



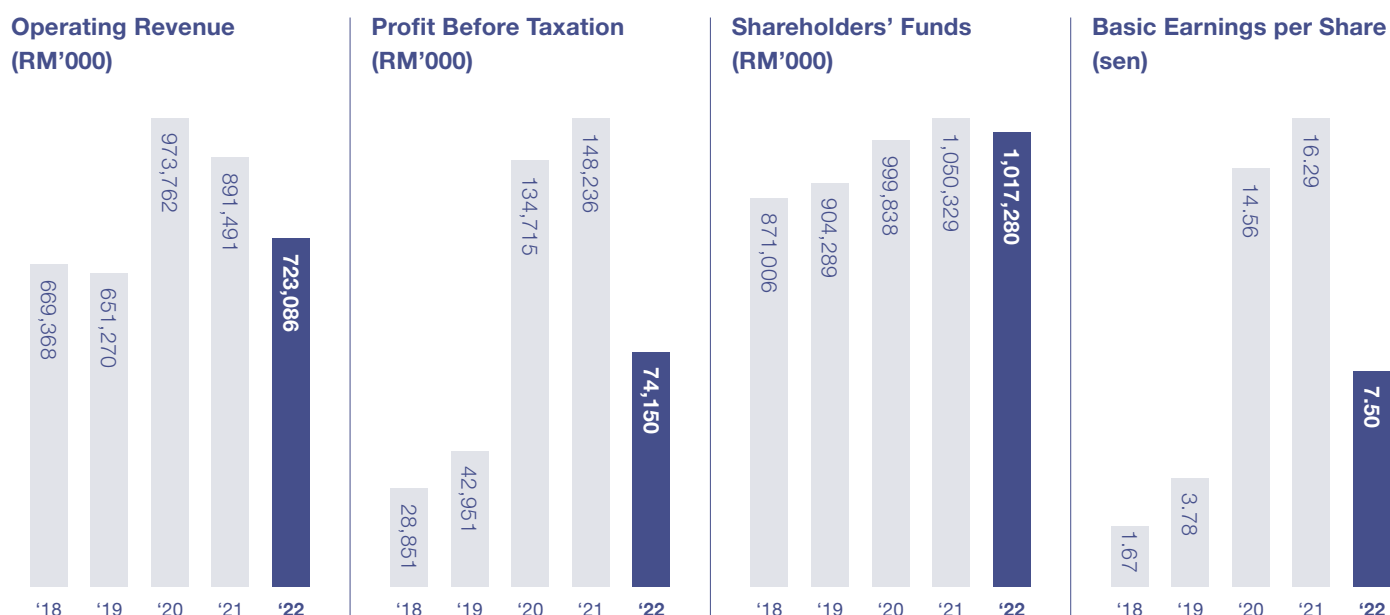
FINANCIAL STATEMENTS

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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



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 Nasrullah	(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
Kuala Lumpur, Malaysia

Jeremy Bin Nasrulhaq

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.)

<i>Risk area and rationale</i>	<i>Our response</i>
<u><i>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss</i></u>	
<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

<i>Risk area and rationale</i>	<i>Our response</i>
<i>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (cont'd.)</i>	
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.	<p>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.</p> <p>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.</p> <p>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.</p>
<i>Impairment of goodwill</i>	
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.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment.
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.	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.
These involve management judgement and are based on assumptions that are affected by expected future market and economic conditions.	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.
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.	<p>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.</p> <p>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.</p>

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

Kuala Lumpur, Malaysia
6 March 2023

Ng Sue Ean
03276/07/2024 J
Chartered Accountant

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

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 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.)

	Note	Group		Bank	
		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

Group	Non-distributable										Total
	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	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.)

Group	Non-distributable							Total		
	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
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 (14,923)	(2,943)	-	9,374 (14,923)
Buy-back of shares	-	-	-	-	-	-	-	-	-	-
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							Total equity RM'000
	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	
Bank	253,834	18,921	153,863	634	2,809	(13,064)	624,353	1,041,350
At 1 January 2022								
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		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	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.)

	Note	Group		Bank	
		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:

Group	Loans, advances and financing					
	Net of impairment (on-balance sheet)		Undrawn (off-balance sheet)		Total exposures	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	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

Bank	Loans, advances and financing					
	Net of impairment (on-balance sheet)		Undrawn (off-balance sheet)		Total exposures	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	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

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.)

