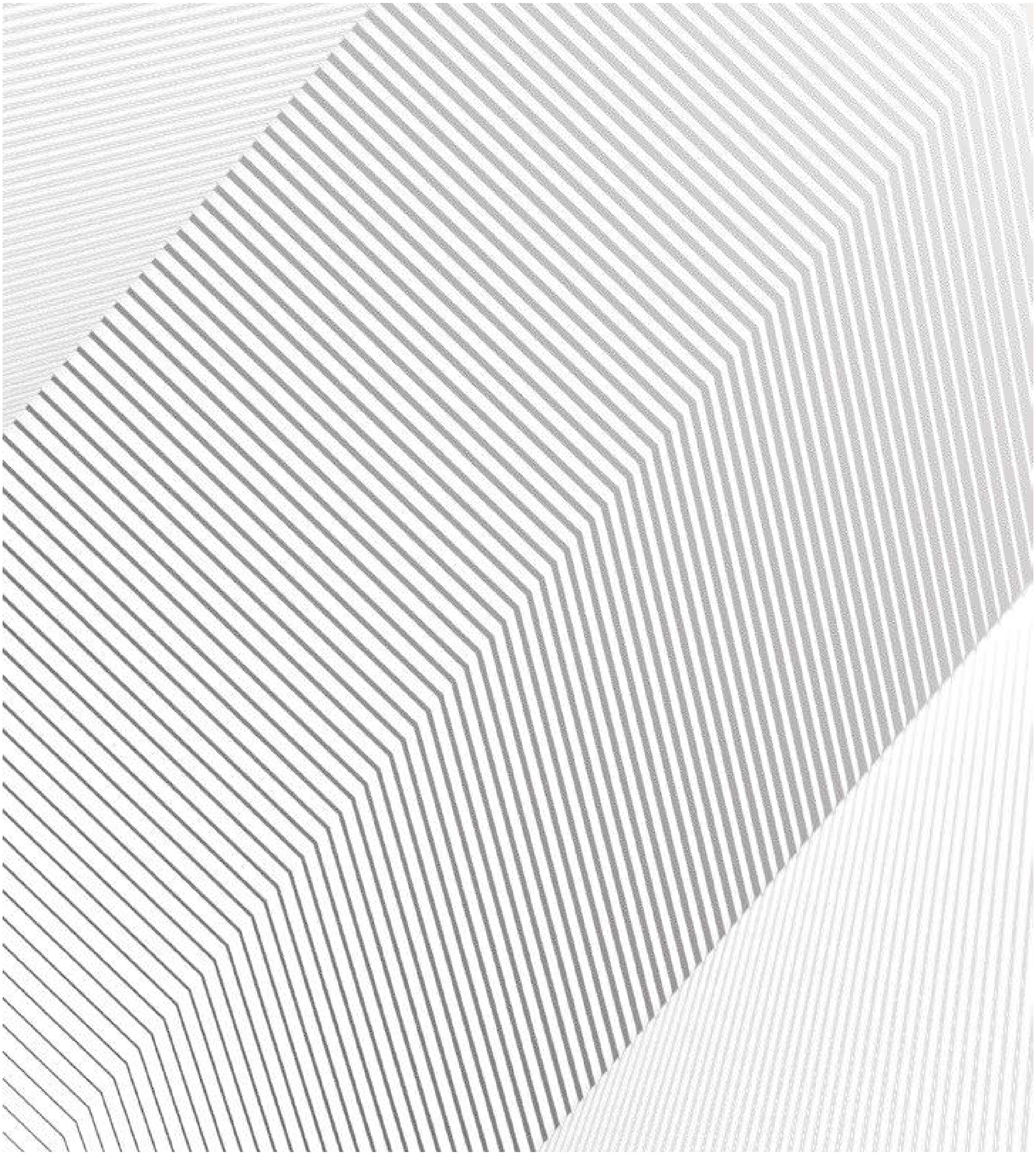
ANNUAL REPORT 2019

KENANGA INVESTMENT BANK BERHAD

(197301002193 (15678-H))



COVER RATIONALE

The cover of our Annual Report for 2019 depicts an arrow pointing upwards, symbolising our continued positive trajectory and underscoring the resilience of our Company and our business amid global uncertainties. The experience we have gained from over 45 years in operation has placed us on firm footing to contend with fluctuating market conditions and technology disruptions which continue to shift our business landscape. Backed by agility, collaboration and trustworthiness, which make up our brand values, we are confident that we possess the mettle to achieve and deliver sustainable value for years to come.

OUR JOURNEY THIS YEAR
begins with


kenanga

WHO WE ARE

kenanga

Scan for more information on our products and services

Established more than 45 years, Kenanga Investment Bank Berhad and Its Group of Companies is a financial group in Malaysia with extensive experience in equity broking, investment banking, treasury, Islamic banking, listed derivatives, investment management, wealth management, structured lending and trade financing.

Our Brand Values

AGILITY

We are nimble and quick to respond with creative, customised solutions to meet our clients' needs.

COLLABORATION

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

TRUSTWORTHINESS

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

We are an award-winning leading independent investment bank in the country with continuous commitment towards driving innovation and digitalisation in the marketplace.

Today, we are the largest independent investment bank* by equity trading volume and value, as well as, one of the top three (3) brokerage houses with the largest network of remisiers in the country. Our clients also enjoy convenience through more than 30 locations nationwide.

* *According to Bursa Malaysia Securities Berhad's Participating Organisations Trading Summary as at 31 December 2019.*

CORPORATE STRUCTURE

KENANGA INVESTMENT BANK BERHAD
(197301002193 (15678-H))

- 100% **K & N KENANGA HOLDINGS BERHAD** (199401017181 (302859-X))
  - 100% **SSSB MANAGEMENT SERVICES SDN BHD** (199101009010 (219322-W))
  - 49% **KENANGA VIETNAM SECURITIES JOINT STOCK CORPORATION** (72/UBCK - GPHDKD) (Incorporated in Vietnam)
  - 45% **KENANGA INVESTMENT CORPORATION LTD** (PB300) (Incorporated in Sri Lanka)
- 50% **RAKUTEN TRADE SDN BHD** (199301011963 (266701-P))
- 100% **KENANGA FUTURES SDN BHD** (199501024398 (353603-X))
- 29.6% **AL WASATAH AL MALIAH COMPANY** (1010241832) (Incorporated in the Kingdom of Saudi Arabia)
- 100% **KENANGA INVESTORS BERHAD** (199501024358 (353563-P))
  - 100% **LIBRA INVEST BERHAD** (199501032001 (361207-D))
  - 100% **KUT NOMINEES (ASING) SDN BHD** (200201001939 (569602-K))
  - 100% **KUT NOMINEES (TEMPATAN) SDN BHD** (200201001942 (569605-D))
  - 100% **KENANGA ISLAMIC INVESTORS BERHAD** (199701036457 (451957-D))
  - 100% **KENANGA FUNDS BERHAD** (200301017657 (620077-K))
- 100% **AVENUE KESTREL SDN BHD** (198301001914 (97150-A))
- 100% **KENANGA SINGAPORE PTE LTD** (201433886E) (Incorporated in Singapore)

100%
KENANGA CAPITAL SDN BHD
(199701024604 (440102-V))

100%
KENANGA PRIVATE EQUITY SDN BHD
(199701007563 (423059-P))

100%
KENANGA MANAGEMENT & SERVICES SDN BHD
(198001007478 (61262-V))

100%
KENANGA NOMINEES (TEMPATAN) SDN BHD
(197301003326 (16778-M))

100%
KENANGA NOMINEES (ASING) SDN BHD
(199301025305 (280043-U))

100%
ECML BERHAD
(193001000016 (682-X))

100%
ECML NOMINEES (TEMPATAN) SDN BHD
(193801000015 (938-T))

100%
KENANGA CAPITAL ISLAMIC SDN BHD
(201101010778 (938908-X))

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

IZLAN IZHAB
Chairman/
Independent Non-Executive Director

DATUK SYED AHMAD ALWEE ALSREE
Deputy Chairman/
Non-Independent Non-Executive Director

DATO' RICHARD ALEXANDER JOHN CURTIS
Non-Independent Non-Executive Director

LUIGI FORTUNATO GHIRARDELLO
Non-Independent Non-Executive Director

ISMAIL HARITH MERICAN
Non-Independent Non-Executive Director

LUK WAI HONG, WILLIAM
Independent Non-Executive Director

JEREMY NASRULHAQ
Independent Non-Executive Director

NORAZIAN AHMAD TAJUDDIN
Independent Non-Executive Director

KANAGARAJ LORENZ
Independent Non-Executive Director

AUDIT COMMITTEE

JEREMY NASRULHAQ
Chairman

Izlan Izhab
Luk Wai Hong, William
Kanagaraj Lorenz
Ismail Harith Merican

EMPLOYEES' SHARE SCHEME COMMITTEE

NORAZIAN AHMAD TAJUDDIN
Chairman

Luk Wai Hong, William
Jeremy Nasrulhaq
Datuk Syed Ahmad Alwee Alsree
Luigi Fortunato Ghirardello

GROUP NOMINATION & REMUNERATION COMMITTEE

NORAZIAN AHMAD TAJUDDIN
Chairman

Luk Wai Hong, William
Jeremy Nasrulhaq
Datuk Syed Ahmad Alwee Alsree
Luigi Fortunato Ghirardello

GROUP BOARD DIGITAL INNOVATION & TECHNOLOGY COMMITTEE

KANAGARAJ LORENZ
Chairman

Luk Wai Hong, William
Jeremy Nasrulhaq
Norazian Ahmad Tajuddin
Dato' Richard Alexander John Curtis
Luigi Fortunato Ghirardello

GROUP BOARD RISK COMMITTEE

LUK WAI HONG, WILLIAM
Chairman

Norazian Ahmad Tajuddin
Kanagaraj Lorenz
Dato' Richard Alexander John Curtis
Luigi Fortunato Ghirardello

SHARIAH COMMITTEE

DR. KAMARUZAMAN NOORDIN
Chairman

Dr. Muhammad Arzim Naim
Dr. Mohd Fuad Md Sawari
Dr. Mohammad Firdaus Mohammad Hatta

GROUP EXECUTIVE COMMITTEE

DATUK CHAY WAI LEONG
Group Managing Director
Kenanga Investment Bank Berhad

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

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

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

ISMITZ MATTHEW DE ALWIS
Chief Executive Officer
Kenanga Investors Berhad

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

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

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

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

LUM CHEE WAH
Head, Group Operations
Kenanga Investment Bank Berhad

TAI YAN FEE
Group Chief Risk Officer
Kenanga Investment Bank Berhad

CHUA E LONG
Chief Technology Officer
Kenanga Investment Bank Berhad

GROUP COMPANY SECRETARY
Norliza Abd Samad
(CCM PC NO.: 201908002139)
(MAICSA 7011089)

REGISTERED OFFICE
Kenanga Investment Bank Berhad
Registration Number: 197301002193 (15678-H)

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Fax: +603-2172 2999
URL: www.kenanga.com.my
E-mail: kenanga@kenanga.com.my

SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd
Registration Number: 199601006647 (378993-D)

11th Floor, Menara Symphony
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46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel: +603 7890 4700
Fax: +603 7890 4670
E-mail: BSR.Helpdesk@boardroomlimited.com
Website: www.boardroomlimited.com

AUDITORS
Ernst & Young PLT
(202006000003 (LLP0022760-LCA) & AF 0039)

Chartered Accountants
Level 23A
Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490
Kuala Lumpur
Wilayah Persekutuan
Malaysia

PRINCIPAL BANKERS
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
Standard Chartered Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
Main Market: Financial Services
Stock Name: KENANGA
Stock Code: 6483
Listing Date: 2 November 2016

CHAIRMAN'S MESSAGE

IZLAN IZHAB
Chairman

DEAR SHAREHOLDERS,

Amid challenging market conditions in 2019, with the Malaysian economy registering the slowest growth in 10 years of 4.3%, Kenanga Investment Bank Berhad ("**KIBB**") continued to demonstrate its resilience as it drew from its long-standing experience serving Malaysia's capital market.

For the Financial Year Ended 31 December 2019 ("**FYE2019**"), Kenanga Investment Bank and Its Group of Companies ("**Kenanga Group**" or "**the Group**") recorded a Profit Before Tax ("**PBT**") of RM43.0 million, relative to RM28.9 million from the year before. This was mainly attributed to a reversal of impairments that occurred in FYE2018, and higher management fee income, as well as trading and investment gains from our fixed income portfolio.

On the back of these results, the Board of Directors is pleased to declare a dividend of 3.25 sen per share, amounting to dividend payable of approximately RM22,707,344 for FY2019.

I am confident that the Group will continue to build on the strengths that have made it the largest independent investment bank in Malaysia to deliver sustainable growth for all stakeholders.

Throughout the year, of the many laudable successes, I am most pleased to note the continued momentum behind solidifying corporate governance within the organisation, fortifying its checks and balances that are paramount in ensuring professional conduct and decision making, and reinforcing the foundation for a sustainable journey.

TECHNOLOGY GOVERNANCE

With the burgeoning adoption of technologies within the organisation to meet the changing demands of customers, and transform the way we work to deliver greater efficiencies, a Group Board Digital Innovation & Technology Committee was established to provide oversight on the Group-wide technology agenda, as well as to address associated vulnerabilities that may surface.

In line with this, a three (3)-year strategic Digitisation Roadmap was drawn up, identifying key areas to ensure we build the right capabilities to future-proof our business. This exercise will see the Group strengthen its technology infrastructure to ensure it remains reliable and resilient, at the same time, sufficiently agile to develop exciting products for the new generation of investors.

To execute the Roadmap, a dedicated Digital Ventures Team, was tasked to champion the design and development of digital products, complementing an existing team that focuses on transforming and improving the complexities of daily workflows within the organisation.

I believe our approach to innovation puts us in good stead to harness new opportunities that will catalyse growth for over the long-term.

DRIVING SUSTAINABILITY

While we have consciously been working on our sustainability journey over the last few years, this year, we formalised a Sustainability Roadmap that charts our focus areas for the next three (3) years. This will be supported by the establishment of a sustainability governance structure led by a Sustainability Committee made up of members from multidisciplinary project teams from various departments within our Group. The Committee will be endorsed by the Board of Directors, and is targeted to commence operations in FYE2020.

We hope this will grease the wheels for more inclusive discussions around issues we are facing, uncover the intricate links between everything we do and foster a deeper appreciation for how our actions and decisions impact the longevity of our business.

PROMOTING ETHICS AND GOOD GOVERNANCE

Good governance forms a key component of our DNA as a financial institution. We believe we have a role to play, not only in upholding high standards of conduct internally, but also to work hand in hand with authorities and regulators in propagating fraud awareness, so as to enable a holistic approach in combating fraud that truly moves the needle.

Our Ethics Blueprint which we have put in place, marks the cornerstone of our commitment to integrity and ethics. This is underscored by our annual Fraud Awareness Week ("**FAW**"), which we hold in conjunction with the International Fraud Awareness Week to raise promote fraud prevention and anti-fraud education. FAW2019, our third event since 2017, featured interactive activities, games and quizzes designed to demonstrate fraud awareness, detection and prevention.

In addition to our employees, the event's anti-fraud activities were also extended to regulatory, enforcement and professional bodies, financial institutions and vendors. It is our hope that our event will influence and serve as an example not only for the financial services industry, but also the rest of corporate Malaysia in fighting fraud.

It is heartening to note that for all the projects and initiatives we aggressively drive to achieve commercial success, we also take seriously the practice of ethics, integrity and governance in equal measure. It is a high bar that we have set for ourselves, and one which we are committed to living up to.

More information on this can be found in the Ethics and Compliance Statement on pages 60 to 68 of this Annual Report.

THE YEAR AHEAD

The new decade has kicked off to a tumultuous start, triggered by the COVID-19 global health emergency. While the full ramifications of the outbreak are yet to be seen, we are already starting to witness many sectors hard-hit by it. Against this grim backdrop, Malaysia is expected to register slow growth, consistent with uncertainties of the global outlook.

Despite the cautious sentiments, I am confident the Group, with its sound financial governance, has the resources and experience to rise up to these challenges, and will continue to progress and deliver on the business plans. We have the stewardship of good leaders on board, and the commitment of talented people. Their resilience and adaptability to adjust their sails, will enable the Group to continue seizing opportunities for growth.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to the Group's Founder and Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail for her guidance and wise counsel throughout my tenure. I would also like to thank my fellow Board Members and the Management for their unwavering stewardship, and all the people of KIBB for their continuous support.

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

IZLAN IZHAB
Chairman

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

DATUK CHAY WAI LEONG
Group Managing Director

DEAR SHAREHOLDERS,

2019 was a demanding year for the Malaysian capital markets, weighed down by prevailing macro geopolitical uncertainties, the lacklustre Ringgit, scale-back in public spending and muted business sentiments. The FBM KLCI fell below the 1,600-point mark to end at 1,588.76 points for the year, while trading value on the local bourse dipped by over 15%.

Despite these headwinds, Kenanga Investment Bank Berhad continued to make progress against our business priorities and delivered a strong financial performance in 2019. Profit Before Tax ("**PBT**") rose to RM43.0 million, 49% higher relative to same period last year, largely due to higher management fee income and a RM15 million reversal of impairments incurred in FYE2018.

Throughout the year, our priority was anchored on strengthening the business through innovations and technology, expansion of product mix, and enhanced operational productivity – all of which were aimed at driving sustainable enterprise growth, and the creation of long-term shareholder value.

It is encouraging to note a growing sense of shared responsibility and enthusiasm demonstrated across the organisation in accelerating cross-divisional collaboration, which has become the bedrock for our product innovations. Last year, we saw our key businesses – Asset Management, Equity Broking, Listed Derivatives – joined forces to successfully launch the first Leveraged and Inverse Exchange Traded Funds ("**ETF**") in Malaysia that is benchmarked against the FBM KLCI. This product, a result of concerted efforts across the diverse disciplines within the Group, created a multiplier effect on our revenue stream, boosting both trading income and brokerage income.

Organisational agility, speed and out-of-the-box solutions have become prized commodities, in a marketplace characterised by rapidly changing customer demands. To this end, our ability to pool our resources, leverage partnerships, as well as, harness synergies within the Group, will help to further differentiate us in the marketplace.

CORPORATE HIGHLIGHTS

Completion of Acquisition

In the third quarter of 2019, Kenanga Investors Berhad ("**KIB**"), the asset management subsidiary of Kenanga Group, completed its acquisition of 100% equity share in Libra Invest Berhad ("**LIB**"), a fund management arm of ECM Libra Financial Group Berhad.

The acquisition, has increased KIB's total assets under management ("**AUM**") to RM13.5 billion, solidifying its position as one of Malaysia's leading unit trust and asset management companies. Now, with broader product offerings, cost synergies, and widened distribution channels and agency force, the business is primed to fast-track growth, profitability and market leadership.

New Product Line Up

Heeding the call for products that capitalise on market volatility and the need for alternative investment instruments, the Group launched retail securities borrowing and lending ("**SBL**") in July 2019, in a move to boost retail participation in a segment typically reserved for institutional investors.

Through lending of stocks for short-selling, hedging or arbitraging, individual shareholders are now able to optimise their portfolio across varying market conditions.

As mentioned, we successfully listed an innovative, first-of-its-kind ETF on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") earlier this year, broadening the accessibility of unconventional investment avenues for traders. This new product allows traders to hedge against price swings, amplifying gains even during market corrections.

While both SBL and ETFs are still in their early stages in South East Asia, they have been garnering strong traction and showing tremendous growth potential. Through our continued efforts to promote and raise awareness of these innovative products, we look forward to them becoming mainstream investment options, which will enable our retail investors to make the most of their participation in the capital markets, leading to a more vibrant marketplace.

Digital Innovations

During the year, we continued to make headway on our digital journey, focusing on customer-centric technologies and automation of operational processes.

Working hand-in-hand with our IT partners, we beta tested our Algorithmic Trading platform towards the end of 2019. Combining predictive analytics with data processing speed, this platform is set to transform the trading landscape for our dealers and customers. We aim to fully release it by this year.

Complementing our suite of asset management products, we target to rollout an investment robo-advisory platform for the mass market towards the end of Q4 2020. With rapid consumer shift towards Fintech, especially amongst younger investors, this platform, which provides fully automated, AI-driven financial investment service, will spur the acquisition of an underserved segment in the marketplace.

On the operational front, our approach was predicated on balancing the maintenance of legacy systems, with practical investments in new technologies. We have further harmonised the front and back end systems via Robotic Process Automation and Enterprise Workflow Management, in a bid to build a robust end-to-end IT ecosystem for the Group.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

As part of our plan to enable full mobility to our remisiers, we launched a new platform this year which has digitalised most of the core workflows, unlocking new levels of efficiencies. We expect to enable full mobility for our remisiers by end of 2021 – where onboarding clients, trades and settlement, as well as, remisiers' business management can be executed anywhere, through this remisiers' service portal. Further to this, we will be exploring the adoption of Cloud-based solutions this year, which will bring about greater scalability, faster speed-to-market and further cost effectiveness.

Our joint-venture with Japan-based Rakuten Securities Inc., Rakuten Trade Sdn Bhd, which has now been operating for three years as Malaysia's completely online equity broker, continues to record remarkable growth. It doubled its subscription base from the year before, recording 47,500 accounts at the end of 2019, and registering almost RM8 billion in trading value on Bursa Malaysia. This was attributed to three innovative rollouts – Contra 2.0 (enhancement to their Contra Account launched in 2018), ID Linkage in partnership with AirAsia BIG and improved eKYC (e-Know Your Customer).

In a move to advance our digital capabilities, we formalised a three-year Digitisation Roadmap to further streamline focus and resources, accelerate implementation, and ultimately optimise cost structure. Approved by the Board of Directors in 2019, the Roadmap charts a holistic framework that supports the generation of new ideas, in tandem with driving transformative initiatives within our existing businesses.

Continued Resilience in Our Financial Position

We continued to maintain healthy capital adequacy and liquidity within the Group. As at 31 December 2019, our capital adequacy ratios are at 23.18% and 22.73%, at the Group and Company levels respectively. These remain well above the 10.50% level set by Bank Negara Malaysia, including a capital conservation buffer of up to 2.50%, if imposed.

Liquidity Coverage Ratio remained above 120%, well beyond the regulatory requirement of 100%, while Net Stable Funding Ratio averaged above 100% for the year. This has placed us in a good position to meet the new mandatory ratio of 100% which will take effect in July 2020.

Our RM250 million Tier-2 compliance subordinated debt programme remain in place as part of our capital contingency plan. We have only issued RM25 million of the debt as at 31 December 2019, with room to raise further capital if necessary.

Positive MARC Ratings

We maintained the ratings of A+ and MARC-1 from the Malaysian Rating Corporation Berhad ("**MARC**"). The affirmed ratings are a validation of on our strong competitive position, healthy capital position, profitability metrics and funding profile. We will continue to strive for higher ratings by continuing to improve our financial performance.

Our subsidiaries, Kenanga Investors Berhad and Kenanga Islamic Investors Berhad were affirmed an Investment Manager Rating of IMR-2 by MARC, reflecting its well-established investment processes, sound risk management practices and strong operating track record.

OPERATIONAL REVIEW

Segmental Review: Equity Broking

Our Equity Broking ("**EB**") division registered a PBT of RM9.5 million for FYE2019, against a loss before tax ("**LBT**") of RM13.5 million for the year ended 2018, mainly due to a reversal of provision of impairment, offset by lower brokerage income and interest income in 2019.

Bursa Malaysia ended a volatile year on a dampened note. The KLCI was down 6.02% or 101.82 points, and the KLCI's market capitalisation was reduced to RM1.04 trillion as investors traded on a cautionary stance. The lacklustre sentiments drove total volumes down by over 15%.

Despite the headwinds, our EB division achieved an increased market share of 9.6%, reinforcing Kenanga Group, as the third largest stock broker in the country. Through an expanded product line-up, innovative services, and systems-driven workflow efficiencies, it managed to offset the impacts of reduced trades from institutional clients, as well as, reduction in margin income.

In addition to the rollout of digital platforms catered for younger traders, and new products such as SBL for more sophisticated investors, it also set up a Corporate Client Services unit that provides personalised service to High-Net-Worth individuals and corporate owners – underscoring its multi-pronged approach to pursue the breadth and depth of the retail segment.

Investor literacy remains top of EB division's agenda with workshops, webinars and nationwide roadshows conducted throughout the year.

