy Form must be deposited at the office of the Company's Share Registrar, Boardroom at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not later than **Wednesday, 24 May 2023 at 11.00 a.m.** Alternatively, you may choose to submit the proxy appointment electronically via Boardroom's Smart Investor Portal Online website at https://investor.boardroomlimited.com before the Proxy Form submission cut-off time as mentioned above. For further information on the electronic submission of Proxy Form, kindly refer to the procedures provided in the Administrative Guide.*
   2.8 *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 49th AGM will be put to vote on a poll.*

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Stamp

Boardroom Share Registrars Sdn Bhd
Company Registration No. 199601006647 (378993-D)

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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www.kenanga.com.my

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

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