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: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
Disclosure of accounting policies (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
Definition of accounting estimates (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to MFRS 112 <i>Income Taxes</i>)	1 January 2023
Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 <i>Insurance Contracts</i>)	1 January 2023
Initial application of MFRS 17 and MFRS 9 - Comparative Information (Amendments to MFRS 17 <i>Insurance Contracts</i>)	1 January 2023
Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 <i>Leases</i>)	1 January 2024
Non-current Liabilities with Covenants (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	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.

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.)

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%
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(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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.

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.)

(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.

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.)

(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.

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.)

(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").

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

31 DECEMBER 2022

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).

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 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.

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.)

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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.

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.)

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.

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.)

(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.

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

(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.

Overlays and adjustments for ECL amidst COVID-19 environment

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:

Scenarios	ECL provision	
	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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

31 DECEMBER 2022

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	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Investment grade	312,901	4,978	-	317,879

2021				
Group and Bank	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	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	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	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	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	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

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.)

An analysis of changes in the fair value and the corresponding ECLs is as follows (cont'd.):

Group and Bank ECL allowances	2022			
	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

Group and Bank ECL allowances	2021			
	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).

Group and Bank Internal rating grade	2022			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Investment grade	449,114	-	-	449,114

Group and Bank Internal rating grade	2021			
	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:

Group and Bank Gross carrying amount	2022			
	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

Group and Bank Gross carrying amount	2021			
	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

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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.):

Group and Bank ECL allowances	2022			
	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	-	-	-	-

Group and Bank ECL allowances	2021			
	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

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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

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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

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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).

Group Internal rating grade	2022			
	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

Group Internal rating grade	2021			
	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.)**

Bank Internal rating grade	2022			
	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

Bank Internal rating grade	2021			
	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

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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:

Group	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	RM'000	RM'000	RM'000	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

Group	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	RM'000	RM'000	RM'000	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

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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.):

Bank	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	RM'000	RM'000	RM'000	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

Bank	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	RM'000	RM'000	RM'000	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.):

Group ECL allowances	2022			
	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

Group ECL allowances	2021			
	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

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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.):

Bank ECL allowances	2022			
	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

Bank ECL allowances	2021			
	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

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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

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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.):

Group and Bank Gross carrying amount	2021			
	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

Group and Bank ECL allowances	2022			
	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

Group and Bank ECL allowances	2021			
	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

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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

Group Internal rating grade	2022			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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

Group Internal rating grade	2021			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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

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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			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
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			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
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			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowances				
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

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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			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL allowances				
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

Group Internal rating grade	2022			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Performing:				
- Satisfactory	80,561	-	-	80,561
Total	80,561	-	-	80,561

Group Internal rating grade	2021			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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.)

Bank Internal rating grade	2022			
	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

Bank Internal rating grade	2021			
	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:

Group Outstanding exposure	2022			
	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

Group Outstanding exposure	2021			
	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

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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.):

Bank	2022			
	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure	RM'000	RM'000	RM'000	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

Bank	2021			
	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure	RM'000	RM'000	RM'000	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

Bank	2022			
	Stage 1	Stage 2	Stage 3	Total
ECL allowances	RM'000	RM'000	RM'000	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

Bank	2021			
	Stage 1	Stage 2	Stage 3	Total
ECL allowances	RM'000	RM'000	RM'000	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

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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		Corporates		
	Stage 1 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	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
<i>As a percentage of total:</i>					
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		Corporates		
	Stage 1 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	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
<i>As a percentage of total:</i>					
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

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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		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	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	Credit Impaired RM'000	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	Credit Impaired RM'000	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

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13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiary companies are as follows:

		Effective equity interest	
Name	Principal activities	2022 %	2021 %
<u>Local subsidiary companies</u>			
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

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13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiary companies are as follows (cont'd.):

		Effective equity interest	
Name	Principal activities	2022 %	2021 %
<u>Local subsidiary companies (cont'd.)</u>			
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
<u>Overseas subsidiary company</u>			
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		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	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		

NOTES TO THE FINANCIAL STATEMENTS

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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 RM'000	2021 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 RM'000	2021 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

31 DECEMBER 2022

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	2021
	RM'000	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	2021
	RM'000	RM'000
The Group's share of results in associates, representing share of total comprehensive loss	8	5

NOTES TO THE FINANCIAL STATEMENTS

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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:

Name	Percentage (%) of equity held		Principal activities
	2022 %	2021 %	
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

NOTES TO THE FINANCIAL STATEMENTS

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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

NOTES TO THE FINANCIAL STATEMENTS

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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.