To get closer to today's digitally connected customers, an app-based instant messaging service, Telegram, was mobilised as a new touchpoint to disseminate trading ideas and opportunities, empowering its followers to make decisions on the go.

Segmental Review:
Investment Banking and Treasury

The Investment Banking ("**IB**") and Treasury divisions as a whole registered a PBT of RM24.7 million, an increase of 9.8% from the year before.

Investment Banking

Investment Banking registered a higher PBT of RM12.7 million in FYE2019, relative to the RM20.5 million the year before mainly attributable to higher interest income, and advisory fees income but partially negated by lower placement fees and fees on loans.

Nonetheless, the division achieved a feather in its cap with the listing of Supreme Consolidated Resources Berhad in January 2019 – the first Sarawak-based company to be listed on the LEAP Market. During the year, the IB division also participated as a Joint Underwriter for the Initial Public Offering ("**IPO**") of Leong Hup International Berhad, which raised RM275 million from its re-listing on the Main Market.

In the debt capital market, the IB Division launched a Medium-Term Note ("**MTN**") Programme for Seri Mutiara Development Sdn Bhd. It also achieved another first with the launch of a Commercial Paper/ MTN Programme for Urban DNA Sdn Bhd, which were secured against residential property units. The Programme provides investors with the option to purchase the secured properties, which is unprecedented in the market. The launch of Sunway REIT's Perpetual Note Programme, was another first-of-its-kind by a Malaysian REIT for which the division played a significant role.

Further to these, the Division continued to spearhead Redeemable Convertible Note ("**RCN**") origination with four new issuances and completed several significant Merger and Acquisition ("**M&A**") advisory transactions.

Successful Islamic equity products that were launched included the Redeemable Convertible Cumulative Preference Shares ("**RCPS-i**") and Redeemable Convertible Unsecured Islamic Debt Securities ("**RCUIDS**").

Treasury

The Treasury division recorded a strong performance in FYE2019 with a PBT of RM12.0 million against PBT of RM2.0 million in the previous year. This was primarily driven by improved trading and investment income from its bond portfolio.

The division proved resilient against volatile market conditions, boosted by the positive bond market performance, despite Malaysian bonds being retained on a FTSE Russell watch list for exclusion from the FTSE World Government Bond Index.

The volume of retail Negotiable Instruments of Deposit rose to an average of RM52 million during the year, compared to RM45 million in 2018, increasing further our presence in the retail deposit market. Treasury was able to maintain a stable funding structure, enhancing the bank's short term resilience, as well as resilience over a longer time horizon, resulting in our Liquidity Coverage Ratio remaining above 120%, well beyond the regulatory requirement of 100%, whilst Net Stable Funding Ratio averaged above 100% for the year.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

Segmental Review: Investment Management

Kenanga Investors Group ("**KIG**"), which is comprised of Kenanga Investors Berhad ("**KIB**"), Kenanga Islamic Investors Berhad ("**KIIB**") and Libra Invest Berhad ("**LIB**"), saw its PBT grow to RM6.2 million for the FYE2019, from RM2.24 million in 2018. KIG's total AUM increased to RM13.49 billion from RM7.86 billion in 2018. The increase in both PBT and AUM can be attributed to our long-term strategy to build multiple distribution channels over the last few years. KIG's burgeoning private wealth segment which was established in 2016 has surpassed its growth trajectory for this financial year, while other channels such as the retail, corporate and institutional segments continued to see growth despite a volatile year.

The continued launch of new alternative strategies and products has also been imperative in carving out KIG's presence in the market as a wealth manager with our foray into alternative investment space. The products saw us launching many first-in-the-market solutions for our clients ranging from high-yield to equity-linked structures. One of our conspicuous launches in 2019 which saw over RM150 million in funds raised was our Kenanga Global Unicorn 1 and 2. The funds aimed to provide medium-term capital appreciation by investing primarily in the securities of globally recognised, 'near-term IPO' ready, technology companies, valued at over USD1 billion. The Kenanga Global Unicorn series succeeded in bridging the gap between qualified investors and the international startup community with the first series oversubscribed.

In line with our strategy of multi segment, multi distribution and multi products, in 2019 KIB acquired LIB, an award-winning asset management company with good fixed income performance track record and established fixed income team. The acquisition exercise was pursued with the intention to complement KIG's strong equity expertise and products offerings. We completed the acquisition in July and the subsequent business consolidation in November. The listing of OneETF by Kenanga ("**OneETF**") on the Main Market of Bursa Malaysia on 13 January 2020, after over 14 months' worth of development and preparation. This signaled our first foray into ETF by means of leveraged and inverse ETFs. The Kenanga KLCI Daily 2X Leveraged ETF (KLCI2XL) and the Kenanga KLCI Daily (-1X) Inverse ETF (KLCI1XI) are the first L&I ETFs to be benchmarked against the FTSE Bursa KLCI ("**KLCI**"), as well as the first ETF listing of the new decade on the local bourse. With the introduction of OneETF, both retail and institutional investors are able to diversify and capture market opportunities whichever way the markets may swing even in volatile environments. All this, adding the 12 retail and four wholesale funds from LIB has now brought the total number of funds managed by KIG to 38 retail funds, 28 wholesale funds and two private retirement schemes.

With the above encouraging growth trajectory, all this will continue to broaden KIG's footprint in the area of asset and wealth management in the country.

Segmental Review: Listed Derivatives

Impacted by the moderation of the overall volume in the Malaysian derivatives market, the effects of the US monetary policy stance, US-China trade tensions, volatile commodity prices and trade policies surrounding crude palm oil, our Listed Derivatives business, Kenanga Futures Sdn Bhd ("**KF**") recorded a LBT of RM2.9 million from a LBT of RM2.8 million in FYE2018.

Nonetheless, the division succeeded in increasing its overall market share and volume traded on Bursa Malaysia Derivatives Berhad ("**BMD**"). It also registered a two-fold increase in contracts executed on the US exchange – CME Group – in its second year since its launch. To further provide Malaysian investors with a wider selection of trading products, KF launched the access to a second global listed derivatives exchange, the Hong Kong Futures Exchange, in September 2019.

As part of its continuous efforts to build a smart derivatives trading community in Malaysia among retail investors, marketing campaigns, webinars were introduced and a well-resourced new website www.kenangafutures.com.my was launched.

Segmental Review: Structured Lending and Trade Financing

The Structured Lending and Trade Financing division recorded a growth in PBT to RM833,000 in FYE2019 from RM539,000 in the previous year as a result of loan growth through equity financing. While this mitigated the lack of corporate exercises during the year, the division was also impacted by a contraction in its factoring business due to a slowdown in the small and medium-sized enterprises ("**SME**") sector.

RISK MANAGEMENT

The Group continued to strengthen our risk resilience and risk mitigation, through constant reviews to tighten controls and enhance governance framework.

As an investment bank, the primary risks are predicated on credit and market risks. These risks are managed via a risk management governance oversight, and a management process which encompasses the establishment and enforcement of policies and procedures, the conduct of comprehensive risk assessments, the establishment of the appropriate trading and facility limits for the respective exposures.

During the year a Group Operational Risk Management workshop was conducted to promote a better understanding of risk governance and risk management amongst employees. It also served to instil the importance of employee participation in operational risk mitigation.

Additionally, we enhanced our technology risk management by aligning our technology risk management framework and cyber resilience framework, with industry best practices. On the back of that, we have established a new Board-appointed committee dedicated to drive digital-related matters and technology governance for the Group.

Following the outbreak of the COVID-19 at the start of 2020, we took immediate measures via our established Business Continuity Management Committee to keep employees apprised of updates and precautionary measures, as well as, carry out contingency drills and disaster recovery preparation. In tandem with that, we have heightened monitoring of our market and credit exposure to the sectors likely affected by this pandemic, with the view of managing the related risks.

2020 OUTLOOK

At the time of this statement, the COVID-19 pandemic which started at the end of last year in China, has significantly disrupted economic activities worldwide. This together with the significant drop in oil prices have impacted global capital markets causing huge volatility. Governments in many countries including Malaysia, have sought to counter the negative impact on economic growth from the pandemic through various stimulus packages. This has brought about some stability to the global capital markets but the uncertainty still remains on when the pandemic can be overcome.

Given these uncertainties, we are taking a cautious stance on the market outlook for this year. Our Research Department expects Gross Domestic Product growth to slow down to negative 1.9% in 2020. Inflationary pressure is expected to remain mild, in the wake of weak prices in commodities and soft domestic demand.

While these are unprecedented times, I am confident Kenanga has the resources, experience and fortitude to weather this storm, having grown from strength to strength in Malaysia for almost 50 years. We will continue to exercise prudence in our day to day management of the business, while capitalising on the pockets of opportunities that arise.

As we brace for what is likely to be, one of the most challenging years for the global capital markets, we will be guided by the discipline of maintaining a strong balance sheet, ensuring our core businesses remain resilient, as well as, strengthening and diversifying our revenue stream. Above and beyond that, we will continue to build a robust talent pipeline by developing our people, and enabling them to navigate and shape the future growth of the Company.

APPRECIATION

Allow me to convey my gratitude to our Founder and Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail, who remains a beacon of leadership for our Group. I would also like to thank our Chairman, Encik Izlan Izhab and the Board of Directors for their stewardship.

I am especially thankful to the staff of Kenanga Group for their continued diligence and dedication in achieving our goals. Additionally, I would like to express my appreciation to our business partners, valued clients, suppliers and stakeholders for their unwavering support.

Our gratitude is also owed to Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia Berhad for their guidance. We also extend our appreciation to our valued shareholders for their continued trust and support.

DATUK CHAY WAI LEONG
Group Managing Director

FOUNDER & ADVISER'S PROFILE

YM TAN SRI DATO' PADUKA TENGKU NOOR ZAKIAH TENGKU ISMAIL

FOUNDER AND ADVISER

Profile

Malaysian

Female

Aged 92

BIOGRAPHY

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

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

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

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

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

BOARD OF DIRECTORS

From left to right: (seated)

1. **IZLAN IZHAB**
   Chairman of the Board

2. **DATUK SYED AHMAD ALWEE ALSREE**
   Deputy Chairman of the Board

From left to right: (standing)

3. **KANAGARAJ LORENZ**
   Independent Non-Executive Director

4. **JEREMY NASRULHAQ**
   Independent Non-Executive Director

5. **DATO' RICHARD ALEXANDER JOHN CURTIS**
   Non-Independent Non-Executive Director

6. **ISMAIL HARITH MERICAN**
   Non-Independent Non-Executive Director

7. **NORAZIAN AHMAD TAJUDDIN**
   Independent Non-Executive Director

8. **LUK WAI HONG, WILLIAM**
   Independent Non-Executive Director

9. **LUIGI FORTUNATO GHIRARDELLO**
   Non-Independent Non-Executive Director

DIRECTORS' PROFILES

IZLAN IZHAB

Profile

Malaysian

Male

Aged 74

- Chairman of the Board
- Independent Non-Executive Director
- Member of Audit Committee

Izlan Izhab ("**Izlan**")'s relationship with Kenanga Investment Bank Berhad ("**KIBB**") and Its Group of Companies ("**Kenanga Group**") started with his appointment as an Independent Non-Executive Director of K & N Kenanga Holdings Berhad on 20 October 2008.

As part of the internal reorganisation of Kenanga Group in 2016, Izlan was appointed as an Independent Non-Executive Director of KIBB on 8 September 2016. He was subsequently appointed as the Chairman of the Board of Directors of KIBB on 7 February 2017.

Izlan holds a Bachelor of Laws degree from the University of London, United Kingdom and attended the Advanced Management Program at the University of Hawaii, United States of America.

During his career, he served as the Assistant Legal Officer for Majlis Amanah Rakyat from 1973 to 1975, Company Secretary for Komplek Kewangan Malaysia Berhad from 1975 to 1978, Company Secretary for Permodalan Nasional Berhad from 1978 to 1984 and Executive Vice President, Corporate and Legal Affairs at the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) from 1985 until his retirement in 2000.

Izlan is a Director of Reach Energy Berhad and Federation of Public Listed Companies Bhd and was formerly an Independent Non-Executive Director of Sun Life Malaysia Takaful Berhad. He is also an Independent Non-Executive Director of Kenanga Futures Sdn Bhd, a wholly-owned subsidiary of KIBB.

He has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

DIRECTORS' PROFILES

DATUK SYED AHMAD ALWEE ALSREE

Profile

Singaporean, Permanent Resident of Malaysia

Male

Aged 54

- Deputy Chairman of the Board
- Non-Independent Non-Executive Director
- Member of Group Nomination & Remuneration Committee
- Member of Employees' Share Scheme Committee

Datuk Syed Ahmad Alwee Alsree ("**Datuk Syed Ahmad**") was appointed to the Board of Directors ("**Board**") of Kenanga Investment Bank Berhad ("**KIBB**") as a Non-Independent Non-Executive Director on 21 April 2010. He was subsequently re-designated as the Deputy Chairman of the Board on 25 October 2011.

Datuk Syed Ahmad graduated with a Bachelor of Laws (LL.B.) degree from the National University of Singapore. In 2012, Datuk Syed Ahmad attended and completed the Advanced Management Program at Harvard Business School. He practised law in Singapore for over 10 years prior to joining Cahya Mata Sarawak Berhad ("**CMS**"), a conglomerate listed on the Main Market of Bursa Malaysia Securities Berhad with cement, construction materials, infrastructure and property development as its core businesses. In February 2004, Datuk Syed Ahmad was appointed as Group General Manager – Human Resources of CMS and was subsequently appointed as its Deputy Group Managing Director in September 2006. He was re-designated as Group Executive Director of CMS in August 2008, a post he held until his retirement on 18 October 2019.

At present, Datuk Syed Ahmad is also the Chairman/ Director of Kenanga Investors Berhad and a Director of Kenanga Islamic Investors Berhad, SIG Gases Berhad and several private limited companies.

He has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

DIRECTORS' PROFILES

DATO' RICHARD ALEXANDER JOHN CURTIS

Profile

British, Permanent Resident of Malaysia

Male

Aged 68

- Non-Independent Non-Executive Director
- Member of Group Board Risk Committee
- Member of Group Board Digital Innovation & Technology Committee (Appointed on 29 August 2019)

Dato' Richard Alexander John Curtis ("**Dato' Richard Curtis**") was appointed to the Board of Directors of Kenanga Investment Bank Berhad ("**KIBB**") as a Non-Independent Non-Executive Director on 26 September 2007.

He holds a Bachelor of Laws (LL.B.) (Honours) from the University of Bristol, UK and was admitted as a solicitor in England, Wales and Hong Kong. He is also a Sloan Fellow of London Business School, UK and was admitted as a Fellow of the Chartered Institute of Arbitrators, UK in December 2019.

He commenced his career in legal practice as a solicitor in Norton Rose (1974-1979) in London and progressively advanced his career by joining Jardine Matheson & Co. (1979-1983) in Hong Kong after which he joined the Jardine Offshore Group (1983-1986) with postings to Singapore and Indonesia. Dato' Richard Curtis, subsequently, pursued his own businesses (1988-1997) in retail, consultancy and construction before helming The Melium Group (1997-2000), a leading Malaysian retail company and F&B chain operator as its Chief Executive Officer.

Dato' Richard Curtis was formerly the Group Managing Director of Cahya Mata Sarawak Berhad ("**CMS**"), a conglomerate listed on the Main Market of Bursa Malaysia Securities Berhad with cement, construction materials, infrastructure and property development as its core businesses until his retirement on 31 December 2017. He was then appointed as a Non-Independent Non-Executive Director of CMS until his resignation on 31 December 2018. He was subsequently appointed as an Adviser to CMS whilst remaining a Director of several CMS' subsidiaries.

He is also a Director of several private limited companies, as well as a Trustee of Yayasan Raja Muda Selangor.

He has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

Dato' Richard Curtis is currently holding 1,100,000 shares in KIBB.

DIRECTORS' PROFILES

LUIGI FORTUNATO GHIRARDELLO

Profile

Australian

Male

Aged 56

- Non-Independent Non-Executive Director
- Member of Group Nomination & Remuneration Committee
- Member of Group Board Risk Committee
- Member of Employees' Share Scheme Committee
- Member of Group Board Digital Innovation & Technology Committee (Appointed on 29 August 2019)

Luigi Fortunato Ghirardello ("**Luigi**") was appointed to the Board of Directors of Kenanga Investment Bank Berhad ("**KIBB**") as a Non-Independent Non-Executive Director on 29 July 2008. He was subsequently re-designated as an Independent Non-Executive Director on 26 April 2011. On 29 July 2017, he was re-designated as a Non-Independent Non-Executive Director.

He holds a Bachelor of Arts and a Bachelor of Laws from the University of Sydney, Australia and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Luigi was the Managing Director, Head of Global Finance – Asia Pacific for Deutsche Bank AG – Singapore Branch from May 2004 to March 2008. His role encompassed the management of Short-Term Interest Rate Trading in Asia, an integrated short-term trading unit combining foreign exchange and money market products. In addition, he was responsible for interest rate trading in money markets/ Repurchase Agreements and cash products, as well as liquidity management in Japan and Australia. He was also responsible for the regional Global Exchange Services platform in the Asia Pacific.

Prior to that, he was the Deputy Chairman of the Global Market Risk Committee, a member of the Banking Asset/ Liability Committee, as well as the Global Head of Money Markets Securities and Trading in London.

Before joining Deutsche Bank in 1995, he was an Associate Director and Trading Manager with Schroders Australia Ltd and held various senior positions at the National Australia Bank.

Luigi is also the Chairman of Kenanga Futures Sdn Bhd, a wholly-owned subsidiary of KIBB.

He has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

Luigi is currently holding 631,700 shares in KIBB.

DIRECTORS' PROFILES

ISMAIL HARITH MERICAN

Profile

Malaysian

Male

Aged 69

- Non-Independent Non-Executive Director
- Member of Audit Committee

Ismail Harith Merican ("**Ismail Harith**") was appointed to the Board of Directors of Kenanga Investment Bank Berhad ("**KIBB**") as a Non-Independent Non-Executive Director on 26 August 2010.

Upon obtaining his Bachelor of Arts in History in 1973, he proceeded to complete the Institute of Chartered Accountants in England and Wales articleship from 1973 to 1978 at Peat, Marwick, Mitchell & Co. in London, UK. Subsequently, from 1978 to 1980, Ismail Harith joined The Economist Newspaper Ltd as an assistant accountant and in 1980, he commenced his involvement in the investment industry when he trained and worked with Strauss Turnbull & Co., a firm of stockbrokers in London which he was attached to until 1983.

Ismail Harith was employed by KIBB from 1983 to 1990 and the last position he held was as a Dealer's Representative (Institutions & International). He subsequently joined Straits Securities Sdn Bhd in 1990 as a shareholder, Managing Director and a Dealer's Representative. He also represented Rashid Hussain Berhad, the holding company of Straits Securities Sdn Bhd, as a corporate representative until he left the company in 1997. From 1998 to date, he has been an investor in quoted securities and properties.

He is currently the Managing Director of Zubaimas Realty Sdn Bhd, a property holding company and the Chairman of Matrix Capital Sdn Bhd, a company involved in the energy efficiency industry.

He is the son of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail, a major shareholder of KIBB and has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

DIRECTORS' PROFILES

LUK WAI HONG, WILLIAM

Profile

Hong Kong

Male

Aged 56

- Independent Non-Executive Director
- Chairman of Group Board Risk Committee
- Member of Audit Committee
- Member of Group Nomination & Remuneration Committee (Redesignated as Member on 31 October 2019)
- Member of Employees' Share Scheme Committee (Redesignated as Member on 31 October 2019)
- Member of Group Board Digital Innovation & Technology Committee (Appointed on 29 August 2019)

Luk Wai Hong, William ("**Luk**") was appointed to the Board of Directors of Kenanga Investment Bank Berhad ("**KIBB**") as an Independent Non-Executive Director on 1 November 2013.

He holds a Bachelor of Arts (Honours) from Concordia University, Montreal, Canada, a Masters of Urban Planning from the University of Michigan, USA and an Executive Fellowship awarded by the State of Washington.

Luk is currently the Director of Investment of Cotton Tree Capital Ltd, of which he is the co-owner, with offices in Hong Kong and Singapore. He has more than 20 years of experience in various capacities in the financial services industry, out of which 11 years were spent in Deutsche Bank AG, Hong Kong and Singapore.

He began his career in 1989 as an Executive Fellow and Transportation Finance Specialist in the Office of Financial Management in the State of Washington. He later joined Lehman Brothers, Hong Kong as a Fixed Income and Credit Trader in 1993. After three (3) years, he joined HSBC Markets, Hong Kong for a year, before joining Deutsche Bank AG in 1997 as a Senior Associate Director and Senior Credit and Derivatives Trader. He then became Deutsche Bank AG's Director and Head of Structured Credit Trading and Principal Finance Asia, a post he held until 2004.

In 2004 and 2008, Luk was appointed as Deutsche Bank AG's Managing Director and Co-Head of Global Credit Trading and Principal Finance Asia, as well as Managing Director and Co-Head of Saba Proprietary Trading Group Asia, respectively. In 2008, he joined Pacific Advantage Capital, Hong Kong and Singapore, as its Principal and Portfolio Manager focusing on credits and special situations, before taking up the position of Director of Investment of Cotton Tree Capital Ltd in 2011.

He has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

DIRECTORS' PROFILES

JEREMY NASRULHAQ

Profile

Malaysian

Male

Aged 67

- Independent Non-Executive Director
- Chairman of Audit Committee
- Member of Group Nomination & Remuneration Committee
- Member of Employees' Share Scheme Committee
- Member of Group Board Digital Innovation & Technology Committee (Appointed on 29 August 2019)

Jeremy Nasrulhaq ("**Jeremy**") was appointed to the Board of Directors of Kenanga Investment Bank Berhad ("**KIBB**") as an Independent Non-Executive Director on 1 June 2017.

He is a Fellow Member of the Chartered Institute of Management Accountants ("**CIMA**"), United Kingdom and a registered Chartered Accountant of the Malaysian Institute of Accountants ("**MIA**"), as well as a Chartered Audit Committee Director of the Institute of Internal Auditors Malaysia. He also holds a Bachelor of Science Degree (with Distinction) in Agribusiness Science from Universiti Putra Malaysia.

Over the span of nearly three (3) decades, Jeremy had held several senior financial and supply chain positions in Unilever (M) Holdings Sdn Bhd, P.T. Unilever Indonesia and Unilever Asia (S) Pte Ltd. He was the Regional Finance Manager for Unilever Asia Retail Foods, then Commercial Director for Unilever (M) Holdings Sdn Bhd. Subsequently, he was the Supply Chain Director for Unilever Malaysia and Singapore.

Besides Unilever, he had served as Committee Member on a few national organisations such as the Malaysian International Chamber of Commerce and Industry and the Federation of Malaysian Manufacturers.

Jeremy also served as an Independent Non-Executive Director of Malaysia Airports Holdings Berhad ("**MAHB**") from 15 August 2007 to 1 November 2016. During his tenure in MAHB, he was appointed as the Senior Independent Non-Executive Director, Chairman of the Board Nomination & Remuneration Committee, as well as a member of the Board Audit Committee and the Board Finance & Investment Committee. He was also the Chairman of Malaysia Airports (Niaga) Sdn Bhd, Urusan Teknologi Wawasan Sdn Bhd and the Whistleblowing Independent Committee.

He is currently a Director of Sweetyet Development Sdn Bhd, a company with its head office in Hong Kong, representing the company and its brands in the modern and general retail industry in Malaysia.

Jeremy was the Deputy President of CIMA, Malaysia Division for several years. On 1 July 2018, he was re-appointed to serve on the council of the MIA for another term of two (2) years. Currently, he is the Chairman of the MIA-Malaysian Qualifications Agency Joint Technical Committee and Disciplinary Committee of MIA. In addition, he also serves as a member of the Digital Technology Implementation Committee, as well as its Nomination Committee.

He has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

DIRECTORS' PROFILES

NORAZIAN AHMAD TAJUDDIN

Profile

Malaysian

Female

Aged 59

- Independent Non-Executive Director
- Chairman of Group Nomination & Remuneration Committee (Redesignated as Chairman on 31 October 2019)
- Chairman of Employees' Share Scheme Committee (Redesignated as Chairman on 31 October 2019)
- Member of Group Board Risk Committee
- Member of Group Board Digital Innovation & Technology Committee (Appointed on 29 August 2019)

Norazian Ahmad Tajuddin ("**Norazian**") was appointed to the Board of Directors of Kenanga Investment Bank Berhad ("**KIBB**") as an Independent Non-Executive Director on 15 December 2017. On 1 March 2019, she was appointed as an Independent Non-Executive Director and a member of the Audit and Risk Committee and Investment Committee of Kenanga Investors Berhad, a subsidiary of KIBB.

She holds a Bachelor of Science (Honours) in Mathematics from the University of Leeds, United Kingdom and a Master of Business Administration (Finance) from the Edith Cowan University, Australia.

Norazian has more than 25 years of experience in banking, the last 15 years being in senior management, encompassing areas in treasury operations, business and banking operations, risk management and support services. She has strong and varied experience in dealing with foreign exchange, international banking, investments, sales, customer and corporate relations, information technology, as well as asset and liability management.

She joined Bank Simpanan Nasional Berhad ("**BSN**") in 2005 as Director in the Chief Executive Officer ("**CEO**")'s Office and was promoted to Deputy Chief Executive Officer ("**DCEO**") during its re-organisation and continued to serve as its DCEO until she retired in 2010. During her tenure in BSN, she played a leading role in the transformation of BSN into a sustainable and profitable development bank.

From June 2008 to March 2010, she served as a Non-Independent Non-Executive Director of Prudential BSN Takaful Bhd and was appointed as a member of its Risk Management Committee and Nomination & Remuneration Committee.

On 1 August 2018, Norazian was appointed as the Chairman of Pacific & Orient Insurance Co. Berhad ("**POI**"), which is a subsidiary of Pacific & Orient Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. She has been an Independent Non-Executive Director of POI since 1 April 2015. At POI, she currently serves as a member of the Nomination Committee, Remuneration Committee, as well as the Audit Committee and Risk Management Committee.

She has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. She has never been charged for any offence within the past five (5) years nor has she had any public sanction and/ or penalty imposed on her by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

Norazian is currently holding 10,000 shares in KIBB.

DIRECTORS' PROFILES

KANAGARAJ LORENZ

Profile

Malaysian

Male

Aged 62

- Independent Non-Executive Director
- Chairman of Group Board Digital Innovation & Technology Committee (Appointed on 29 August 2019)
- Member of Audit Committee
- Member of Group Board Risk Committee

Kanagaraj Lorenz ("**Raj**") was appointed to the Board of Directors of Kenanga Investment Bank Berhad ("**KIBB**") as an Independent Non-Executive Director on 26 December 2017.

He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants.

Raj has over 30 years' experience in the banking and electronic payments industries. He held the position of Group Chief Executive Officer of GHL Systems Berhad ("**GHL**") since his appointment in September 2011 till the end of 2016. He retired from GHL as an Executive Director in May 2017. Currently, he is actively involved with the Fintech Association of Malaysia and various Fintech companies.

Prior to GHL, Raj worked for Citibank for 14 years in Malaysia and Australia in various positions in Investment and Corporate Banking covering treasury risk management, Chief Financial Officer, and finally, as Head of Marketing of a Corporate Bank unit.

Raj left Citibank in 2000 to create an internet payment start-up for DBS Bank Ltd. in Singapore. It was the first real-time Direct Debit gateway of its kind in ASEAN. This company was eventually purchased two (2) years later by NETS Pte Ltd ("**NETS**"), a large payments company in Singapore, that is jointly owned by the Singapore banks and rebranded as "eNETS". He built "eNETS", the internet payment arm of NETS from inception into the leading online payment gateway in Singapore.

He also spearheaded NETS' investment into China with a joint venture partner and interconnected China UnionPay ("**CUP**") with NETS such that CUP cards could be accepted in Singapore for the very first time outside of China, Hong Kong and Macau.

He has no family relationship with any Director and/ or major shareholder of KIBB and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

Raj is currently holding 42,000 shares in KIBB.

GROUP MANAGING DIRECTOR'S PROFILE

DATUK CHAY WAI LEONG

GROUP MANAGING DIRECTOR

Singaporean, Permanent Resident of Malaysia

Male

Aged 56

DATE OF APPOINTMENT

17 May 2011

QUALIFICATION

- Bachelor of Business Administration (Major in Finance) (1987), National University of Singapore
- Certificate in Computer Programming and Information Processing (1984) – City & Guilds of London Institute

DIRECTORSHIP

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

He has no family relationship with any Director and/ or major shareholder of Kenanga Investment Bank Berhad ("**KIBB**") and also has no conflict of interest with KIBB. He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2019.

Datuk Chay currently holds 2,500,000 shares in KIBB and an option of 10,000,000 shares under the Employees' Share Option Scheme.

RELEVANT EXPERIENCE

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

SENIOR MANAGEMENT'S PROFILES

DATUK ROSLAN HJ TIK

EXECUTIVE DIRECTOR, HEAD OF GROUP INVESTMENT BANKING AND ISLAMIC BANKING

Malaysian Male Aged 51

DATE OF APPOINTMENT
16 May 2011

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

DIRECTORSHIP
- K & N Kenanga Holdings Berhad

RELEVANT EXPERIENCE
- RHB Investment Bank Berhad
  - Division Head/ Senior Vice President, Corporate and IB Services (2004 - 2011)
- KAF Discounts Berhad
  - General Manager, Debt Capital Markets (2001 - 2004)
- Malaysian Rating Corporation Berhad
  - Vice President, Corporate Debt (1996 - 2001)
- Rating Agency Malaysia Berhad
  - Analyst, Rating Department (1994 - 1996)
- Mayban Finance Berhad
  - Officer, Corporate Marketing/ Share Margin Trading Unit (1993)
- Hewlett Packard Sales (M) Sdn Bhd
  - Accounts Assistant (Management Trainee) (1992)

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

LEE KOK KHEE

EXECUTIVE DIRECTOR, HEAD OF GROUP EQUITY BROKING BUSINESS

Malaysian Male Aged 52

DATE OF APPOINTMENT
16 June 2009

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

DIRECTORSHIP
- ECML Berhad

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

SENIOR MANAGEMENT'S PROFILES

MAHESWARI KANNIAH

GROUP CHIEF REGULATORY AND COMPLIANCE OFFICER

Malaysian Female Aged 59

DATE OF APPOINTMENT
1 June 2011

QUALIFICATION
- Certified Fraud Examiner
- Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom
- Fellow of the Malaysian Association of the Institute of Chartered Secretaries and Administrations
- Chartered Governance Professional
- Specialist Diploma in Company Secretarial Practice

DIRECTORSHIP
- Nil

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

APPOINTMENT
- Governor of Malaysian Institute of Corporate Governance

ISMITZ MATTHEW DE ALWIS

CHIEF EXECUTIVE OFFICER, KENANGA INVESTORS BERHAD

Malaysian Male Aged 45

DATE OF APPOINTMENT
10 February 2015

QUALIFICATION
- Master in Business Administration with Distinction (1999), Southern Cross University Australia
- Bachelor of Business Administration (Economics and Finance) (1996), Royal Melbourne Institute of Technology
- Graduate Diploma in Marketing (UK) (1994), Chartered Institute of Marketing, UK
- Certified Financial Planner, US (2002) & Islamic Financial Planner (2018), Islamic Business & Finance Institute Malaysia
- Advanced Business Management Programme (2013), International Institute of Management Development (IMD) Lausanne, Switzerland
- ABS Executive Education (2017), University of Cambridge

DIRECTORSHIP
- Kenanga Investors Berhad
- Kenanga Islamic Investors Berhad
- Libra Invest Berhad
- Federation of Investment Managers Malaysia (FIMM)

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

APPOINTMENT
- President of Financial Planning Association of Malaysia (FPAM)
- Committee for Malaysian Association of Asset Managers (MAAM)

SENIOR MANAGEMENT'S PROFILES

CHEONG BOON KAK

GROUP CHIEF FINANCIAL AND OPERATIONS OFFICER

Malaysian Male Aged 49

DATE OF APPOINTMENT
10 June 2011

QUALIFICATION
- Malaysian Institute of Accountants
- Member of Certified Practising Accountant Australia
- Malaysian Institute of Certified Public Accountants
- Member of Malaysian Institute of Certified Public Accountant (MICPA)

DIRECTORSHIP
- Kenanga Funds Berhad
- K & N Kenanga Holdings Berhad

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

AZILA ABDUL AZIZ

CHIEF EXECUTIVE OFFICER/ EXECUTIVE DIRECTOR AND HEAD OF LISTED DERIVATIVES KENANGA FUTURES SDN BHD

Malaysian Female Aged 51

DATE OF APPOINTMENT
1 December 2012

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

DIRECTORSHIP
- Nil

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

APPOINTMENT & MEMBERSHIP

- Advisory Board Member of Women In Finance Awards Asia, Global Trading & Markets Media Group New York
- Member of Derivatives Market Operations Committee, Bursa Malaysia
- Member on the FTSE Russell Bursa Malaysia Index Advisory Committee
- Global Primary Member of Futures Industry Association, Inc (FIA) Washington DC
- Associate Member of Palm Oil Refiners' Association of Malaysia (PORAM)

SENIOR MANAGEMENT'S PROFILES

MEGAT MIZAN NICHOLAS DENNEY

EXECUTIVE DIRECTOR,
HEAD OF GROUP BUSINESS DEVELOPMENT

Malaysian Male Aged 59

DATE OF APPOINTMENT
1 January 2006

QUALIFICATION
- Master of Science, Engineering Management (2001), Warwick University
- Bachelor of Science (Hons) in Production Engineering and Management (1985), Loughborough University of Technology, United Kingdom
- Diploma in Marketing (1986), The Chartered Institute of Marketing, United Kingdom
- Certified Diploma in Accounting and Finance (1993), The Association of Chartered Certified Accountants

DIRECTORSHIP
- Alternate Director, Kenanga Islamic Investors Berhad
- Alternate Director, Federation of Public Listed Companies Bhd

RELEVANT EXPERIENCE
- OTIS Engineering Corporation
  - Engineer (1986 - 1989)
- Dunlop Industries
  - Trainee Engineer (1982 - 1983)

APPOINTMENT
- Governors of Malaysian Institute of Corporate Governance

CYNTHIA WOON CHENG YEE

HEAD,
GROUP TREASURY

Malaysian Female Aged 54

DATE OF APPOINTMENT
25 May 2017

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

DIRECTORSHIP
- Nil

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

SENIOR MANAGEMENT'S PROFILES

LUM CHEE WAH

HEAD,
GROUP OPERATIONS

Malaysian Male Aged 55

DATE OF APPOINTMENT
15 March 2012

QUALIFICATION
- The Chartered Institute of Management Accountants, United Kingdom (1995)
- Malaysian Institute of Accountants (1995)
- Certified Information Systems Auditor (CISA), Information Systems Audit and Control Association, United States of America (1999)
- The Institute of Internal Auditors Malaysia (2006)
- Certified in Risk and Information Systems Control (CRISC), Information Systems Audit and Control Association, United States of America (2020)

DIRECTORSHIP
- ECML Berhad

RELEVANT EXPERIENCE
- Bursa Malaysia Berhad
  - Head, Intermediaries Supervision, Regulation (1998 - 2012)
- Reapfield Properties Sdn Bhd
  - Head, Finance and Technology (1997 - 1998)
- Affin Bank Berhad
  - Manager, Information Systems Audit (1995 - 1997)
- OCBC Bank (Malaysia) Berhad
  - IT Controls Officer, Information Systems (1990 - 1995)
  - General Clerk, Credit Control Central (1985 - 1989)

NIK HASNIZA NIK IBRAHIM

HEAD,
GROUP HUMAN RESOURCE

Malaysian Female Aged 54

DATE OF APPOINTMENT
1 July 2014

QUALIFICATION
- Bachelor of Science in Computer Science (1987), Indiana University, Indiana, United States of America

DIRECTORSHIP
- Nil

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

SENIOR MANAGEMENT'S PROFILES

WOO KING HUAT

CHIEF CREDIT OFFICER

Malaysian Male Aged 49

DATE OF APPOINTMENT
1 July 2015

QUALIFICATION
- Bachelor of Commerce (Economics) (1991), The Flinder's University of South Australia

DIRECTORSHIP
- Nil

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

ZULKIFLI ISHAK

CHIEF EXECUTIVE OFFICER, KENANGA ISLAMIC INVESTORS BERHAD

Malaysian Male Aged 52

DATE OF APPOINTMENT
14 February 2019

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

DIRECTORSHIP
- Kenanga Islamic Investors Berhad

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

SENIOR MANAGEMENT'S PROFILES

DATO' AZLAN ABU RAIS @ A RAIS AL NOAH

CHIEF EXECUTIVE OFFICER, KENANGA CAPITAL SDN BHD AND CHIEF EXECUTIVE OFFICER, KENANGA CAPITAL ISLAMIC SDN BHD

Malaysian Male Aged 57

DATE OF APPOINTMENT
- 1 September 2004 as Chief Executive Officer, Kenanga Capital Sdn Bhd and 1 January 2017 as Chief Executive Officer, Kenanga Capital Islamic Sdn Bhd

QUALIFICATION
- Master of Business Administration (1995), University of Bath, United Kingdom
- Bachelor of Science in Industrial Engineering (1987), Louisiana State University, United States of America

DIRECTORSHIP
- Actinium Network Berhad

RELEVANT EXPERIENCE
- Woo Hing Brothers (M) Berhad
  - General Manager (Head of Corporate Planning, Sales and Marketing and Business Development) (1998 - 2000)
- GBE International Group (PLC), United Kingdom
  - Business Consultant (1996 - 1997)
- MMC Engineering Services Sdn Bhd
  - Project Manager (1992 - 1995)
- Matsushita Industrial Corp. Sdn Bhd
  - Production Engineer (1987 - 1992)

CHUAH SZE PHING

HEAD, GROUP MARKETING AND COMMUNICATIONS

Malaysian Female Aged 43

DATE OF APPOINTMENT
1 September 2012

QUALIFICATION
- Bachelor of Commerce (Marketing) (1999), University of Melbourne, Australia

DIRECTORSHIP
- Nil

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

SENIOR MANAGEMENT'S PROFILES

TERENCE TAN KIAN MENG

GROUP CHIEF INTERNAL AUDITOR

Malaysian Male Aged 51

DATE OF APPOINTMENT
17 January 2011

QUALIFICATION
- Bachelor of Commerce (Accounting) with Merit (1993), University of New South Wales
- Certified Internal Auditor (IIA, US)
- Certified Practising Accountant (CPA Australia)
- Chartered Accountant (Malaysian Institute of Accountants)

DIRECTORSHIP
- Nil

RELEVANT EXPERIENCE
- MCIS Zurich Insurance Berhad
  - Chief Internal Auditor (2009 - 2011)
- DIGI Telecommunications Sdn Bhd
  - Head, Financial and Operational Assurance (2006 - 2009)
- Astro All Asia Network PLC
  - Senior Manager, Financial and Operational Assurance (2004 - 2006)
- Bank Simpanan Nasional
  - Head of Compliance (2003 - 2004)
- Citibank Berhad
  - Assistant Vice President, Compliance and Control (1995 - 2003)

NORLIZA ABD SAMAD

GROUP COMPANY SECRETARY

Malaysian Female Aged 54

DATE OF APPOINTMENT
19 November 2012

QUALIFICATION
- Institute of Chartered Secretaries and Administrators (UK)
- Associate Member of Malaysian Institute of Chartered Secretaries and Administrators
- Chartered Governance Professional

DIRECTORSHIP
- Nil

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

SENIOR MANAGEMENT'S PROFILES

TAI YAN FEE

GROUP CHIEF RISK OFFICER

Malaysian Male Aged 48

DATE OF APPOINTMENT
1 August 2017

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

DIRECTORSHIP
- Nil

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

CHUA E LONG

CHIEF TECHNOLOGY OFFICER

Malaysian Male Aged 43

DATE OF APPOINTMENT
1 November 2018

QUALIFICATION
- Bachelor in Engineering (Electrical & Electronics), University of Technology Malaysia (1999)
- Management Studies, Sophia University, Tokyo, Japan (1995)
- Certified Project Management Professional (2008)
- Certified IBM Advisory Project Manager (2009)
- Certified ITIL V3 Expert (2010)
- Certified ITIL V2 Service Manager (2006)
- Certified ISO/IEC20000:2005 Consultant/ Internal Auditor (2006)
- Certified PROSCI Change Manager (2017)

DIRECTORSHIP
- Nil

RELEVANT EXPERIENCE
- MANDIRI AXA General Insurance
  - Chief Operating Officer (2016 - 2018)
- AXA AFFIN General Insurance
  - Senior Vice President/ Head of Strategy & Transformation (2015 - 2016)
- AIG Global Services
  - Vice President/ Project Director (2010 - 2015)
- IBM
  - Advisory Project Manager (2008 - 2010)
- HP
  - Technical Consultant (2000 - 2006)

Unless otherwise stated:
- *With the exception of Megat Mizan Nicholas Denney, who is the son of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail and brother of Ismail Harith Merican, a major shareholder and a Director of KIBB, respectively, all members of the Senior Management Team do not have any family relationships with any Director and/ or major shareholder of KIBB.*
- *None of the Senior Management Team have any conflict of interests with KIBB.*
- *None of the Senior Management Team have been convicted of any offence within the past five (5) years nor have they been imposed any penalty by the relevant regulatory bodies during the financial year.*
- *Directorship indicated herein reflects the directorship in public companies and listed issuers.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS ("**BOARD**") REGARDS CORPORATE GOVERNANCE AS VITAL TO THE SUCCESS OF THE BUSINESS OF KENANGA INVESTMENT BANK BERHAD ("**KIBB**" OR "**THE COMPANY**") AND IS UNRESERVEDLY COMMITTED TO APPLYING THE PRINCIPLES NECESSARY TO ENSURE THAT THE PRINCIPLES OF GOOD GOVERNANCE ARE PRACTISED IN ALL OF ITS BUSINESS DEALINGS AND OPERATIONS.

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

The Board is also committed to continuously undertake the appropriate actions to embed the said principles and recommendations of the Malaysian Code on Corporate Governance ("**MCCG**") into the Company's existing policies and procedures.

BOARD LEADERSHIP AND EFFECTIVENESS

The Board is charged with leading and guiding KIBB in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and other stakeholders which include the regulators, business partners, clients, employees, suppliers and vendors, are clearly understood and adhered to.

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

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

Roles of Chairman and Group Managing Director ("GMD")

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

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

In addition, the Chairman is also designated as the Senior Independent Non-Executive Director for shareholders and stakeholders to convey their concerns regarding Kenanga Investment Bank Berhad and Its Group of Companies ("**KIBB Group**" or "**the Group**").

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Reserved Matters

The Board's key activities during the financial year included amongst others, reviewing, deliberating, recommending and approving where appropriate, key matters as outlined below.

Strategy/ Financials

- Budget and Business Plan for KIBB Group for the Financial Year Ending 31 December 2020
- Investment Proposals/ Business Collaboration/ New Business Initiatives
- Monthly Management Accounts
- Quarterly Results
- Annual Impairment Assessment of Goodwill and Intangibles for the Financial Year Ended 31 December 2019
- Audited Financial Statements for the Financial Year Ended 31 December 2018 and the Reports for the Directors and Auditors
- Strategy Paper for Group Technology and Transformation
- Proposed Interim Dividend for Financial Year Ended 31 December 2018
- Re-Appointment of External Auditors
- Waiver of Intercompany Balance for Dormant Company
- Report on Non-Budgeted Expenditure Exceeding RM100,000
- Reports on Associate and Joint Venture Companies
- Renewal of Solvency Statement in Relation to the Share Buyback Exercise
- Acquisition & Merger Updates on Libra Invest Berhad

Risk, Compliance and Oversight

- Quarterly Reporting by the Group Chief Regulatory and Compliance Officer without the presence of Management
- Monthly Regulatory Reports
- Gap Assessment on Readiness of KIBB Group to Comply with the Guidelines on Adequate Procedures Pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009
- Report on Survey on Ethics and Integrity Culture at Workplace and Group Business Ethics and Integrity Charter
- Monthly Trading Liquidity Ageing Report for Bond Portfolios, Held-for-Trading and Available-for-Sale
- BNM's 2018 Supervisory Assessment on KIBB: 2018 Composite Risk Rating
- Monthly Risk Management Reports
- Business Impact Analysis — Reclassification of Criticality of the Corporate Email System
- 2019 Group Outsourcing Plan and Transitional Requirements
- KIBB's Gap Analysis and Action Plan for Existing Outsourcing Arrangements
- Business Continuity Management Framework
- Outsourcing Risk Management Framework
- Proposed Restructuring of Group Operational Risk Working Team to Group Operational Risk Committee
- Enterprise Risk Management Framework Review 2019
- BNM's Stress Testing Report
- Internal Capital Adequacy Assessment Process for 2018
- Limits Framework Governing Equity Option Book
- MY HORIZON Report 2018/ Volume 2: BNM Operational Risk Landscape Report for Banking Industry
- Operational Risk Capital Charge Assessment for Year 2018
- Establishment of New Policies and Review of Existing Policies/ Framework
- Reports on Recovery Status, Connected Party Exposure and Recovery on Impaired Equity Accounts
- Credit Proposals as Recommended by the Group Credit Committee
- Quarterly Cyber Security Updates
- Results of the SC's Capital Market Cyber Simulation 2019
- Group Level Business Continuity Plan
- Pillar 3 Disclosure for 31 December 2018
- Appointment of KIBB as Participating Dealer and Market Maker
- Half-Yearly Review on Shariah Committee's Decisions
- New Product Proposals on Exotic Options
- Annual Attestation of Products Issued for 2019
- Annual Review of Contingency Funding Plan

Governance

- Appointments and Re-Appointments of Directors within KIBB Group
- Establishment of the Group Board Digital Innovation & Technology Committee on 29 August 2019
- Review of Compositions of the Board, Board Committees and Management Committees
- Key Observations on Corporate Governance ("**CG**") Reports and CG Overview Statements of Listed Issuers and Findings of CG Monitor 2019

- Reports by Board Committees on Matters Discussed at the Respective Board Committee Meetings
- Overview on the Current Sustainability Progress at KIBB
- Assessment on the Fitness and Propriety and Re-Appointment of Members of Shariah Committee of KIBB and Review of Their Remuneration
- Annual Board, Board Committees and Individual Director's Performance Evaluation for Year 2018
- Directors' Training Calendar for 2019 and Quarterly Status Report on KIBB Group Directors' Training for 2018/ 2019
- Review of Directors' Remuneration
- Review of Board Succession Planning Framework
- Proposed Trust Deed and Amendments to Employees' Share Scheme By-Laws
- Notification by Principal Officer in Relation to Dealings in the Securities of KIBB
- Directors and Officers' Liability Insurance
- Key Human Resource Matters
    - o Review of the List of Management Key Responsible Persons ("**KRPs**") of KIBB as at 1 January 2019
    - o Review of the List of KIBB Group's Management KRPs' Employment Contracts Expiring in Year 2019
    - o 2018 Performance Appraisal and Annual Assessment on Fit and Proper for Management KRPs, GMD, Group Chief Regulatory and Compliance Officer, Head of Group Compliance and Group Company Secretary
    - o Renewal of Group Insurance Policies for 2019
    - o Progress Report on Implementation of Asian Institute of Chartered Bankers Certifications for KIBB
    - o 2019 Balanced Scorecards for Management KRPs, GMD, Head of Group Compliance and Group Company Secretary
    - o Employees' Share Scheme — Proposal for Employees' Share Option Scheme Award 2019
    - o Employees' Share Scheme — First Tranche Vesting for Employees' Share Option Scheme 2018 for Junior Management Staff and Above
    - o 2018 Performance Bonus and 2019 Annual Salary Increment
    - o Salary Review and Revision for Management KRPs
    - o Identification of Material Risk Takers and Other Material Risk Takers within KIBB Group
    - o Appointment of Chief Technology Officer as Group Executive Committee Member and Management KRP
    - o Management KRPs' Succession Plan
    - o Kenanga Competency Framework — Core, Leadership, Foundational & Functional Competencies
    - o Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as KIBB's Adviser

Board Composition

The Board of KIBB currently comprises the following nine (9) Directors, five (5) of whom are Independent Non-Executive Directors ("**INED**") and the remaining four (4) are Non-Independent Non-Executive Directors ("**NINED**"):

IZLAN IZHAB
Chairman, INED

DATUK SYED AHMAD ALWEE ALSREE
Deputy Chairman, NINED

DATO' RICHARD ALEXANDER JOHN CURTIS
NINED

LUIGI FORTUNATO GHIRARDELLO
NINED

ISMAIL HARITH MERICAN
NINED

LUK WAI HONG, WILLIAM
INED

JEREMY NASRULHAQ
INED

NORAZIAN AHMAD TAJUDDIN
INED

KANAGARAJ LORENZ
INED

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

The profile of each Director is available on pages 20 to 28 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board and Board Committee Meetings

In 2019, the Board was scheduled to meet 11 times with special Board meetings convened as and when necessary to consider urgent proposals or matters that required the Board's expeditious review and consideration. During the Financial Year Ended 31 December 2019, all Directors attended more than 75% of the Board meetings.