NOTES TO THE FINANCIAL STATEMENTS

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17. INTANGIBLE ASSETS

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	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					
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					
Carrying amount					
At beginning/end of the financial year		52,500	52,500	52,500	52,500
(c) Fund management contracts					
Carrying amount					
At beginning/end of the financial year		4,169	4,169	-	-

NOTES TO THE FINANCIAL STATEMENTS

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17. INTANGIBLE ASSETS (CONT'D.)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	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

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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.

NOTES TO THE FINANCIAL STATEMENTS

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17. INTANGIBLE ASSETS (CONT'D.)

(g) Impairment test on intangible assets (cont'd.)

Trading and clearing rights

- 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.

NOTES TO THE FINANCIAL STATEMENTS

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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

NOTES TO THE FINANCIAL STATEMENTS

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18. RIGHT-OF-USE ASSETS (CONT'D.)

Bank	Building	
	2022 RM'000	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)

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 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

NOTES TO THE FINANCIAL STATEMENTS

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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.

NOTES TO THE FINANCIAL STATEMENTS

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24. OTHER LIABILITIES

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 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 RM'000	2021 RM'000	2022 RM'000	2021 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		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	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	2021	2022	2021
	RM'000	RM'000	RM'000	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	2021	2022	2021
	RM'000	RM'000	RM'000	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	2021	2022	2021
	'000	'000	RM'000	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	2021	2022	2021
	'000	'000	RM'000	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

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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

	Note	Group		Bank	
		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	2021	2022	2021
	RM'000	RM'000	RM'000	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	2021	2022	2021
	RM'000	RM'000	RM'000	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

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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:

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, plant and 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

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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)

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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

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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

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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.)				
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

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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	-	-

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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	2021	2022	2021
	RM'000	RM'000	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS

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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

NOTES TO THE FINANCIAL STATEMENTS

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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	2021	2022	2021
	Principal	Principal	Principal	Principal
	amount	amount	amount	amount
	RM'000	RM'000	RM'000	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:

Group	Gross amounts of recognised financial asset/ liability set off in the statements of financial position 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	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 set off in the statements of financial position 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	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.

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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.):

The capital adequacy ratios of the Group and of the Bank are as follows (cont'd.):

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	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:

Group	2022		2021	
	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		2021	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	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		2021	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	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.

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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:

	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
2022								
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

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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 (cont'd.):

	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
2022							
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)

	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
2022							
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

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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 (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

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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 (cont'd.):

	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
2021							
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

	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
2021							
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

31 DECEMBER 2022

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	<ul style="list-style-type: none"> • 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:

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

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

31 DECEMBER 2022

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	<ul style="list-style-type: none"> 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
All portfolios	B	15%
	N	80%
	D	5%

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 weightings assigned to each state of economy as at 31 December 2021 were as follows:

	State of Economy	Weighting
All portfolios	B	10%
	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

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 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

31 DECEMBER 2022

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2022

	Manufacturing (incl. agri- based)	Electricity, gas & water supply	Wholesale & retail trade, and hotel & restaurant	Real estate	Transport, storage and communications	Finance and insurance	Household	Others	Total
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

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 2021

	Bank	Manufacturing (incl. agri- based)	Electricity, gas & water supply	Wholesale & retail trade, and hotel & restaurant	Real estate	Transport, storage and communications	Finance and insurance	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	AA1	AA		Strong capacity to meet its financial obligations.
3	AA2			The entity is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
4	AA3			
5	A1	A		Adequate capacity to meet its financial obligations. The entity is more susceptible to adverse changes in circumstances, economic and/or operating environments.
6	A2			
7	A3			
8	BBB1	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.
9	BBB2			
10	BBB3			

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	BB1	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.
12	BB2			
13	BB3			
14	B1	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.
15	B2			
16	B3			
17	C1	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.
18	C2			
19	C3			
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.

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 (cont'd.)

Group	Neither past due nor impaired								Total RM'000
	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	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired 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	-	-	-	(2,900)	413,768	
Islamic term loans	-	60,929	23,308	-	-	-	(170)	84,067	
Share margin financing	328,509	750,276	176	-	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	(1,246)	(1,531)	427,638	
Other assets, excluding prepayments and deposits	147,741	-	-	80	21,927	(11,327)	(332)	162,536	
Total	3,649,784	1,139,499	62,789	86,593	84,708	(31,876)	(4,933)	5,102,968	

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 (cont'd.)