The Directors' attendance at Board and Board Committee meetings held during the Financial Year Ended 31 December 2019 are provided below.

BOARD	10 January 2019*	31 January 2019	28 February 2019	3 April 2019	25 April 2019	9 May 2019*	29 May 2019	26 June 2019	31 July 2019	29 August 2019	3 October 2019	31 October 2019	27 November 2019*	5 December 2019	Number of Meetings Attended	%
Izlan Izhab	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14/14	100
Datuk Syed Ahmad Alwee Alsree	√	√	√	√	√	√	√	x	√	√	√	√	√	√	13/14	93
Dato' Richard Alexander John Curtis	√	√	√	√	√	√	√	√	√	√	√	x	√	√	13/14	93
Luigi Fortunato Ghirardello	√	√	√	x	√	√	√	√	√	√	√	√	√	√	13/14	93
Ismail Harith Merican	√	√	√	√	√	x	√	√	√	√	x	√	√	√	12/14	86
Luk Wai Hong, William	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14/14	100
Jeremy Nasrulhaq	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14/14	100
Norazian Ahmad Tajuddin	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14/14	100
Kanagaraj Lorenz	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14/14	100

Note

* *Special Meeting*

Audit Committee ("AC")	30 January 2019	25 February 2019	22 April 2019	25 July 2019	26 August 2019*	24 October 2019	Number of Meetings Attended	%
Jeremy Nasrulhaq	√	√	√	√	√	√	6/6	100
Izlan Izhab	√	√	√	√	√	√	6/6	100
Luk Wai Hong, William	√	√	√	√	√	√	6/6	100
Ismail Harith Merican	√	√	√	√	√	x	5/6	83
Kanagaraj Lorenz	√	√	√	√	√	√	6/6	100

Note
* *Special Meeting*

Group Nomination & Remuneration Committee ("NRC")	31 January 2019	28 February 2019	3 April 2019	25 April 2019	29 May 2019*	31 July 2019	31 October 2019	Number of Meetings Attended	%
Luk Wai Hong, William	√	√	√	√	√	√	√	7/7	100
Datuk Syed Ahmad Alwee Alsree	√	√	√	√	√	√	√	7/7	100
Luigi Fortunato Ghirardello	√	√	x	√	√	√	√	6/7	86
Jeremy Nasrulhaq	√	√	√	√	√	√	√	7/7	100
Norazian Ahmad Tajuddin	√	√	√	√	√	√	√	7/7	100

Note
* *Special Meeting*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Group Board Risk Committee ("GBRC")	30 January 2019	21 March 2019	25 April 2019*	9 May 2019	25 July 2019	26 September 2019	31 October 2019*	28 November 2019	Number of Meetings Attended	%
Luk Wai Hong, William	√	√	√	√	√	√	√	√	8/8	100
Luigi Fortunato Ghirardello	√	√	√	√	√	√	√	√	8/8	100
Dato' Richard Alexander John Curtis	√	√	√	√	x	√	x	√	6/8	75
Norazian Ahmad Tajuddin	√	√	√	√	√	√	√	√	8/8	100
Kanagaraj Lorenz	√	√	√	√	√	√	√	√	8/8	100

Note
* *Special Meeting*

Group Board Digital Innovation & Technology Committee ("GBDITC")	30 October 2019	28 November 2019	Number of Meetings Attended	%
Kanagaraj Lorenz	√	√	2/2	100
Luk Wai Hong, William	√	√	2/2	100
Luigi Fortunato Ghirardello	√	√	2/2	100
Dato' Richard Alexander John Curtis	√	√	2/2	100
Norazian Ahmad Tajuddin	√	√	2/2	100
Jeremy Nasrulhaq	√	√	2/2	100

Note
[(1)] *The GBDITC was established on 29 August 2019.*

Employees' Share Scheme Committee ("ESS Committee")	31 January 2019	28 February 2019	3 April 2019	Number of Meetings Attended	%
Luk Wai Hong, William	√	√	√	3/3	100
Datuk Syed Ahmad Alwee Alsree	√	√	√	3/3	100
Luigi Fortunato Ghirardello	√	√	√	3/3	100
Jeremy Nasrulhaq	√	√	√	3/3	100
Norazian Ahmad Tajuddin	√	√	√	3/3	100

The Shariah Committee Members' attendance at its meetings held during the Financial Year Ended 31 December 2019 is as provided below.

Shariah Committee	24 January 2019	26 February 2019	18 March 2019	12 April 2019	15 May 2019	14 June 2019	16 July 2019	19 August 2019	20 September 2019	10 October 2019	24 October 2019*	26 November 2019	17 December 2019	Number of Meetings Attended	%
Dr. Kamaruzaman Noordin	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100
Dr. Muhammad Arzim Naim	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100
Dr. Mohd Fuad Md Sawari	√	√	√	√	√	√	√	√	√	√	√	√	√	13/13	100
Dr. Ahmad Sufian Che Abdullah(1)	√	√	√	√	√	√	√	√	√	√	√	-	-	11/11	100
Dr. Mohammad Firdaus Mohammad Hatta(2)	-	-	-	-	-	-	-	-	-	-	-	√	√	2/2	100

Notes:

* *Special Meeting*

(1) *Ceased as a member of Shariah Committee on 31 October 2019.*

(2) *Appointed as a member of Shariah Committee on 1 November 2019.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Group Nomination & Remuneration Committee

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

Details on the NRC's composition, as well as, its members' attendance at the NRC meetings during the Financial Year Ended 31 December 2019 are provided on page 43 of this Annual Report, as well as, in Section B of the Corporate Governance Report ("**CG Report**") which is available on KIBB's website at https://kenanga.com.my/investor-relations/AGM2020.

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

During the Financial Year Ended 31 December 2019, the NRC had deliberated, reviewed and made appropriate recommendations to the Board for approval, pertaining to amongst others, the following matters:

- Appointments and Re-Appointments of Directors within KIBB Group;
- List of Management KRPs of the Group as at 1 January 2019;
- New Appointment and Renewal of Contract of Appointment of Senior Management Personnel;
- Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as Adviser of KIBB;
- Review of Compositions of the Board and the Board Committees;
- Appointment of New Group Executive Committee Member and Management KRP;
- Annual Performance Review and Assessment on the Fitness and Propriety of Senior Management;
- Annual Performance Evalution for the Board, Board Committees and Individual Director for the Financial Year Ended 31 December 2018, together with the Annual Assessment on Independence and Fitness and Propriety of Directors;
- Proposed Identification of Material Risk Takers and Other Material Risk Takers within KIBB Group;
- Board Succession Planning Framework;
- Directors' Remuneration and Benefits of the Group;
- 2018 Annual Performance Bonus and 2019 Annual Salary Increment for the Group;
- Revised Succession Plan for KRPs;
- 2019 Annual Balanced Scorecards for Senior Management of KIBB;
- Training Requirements for the Directors;
- Results of the Assessment on the Fitness and Propriety and the Re-Appointment of Members of Shariah Committee of KIBB and their Remuneration; and
- Kenanga Competency Framework — Core, Leadership, Foundational & Functional Competencies of the Group.

Board Appointment Framework

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

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

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

With regard to gender diversity, although, as at 31 December 2019, the Board only comprised one (1) female Director in its composition, the Board will endeavour to source for suitable female candidates for future appointment as and when changes to the Board composition are required or reviewed, in line with the Company's business direction and strategy.

Board Education and Development

1. Induction Programme for Newly Appointed Director

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

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

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

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

2. Directors' Continuous Education and Development

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

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

In order to facilitate this process, an Annual Directors' Training Calendar encompassing external training programmes available in the market and/ or recommended by the Board members and/ or organised in-house, is developed and tabled at the NRC and the Board for endorsement in the first quarter of each year to create awareness amongst the Directors of training programmes available for the year. Thereafter, the NRC and the Board will be updated on the status of Directors' participation in these training programmes on a quarterly basis.

In developing the Annual Directors' Training Calendar, feedback received from Directors during the Board evaluation process in terms of specific training needs required to enhance the Board's effectiveness, was also taken into consideration.

3. Training Programmes Attended by Directors

The training programmes attended by the Directors during the Financial Year Ended 31 December 2019 are as listed below.

	Title of Programme	Attended By
1.	A Boardroom Colloquium on Innovation Governance by MeLearn Global	Jeremy Nasrulhaq ("**JN**")
2.	Blockchain for Accountants – Awareness Workshop by Malaysian Institute of Certified Public Accountants	Kanagaraj Lorenz ("**RL**")
3.	Let's Get Real on Anti-Bribery by The Iclif Leadership and Governance Centre ("**ICLIF**")	JN
4.	ASLI – Inaugural Malaysia Forum 2019 – Shaping Policy in an Interconnected World by Federation of Public Listed Companies ("**FPLC**")	Izlan Izhab ("**II**")

CORPORATE GOVERNANCE OVERVIEW STATEMENT

	Title of Programme	Attended By
5.	Powertalk: Revisiting The Misconception of Board Remuneration by Institute of Corporate Directors Malaysia ("**ICDM**")	Dato' Richard Alexander John Curtis ("**DRC**") and Norazian Ahmad Tajuddin ("**NT**")
6.	Reading The Signs: The Next Financial Crisis and Potential Impact on Asia by FIDE FORUM	Luigi Fortunato Ghirardello ("**LFG**") and NT
7.	Dinner Talk — Digital Assets: Global Trends Legal Requirements and Opportunities for Financial Institutions by FIDE FORUM	NT and RL
8.	BNM Annual Report 2018/ Financial Stability and Payments Systems Report 2018 Briefing Session by BNM	II
9.	BNM Governor's Address on the Malaysian Economy & Panel Discussion by Persatuan Ekonomi Malaysia through FPLC	II
10.	Dialogue with BNM's Deputy Governor on the Draft Risk Management in Technology Policy by FIDE FORUM	NT and RL
11.	AGOS 2019 Finance Summit Malaysia by FPLC	II
12.	The Role of Audit Committees — Ensuring Organisational Integrity, Risk & Governance by ICDM	JN
13.	Understanding Liquidity Risk Management in Banking Programme by ICLIF	JN and NT
14.	Rethinking Strategy by FIDE FORUM	RL
15.	Future Business Ideas 2019 — Business Innovation Re-Imagined by Securities Industry Development Corporation ("**SIDC**")	II and JN
16.	Launch of the SC's Corporate Governance Monitor 2019	RL
17.	Fundamentals of Corporate Directorship: Module A — The Role of the Board in Strategy & Risk Management Oversight by ICDM	RL
18.	Engagement Session with Audit Committee Members by Malaysia Institute of Accountants	II
19.	Corporate Governance ("**CG**") Watch: How Does Malaysia Rank by ICLIF	II and RL
20.	BNM: My Fintech Week 2019 — Shifting Tide, Future of Finance	II, DRC, LFG, JN, NT, RL and Luk Wai Hong, William ("**LWH**")
21.	Directorship Journey — An Exclusive Fireside Chat for FIDE FORUM Directors Register Talent	RL
22.	Demystifying the Diversity Conundrum: The Road to Business Excellence by Bursa Malaysia and ICDM	RL
23.	Future of Work Conference curated by Alumni Alliance	DRC
24.	International Digital Economy Conference Sarawak	Datuk Syed Ahmad Alwee Alsree ("**DSA**")
25.	2nd Perbadanan Insuran Deposit Malaysia ("**PIDM**") — FIDE FORUM Annual Dialogue with the CEO of PIDM - FIDE FORUM	NT
26.	CMDP Module 2B: Funds Management: Business Challenges and Regulatory Expectations by SIDC	NT

	Title of Programme	Attended By
27.	Artificial Intelligent and Its Role in FIs by FIDE FORUM	JN
28.	FIDE Elective: Understanding Fintech and Its Implications for Banks by **ICLIF**	DRC
29.	SC's Financing Opportunities for Tech Companies Through the Malaysian Capital Markets	RL
30.	Digital Upskilling for Board by ICDM	Ismail Harith Merican ("**IHM**") and NT
31.	2019 Cyber Security Workshop: Shifting Towards Cyber Hygiene by Bursa Malaysia	II
32.	Adding Confidence to Captives: Managing Volatility via Self Insurance by Swiss Re Corporate Solutions	DRC
33.	Thought Leadership Series: The Convergence of Digitalisation and Sustainability by ICDM	II and RL
34.	Raising Defences: Section 17A, Malaysian Anti-Corruption Commission ("**MACC**") Act 2009 by ICLIF	II
35.	Briefing on Bay Al-Dayn in Islamic Finance by Shariah Adviser of Kenanga Islamic Investors Berhad ("**KIIB**")	DSA
36.	Malaysia Anti-Corruption Forum 2019 by International Strategy Institute	II
37.	Practical Integrated Reporting Forum & Workshop by Malaysian Alliance of Corporate Director	II
38.	Key Aspects of Fintech and Regulation by BNM-FIDE FORUM	JN and NT
39.	Asian Institute of Chartered Bankers: Module CB1 Masterclass	JN
40.	The Cooler Earth Sustainability Summit by CIMB	II
41.	Digital to the Core by FIDE FORUM	JN, NT and RL
42.	Khazanah Megatrends Forum 2019	II and DRC
43.	Budget Briefing with YB Lim Guan Eng organised by CIMB	DRC
44.	ICDM International Directors Summit 2019	JN
45.	Leadership in a Disruptive World by FIDE FORUM	II, JN, NT and RL
46.	SCXSC Fintech Conference 2019	II, DRC, LFG, LWH, JN and RL
47.	MICG 2019 Forum: Corporate Governance in the Capital Market	II and JN
48.	Audit Oversight Board: Conversation with Audit Committees by SC	JN
49.	Singapore Fintech Festival 2019: SFF x Switch	II, JN, NT and RL
50.	Fraud Awareness Week — Anti-Fraud Talk Series by SIDC: Emerging Fraud Activities in Digital Space	NT
51.	Preparing for Corporate Liability on Corruption under MACC Act 2009 by Malaysian Institute of Corporate Governance	NT
52.	Prohibition of Riba in Islamic Finance by Shariah Adviser of KIIB	DSA
53.	Cyber Security 2020: Cyber Threats Against Enterprises for Board Members of Kenanga Group of Companies by LE Global Services Sdn Bhd	II, DSA, LFG, IHM, LWH, JN and RL

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4. Training Programmes Attended by Members of Shariah Committee

The training programmes attended by the Shariah Committee members during the Financial Year Ended 31 December 2019 are provided below.

	Title of Trainings	Attended By
1.	Muzakarah Penasihat Syariah Kewangan Islam Malaysia 2019	Dr. Kamaruzaman Noordin (“**DKN**”)
2.	Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan di Malaysia Kali ke-15	DKN
3.	Muzakarah Zakat KWSP 2019	DKN
4.	Townhall Session with Shariah Advisory Council of BNM	DKN
5.	Makmal Manual Taksiran Zakat Institusi Kewangan dan Perbankan Islam, Takaful dan Unit Amanah 2019	DKN
6.	Islamic Finance Research Talk 2019: Shariah Framework in Islamic Banking : The Malaysian Experience	DKN
7.	Ministry of Higher Education University of Malaya International Centre for Education in Islamic Finance Islamic Finance Research Conference 2019	DKN
8.	Muzakarah Cendekiawan Syariah Nusantara (13th Regional Shari’ah Scholar Dialogue), “Synergy Between Financial Institutions: Islam & Social Obligation” organised by International Shari’ah Research Academy for Islamic Finance, Brunei	Dr. Mohd Fuad Md Sawari
9.	Kuala Lumpur Islamic Finance Forum (KLIFF 2019) & KLIFF Muzakarah 2019	Dr. Muhammad Arzim Naim (“**DMA**”)
10.	Islamic Markets Programme 2019 – Islamic Capital Market 4.0	DMA
11.	Islamic Banking & Finance Institute Malaysia: Financial and Risk Management	Dr. Mohammad Firdaus Mohammad Hatta (“**DMF**”)
12.	Association of Shariah Advisors in Islamic Finance: Blockchain: Enabling Change for a Better Society	DMF
13.	ASAS: Principles of Accounting and Finance	DMF
14.	Centre for Research and Training: Islamic Corporate Banking Products & Instruments	DMF
15.	BNM & Dewan Bahasa dan Pustaka: Bengkel Penggubalan Istilah Kewangan	DMF
16.	Muzakarah Kuala Lumpur Islamic Finance Forum 2019	Dr. Ahmad Sufian Che Abdullah (“**DAS**”)
17.	Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan Di Malaysia Kali Ke-15	DAS
18.	Muzakarah for Shariah Advisors of Takaful Operators 2019	DAS
19.	Colloqium on Endowment, Crowdfunding and Blockchain	DAS
20.	Konvensyen Fiqh dan Teknologi Peringkat Kebangsaan 2019	DAS
21.	Seminar Penjualan Barang Kemas Secara Patuh Syariah untuk Koperasi-Koperasi Malaysia	DAS

Succession Plan

1. Board and Board Committee

The Board had in October 2015 formalised the Board Succession Planning Framework (“**Framework**”) which entails the guiding principles for effective succession planning, as well as the detailed procedure in ensuring a smooth transition in the Board’s process and functioning as existing Directors leave and new ones come on board. This Framework is reviewed on an annual basis to ensure its alignment with the latest development in the relevant regulatory requirements, if necessary.

2. Senior Management

In July 2015, the Board had, upon the NRC's recommendation, approved the Talent and Succession Management Framework and Methodology for the Group, which aims at ensuring ready successors for leadership positions capable of driving business growth and achieving the Group's strategic business plan, ensuring a pool of qualified and competent staff prepared and ready to fill up critical positions within the Group as and when required; and ensuring effective development, engagement and retention of high potential employees.

Non-Executive Directors' Remuneration Framework

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

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

The remuneration of GMD and Senior Management are made up of two (2) components i.e. fixed basic salary and a variable component comprising the annual discretionary performance bonus and share awards under the Employees' Share Scheme. The share awards will only be vested upon the GMD and Senior Management meeting the agreed Key Performance Indicators. Details of such share awards are set out in Note 55 of the Financial Statements section of this Annual Report.

For the Financial Year Ended 31 December 2019, the Directors and Shariah Committee Members are paid the following annual fee and meeting allowance for each meeting of the Board, Board Committee or Shariah Committee that they have attended, respectively:

Fees	Financial Year Ended 31 December 2019
Chairman of the Board	RM440,000.00
Deputy Chairman of the Board	RM390,000.00
Director	RM270,000.00
Chairman of Shariah Committee	RM54,000.00
Chairman of AC/ NRC/ GBRC/ GBDITC	RM40,000.00
Member of AC/ NRC/ GBRC/ GBDITC	RM30,000.00
Member of Shariah Committee*	RM49,000.00
	RM43,000.00
	RM45,000.00
	RM6,000.00

* *The annual fee for the Financial Year Ended 31 December 2019 are based on the number of years served as a Shariah Committee member, as well as the scope of roles and responsibilities being undertaken.*

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The breakdown of the remuneration of individual Directors which includes fees, other emoluments and benefits-in-kind for the Financial Year Ended 31 December 2019 is set out below.

Group Level	Fees[1] RM	Salaries RM	Other Emoluments RM	Bonus RM	Benefits-in-Kind RM	Total RM
Non-Executive Directors						
Izlan Izhab	510,000.00	-	56,000.00	-	84,161.97[2]	650,161.97
Datuk Syed Ahmad Alwee Alsree	510,000.00	-	68,000.00	-	19,442.96[3]	597,442.96
Dato' Richard Alexander John Curtis	310,273.97	-	48,000.00	-	-	358,273.97
Luigi Fortunato Ghirardello	390,273.97	-	78,000.00	-	-	468,273.97
Ismail Harith Merican	300,000.00	-	40,000.00	-	-	340,000.00
Luk Wai Hong, William	388,575.34	-	86,000.00	-	-	474,575.34
Jeremy Nasrulhaq	350,273.97	-	70,000.00	-	-	420,273.97
Norazian Ahmad Tajuddin	375,506.85	-	84,000.00	-	-	459,506.85
Kanagaraj Lorenz	343,698.63	-	66,000.00	-	-	409,698.63
TOTAL	**3,478,602.73**	**-**	**596,000.00**	**-**	**103,604.93**	**4,178,207.66**

Note:

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

(2) *Benefits-in-kind for the Chairman include golf club membership, leave passage, driver, car and other claimable benefits.*

(3) *Benefits-in-kind for the Deputy Chairman include golf club membership, car and other claimable benefits.*

Company Level	Fees[1] RM	Salaries RM	Other Emoluments RM	Bonus RM	Benefits-in-Kind RM	Total RM
Non-Executive Directors						
Izlan Izhab	470,000.00	-	46,000.00	-	84,161.97[2]	600,161.97
Datuk Syed Ahmad Alwee Alsree	420,000.00	-	50,000.00	-	19,442.96[3]	489,442.96
Dato' Richard Alexander John Curtis	310,273.97	-	48,000.00	-	-	358,273.97
Luigi Fortunato Ghirardello	340,273.97	-	68,000.00	-	-	408,273.97
Ismail Harith Merican	300,000.00	-	40,000.00	-	-	340,000.00
Luk Wai Hong, William	388,575.34	-	86,000.00	-	-	474,575.34
Jeremy Nasrulhaq	350,273.97	-	70,000.00	-	-	420,273.97
Norazian Ahmad Tajuddin	341,972.60	-	74,000.00	-	-	415,972.60
Kanagaraj Lorenz	343,698.63	-	66,000.00	-	-	409,698.63
TOTAL	**3,265,068.48**	**-**	**548,000.00**	**-**	**103,604.93**	**3,916,673.41**

Note:

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

(2) *Benefits-in-kind for the Chairman include golf club membership, leave passage, driver, car and other claimable benefits.*

(3) *Benefits-in-kind for the Deputy Chairman include golf club membership, car and other claimable benefits.*

Board Performance Evaluation

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

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

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

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

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

Arising from the Board members' feedback obtained from the Board performance evaluation, certain steps have been taken to enhance the Board's processes particularly in areas relating to strategy setting and formulation of business plan, as well as annual budget for the Group.

Independent Professional Advice

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

Directorships in Other Companies

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

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

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

Details on the AC's composition, as well as, its members' attendance at the AC meetings during the Financial Year Ended 31 December 2019 are provided in this Annual Report and Section B of the CG Report which is available on KIBB's website at https://kenanga.com.my/investor-relations/AGM2020.

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

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

Internal Audit Function

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The GCIA is invited to attend the AC meetings to facilitate the deliberation of audit reports.

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

- reviewing, approving and reporting to the Board the audit scope, procedures and frequency;

- reviewing and reporting to the Board key audit reports and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by GIA;

- noting significant disagreements between the GCIA and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;

- establishing a mechanism to assess the performance and effectiveness of the internal audit function;

- reviewing and reporting to the Board the adequacy of scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and

- appointing, setting compensation, evaluating the performance and deciding on the transfer and dismissal of the GCIA and of any staff member of the internal audit function at the request of the GCIA.

Group Board Risk Committee

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

Details on the GBRC's composition, as well as, its members' attendance at the GBRC meetings during the Financial Year Ended 31 December 2019 are provided in Section B of the CG Report which is available on KIBB's website at https://kenanga.com.my/investor-relations/AGM2020.

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

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

Employees' Share Scheme Committee

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

The ESS Committee was established to assist the Board to administer the Employees' Share Scheme ("**ESS**" or "**Scheme**") in accordance with the By-Laws governing the Scheme as approved by shareholders of KIBB.

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

The roles and responsibilities of the ESS Committee which are outlined in its Terms of Reference include the determination of all questions of policy and expediency that may arise in the administration of the ESS including, amongst others, the terms of eligibility of the employees of the Company and its non-dormant subsidiaries ("**Eligible Employees**"), the method or manner in which the grants

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are made to and exercised by Eligible Employees and any conditions imposed in relation thereto, and the termination of any options, and generally the exercise of such powers and performance of such acts as are deemed necessary or expedient to promote the best interests of the Company.

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

Group Board Digital Innovation & Technology Committee

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

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

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

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

Shariah Committee

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

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

All Shariah Committee members have the Shariah background except for Dr. Muhammad Arzim Naim who is from Islamic finance/ Islamic accounting practitioner's background and whose appointment has been approved by BNM.

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

Risk Management and Internal Control

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

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

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

Details of KIBB Group's internal control system and risk management framework are set out in the Statement on Risk Management and Internal Control in this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Audit Committee to Ensure Compliance with Financial Reporting Standards

At the Board meetings, the Board reviews the Management reports on the business performance of KIBB, as well as its major subsidiaries, associate and joint-venture companies and reviews, inter-alia, the analysis of financial performance in comparison as compared to the preceding month and year-to-date.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

The AC assists the Board in overseeing the integrity of the Group's financial reporting and part of this role involves the operation of the financial reporting processes. The processes are aimed at providing the assurance that the financial statements and related notes are completed in accordance with applicable legal requirements and accounting standards and give a true and fair view of the Group's financial positions.

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

Investor Relations and Shareholder Communications

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

The Group employs a wide range of communication channels such as direct communication and publication of all relevant Group information on its website at www.kenanga.com.my. The Group utilises its corporate website as a means of providing information to its shareholders and the broader investment community.

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

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

General Meetings

In line with its digital transformation efforts, the Company has focused on the dissemination of its Annual Report via its website at https://kenanga.com.my/investor-relations/AGM2020 in order to reach a wider spectrum of shareholders who are active internet users.

Shareholders are encouraged to attend the AGM and any Extraordinary General Meeting ("**EGM**") of the Company and to use these opportunities to raise questions and vote on important matters affecting the Group, including the election of Directors, the receipt of the Audited Financial Statements, as well as related party transactions and acquisitions. The External Auditors and advisers also attend the AGM and EGM and are available to answer any queries.

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

The Board strengthens its line of communication with shareholders through the Senior Independent Director, Encik Izlan Izhab, who is also the Chairman of the Board, who takes heed of their concerns on matters related to corporate governance and the Group's performance.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

(Pursuant to Paragraph 15.26(a) of the MMLR)

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

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

ADDITIONAL INFORMATION

Audit and Non-Audit Fees

The details of the audit and non-audit fees payable to the External Auditors, Messrs. Ernst & Young PLT ("**EY**") and its affiliates, for the Financial Year Ended 31 December 2019 are provided below.

	Group (RM)	KIBB (RM)
Statutory Audit	522,700	335,000
Audit/ Assurance Related	60,016	60,016
Non-Audit Fees – EY Assurance Team	95,500	33,000
Non-Audit Fees – EY Tax Team	112,500	47,500
Total Non-Audit	208,000	80,500
Grand Total	**790,716**	**475,516**

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

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

Details of these transactions are set out under Note 36 of the Financial Statements section appearing on pages 224 to 227 of this Annual Report.

Material Contracts Involving Interests of Directors, GMD or Major Shareholders

There were no material contracts entered into by the Company or its subsidiary companies involving the interests of the Directors, GMD or major shareholders which still subsisted at the end of the Financial Year Ended 31 December 2019.

Utilisation of Proceeds Raised from Corporate Proposals

There was no new fund raising corporate exercise during the Financial Year Ended 31 December 2019.

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

Details on the outstanding subordinated notes under the programme are set out under Note 26 of the Financial Statements section appearing on page 215 of this Annual Report.

Employees' Share Scheme

After obtaining the shareholders' approval at an EGM held on 25 May 2017, KIBB had, on 21 September 2017, established and implemented an Employees' Share Scheme ("**ESS**" or "**the Scheme**") of up to 10% of its total issued share capital (excluding treasury shares) at any one time during the duration of the Scheme for the eligible employees and Executive Directors of KIBB and its non-dormant subsidiary companies which will be valid for a period of five (5) years from its commencement date. The ESS may be extended for a further period of five (5) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The ESS comprises an Employees' Share Option Scheme ("**ESOS**") and an Employees' Share Grant Plan ("**ESGP**"). It is governed by the ESS By-Laws approved by the shareholders at the aforesaid EGM and administered by the ESS Committee, comprising three (3) INEDs and two (2) NINEDs.

Since the commencement of the ESS on 21 September 2017, four (4) offers had been made under the ESOS on 2 January 2018, 31 May 2018, 2 May 2019 and 17 June 2019 respectively, whilst none under the ESGP. The details of the ESS are set out under Note 55 of the Financial Statements section appearing on pages 313 to 318 of this Annual Report.

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

For the Period from 21 September 2017 to 31 December 2018

ESOS[1]	**Total**	**GMD**[2]	**Senior Management**	**Other Entitled Employees**
Granted	59,423,000	10,000,000[3]	16,580,000[3]	32,843,000[3]
Exercised	194,400	0	0	194,400
Forfeited[5]	1,479,000	0	0	1,479,000
Outstanding	57,749,600	10,000,000	16,580,000	31,169,600

For the Period from 1 January 2019 to 31 December 2019

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

Notes

(1) *The ESOS is offered to eligible employees and Executive Directors of KIBB and its non-dormant subsidiary companies.*

(2) *The GMD is not a Director of KIBB. None of the Directors of KIBB is entitled to participate in the ESOS.*

(3) *The offer to the GMD was granted on 31 May 2018 while the offer to Senior Management and Other Entitled Employees was granted on 2 January 2018 respectively.*

(4) *The offer to Other Entitled Employees and Senior Management was granted on 2 May 2019 and 17 June 2019 respectively.*

(5) *The ESOS forfeiture is due to staff resignation.*

(6) *ESOS not released/ vested to employees due to vesting conditions not fully met.*

Maximum Allowable Allocation of the Scheme

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

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

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

With regard to the ESS granted to the GMD and Senior Management during the Financial Year Ended 31 December 2019 and since the commencement of the ESS:

a. The aggregate maximum allocation is 40% of the Maximum ESS Shares; and

b. The actual percentage of the ESS Shares granted to them as at 31 December 2019 was 38.8% of the Maximum ESS Shares.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 31 March 2020.

IZLAN IZHAB
Chairman of the Board

ETHICS AND COMPLIANCE STATEMENT

OUR CORE PRINCIPLES AND VALUES

Kenanga Investment Bank Berhad and Its Group of Companies ("**the Group**") have always prioritised the importance of having the right values as the Group believes that good business and ethics go hand in hand. The Group advocates that everyone should 'do the right thing'; not only because it is the right thing to do but also because the Group takes cognisance of the fact that there are tangible business benefits to be seen when due recognition is given to ethical values. This is further accentuated by the various initiatives undertaken by the government and the regulators that give prominence to ethics and integrity.

With this in mind, the Group is mindful that the activities and programmes it undertakes should not only show its commitment to transparency and good governance but that those activities and programmes reflect honesty and trustworthiness in everyday business pursuits.

Amidst the widespread of Covid-19, the Group has taken various measures including intensifying digitalization of processes and practices meant to ensure continuous adherence not only to regulatory requirements, but also to ethical principles of the Group. This is a commitment of the Group to stay true to its core values even in trying times, while minimising or eliminating disruptions to business.

OUR ROLE AND STRUCTURE

Group Regulatory and Corporate Services ("**GRCS**") division plays a key role in driving the Group's ethical principles and values. In this regard, GRCS sets the tone for overall corporate governance matters and continues to support the Group by ensuring that its business and operations comply with and meet the requirements of all applicable and relevant laws, regulations and guidelines that are issued by the regulators. GRCS also comments and advises on the policies, procedures and controls that ought to be adopted internally in this regard.

Beyond that, GRCS also proposes and implements initiatives and efforts that further the agenda of the Group, which are aligned to the Group's overall philosophy.

Following the establishment of the Group Business Ethics and Integrity ("**GBEI**") department in March 2019, GRCS now consists of the following six (6) departments:

- Group Compliance;
- Group Financial Crime Intelligence;
- Group Prudential Supervision & Regulatory Affairs;
- Group Legal;
- Group Company Secretarial; and
- GBEI.

GRCS independently reports directly to the Board of Directors ("**Board**") in light of the critical role it plays and the nature of its function.

OUR EMPHASIS ON ETHICS AND INTEGRITY

The setting up of GBEI is a further demonstration of the Group's commitment to emphasise the importance of ethics and integrity and to instil those standards throughout the organisation. With the support of the Management, GBEI undertook various measures to lay the foundation and the groundwork to what will chart the Group's strategy on ethics and integrity in the years to come, as well as the framework for all the initiatives that GBEI will carry out in the near term.

The following measures undertaken by GBEI in 2019 have been deliberated and endorsed by the Board of the entities within the Group and Senior Management:

- **Group Business Ethics and Integrity Charter**

  In August 2019, the Board approved the GBEI Charter ("**Charter**") which introduces the common best practices approach towards the effective management of ethics risk and the manner in which the Board and the employees of the Group must come together towards addressing ethical issues. The Charter specifies the high-level principles adopted by the Group in relation to ethics risk management.

Principles	Scope
Leadership Commitment	The commitment and aspirations of the Board and Senior Management to create an environment where the goals and values of the employees are aligned with the mission of the Group.
Employees Support	The appreciation of the employees on the position of the Board and Senior Management involving ethics, which would be a driver for the employees to apply ethics in the conduct of business.
Ethics Risk Management Framework	The process involved in the establishment of and the undertaking of ongoing processes in relation to managing ethics risk involving misconduct, which include development of a new and revision of the existing policies, procedures and practices of the Group.
Independent Assessment	The process of continuous assessment of policies, procedures and practices of the Group to measure adequacy and relevance of the safeguards and controls to manage ethics risk.

- **Group Code of Conduct for Vendors**

The Group Code of Conduct for Vendors ("**Vendors Code**") was adopted to clearly specify the expected business conduct and ethical practices of all contractors, consultants, suppliers, agents and any person who engage with or undertake work for the Group. The essentials of the Vendors Code include:

- Compliance with the laws and regulations on prevention of corporate crimes including anti-fraud, bribery, corruption, money laundering and terrorist financing;

- Avoidance of actual, potential or appearance of a conflict of interest and prohibition of insider trading;

- Controls on provision of gifts, hospitality, entertainment and sponsorship in relation to employees and business of the Group;

- Obligation on confidentiality and data protection; and

- Prohibition of anti-competitive practices.

The Vendors Code reflects the standards and principles on honest, fair and transparent business practices of the Group and the commitment extending to any person who conduct business for or on behalf of the Group. It would ultimately help at building trusting relationship with the goal of developing a professional and efficient working rapport for mutual beneficial outcomes.

- **Gap Assessment on Readiness to Comply with the Guidelines on Adequate Procedures Issued Pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act")**

With the introduction of Section 17A of the MACC Act, it was crucial to identify the compliance status and shortcomings in key areas of the business of the Group in so far as implication of Section 17A is concerned. Therefore, the Gap Assessment was conducted to ensure that the Group embarks on the necessary enhancements to be in full compliance with Section 17A when the same comes into effect in June 2020.

The Gap Assessment has enabled GBEI to identify areas of the business of the Group that are susceptible to ethical issues such as those relating to fraud, bribery and corruption and to outline the necessary measures to strengthen controls and to improve response for corrective measures.

- **Checklist for Assessment on Compliance with the Guidelines on Adequate Procedures Issued Pursuant to Section 17A of the MACC Act**

In furtherance to the Gap Assessment and towards compliance with Section 17A of the MACC Act, GBEI has also prepared the Checklist which further details elements that should be in place to affirmatively state that the Group has taken steps and measures to having adequate procedures in place.

ETHICS AND COMPLIANCE STATEMENT

The Checklist maps proposed control measures with the requirements and industry practices that are in line with Malaysia's Guidelines on Adequate Procedures. Subsequent assessment using the Checklist will serve to update the progress of addressing the gaps identified from the Gap Assessment.

- **Survey on Ethics and Integrity Culture at Work**

GBEI has conducted the Survey on Ethics and Integrity Culture at Workplace ("**Survey**") to gauge views and perceptions of the employees on policies and practices related to certain aspects of ethics and integrity in the Group. The Survey questionnaire covers three (3) core values with greater emphasis placed at understanding perception of the employees on the roles and responsibilities of the Board and Senior Management.

The results of the Survey were tabled at the Board of Kenanga Investment Bank Berhad and Group Executive Committee meetings in August 2019.

GBEI received 857 responses to the Survey (i.e. 84.7%) from the total 1,012 employees that were invited to participate and the overall responses are as follows:

Core Values	Employee Group	Employees' Response				
		Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
TOP LEVEL COMMITMENT: Scope of the questionnaire obtains views of the respondents whether there were visible strategic actions by the Board and Senior Management to set and communicate policies and objectives related to ethics and integrity, and to raise awareness, motivation and involvement of the employees.	**SVP and Above**	32.1%	40.1%	23.2%	4.0%	0.6%
	AVP and VP	16.9%	56.8%	23.7%	1.6%	1.0%
	Associate and SA	13.1%	64.8%	20.2%	1.2%	0.7%
PROFESSIONAL ACCOUNTABILITY: Scope of the questionnaire aims at understanding whether the respondents acknowledge their responsibility to subscribe to ethics and integrity principles while undertaking assignments and commitments at work.	**SVP and Above**	42.7%	44.7%	10.6%	2.0%	0.0%
	AVP and VP	21.4%	64.1%	12.9%	0.8%	0.8%
	Associate and SA	15.0%	67.8%	15.4%	1.3%	0.5%
PERSONAL INTEGRITY: Scope of the questionnaire obtains views and perception of the respondents whether sound moral and ethical principles and values at work are important, and whether they could influence trustworthiness.	**SVP and Above**	47.1%	41.6%	9.5%	0.9%	0.9%
	AVP and VP	30.4%	61.8%	6.8%	0.2%	0.8%
	Associate and SA	22.9%	62.6%	13.9%	0.3%	0.3%

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

Results from the Survey implied a positive perception of current ethics and integrity culture of the Group. This could indirectly indicate acknowledgement and appreciation of the employees on the efforts and initiatives already undertaken by the Board and Senior Management on the subjects. Nevertheless, the Group will continue to undertake the necessary enhancements in the areas, especially in addressing the small percentage of negative responses.

The above undertakings are envisioned to create a culture of strong ethical values within the Group that is founded on collective responsibility and accountability that flows from the Board and Senior Management to all other employees. Furthermore, a uniform benchmark of ethics and integrity applicable across the different entities, divisions and departments of the Group will ensure good corporate governance overall.

ACCOMPLISHMENTS AND HIGHLIGHTS OF OUR CONTINUED COMMITMENT

Throughout 2019, GRCS continued its commitment to foster a culture of compliance and good corporate governance by ensuring that all relevant policies and procedures are reviewed periodically. This on-going exercises are premised on the fact that the policies and procedures are aligned with the latest industry standards, address arising issues and meet the regulators' expectations. Through these recurring review and revision, GRCS is able to incorporate elements of ethics and integrity as required so employees adhere to them in various aspects of their day-to-day functions.

- **Anti-Money Laundering and Counter Financing of Terrorism ("AML/ CFT")**

  The Group's AML/ CFT Policy & Procedure has incorporated the required practices, control measures, guidance and direction in our effort to combat money laundering, terrorism financing and targeted financial sanctions risks. Pursuant thereto, we are devoted to enforcing a robust and effective AML/ CFT framework in adherence to all related laws, regulations, guidelines and industry best practices towards ensuring the management of the Group's financial crime risks to mitigate potential regulatory and reputational risk.

  With the rapid evolution of the AML/ CFT regulatory landscape, modus operandi and technological developments coupled with rapidly growing markets and complex business structures, we consistently enhanced our efforts to strengthen our ability to combat financial crimes. This is evidenced by the on-going deployment of a management information system for timely detection, monitoring and reporting of suspicious activities and towards streamlining the Group towards the Risk-Based Approach and Management promulgated by the regulators.

  The Group had also developed numerous AML/ CFT Programmes to closely monitor the level of AML/ CFT adherence in line with the expectations of Bank Negara Malaysia ("**BNM**") and the Securities Commission Malaysia ("**SC**"). Continuous enhancement of processes and monitoring standards were also carried out to be in line with best practices and to be able to better respond to any potential money laundering and terrorism financing threats.

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

  The financial industry, more so than any other industry, is susceptible and vulnerable to incidents of fraud, bribery and corruption. Fraud, bribery, and corruption go against KIBB's core values and undermine the viability of business and operations. Thus, we are committed to preventing bribery in any form including but not limited to offering or receiving bribes, kick-backs or facilitation payments, as well as any other manifestation of corrupt and unethical business practices.

  In achieving its goals above, the Group adopts a robust and all-encompassing strategy to prevent, detect, and investigate incidences of fraud, bribery and corruption whilst holding perpetrators to account. In this regard, the Group Anti-Fraud, Bribery and Corruption Policy sets out a comprehensive framework and provides clear direction and guidance for employees to abide by. This approach also extends to ensuring that the relevant employees undertake due diligence in relation to fraud, bribery and corruption on all new and potential business partners. As a measure of implementation, communication of the Group Anti-Fraud, Bribery and Corruption Policy to all employees is done through an in-house system. Additionally, employees are also trained via various initiatives to raise awareness on fraud, bribery and corruption.

ETHICS AND COMPLIANCE STATEMENT

The Group Anti-Fraud, Bribery and Corruption Policy is reviewed and if required, revised periodically so as to ensure that the Group keeps abreast with any changes in industry practices, as well as the applicable laws and regulations. Any revisions made are presented to the Boards of the entities within the Group for endorsement and approval.

The Group takes cognisance of the fact that at the heart of fighting fraud, bribery and corruption is to instil principles of ethics and integrity in everyday business and operations so employees reflect those values daily in all their undertakings at work as second nature.

- **Whistleblowing**

  As an organisation that prioritises transparency and openness, GRCS sees the need to provide an adequate and a safe platform to enable the reporting of any breach or potential breach as more than mere checklist item. In this regard, we have in place the Group Whistleblowing Policy & Guidance Notes, which details out the framework that is adopted and provides detailed explanation on the Group's position on whistleblowing and clarification on relevant pertinent points.

  This policy also sets out the various channels to report on any illegal or unethical practices. Ultimately, the goal of the Whistleblowing Policy & Guidance Notes is to safeguard the interests of the Group and that of its client and to assure all parties that there will not be any adverse repercussions or retaliations arising from any reports that are made in good-faith.

  Additionally, the Whistleblowing Explainer Video as further described below supplements this policy and highlights that everyone has a role to play to prevent misconduct or wrongdoing.

- **Personal Data Protection**

  The Group appreciates the importance of safeguarding clients' data and ensures that all necessary measures are in place to effectively and adequately fulfill its role in protecting clients' data. We acknowledge that it is crucial to prevent data loss and in order to achieve this, we have adopted various preventive measures and controls including prescribing the manner the data are to be stored, as well as restricting access to the same. Awareness and continuous training of our employees is a key aspect in ensuring that clients' data are handled securely and accurately.

- **Chinese Wall and Insider Trading**

  One of the fundamental responsibilities of the Group is to safeguard the reservoir of non-public information that comes into its possession from misuse and exploitation that could potentially harm clients and even third parties. As such, the Group has in place the Group Chinese Wall Policy, which mandates effective arrangements, systems and procedures, aimed at insulating and controlling the flow of confidential information and material non-public price-sensitive information to prevent conflicts or employees from gaining an unfair advantage.

  The Group Chinese Wall Policy is also implemented robustly, including establishment of Control Room to vigorously monitor and supervise employee trading to avoid potential violations of the applicable law and regulations on insider trading and accordingly, contribute to overall market integrity and in combating market abuse.

- **Conflict Management**

  The Group's Conflict Management Policy provides for instances when conflict of interest arises and requires all employees to take steps to avoid such situations and prescribes the method to deal with conflicts. In this regard, employees are required to make the appropriate disclosures and manage conflicts of interests in a transparent and open manner. It is also imperative that clients are provided all essential information to be able to make well informed decisions relating to any conflict of interest that affects the provision of financial services by the Group.

- **Fair Competitive Practices**

  The Group believes in competing fairly and ethically in the marketplace as everyone will benefit from fair, free, open and competitive markets. The Group competes strictly on the merits of its products and services and makes no attempts to restrain or limit trade and adheres with the Competition Act 2010.

Pursuant to the Group Competition Act Compliance Policy, employees and directors are prohibited from engaging in any anti-competitive practices. The Policy governs the manner in which the Group deals with various third parties including its competitors, clients, and vendors. Examples of anti-competitive practices includes the following:

- Disclosing or sharing any information on the Group or matters related with its proposals with a competitor;

- Entering into any form of agreement with a competitor to fix prices or terms on pricing, form cartels or collusion in relation to tender or procurement exercises or allocate markets, sales territories or clients; and

- Adopting strategies to illegally exclude competitors from the market.

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

  In compliance with the CRS requirement, the second submission of financial account information of non-residents clients of the Group was submitted to the Inland Revenue Board of Malaysia ("**IRBM**") in August 2019. The submission involved 64 entities and funds of the Group registered with the IRBM for CRS purposes.

RAISING AWARENESS THROUGH ENHANCED ENGAGEMENTS, EDUCATION & GUIDANCE

- **4th Annual Regulatory Seminar**

  The Group organised the fourth (4th) Annual Regulatory Seminar ("**the Seminar**") on 18 March 2019 with the theme 'Digital Ethics – Striving for a Value-Based Culture'. The Seminar was approved by the Securities Industry Development Corporation as part of the Continuing Professional Education ("**CPE**") with an allocation of 10 CPE points, as well as the Federation of Investment Managers Malaysia as part of its Continuing Professional Development with an allocation of eight (8) points.

  The Seminar was designed to provide the latest updates, developments and trends in legal and regulatory landscape and the impact on the investment banking business with a particular focus on ethics, as well as technology. The target audience of the Seminar was the members of the Board and Senior Management, as well as the Heads of Divisions, Departments and Branches. In total, 104 participants joined the Seminar.

  Apart from employees from various divisions and departments who speak on subject-matters in their respective areas; the Seminar also had speakers from the Malaysian Anti-Corruption Commission and Bursa Malaysia Berhad. They shared updates on the amendments in law relating to corporate liability and how this in turn will enhance corporate governance, as well as regulatory expectations in the digital era.

- **3rd Fraud Awareness Campaign**

  The year 2019 also saw the Group continuing its anti-fraud awareness message and highlighting the importance of an anti-fraud culture with the successful Fraud Awareness Campaign ("**FAC**") for the third (3rd) time which kicked-off on 21 October 2019. As per the previous editions of the FAC, numerous activities were organised throughout the campaign period with the FAC culminating in the Group's Fraud Awareness Week ("**FAW**") which ran from 18 November 2019 to 22 November 2019. The FAW coincided with the International FAW organised by the Association of Certified Fraud Examiners ("**ACFE**") of which the Group is a Corporate Alliance Partner.

  As per the previous years, the highlight of the FAC was the interactive, engaging and exciting games that were held to raise fraud awareness in an unconventional manner by humanising learning and making it appealing to everyone. These games emphasised and carried the message on the importance of fraud detection and prevention and stressed the need to inculcate an anti-fraud culture in everyday practices at work. Participants in the games from within the Group included teams comprising of employees of various levels and from different departments and divisions. Recognising that the fight against fraud is ultimately a collaborative effort, the games also had participation of 22 external teams including those from regulators, professional bodies, as well as other capital market participants.

ETHICS AND COMPLIANCE STATEMENT

Apart from the games, the FAW also had distinguished speakers from professional bodies to present a series of talks on anti-fraud issues in a wide range of areas.

The Opening Ceremony of the FAW was attended by Puan Latheefa Koya, the then Chief Commissioner of the Malaysian Anti-Corruption Commission who delivered the keynote address; Datuk Dr. Anis Yusal Yusoff, Deputy Director-General of the National Centre for Governance, Integrity and Anti-Corruption at the Prime Minister's Department who presented a talk on the importance of integrity; Mr. Ganesh Thuraisingham, Head of Asia-Pacific Development, ACFE; as well as representatives from, among others, Securities Commission, Securities Industry Development Corporation, Bursa Malaysia Berhad and Federation of Investment Managers Malaysia.

- **Group's Explainer Videos**

The Group released two (2) explainer videos to educate and raise awareness on important areas. These videos were separately intended for two (2) specific set of audiences, namely the clients of the Group (Client Explainer Video) and the Group's employees (Whistleblowing Explainer Video).