Group	Neither past due nor impaired							Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
	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						
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

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 (cont'd.)

Bank	Neither past due nor impaired								Total RM'000
	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	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired 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	(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	(1,531)	427,477	
Other assets, excluding prepayments and deposits	88,693	-	-	-	7,571	(6,472)	(572)	106,937	
Total	3,089,733	1,197,570	62,789	86,513	119,529	67,665	(5,638)	4,593,410	

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 (cont'd.)

Bank	Neither past due nor impaired							Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
	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						
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)	(5,244)	-	4,926,461

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

31 DECEMBER 2022

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

31 DECEMBER 2022

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.

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 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	

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 (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)	-	-	

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.)

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	

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.)

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)	-	-	

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.)

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	

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.)

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

31 DECEMBER 2022

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)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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.

	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 year	Non specific maturity	Total
Group 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

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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.

	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
Bank 2021								
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.)

	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
Bank 2022							
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
	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
Bank 2021							
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

31 DECEMBER 2022

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

31 DECEMBER 2022

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

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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

	Note	Group and Bank	
		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

	Note	Group and Bank	
		2022 RM'000	2021 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 RM'000	2021 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(c) Statements of cash flows

For the financial year ended 31 December 2022

	Group and Bank	
	2022	2021
	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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	Total RM'000
	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	
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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(e) Cash and bank balances

	Group and Bank	
	2022 RM'000	2021 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 RM'000	2021 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 RM'000	2021 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 RM'000	2021 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 Stage 1	RM'000 Total
<u>Movement in ECL</u>		
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	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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
(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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)**(h) Financing and advances (cont'd.)**

(vi) Impairment allowance for financing and advances are as follows:

Group & Bank ECL allowances	2022	
	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

Group & Bank ECL allowances	2021	
	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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(i) Other assets (cont'd.)

(i) Impairment allowance for other receivables:

	2022		
	Non-credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
ECL allowances			
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		
	Non-credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
ECL allowances			
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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(k) Other liabilities

	Group and Bank	
	2022 RM'000	2021 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 RM'000	2021 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 RM'000	2021 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

31 DECEMBER 2022

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

31 DECEMBER 2022

52. OPERATIONS OF ISLAMIC BANKING (CONT'D.)**(o) Other operating expenses (cont'd.)****(ii) Other overhead expenses (cont'd.)**

	Group and Bank	
	2022 RM'000	2021 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:

Group & Bank	Remuneration received		
	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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

31 DECEMBER 2022

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	2021
	Principal amount RM'000	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

31 DECEMBER 2022

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

31 DECEMBER 2022

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.

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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

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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

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 Second Offer

2022

Offer date	Opening	Movement during the financial year			Outstanding
	As at 1.1.2022	Granted	Exercised	Forfeited / Cancelled	As at 31.12.2022
31.05.2018	7,000,000	-	-	-	7,000,000
WAEP (RM)	0.630	-	-	-	0.630

2021

Offer date	Opening	Movement during the financial year			Outstanding
	As at 1.1.2021	Granted	Exercised	Forfeited / Cancelled	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	Movement during the financial year			Outstanding
	As at 1.1.2022	Granted	Exercised	Forfeited / Cancelled	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	Movement during the financial year			Outstanding
	As at 1.1.2021	Granted	Exercised	Forfeited / Cancelled	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			Outstanding As at 31.12.2022
		Granted	Exercised	Forfeited / Cancelled	
17.06.2019	-	-	-	-	-
WAEP (RM)	-	-	-	-	-

2021

Offer date	Opening As at 1.1.2021	Movement during the financial year			Outstanding As at 31.12.2021
		Granted	Exercised	Forfeited / Cancelled	
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			Outstanding As at 31.12.2022
		Granted	Exercised	Forfeited / Cancelled	
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			Outstanding As at 31.12.2021
		Granted	Exercised	Forfeited / Cancelled	
01.07.2020	3,044,000	-	255,500	209,000	2,579,500
WAEP (RM)	0.580	-	0.580	0.580	0.580

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 Sixth Offer

2022

Offer date	Opening	Movement during the financial year			Outstanding
	As at 1.1.2022	Granted	Exercised	Forfeited / Cancelled	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	Movement during the financial year			Outstanding
	As at 1.1.2021	Granted	Exercised	Forfeited / Cancelled	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.

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 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.

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31 DECEMBER 2022

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 Amaranite 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.