Explainer Videos	Objectives
Client Explainer Video	The Group took cognisance that clients who trade with Kenanga are apprised on the importance of safeguards put in place in doing business with Kenanga. Taking this into account, an explainer video on the Safeguards relating to Clients' Monies was developed as an outreach programmes to educate and enhance our clients' awareness on adopting safe and ethical practices when depositing monies with Kenanga and to mitigate the possibility of any incidences of misappropriation of the clients' monies.
Whistleblowing Explainer Video	The Whistleblowing Explainer video was to provide an introduction on whistleblowing and an overview of the Group's policy on this subject. This video highlights the general principles on what type of matters should be reported and also the significance of doing the same. It also underscores how the principles and values of the Group is aligned with its approach to whistleblowing.

- **Regulatory Technology**

The Group has a high level of appreciation towards embracing technology as a paradigm shift to elevate the standard of regulatory compliance of the Group in order to meet the growing demands of the stakeholders and in responding to increasing and ever expanding regulatory landscape.

In this context, the Group constantly looks out for Regulatory Technologies in the marketplace, with a view of implementing such solutions wherever feasible to enhance the Group's internal compliance processes in a more effective manner by ensuring consistency and standardisation to deliver sound interpretations of regulations and to keep pace with technological changes which are presently reshaping the manner in which business are conducted in the financial services industry.

MAINTAINING A HIGH LEVEL OF CORPORATE GOVERNANCE

With a series of corporate governance codes and guidelines issued in recent years by the regulators and authorities to improve best practices aimed at strengthening Malaysian corporate culture, GRCS has taken steps to drive and transform the Group's governance framework to be in line with the Policy Document on Corporate Governance issued by BNM on 3 August 2016; the Malaysian Code on Corporate Governance 2017 issued by the SC effective 26 April 2017; and the Third (3rd) Edition of the Corporate Governance Guide issued by Bursa Malaysia Berhad on 14 December 2017.

With regard to BNM's Policy Document on Corporate Governance, GRCS in collaboration with Group Human Resource, has conducted a gap analysis on KIBB's corporate governance standards and practices, Board operations, as well as, remuneration framework. Arising from the gap analysis, certain action plans have been implemented, thus enhancing KIBB's status of compliance to the 81 standards stipulated in the Policy Document on Corporate Governance from 89% to 95%. The balance of the standards is on track for implementation in accordance with the timeline set by BNM.

Following the issuance of the SC's inaugural Corporate Governance Monitor 2019 Report ("**CG Monitor**") that was launched on 6 May 2019, the Board had taken note of all the findings and observations highlighted in the CG Monitor and is committed to ensuring meaningful and enhanced quality of the Group's to disclosures of its current key focus areas and future priorities in relation to corporate governance.

OUR FOCUS AND STRATEGIES FOR 2020

- **Preserve Regulatory Compliance, Ethics and Integrity Standards**

  The Group has always prioritised the importance of meeting and preserving the regulatory, ethics and integrity standards that have been set not only by the regulators, but also internally which is benchmarked against global best practices. These standards reflect the Group's commitment to create an environment that encourages and supports its employees to behave in a compliant and ethical manner while at the same time, instilling a sense of shared accountability. The Group will continue its efforts to have in place a robust framework to meet compliance, ethics and integrity goals and work on raising employee awareness in this regard.

- **Manage Reputational, Culture and Conduct Risks**

  The Group recognises that inculcating a culture of compliance and managing conduct risks enhances its reputation among the regulators and clients. In this regard, having a common frame of reference serves as a unifying force across different functions, departments and divisions across the Group to ensure that everyone in the organisation are collectively responsible for the management of risks that are associated with the business and operations. We continue to administer, develop and emphasise on strategies to manage reputational, culture and conduct risks and aim to always be ahead of the curve.

- **Digitalising Compliance Functions**

  The Group remains up-to-date as compliance requirements and regulations are constantly tweaked and updated and we anticipate that the coming years will continue to see an ever-increased focus on compliance by the regulators as more services are offered on the digital landscape. In order to effectively manage current and upcoming compliance challenges, we implement a work-system that is both flexible and adaptable and strategise to quickly adopt changes that are necessary particularly in areas where technology can be used. We will continue to innovate and ensure that we leverage on developing technology in the area of compliance.

- **Manage Threat of Financial Crime**

  More reviews on AML/ CFT compliance shall be carried out to identify any potential AML/ CFT threats and further enhance the detection, monitoring and reporting of suspicious activities. The Group also consistently recognises and supports the implementation of stricter regulatory requirements to keep up with the evolving AML/ CFT threats and to regulate conduct of business and financial crimes while ensuring maintenance of integrity in the capital market industry.

ETHICS AND COMPLIANCE STATEMENT

- **Mitigate Risk of Fraud and Theft**

  The Group continues to remain ever vigilant and ensures that its business and operations and any new ventures adequately address issues of fraud and theft, and risks related to the same are minimised. This is achieved by having in place the necessary policies and procedures and also undertaking sufficient training and increasing awareness so employees of the Group will be able to detect and prevent fraud and theft from occurring.

- **Enhance Cyber Security and Data Privacy**

  As the Group continues to leverage on technology and come up with new ways to enhance clients' experience, the need for finding the right balance between the most productive use of data and the protection of privacy remains a key challenge. This is further augmented by the ever growing risks of cyber threats and data breaches particularly in the financial industry. To ensure that we are always a step-ahead, we do not consider data protection and cyber security in isolation. GRCS, together with other stakeholders in the Group, take an integrated approach to managing digital risks and ensuring that there are adequate controls and safeguards at all times.

- **Intensify Employee Engagement**

  We recognise that employees who are engaged are involved, enthusiastic and committed to their work. Continuous engagement also helps reinforce the notion of collective responsibility and accountability particularly in areas of compliance and meeting regulator's requirements. We will increase efforts relating to employee engagement including holding briefings on relevant policies, undertaking surveys to assess employees' understanding, and having periodic face-to-face engagement sessions.

FORWARD LOOKING STATEMENT

Corporations around the globe continue to face ever-louder calls to adopt and cultivate a culture of business ethics and integrity. Whilst it is true that no single department can own sole responsibility to ensuring and realising the vision of having ethical business practices, the Group has taken the initial steps to put in place the needful by establishing GBEI. GBEI will act to chart the Group's ethics and integrity strategy and direction holistically with support from the senior leadership, and then the whole organisation will be able to work together towards common goals and values.

Moving forward, a Group-wide cross functional cooperation and integration of best practices that are aligned with the ethics and integrity values will yield the most fruitful and effective results. Ultimately, good business ethics will translate into enhanced business performance and optimised operations for the Group, and ensure long-term sustainability.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

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

BOARD RESPONSIBILITY

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

The Board is responsible for determining key strategies and policies for significant risks and control issues, whereas functional management is responsible for the effective implementation of the Board's policies by way of identifying, monitoring and managing risks. However, as any system of internal controls will have its inherent limitations, the system has been designed to manage risks rather than provide absolute assurance against material misstatement, fraud or loss.

The Board has also received reasonable assurance from the Group Managing Director and Group Chief Financial and Operations Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board and Management of the Group are committed to the implementation of an internal control system to manage those risks that could affect the Group's continued growth and financial viability.

Measures are taken to continuously evaluate changes in the risk profile of the Group and business complexities to assist the Board and Management to anticipate and manage all potential risks and protect shareholders' value.

The key elements of the Group's internal control system include the following:

Risk Management Framework

The risk governance structure in the Enterprise Risk Management Framework defines the roles and responsibilities throughout the organisation to ensure accountability and ownership. It sets out the principles of sound corporate governance to assess and manage risks to ensure that risk taking activities are aligned with the Group's capacity to absorb losses and its long-term viability.

The risk management philosophy adopted by the Group is based on the three (3) lines of defence approach. The line management is the first line of defence and is primarily responsible for the day-to-day risk management by identifying the risks, assessing impact and taking appropriate actions to manage and mitigate risks.

The second line of defence is the oversight functions comprising Group Risk Management and Group Regulatory & Corporate Services ("**GRCS**"). They perform independent monitoring of business units, reporting to Management and Board to ensure that the Group is conducting business and operations within internal guidelines and is regulatory compliant.

The third (3rd) line of defence is Group Internal Audit ("**GIA**") which provides independent assurance to the Board on the effectiveness and efficiency of system of internal controls, risk management and governance processes.

Governance

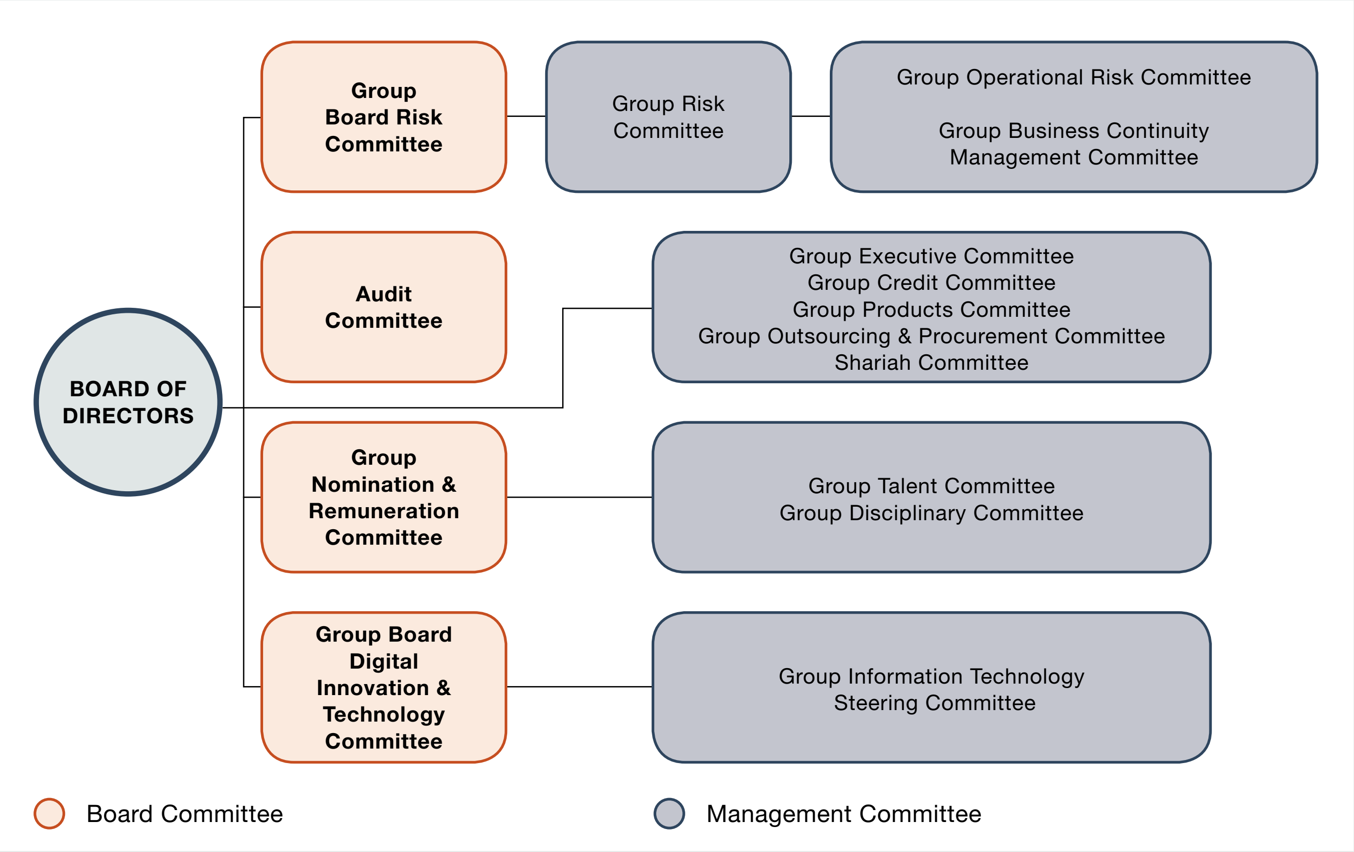
The Board, through its appointed board committees such as the Group Board Risk Committee ("**GBRC**") and Group Board Digital Innovation & Technology Committee ("**GBDITC**"), ensures that the Group's activities are consistent with its approved risk appetite, strategies and policies.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The GBRC is supported by the Group Risk Committee ("**GRC**") that provides a forum to address and review the management of credit, operational, market, liquidity, technology and other significant risks to enable effective oversight, accountability and responsibilities for risk taking decisions. Assisting the GRC is the Group Operational Risk Committee and the Group Business Continuity Management Committee.

The GBDITC focuses on technologies and IT risk of the Group at the Board level and is supported by the Group Information Technology Steering Committee which covers the Group's technology plans and projects.

Quarterly meetings are held by the Audit Committee ("**AC**") together with Management to review issues highlighted in the reports by internal and external auditors, as well as audits conducted by regulators such as Bank Negara Malaysia ("**BNM**"), Securities Commission Malaysia ("**SC**") and Bursa Securities, in particular the actions taken to address issues. If required, the internal auditors will also assist the AC to periodically review the measures taken to address the AC's concerns on any internal control system.



Management Committees ("**MC**") are established to oversee specific responsibilities based on defined terms of references. They are held regularly to ensure that business operations are executed in accordance with approved strategies, policies and business directions. The MCs are responsible for, amongst others:

- reviewing the actual performance against expectations and budget;
- addressing any internal control issues with the AC, GBRC, GBDITC, GIA, regulators and the external auditors; and
- addressing any matters arising from the meetings of the Board, AC, GBRC and GBDITC; and ensuring that actions are taken in relation to these matters.

Risk Management Process and Infrastructure

The risk management process is a combination of both bottom-up and top-down approaches to facilitate decision making based on available information known at the time and creating opportunities to refine inputs when new information is available.

In addition to establishment of risk policies, tools and methodologies to identify, quantify and manage the risks, Group Risk Management is also responsible for establishing the risk measurement and monitoring process to ensure that the Group's risk profile and portfolio concentration are reported to the various risk committees on a regular basis.

Internal Policies and Procedures

Policies and procedures which set out standard day-to-day operations and managing risks are formulated based on current regulatory requirements and industry best practices.

The adequacy and compliance with regulatory requirements of the policies and procedures are assessed by independent control functions such as risk management, compliance and audit, prior to obtaining approval from the Board or relevant MC.

Existing policies and procedures are reviewed regularly to ensure improvements and in consideration of emerging or changing risks profile, new products or services, as well as new or updated regulatory requirements.

Annual Business Plans and Budgets

The Board reviews and approves the business plans and budgets which are developed in line with the Group's strategies and risk appetite. Actual performances against the approved budgets are escalated to the Management and Board on a monthly basis allowing responses and corrective actions to be taken.

Human Capital Management

The organisational structure, which is aligned to business and operational requirements are led by Heads of Departments with accountability in place.

Human Resource's policies and procedures are reviewed regularly to ensure they remain relevant to manage operational and people related risks.

There are regular trainings and updates for employees on requirements/ guidelines of BNM, Bursa Securities and the SC, as well as on the importance of corporate governance, risk management and internal control. Various awareness programmes on operational risks, ethics and fraud are also conducted regularly.

Business Continuity Management

Business Continuity Plans and Disaster Recovery Plans are established to ensure non-disruption of business or efficient business resumption. Regular testing or drills are also conducted for the purpose of staff preparedness, readiness of disaster recovery site, effectiveness of communication, escalation and recovery procedures. For effective business continuity management ("**BCM**"), awareness training is held annually for BCM coordinators and key persons.

Information Technology Security

The use of information technology ("**IT**") is essential and central to Group's business. In order to ensure the reliability and resiliency of the business operations to meet the expectations of customers and all stakeholders, the Group has established the corporate IT Security Policy and implemented the necessary security procedures to protect the confidentiality, integrity and availability of information systems and data.

With the increase in adoption of digitalisation and service delivery via cyberspace, the Group will continue to reinforce its IT security efforts and initiatives to be aligned with the Group's current and envisaged operations, strategies and business environments. The IT security posture of the Group is also continuously reviewed and enhanced to mitigate the risks arising from new and emerging threats. In-house IT security training and security updates on the latest threats are constantly provided to all staff to ensure their awareness on the importance of IT security.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Compliance Function

The Board is unreservedly committed and always strives to adopt the principles and recommendations of the Malaysian Code on Corporate Governance issued by the SC, as well as, other relevant regulatory requirements relating to corporate governance.

Compliance reviews and monitoring are undertaken by GRCS using various tools and approaches based on the framework set by Group Compliance, a department under GRCS. These reviews and monitoring are performed to assess the level of compliance with the relevant regulatory requirements and the respective companies' internal policies and procedures. Any regulatory deviation or compliance breaches will be reported to the respective Boards of operating entities within the Group and the relevant regulators. Pursuant to this, appropriate corrective actions including disciplinary actions will be taken to address the breach with a view to pre-empt and prevent the occurrence of a similar breach.

Aside from Group Compliance, the other five (5) departments under GRCS undertake functions to review and monitor compliance in their respective areas. In this respect, the Group Financial Crime Intelligence, Group Prudential Supervision and Regulatory Affairs, Group Business Ethics and Integrity, Group Legal and Group Company Secretarial provide timely, structured and comprehensive advice and support to the Group in matters relating to the laws, rules and regulations applicable to the Group.

GRCS has also implemented self-assessment framework to facilitate and promote regulatory compliance by the business within the Group. For this purpose, a list of identified laws, regulations and other regulatory instruments applicable to the Group is documented and maintained to facilitate compliance.

Please refer to the 'Ethics and Compliance Statement' for more details on functions, roles and responsibilities of GRCS.

Internal Audit

GIA provides independent and objective assurance to the Board that the established internal controls, risk management and governance processes are adequate and are operating effectively and efficiently. To ensure independence and objectivity, the GIA reports independently to the AC of KIBB and has no responsibilities or authority over any of the activities it reviews.

An Annual Audit Plan based on the appropriate risk based methodology has been developed and approved by the AC. On a quarterly basis, audit reports and status of internal audit activities including the sufficiency of GIA's resources are presented to the AC for review.

Periodic follow up reviews are conducted to ensure adequate and timely implementation of Management's action plans.

Associate and Joint Venture Companies

The Board does not regularly review the internal control systems of associate companies and joint venture company as the Board does not have any direct control over their operations. Notwithstanding this, the Group's interests are served through representation on the boards of the respective companies via receipt and review of management accounts, periodical reports, as well as deliberation on proposals related to these companies. Such representation also provides the Board with information for decision-making on the continuity of the Group's investments based on the performance of these associate companies and joint venture company.

Conclusion

The Board, through the AC and GBRC, confirms it has reviewed and considered the effectiveness of the Group's risk management and internal control system as adequate during the financial year and has taken into consideration any material developments up to the date of approval of the Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2019. The main risk areas faced by the Group and the guidelines and policies adopted to manage them are provided in detail under Note 50 of the Audited Financial Statements of the Company for the Financial Year Ended 31 December 2019.

The Board is satisfied that there is an effective on-going process for identification, evaluation and management of risks and there are regular reviews to ensure controls are efficient and effective.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Audit and Assurance Practice Guides ("**AAPG**") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of the internal controls of the Group. AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 31 March 2020.

AUDIT COMMITTEE REPORT

1. COMPOSITION

1.1 The Audit Committee ("**AC**") presently comprises four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as follows:

a. **Jeremy Nasrulhaq**
Chairman, Independent Non-Executive Director

b. **Izlan Izhab**
Member, Independent Non-Executive Director

c. **Luk Wai Hong, William**
Member, Independent Non-Executive Director

d. **Kanagaraj Lorenz**
Member, Independent Non-Executive Director

e. **Ismail Harith Merican**
Member, Non-Independent Non-Executive Director

1.2 The composition of the AC is in line with Paragraphs 15.09(1)(a) and 15.09(1)(b) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad which requires the AC to compose of no fewer than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.

1.3 The effectiveness of the AC as a whole, as well as its members individually is assessed annually in accordance with the Board Evaluation Framework based on set criteria covering the areas of composition, processes and procedures, interaction with Management, as well as roles and responsibilities. Based on the assessment conducted in 2018, the Board of Directors ("**Board**") is satisfied with the performance of the AC and with the manner in which the AC has discharged its roles and responsibilities as stipulated in its Terms of Reference ("**TOR**"), which is available at the Company's corporate website at https://kenanga.com.my/investor-relations.

2. AC MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2.1 During the Financial Year Ended 31 December 2019, the AC had convened six (6) meetings. The meetings were appropriately structured where members were given the agenda and sufficient notification. The AC meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss the emerging issues.

The AC conducted its meeting in an open and constructive communication mode and encouraged focused discussion, questioning and expressions of differing opinions.

2.2 The Group Chief Internal Auditor ("**GCIA**") attended all meetings of the AC to present the respective internal audit reports. As and when necessary, the AC would request the attendance of relevant personnel at its meetings to brief the AC on specific issues arising from the internal audit reports.

The Group Chief Financial and Operations Officer ("**GCFOO**") on the other hand, attended the AC meeting to present the unaudited quarterly financial statements, audited financial statements, as well as other financial reporting related matters for the AC's deliberation and recommendation to the Board for approval.

2.3 In addition, separate private discussions were also held between the Chairman of the AC and/ or the AC with the GCIA and between the AC and the External Auditors, Messrs. Ernst & Young PLT, without the presence of Management. During the financial year under review, the AC met with the External Auditors without Management's presence twice, i.e. on 30 January 2019 and 24 October 2019 after tabling of the Audit Results in respect of the Financial Year Ended 31 December 2018 and the External Auditors' 2019 Audit Plan respectively.

During these meetings, the AC sought the feedback from the External Auditors with regard to the support provided by Management in terms of providing timely and accurate information, as well as the adequacy of resources in the financial reporting functions. Based on the External Auditors' feedback, Management was noted to have provided full cooperation to the External Auditors in the course of the External Auditors' audit assignments. The External Auditors had also indicated that Management had been very pro-active in approaching them for any issues arising during the year, which contributed to an effective audit planning by the External Auditors.

2.4 In fulfilling the AC's reporting responsibility to the Board, after each meeting, the Chairman of the AC reported the AC's deliberations and recommendations to the Board.

Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

2.5 AC Members' Attendance at AC Meetings

Details of the AC members' attendance at its meetings held during the Financial Year Ended 31 December 2019 are as stated below.

	30 January 2019	25 February 2019	22 April 2019	25 July 2019	26 August 2019	24 October 2019	Number of Meetings Attended	%
Jeremy Nasrulhaq	√	√	√	√	√	√	6/6	100
Izlan Izhab	√	√	√	√	√	√	6/6	100
Luk Wai Hong, William	√	√	√	√	√	√	6/6	100
Ismail Harith Merican	√	√	√	√	√	x	5/6	83
Kanagaraj Lorenz	√	√	√	√	√	√	6/6	100

AUDIT COMMITTEE REPORT

3. SUMMARY OF THE AC'S ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3.1 Financial Reporting

a. In discharging its role and responsibility pertaining to the Company's financial reporting, the AC had at its meeting held on 30 January 2019, reviewed the quarterly financial statements for the quarter ended 31 December 2018, as well as the annual audited financial statements of the Financial Year Ended 31 December 2018.

In reviewing the annual audited financial statements, the AC discussed with Management and the External Auditors, the accounting principles and standards that were applied and their judgment of the items that might affect the financial statements.

The AC also deliberated on audit issues and key audit matters raised by the External Auditors and the action plans required to address those issues, based on the External Auditors' recommendations.

b. The subsequent quarterly financial statements for the quarters ended 31 March 2019, 30 June 2019 and 30 September 2019 were tabled and reviewed by the AC at its quarterly meetings held on 22 April 2019, 25 July 2019 and 24 October 2019 respectively, upon which the AC had recommended the quarterly financial statements to the Board for approval.

c. The AC had, at its meeting held on 24 October 2019, recommended the annual assessment for impairment of assets for the Financial Year Ended 31 December 2019 based on the impairment approach and assumptions used for KIBB Group, subject to the final assessment to be done for the financial results as at 31 December 2019, for the Board's adoption. The AC's recommendation was subsequently approved by the Board on 31 October 2019.

d. At each of its quarterly meeting, the AC was also notified of the amount of non-audit fees incurred and paid by KIBB Group to the External Auditors and their affiliate to ensure compliance with the Group's Policy on Non-Audit Services by External Auditors.

e. The AC had, at its meeting held on 26 August 2019, deliberated on KIBB's stance that had been adopted for the annual corporate income tax return in relation to certain tax issues.

3.2 External Audit

a. The report by the External Auditors on the statutory audit of the financial statements of the Company for the Financial Year Ended 31 December 2018 was reviewed and deliberated by the AC at its meeting held on 30 January 2019.

During its deliberation, in addition to the relevant disclosures in the audited financial statements, the AC had also considered the recommendations made by the External Auditors towards enhancing internal controls and procedures.

b. The AC had also at the same meeting reviewed the list of services provided by the External Auditors during the financial year comprising audit and regulatory-related services; issuance of a written communication to Management and the AC pertaining to the External Auditors' audit/ findings, together with the recommendations for improvements in controls and procedures.

The External Auditors' services also included the review of the Statement on Risk Management and Internal Control, as well as other regulatory submission as required under the various regulatory requirements.

c. The AC was subsequently at its meeting held on 25 February 2019 updated by the External Auditors of the latest status of the statutory audits conducted on KIBB Group, wherein the AC had deliberated on audit matters which required its attention.

At the same meeting, the AC was also informed by the External Auditors that they had reviewed the allotment of shares under the Employees' Share Scheme ("**ESS**") made to employees and Executive Directors of KIBB and its non-dormant subsidiaries during the Financial Year Ended 31 December 2018. Based on the review, the External Auditors were of the opinion that the allotment of shares under the ESS was in compliance with the criteria for allocation of shares which had been disclosed to the employees and Executive Directors of KIBB and its non-dormant subsidiaries. The AC concurred with the External Auditors' opinion.

d. In fulfilling the requirement to rotate the Engagement Partner in charge of the Company's financial statements every five (5) years as set out in Bank Negara Malaysia ("**BNM**")'s Policy Document on External Auditor, the AC at its meeting on 30 January 2019 had concurred with the appointment of a new Engagement Partner in charge of the financial statements of KIBB Group in place of the current Engagement Partner upon expiry of his five (5)-year tenure.

e. Pursuant to Section 67(1) of the Financial Services Act 2013 ("**FSA**"), an auditor appointed by a licensed person shall meet the qualification criteria set out in BNM's Policy Document on External Auditor and shall continue to meet the criteria throughout the audit engagement.

In addition, BNM's letter dated 3 May 2012 on "Supervisory Expectations on AC Pertaining to the Appointment/ Re-appointment of External Auditors" also sets out the areas of assessment to be performed.

Being a licensed financial institution under the FSA, the Company is required to undertake an annual assessment on areas focusing on performance and independence of External Auditors.

In relation to the audit of the Company's financial statements for the Financial Year Ended 31 December 2018, the External Auditors had given a written assurance to the AC that they were not aware of any relationships or matters that, in their professional judgement, might reasonably be thought to bear on their independence; and that they were independent in accordance with the Bylaws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, throughout their audit engagement for 2018.

This written assurance by the External Auditors was contained in the External Auditors' report which was presented to the AC on 30 January 2019.

Based on the assessment conducted, the AC at the same meeting, had concluded that the External Auditors had fulfilled all the qualification criteria set out in BNM's Policy Document on External Auditor in terms of its performance and independence and had therefore recommended to the Board that Messrs. Ernst & Young PLT be re-appointed as the Company's External Auditors for the Financial Year Ended 31 December 2019.

AUDIT COMMITTEE REPORT

f. At its meeting held on 24 October 2019, the AC reviewed and recommended to the Board for approval, the External Auditors' 2019 Audit Plan outlining their scope of work and proposed fees covering their recurring audit assignments, as well as other regulatory-related services.

During the presentation of their 2019 Audit Plan, the External Auditors had also highlighted to the AC the developments in the financial reporting as summarised below.

i. Amended Malaysian Financial Reporting Standards ("**MFRS**") and Interpretations Committee ("**IC**") Interpretations effective for annual period beginning on or after 1 January 2019

Description	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendment to MFRS 9 – *Prepayment Features with Negative Compensation*	1 January 2019
Amendment to MFRS 119 – *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendment to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvement to MFRS Standards 2015-2017 Cycle	1 January 2019

ii. New and amended MFRSs issued but not yet effective

Description	Effective Date
Revised Conceptual Framework for Financial Reporting	1 January 2020
MFRS 3 – *Definition of a Business* (Amendments to MFRS 3)	1 January 2020
MFRS 101 – *Definition of Material* (Amendments to MFRS 101)	1 January 2020
MFRS 108 – *Definition of Material* (Amendments to MFRS 108)	1 January 2020
MFRS 17 – *Insurance Contracts*	1 January 2021
MFRS 10 and MFRS 128 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to MFRS 10 and MFRS 128)	To be announced by the Malaysian Accounting Standards Board

g. On 30 January 2020, the GCFOO briefed the AC that the pre-approved tax fees and non-audit fees incurred and paid by KIBB Group to the External Auditors and their affiliate during the Financial Year Ended 31 December 2019 were RM250,032 or 52.3% and RM223,717 or 46.8% respectively, of KIBB Group recurring audit fees for the Financial Year Ended 31 December 2018.

3.3 Internal Audit

a. The AC at its meeting on 30 January 2019 had reviewed and approved the 2019 Audit Plan tabled by Group Internal Audit ("**GIA**") after considering the adequacy of scope and comprehensiveness of the coverage of activities within KIBB Group, as well as the adequacy of resources in the internal audit department.

b. In 2019, the AC had reviewed and deliberated on a total of 43 internal audit reports in relation to the audits carried out by GIA, together with the audit recommendations made by GIA and the Management's responses to those recommendations. Where appropriate, the AC had directed Management to rectify and improve control and workflow procedures based on GIA's recommendations.

   The AC, at all its quarterly meetings, also reviewed the implementation status of the corrective actions arising from the audit recommendations to ensure that the key risks and control lapses were addressed in a timely manner.

   With regard to long outstanding audit recommendations, where appropriate, the relevant Heads of Department were invited to the AC meeting to provide relevant explanation for the delay in implementing such audit recommendations.

c. In addition to the audit conducted on the processes and systems of Support and Business Units within KIBB Group, during Financial Year Ended 31 December 2019, GIA also conducted various reviews required by the regulators in areas including amongst others, Anti-Money Laundering/ Counter Financing of Terrorism, Basel II (Pillar 3), Related Party Transactions, verification of RM Marketable Securities, Staff Training Fund, Cyber Security, and Business Continuity Plan/ Disaster Recovery Plan Testing.

d. With a view of supporting proper design and effective functioning of internal audit operations, the AC had, at its meeting on 30 January 2019, deliberated the results of GIA's self-assessment on the function's policies and practices for conformance with the International Standards for the Professional Practice of Internal Auditing ("**IIA Standards**") which took effect on 1 January 2017.

   Based on the results of the self-assessment, GIA would, in consultation with the AC where applicable, formulate the relevant action plans to address the gaps identified. As part of the initiatives undertaken by GIA, an exercise would be conducted to identify and select an external consultant to conduct the Quality Assurance Review on GIA within the second (2nd) half of 2020.

e. For the purpose of evaluating the performance of the GCIA, the AC had at its meeting on 30 January 2019, reviewed and deliberated the GCIA's 2018 Performance Appraisal, as well as 2019 Balanced Scorecard, prior to submission of the same to the Group Nomination & Remuneration Committee for its further recommendation to the Board for approval. The AC's recommendation was subsequently approved by the Board on 31 January 2019.

f. The AC at its meeting on 24 October 2019 had deliberated the revised Internal Audit Charter, benchmarked against the IPPF with the objectives to:

   i. reflect the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework ("**IPPF**")[1] (IPPF - 2017 edition)'s requirements; and

   ii. enhance the 'Scope' and 'Responsibility' for better clarity to reflect the actual work being performed by GIA.

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[1] *The IPPF consisted of the Core Principles for Professional Practice of Internal Auditing, the Code of Ethics, the IIA Standards, and the Definition of Internal Auditing.*

AUDIT COMMITTEE REPORT

3.4 Regulatory Examinations/ Inspection Report

As stipulated in its TOR, the AC also deliberates on reports issued by the regulators arising from their examinations or inspections on entities within KIBB Group. This is to ensure proper implementation of appropriate remedial and corrective measures in respect of the findings arising from examinations/ inspections conducted by the regulators.

However, during the year under review, there was no such report tabled to the AC.

3.5 Related Party Transactions

During its quarterly meetings, the AC also reviewed the related party transactions and recurrent related party transaction entered into by the Company and/ or its group of companies to ensure compliance with the MMLR of Bursa Malaysia Securities Berhad.

However, during the year, except for a recurrent related party transaction the value of which was below the threshold to make announcement to Bursa Malaysia Securities Berhad as required under the MMLR of Bursa Malaysia Securities Berhad, there was no material related party transactions entered into or committed by the Company and/ or its subsidiaries, with related party, as defined under the MMLR of Bursa Malaysia Securities Berhad.

3.6 Enhancement to KIBB Group's Whistleblowing Framework

As part of its responsibility of ensuring the adequacy and effectiveness of internal controls within KIBB Group, the AC at its meeting on 25 July 2019 had deliberated on the effectiveness of the whistleblowing framework of KIBB Group. During its deliberation, the AC had suggested for measures to be put in place to enhance the awareness and education programme relating to KIBB Group's Whistleblowing Framework amongst its employees.

3.7 Disclosure for Annual Report 2018

Under its TOR, the AC is also tasked to review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures and internal control, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

In this regard, the AC at its meeting on 25 February 2019 had also reviewed and recommended to the Board of KIBB for approval, the disclosure of the following reports and/or statements in KIBB's Annual Report 2018:

- Audit Committee Report;
- Statement on Risk Management and Internal Control; and
- Corporate Governance Overview Statement and Corporate Governance Report.

The AC's recommendation was subsequently approved by the Board of KIBB on 28 February 2019.

3.8 Joint Meeting between the AC and the Group Board Risk Committee ("GBRC")

Pursuant to BNM's Policy Document on Risk Governance, the GBRC and the AC are expected to periodically meet to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on KIBB Group's risk appetite and business plans.

In that regard, a joint meeting between the AC and the GBRC was held on 25 July 2019 as per the aforementioned BNM's requirement.

4. INTERNAL AUDIT FUNCTION

4.1 The internal audit function of KIBB is established in-house. In discharging its responsibilities, GIA, which reports functionally to the AC and administratively to the Group Managing Director, provides independent and objective assurance to the Board and Management that the policies, procedures and operations that Management has put in place for risk management, control and governance are adequate, operating effectively and efficiently, and in compliance with prescribed laws and regulations.

4.2 During the year under review, GIA carried out internal audit reviews based on its 2019 Audit Plan as approved by the AC. This Audit Plan was developed using a risk-based methodology. The audit reviews conducted by GIA included business support processes, Information Technology/ technical audits and compliance audits on regulatory requirements.

4.3 All GIA's reports, detailing the audit findings, audit recommendations, as well as Management's responses to those recommendations were circulated to the Group Managing Director and Heads of the respective Divisions/ Departments within KIBB Group. Follow-up reviews were performed on the implementation status of the audit recommendations and reported to the AC accordingly.

4.4 The total costs incurred by GIA in discharging its functions and responsibilities in 2019 amounted to RM4.15 million.

4.5 As at 31 December 2019, GIA's headcount was 20.

SUSTAINABILITY STATEMENT

As one of the leading investment banks in the country, we recognise our role in contributing to sustainable growth through the incorporation of sustainable practices into our business operations and activities to ensure long-term growth and value creation.

ABOUT OUR SUSTAINABILITY

We are committed to our sustainability journey as a financial service provider, business partner, employer, community member, environmental steward and value creator for our shareholders.

Our sustainability journey officially began in the Financial Year Ended 2018. We engaged our different stakeholder groups through various communication channels and activities, gathering input and feedback for our overall improvement, innovation and prioritisation.

In 2019, we reviewed and made a concerted effort to refine our sustainability practices to align them with the Group's priorities and direction. To this end, we are working towards formalising our sustainability governance structure, which incorporates a sustainability committee comprising members from multidisciplinary project teams from various departments. The Sustainability Committee will be endorsed by the Board of Directors.

ABOUT THIS SUSTAINABILITY STATEMENT

In 2019, we drew up a three (3)-year roadmap that will focus on three (3) key areas – to establish the base of our sustainability efforts, to strengthen processes and eventually, to achieve the integration of the sustainability initiatives into our daily operations.

The following illustration explains our roadmap:

Our three (3)-year roadmap

1 CLOSE THE GAPS

STRENGTHEN FUNDAMENTALS

- Formalise a Sustainability Committee which will support the planning, execution, data collection and reporting of our sustainability efforts.
- Develop Sustainability Committee's charter, roles and responsiblity.
- Improve on sustainability report format.

2 ACCREDITATION

VALIDATION AND ENDORSEMENT

- Deepen reporting scope and communicate targets and measurements.
- Integrate sustainability practices into day-to-day business processes.
- Identify suitable sustainability ratings and standards for benchmark.
- Understand and fulfil benchmark requirements.
- Gain accreditation.

3 ADVOCACY

PROMOTION AND INTEGRATION

- Champion, engage, build capacity and heighten awareness internally to build pipeline advocates.
- Further integrate sustainability practices into the day-to-day operations of the business.
- Cross-share sustainability journey and learnings with industry peers for continuous improvement.

Our sustainability statement is reported in accordance with the Bursa Malaysia Sustainability Reporting Guide, which covers economic, environmental and social risks and opportunities. The scope of reporting for this sustainability statement is limited to our Malaysian operations only as our associate businesses outside Malaysia are relatively small in scale and size.

In the spirit of continuity and comparability, this sustainability statement is reported based on the prioritised issues from a materiality survey we conducted in 2018. As indicated in our previous report, we aim to conduct a materiality assessment every two (2) years.

SUSTAINABILITY GOVERNANCE

In 2019, we laid out the foundations to establish a formal Sustainability Governance committee, which will serve to further strengthen our approach in managing the economic, environmental and social issues identified.

Our sustainability will be governed at the highest level, by the Board of Directors ("**Board**"), to ensure accountability in embedding sustainability effectively. The Board is committed to the management of resources and processes relating to sustainability issues and to ensuring that sustainability is instilled across the organisation.

WHO WE ENGAGE WITH AND HOW

In order to continue creating value and to ensure sustainability efficiency, we regularly engage with our key stakeholder groups through formal and informal channels. Regular stakeholder engagements enable us to meet their expectations and address the material issues that will impact our business growth in the long term.

We have categorised our key stakeholder groups and engagement approach as follows:

Stakeholder Groups	Engagement Channels	Our Commitment
Employees	• Team meetings • Surveys • Training and development programmes • Bulletins and updates • Employee volunteerism programmes • Employee events and campaigns • Policies and procedures • Performance assessments • Onboarding sessions	• To create a high-performing environment. • To ensure employee development and an actively engaged workforce that values ethics and compliance.
Customers	• Corporate website • Customer service helpline and email • Social media platforms • Mass media • Roadshows • Workshops • Meetings, briefings, seminars and conferences • Surveys	• To add value for customers by sharing insights derived from our extensive industry experience and expertise. • To empower and enable customers through technology and digitalisation.
Shareholders and Investors	• Corporate website • Annual report • Annual General Meeting • Extraordinary General Meeting	• To keep shareholders updated with the latest developments. • To gather and respond to their feedback.
Regulators	• Corporate website • Policies and procedures • Meetings, briefings, seminars and round-table discussions	• To hold regular engagement sessions and dialogues to uphold a regulatory-compliant culture, ensuring all rules of the day are adhered to.

SUSTAINABILITY STATEMENT

Stakeholder Groups	Engagement Channels	Our Commitment
Vendors	• Meetings and briefings • Corporate website • Policies and procedures • e-Procurement system	• To engage regularly, to ensure efficient, quality and smooth daily operations.
Communities	• Community outreach programmes • Employee volunteerism programmes • Social media platforms • Donations and appeals	• To work with communities in need through employee volunteerism and outreach.

OUR APPROACH TO MATERIALITY

In 2019, we further aligned our initiatives and reporting to the results of an online materiality survey that we conducted in 2018. The survey was part of our materiality process, which validated our key focus areas. It gave us a comprehensive understanding of our material issues as we prioritised them according to their level of importance to our key stakeholders. We conduct our materiality assessment every two (2) years and the next materiality assessment will be in 2020.

Based on the survey in 2018, we rated the importance of 19 economic, environmental and social issues as shown below:

19
Economic, Environmental and Social Issues

1. Business ethics
2. Corruption, fraud and money-laundering
3. Responsible investment
4. Industrial advancement
5. Responsible lending
6. Environmental awareness
7. Environmental resource management
8. Employment and benefits
9. Anti-discrimination
10. Diversity and inclusion
11. Employee engagement and volunteerism
12. Talent management and career development
13. Human rights
14. Anti-competition
15. Customer privacy and cyber security
16. Customer satisfaction
17. Responsible marketing
18. Quality
19. Financial literacy

STAKEHOLDERS CONTACTED DURING THE MATERIALITY SURVEY

Remisiers/ Agents

Vendors

Media

Employees

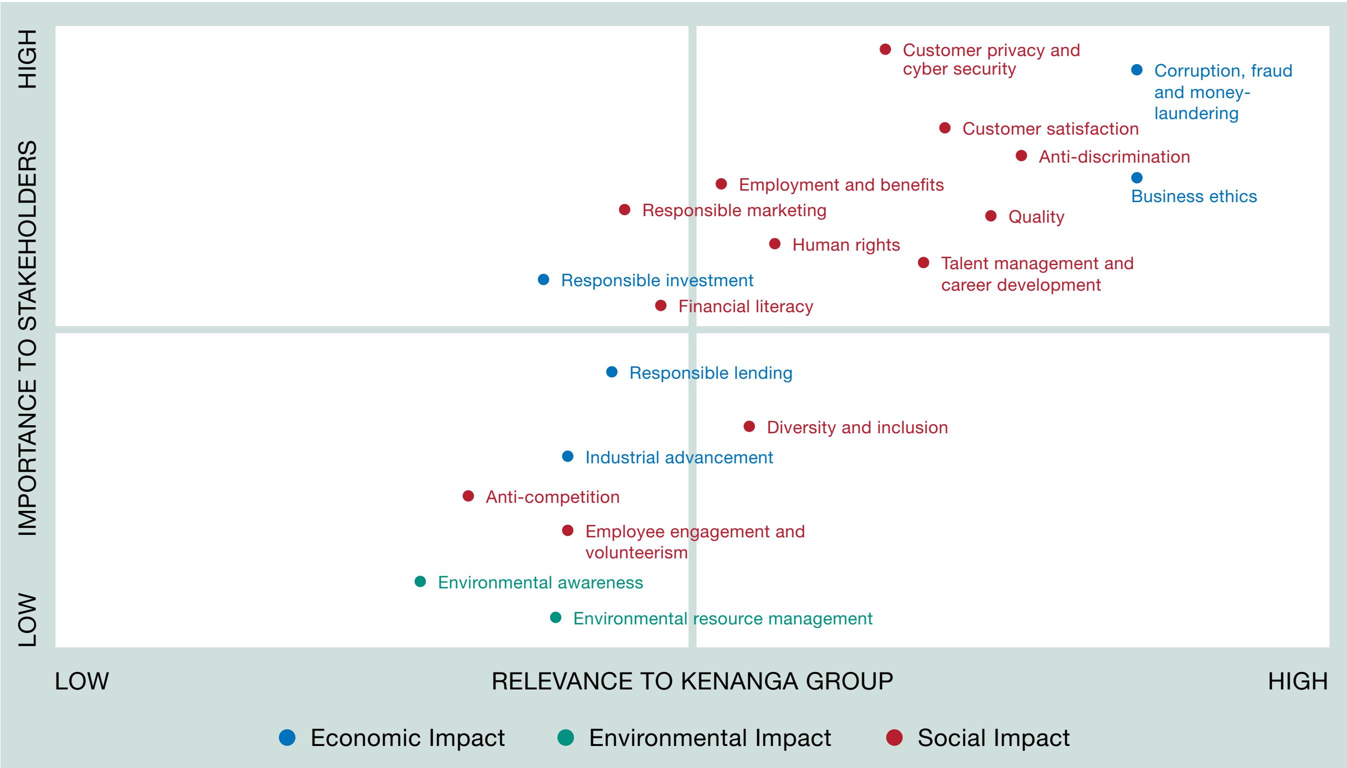
Board of Directors and Group Executive Committee

A total of 515 responses were obtained, of which 370 were valid and used for computation. Each stakeholder group was well represented in the survey. The views of each stakeholder were given equal weightage in the calculations.

OUTCOME OF THE MATERIALITY SURVEY

Each issue was measured on a 1 - 5 Likert scale. Scores of over three (3) is considered material to some degree. The average score of each issue was between 4.0 - 4.5, which meant all issues were deemed material to a greater or lesser degree. In line with this, the reporting and update against each issue is reflected in the following pages.

The outcome of the materiality survey is presented in the matrix below.



ECONOMIC

Kenanga Fraud Awareness Week.

BUSINESS ETHICS

Kenanga Investment Bank Berhad ("**KIBB**") and Its Group of Companies continue to demonstrate the highest ethical priority in their everyday business conduct and operations. As part of the Group's commitment to ethical business practices and as part of the three (3)-year plan adopted by the Board in December 2018 to establish an Ethics Governance Structure within the Group, the Board approved the establishment of a Group Business Ethics and Integrity Department ("**GBEI**") effective March 2019.

SUSTAINABILITY STATEMENT

The GBEI introduced several measures to lay the foundation for charting the Group's strategy on ethics and integrity. These include, among others, establishing the GBEI Charter, identifying the roles of the parties in the Group for ethics risk management and preparing a checklist for the purpose of assessing compliance with the Guidelines on Adequate Procedures issued pursuant to section 17A of the Malaysian Anti-Corruption Commission Act 2009. The measures also provide the support required to meet regulatory requirements.

More information on this can be found in the Ethics and Compliance Statement on pages 60 to 68 of this Annual Report.

ANTI-FRAUD, BRIBERY AND CORRUPTION & ANTI-MONEY LAUNDERING AND COUNTER-FINANCING OF TERRORISM

Fraud, bribery, corruption, money laundering and the financing of terrorism go against the Group's core values and undermine the viability of its business and operations. Reflecting this, the Group takes a zero-tolerance approach to these acts, as well as to any other manifestations of corrupt and unethical business practices.

The Group adopts a robust and all-encompassing strategy to prevent, detect and investigate incidences of fraud, bribery, corruption, money-laundering and the financing of terrorism while holding perpetrators strictly to account. Control environments are reviewed periodically and if required, revised to align them with industry practices and the applicable laws and regulations.

A crucial element in its fight against corrupt practices is the Group's provision of an adequate and safe platform for the reporting of any offence or potential wrongdoing. In this regard, the Group has in place a Group Whistleblowing Policy & Guidance Notes. These spell out the framework for the policy and offer various channels for reporting any illegal or unethical practice.

The Group recognises that the first line of defence in its fight against corruption and illegal acts is the inculcation of principles of ethics and integrity in its everyday business and operations. It thus requires its employees to reflect these values in their undertakings at all times. Additionally, the Group constantly reminds its employees of the importance of this through continual education and awareness campaigns.

One of our key education and awareness programmes is our annual Fraud Awareness Week ("**FAW**"). This was held for the third (3rd) time from 18 to 22 November 2019. The participation of various capital-market stakeholders in the FAW was meant to underscore the importance the Group placed on fighting fraud. The Group is proud to continue setting a leading example in this area.

More information on this can be found in the Ethics and Compliance Statement on pages 60 to 68 of this Annual Report.

SUPPLY CHAIN

Kenanga Group subscribes to a resilient supply chain to ensure smooth daily business operations and to embed sustainable practices in the organisation.

We recognise that engaging with vendors exposes the organisation to business disruption, financial, legal and even reputational risks.

To ensure quality and efficient delivery, robust guidelines and policies have been put in place for suppliers and employees, underpinned by good governance, to ensure sustainable procurement. The Group Procurement Policy serves as guidance for all employees of the Group in handling procurement-related activities.

Our Group Code of Conduct for Vendors underlines honesty, fairness and transparency, reflecting the Group's values, ethics and integrity. In acknowledging that the quality of products and services provided by vendors impacts our delivery, we uphold the highest standards of ethics and integrity in business practices and relationships with vendors and suppliers.

More information on this can be found in the Ethics and Compliance Statement on pages 60 to 68 of this Annual Report.

To further reduce procurement and supply chain risks, we conduct regular performance evaluation on vendors and suppliers.

Our Supplier Evaluation Model

RESPONSIBLE INVESTMENT

We believe that the continuous delivery of consistent top performance stems from the premise of an effective stewardship and active ownership approach throughout the investment value chain. In search of long term value accretive investments, we aim to influence investee companies as shareholders through the promotion of responsible and sustainable practices.

As a sign of our intent and commitment, through Kenanga Investors Berhad, our asset management subsidiary, we had in 2017 became a signatory to the Malaysian Code for Institutional Investors. In adhering to our obligation as a signatory, we have developed practices to support the Code and internalise the principles throughout the entire investment value chain.

Identification

In our bottom up stock picking efforts, our fund managers meet with the management as part of identifying investment targets. Aside from analyzing companies based on fundamentals and value creation matrices, we also incorporate business sustainability and its corporate governance practices as part of the selection criteria.

Active Ownership

Post investment, an active ownership approach is adopted to closely monitor business and financial performance, corporate governance, strategy, capital structure and risk management. Close contact is maintained through private engagements with the investee companies.

Voting

We view voting at shareholder meetings as an integral part of the investment process. We consider the long term sustainable impact in exercising our voting rights on substantially held investee companies and material resolutions.

INDUSTRIAL ADVANCEMENT

Established in Malaysia for more than 45 years, we are a financial group with extensive experience in equity broking, investment banking, listed derivatives, treasury, corporate advisory, Islamic banking, wealth management and investment management.

Today, we are the largest independent investment bank* in Malaysia and also one of the top three (3) brokerage houses with the largest network of remisiers in the country.

In keeping with changing customer behaviour and increasing expectations, underscored by the advancement in Fintech over recent years, we have been homing in on innovation and digitalisation to deliver augmented products and redefine customer experience through faster speed-to-market and greater convenience.

We were one of the first movers in the domestic Fintech landscape with the setting up of Rakuten Trade Sdn Bhd (“**Rakuten Trade**”) three (3) years ago — a joint-venture with Japan-based Rakuten Securities, Inc. A novel platform which enables a fully online trading experience, Rakuten Trade has registered 47,500 accounts as at the end of 2019 and has handled transactions amounting to almost RM8 billion in trading value on Bursa Malaysia.

The COVID-19 outbreak has spurred new momentum in the online stock trading landscape. Having invested in our digital platforms over the last few years, including the rollout of Rakuten Trade, we are in a prime position to meet the shift towards online trading and continue growing the business through this challenging time.

In 2019, we streamlined and formalised our digital programmes under a comprehensive framework that outlines our approach to (i) digital business ventures, (ii) transformation of traditional business operations, and (iii) strategic collaboration with technology enablers. The scope of this roadmap also covers workflow automation, data analytics and importantly, enhanced cyber security.

In terms of product innovation, we launched our Securities Borrowing & Lending (“**SBL**”) product in 2019, which completes our equity broking products suite of offerings. This category of product is tailored to more sophisticated investors who are interested in short-selling, hedging or arbitraging.

At the start of the year, through our asset management subsidiary, Kenanga Investors Berhad, we launched Malaysia’s first leveraged and inverse exchange-traded funds (“**ETFs**”). ETFs are diversified investment instruments that provide hedging against market downturns, at a relatively cost-effective entry point.

Through continuous digital enhancements, as well as the roll-out of new investment tools, we hope to further accelerate the development of innovative products to broaden the diversification of investment options for our investors, contributing to a more vibrant investment landscape.

RESPONSIBLE LENDING

We support the corporate and retail community by providing them with access to appropriate credit facilities such as corporate loans, factoring and share margin financing, after taking into consideration their business and credit profiles via detailed assessment and approval processes. The existing lending principles and guidelines adopted by KIBB require that the lending is to businesses with good fundamentals that comply with general regulatory requirements and government initiatives, particularly with regard to compliance with environmental laws and regulations.

* *Based on Bursa Malaysia’s Trading Volume and Value.*

Farm-to-Plate: This hands-on event taught participants about the benefits of organic farming. Over 30 participants learnt about organic farming and composting with their family and friends.

ENVIRONMENTAL

We are committed to conserving natural resources by managing and minimising our environmental footprint while educating our employees about environmental conservation. We believe in conserving natural resources for present and future generations.

Since 2017, we have been rolling out environmental initiatives under our #GreenAtWork programme in a bid to reduce our environmental footprint and encourage employees to practise environmentally friendly habits.

ENVIRONMENTAL AWARENESS #GreenAtWork

- Themed "Zero-Waste Your Lifestyle with GreenAtWork", this event was held from Earth Hour on 29 March 2019 to the week of World Earth Day on 22 April 2019. It was also extended to all our branches nationwide.

- The activities held were:

Earth Hour Pop Quiz

169 PARTICIPANTS

Kenanga Group joined the world for the 11th consecutive year to switch off lighted signs and non-essential lights at its premises nationwide. Employees learnt about Earth Hour by taking part in a pop quiz.

Recyclable Plastics Trade-in

110 PARTICIPANTS

Employees traded in their recyclable plastic items to redeem items such as reusable straws and shopping bags. The amount of recyclable plastics collected increased from 140.8kg in 2018 to over 300kg in 2019.

Bring Your Own Container Mondays

160 PARTICIPANTS

Employees were encouraged to bring their own mugs and tumblers to redeem a free drink each at San Francisco cafe in Kenanga Tower. This saved on the use of over 140 disposable cups and 80 takeaway plastic containers.

Eco-Workshop Wednesdays

184 PARTICIPANTS

Three (3) different workshops were conducted on turning waste into useful items. Employees made natural sugar scrub, moulded Kokedama and created desktop aquaponics.

Pop Quiz Fridays

715 PARTICIPANTS

A pop quiz on Zero-Waste lifestyle was held to focus on the themes Facts about Plastics, Zero-Waste Lifestyle and Organic Farming. Over 900 submissions received for the pop quiz, which had more than 65 winners.

SUSTAINABILITY STATEMENT

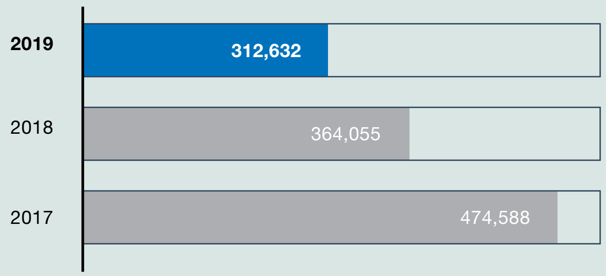
- This annual #GreenAtWork campaign aims to create greater environmental awareness and appreciation, as well as demonstrate support for environmental protection.
- Over 50% of the Group's employees nationwide took part, while over 80% of the 823 employees from headquarters participated.

Environmental Resource Management

Energy

We continued to monitor and control air-conditioning consumption during the year.

Average Monthly Electricity Usage in the Last Three (3) Years* (in kWh)



We are embarking on an energy-saving plan for Kenanga Tower and we expect to see a reduction in energy consumption in 2020.

Environmental Resource Management

Waste

We strive to reduce our office waste by recycling as much as possible. In compliance with the regulatory requirements on proper waste management, we have appointed a licensed waste disposal contractor to manage and dispose of our solid and scheduled wastes.

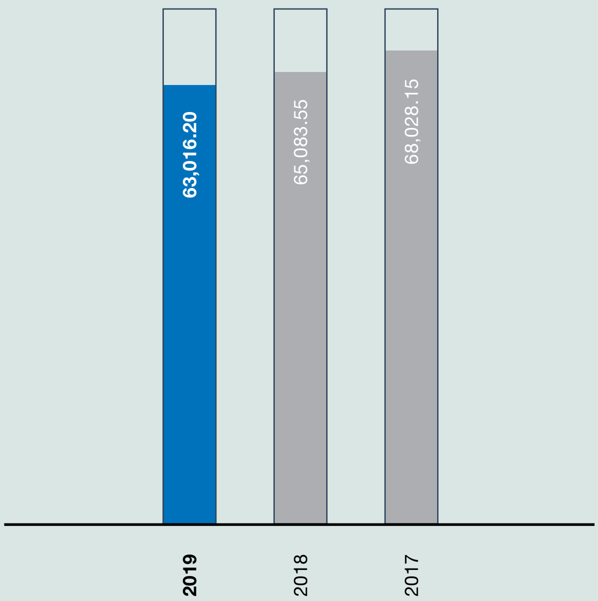
We are also reducing paper consumption through initiatives such as discontinuing the printing of remisiers' daily reports, which are now disseminated electronically. We have also placed recycling bins at the waste chamber in Kenanga Tower to encourage the practice of waste separation.

Environmental Resource Management

Water

We are committed to reducing, reusing and recycling water, which is essential in the Group's daily operations. We strive to minimise our water usage at Kenanga Tower by implementing various initiatives including a rainwater harvesting system on the rooftop of Kenanga Tower. The system collects, stores and channels rainwater for common washing purposes.

Water Consumption in the Last Three (3) Years* (in m³)



* *Data collected is only for Kenanga Tower.*

Kenanga's Family Day at Bukit Kiara Equestrian Resort.

SOCIAL

EMPLOYMENT AND BENEFITS

We provide benefits that include non-wage compensation in addition to monthly salaries for all full-time employees in Malaysia. These benefits include:

- EMPLOYEES' SHARE OPTION SCHEME
- MEDICAL BENEFITS
- EMPLOYEES GROUP INSURANCE COVERAGE
- DENTAL AND OPTICAL
- FLEXIBLE WORK ARRANGEMENTS
- FITNESS MEMBERSHIP
- PRIVATE RETIREMENT SCHEME
- PROFESSIONAL DEVELOPMENT
- VARIOUS ALLOWANCES
- VARIOUS LEAVE INCLUDING PILGRIMAGE LEAVE

SUSTAINABILITY STATEMENT

ANTI-DISCRIMINATION AND HUMAN RIGHTS

Respect for human rights is of fundamental importance to us. We strive to respect and promote human rights in our relationships with our employees, business partners, vendors and clients in accordance with the guiding principles set by our regulators.

We do not practise discrimination in our recruitment and selection efforts. There were no human rights grievances or incidents reported in the year 2019 and in the last three (3) years.

We do not discriminate against:

- Gender
- Race/ Ethnicity/ Nationality
- Social background
- Religion
- Family responsibilities, including pregnancy
- Disabilities

As an advocate of fair and merit-based practices, we are also against discrimination in employment decisions such as hiring, promotions or redundancy, as well as in working conditions such as working hours, training, remuneration and social security.

DIVERSITY AND INCLUSION

We embrace diversity and inculcate an inclusive workplace culture as we strive to develop a diverse workforce.

Our workforce strength has expanded by 6.5% since 2017, where 99.9% of our employees are consist of local talents. Foreign talent is hired for selected positions that require niche skills and knowledge.

In 2019, we had 1,115 full-time staff compared to 1,080 in 2018 and 1,057 in 2017.

The following diagram illustrates Kenanga Group's workforce strength according to gender, women's representation in management, ethnicity, age and number of executives and non-executives:

TALENT MANAGEMENT AND CAREER DEVELOPMENT

We prioritise our employees' professional growth and ensure they are well-equipped with the knowledge and skills needed in the competitive financial industry.

We continue to strategically design the Group's training and development initiatives in line with our business needs, regulatory requirements and industry competency standards, as well as people development principles. Through focused prioritisation of training programmes, we are able to ensure that employees receive relevant and impactful courses that contribute to the Group's business sustainability and achieve individual and professional aspirations.

Our holistic training and development programmes encompass the following four (4) categories:

01 REGULATORY

Compulsory courses for individuals to ensure compliance with regulatory requirements and corporate governance.

02 LEADERSHIP

Courses that equip managers with leadership skills and qualities to facilitate the execution of the Group's strategy through building alignment, winning mindshare and developing the capabilities of staff.

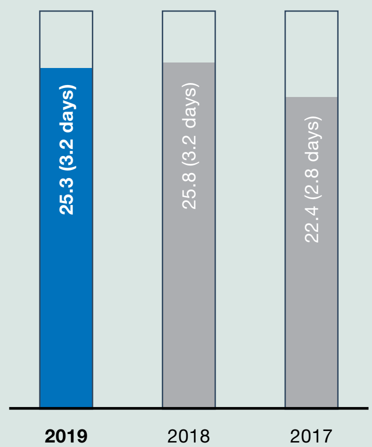
03 FUNCTIONAL

Technical and/ or practical-based courses that sharpen individual technical skills and competencies, including accredited courses with certifications or professional qualifications warranted by job roles.

04 PERSONAL EFFECTIVENESS

Courses that provide individuals with tools to enhance personal competencies through self-improvement and making the best of their resources.

The average training hours per year per employee



In addition to learning and development initiatives, we conduct talent mapping to identify talents and potential candidates with leadership skills to strengthen our workforce and enhance our succession plan. The qualities we seek include having the ability to drive results, innovation and change; customer-centric focus; ethics and risk consciousness; and having the ability to collaborate and build relationships, as well as communicate effectively.

As part of building a high performance culture, we have established a robust performance management system based on the Balanced Scorecard with Key Performance Indicators and annual performance objectives for every employee in the organisation. We recognise employees contribution and performance through short-term incentives such as annual performance bonus, sales incentives and commission plans, as well as long-term incentives such as employees' share option scheme.

We conduct a monthly attrition analysis to identify areas of improvement and regularly benchmark our compensation and benefits to market to ensure that we remain competitive in attracting and retaining talents. In 2019, our voluntary attrition rate of 11.75% remained lower than the banking industry of 15%.

SUSTAINABILITY STATEMENT

EMPLOYEE ENGAGEMENT

We aim to create a sense of belonging for our employees through continuous communication and engagement efforts. Some of the platforms and channels to achieve this are:

Method	Description	Frequency
E-mailer	Branded "K-News", this internal channel shares Group information regarding business achievements, announcements and product-related news.	At least twice a month
On-ground events	On-ground events are held to engage with employees. Some events, such as our annual Family Day, are extended to family members as well.	At least five (5) events a year
Employee volunteerism and community outreach	In giving back to the community, employees are encouraged to participate in community initiatives such as charity runs, donation drives, blood donation campaigns and awareness programmes. (please turn to pages 95 to 98 for more details on Employee Volunteerism and Community Outreach).	At least four (4) events a year
Posters	To cater to employees without access to a computer, we display posters to communicate latest announcements, product updates and events.	At least once a month
Social media platforms	We publish events and news on our corporate website, as well as on Facebook, Instagram and LinkedIn throughout the year.	Ongoing
Surveys	We conducted a "Survey on Ethics and Integrity Culture at Work" to gauge the views and perceptions of employees on policies and practices related to certain aspects of ethics and integrity in the Group. More information on this can be found in the Ethics and Compliance Statement on pages 60 to 68 of this Annual Report.	Ongoing

EMPLOYEE VOLUNTEERISM AND COMMUNITY OUTREACH

Throughout the decades that Kenanga Group has been operating in the country, we have always balanced commercial priorities with giving back to the local communities we operate in.

While our overarching focus is to lend aid to the underserved segment, one of our long-standing priorities is the support of social enterprises that are set up to further social causes in a financially sustainable manner.

We run campaigns and donation drives and participate in charity events throughout the year. Some highlights are listed below:

Event Highlights

#KenangaGivesBack to Dialogue in the Dark Malaysia (DID)

Beneficiary

*The visually impaired at the Dialogue in the Dark Malaysia ("**DID**")*

- Held from 25 January to 8 February 2019 in Kenanga Tower, this initiative aimed to raise funds for the visually impaired at DID. This donation drive saw over 75 contributors comprising employees, remisiers and clients.
- Kenanga Group also supported the Fine Dining in the Dark programme and purchased 20 tickets to the Concert in the Dark, which were among the many activities at DID's inaugural Art Festival in Kuala Lumpur.
- The festival showcased the unique artwork, creations and distinctive talents of differently-abled artists and entrepreneurs. It aimed to create awareness of the fight against avoidable blindness and raise funds to equip the visually impaired.
- Kenanga has been supporting DID in their various fundraising activities since their inception in 2012. DID was established to engage with and equip differently-abled people with the relevant skills needed to attain self-sufficiency to reduce poverty in Malaysia.

SUSTAINABILITY STATEMENT

Event Highlights

#KenangaGivesBack to Silent Teddies Bakery

Beneficiary

The hearing-impaired at Silent Teddies Bakery

- Held in conjunction with Hari Raya Aidilfitri from 28 May to 24 June 2019 at Kenanga Tower, the initiative aimed to raise funds for the Silent Teddies Bakery. Kenanga has been supporting the Silent Teddies Bakery since 2012.

- This year, we continued to support them via the purchase of their baked goods for our Hari Raya celebrations, as well as rallying cash donations internally.

  Through employee and corporate purchases, we ordered over 800 boxes of cookies. We also received 64 cash donations, channeled to help improve their training facilities, equipments and materials.

#GiveBlood Blood Donation Drive

Beneficiary

The National Blood Bank

- An annual drive that we have been organising since 2012, our two (2)-day event on 19 and 26 June 2019 at Kenanga Tower saw 138 volunteers including employees, remisiers and tenants. 95 of them successfully donated blood.

Event Highlights

The Bursa Bull Charge 2019

Beneficiary

Yayasan Bursa Malaysia's charitable organisations comprising 26 beneficiaries nationwide

- Seven (7) employees represented Kenanga Group in this annual run that is aimed at raising funds for Yayasan Bursa Malaysia to support beneficiaries that focus on entrepreneurship and financial literacy.
- Held on 14 November 2019 at Exchange Square in Kuala Lumpur, the event was also intended to encourage employees to adopt a healthy lifestyle through running and exercising in addition to creating networking opportunities. Since its inception, more than RM9.7 million has been disbursed to over 142 beneficiaries for charitable and other causes.

The Edge KL Rat Race 2019

Beneficiary

The Edge Education Fund

- Six (6) employees took part in the race that was held to raise funds for The Edge Education Fund and to unite the corporate community in a noble cause. The funds were also to support The Edge Education Foundation's promotion of English and financial literacy programmes. To date, the run has raised about RM23 million for more than 200 registered charitable organisations and NGOs.
- The event was held at Perdana Botanical Garden in Kuala Lumpur on 27 November 2019.

SUSTAINABILITY STATEMENT

Event Highlights

#KenangaGivesBack to Pusat Jagaan Anak Yatim An-Najjah via Back-to-School Donation Drive

Beneficiary

The residents of Rumah Anak Yatim An-Najjah

- Kenanga Group raised funds for 50 children from the orphanage in a back-to-school programme.
- Aimed at reducing the financial burden of the orphanage, the programme was also an opportunity for Kenanga employees to contribute collectively to the home.
- 41 employees contributed to this programme, which was held from 24 December 2019 to 3 January 2020.

ANTI-COMPETITION

The Group strongly believes in competing fairly and ethically in the marketplace, in order to benefit all stakeholders. It competes strictly on the merits of its products and services and makes no attempt to restrain or limit trade. It strictly adheres to Malaysia's Competition Act 2010.

In accordance with the Group Competition Act Compliance Policy, employees and directors are prohibited from engaging in any anti-competitive practices in their dealings with all third parties, including the Group's competitors, customers and vendors.

More information on this can be found in the Ethics and Compliance Statement on pages 60 to 68 of this Annual Report.

CUSTOMER PRIVACY AND CYBER SECURITY

Customer privacy and cyber security are vital for the sustainability and business growth of the Group as we commit to digitalisation and innovation.

The Group has, over the years, been consistent in strengthening its cyber security posture. Our Group Digital, Technology and Transformation Department has a dedicated team of cyber security professionals to operate the Information Technology Governance and Security section. The team formulates and implements the Group's cyber security roadmap against the backdrop of evolving cyber threats.

We continue to expand and focus our resources on data security, information assets and advanced cyber threats to protect our endpoints and employee workspaces against cyber security threats. Cultivating a culture of cyber-security awareness among employees is the key defence against both internal and external threat factors.

As the technology landscape continues to shift towards Cloud-based hosting and software-as-a-service solutions, the team will leverage both existing and emerging cloud security defences to continue delivering uncompromised, secure and trusted services to our customers.

In 2019, we enhanced our cyber security by:

- Formalising a Group Confidential Information Policy to consolidate multiple regulatory requirements into a single document for efficiency of compliance and reference.
- Investing in adequate technology to protect customer data against leaks or breaches.
- Strengthening the Group's data governance by formalising appropriate best practices into robust policies to complement business, which meet regulatory requirements.
- Establishing an incident escalation framework to mitigate the risk of data leaks or breaches.
- Continuing to enhance our cyber security by providing adequate and relevant training to all data officers and staff annually.

CUSTOMER SATISFACTION

Enhancing customer experience is at the core of everything we do. As part of managing customer satisfaction, we have augmented our digital channels to enhance service levels and improve process efficiency. In addition to our customer helpline and branches nationwide, customers are also able to provide feedback and raise queries or concerns directly via our official websites, including our subsidiaries' sites.

The Group's social media presence includes Facebook, Instagram and Linkedin. With the improvements made to the social team's standard operating procedure, 82% of enquiries through social media are escalated to the relevant department within 24 hours.

RESPONSIBLE MARKETING

We continuously ensure that our clients, investors and customers are well-informed at all times. All required information for the investing public (comprising existing and potential clients) is disclosed in the respective product-disclosure documents such as prospectuses and information memoranda. The disclosures include product highlight sheets that adhere to the Securities Commission Malaysia ("**SC**") requirements. Our marketing and promotional materials are also guided by our Advertising Policy, which is governed by regulatory requirements.

QUALITY

A priority we take seriously to ensure long-term business growth is quality management to ensure we deliver highly consistent products and services that meet customer and regulatory requirements. In 2019, we were awarded numerous accolades across all our key business areas, validating our commitment in this respect.

The Awards include:

Bursa Broker and Salesforce Reward Program Awards 2019	a.	Highest Number of New Account Opened (Top 5)
	b.	Highest Traded Value from New Account Opened (Top 5)
	c.	Highest Re-Activation of Inactive Accounts (Top 5)
Bursa Excellence Awards 2018	a.	Best Trading Participants Equity & Financial Derivatives (Champion)
	b.	Best Institutional Derivatives Trading Participants
	c.	Best Remisier (Champion)
	d.	Best Overall Derivatives Trading Participants (1st Runner-up)
	e.	Best Institutional Equities Participating Organisation — Investment Bank (2nd Runner-up)
	f.	Best Retail Equities Participating Organisation — Investment Bank (2nd Runner-up)
Annual Alpha Southeast Asia Deal & Solution Awards 2019	a.	Best Equity Deal/ IPO in Malaysia, Joint Bookrunners & Joint Underwriters (Leong Hup International)
Islamic Finance News Awards 2018	a.	Deal of the Year 2018 (perpetual Sukuk category)

SUSTAINABILITY STATEMENT

Refinitiv Lipper Funds Awards 2020	a. Kenanga Diversified Fund (Mixed Asset MYR Flexible — Malaysia Pension, 3 years) b. Kenanga Diversified Fund (Mixed Asset MYR Flexible — Malaysia Pension, 5 years) c. Kenanga Syariah Growth Fund (Equity Malaysia — Malaysia Islamic, 10 years) d. Kenanga Investors Berhad (Best Equity Award — Malaysia Islamic) e. Kenanga Investors Berhad (Best Mixed Assets Award — Malaysia Pension)
Global Islamic Markets Refinitiv Lipper Fund Awards 2020	a. Kenanga Syariah Growth Fund (Malaysia Best Equity over 10 years)
Asia Asset Management's 2020 Best of the Best Awards	a. Malaysia Best House for Alternatives b. Malaysia Best Equity Manager c. Malaysia CIO of the Year d. Malaysia Fund Launch of the Year
FSMOne Recommended Unit Trusts 2019/ 2020	a. Kenanga Growth Fund — Most Outstanding Unit Trust for 10 Years (Champion) b. Kenanga Growth Fund — Core Equity (Malaysia) c. Kenanga OnePRS Conservative Fund — Private Retirement Scheme (Conservative)
iFAST Awards Malaysia 2019	a. Kenanga Growth Fund — Best-selling Unit Trust 2018 b. Kenanga OnePRS Growth Fund — Best-selling Private Retirement Scheme 2018 c. Kenanga OnePRS Conservative Fund — Best-selling Private Retirement Scheme 2018
KLIFF Islamic Finance Awards 2019	a. Kenanga Syariah Growth Fund — Most Outstanding Islamic Fund Product
Women in Finance Asia Awards 2019	a. CEO of The Year
CSR Malaysia Awards 2019	a. CSR Award in the Investment Bank category
The Marketing Events Awards 2019	a. Best Business Event, Internal (Gold) — Campaign: Kenanga Founder's Day b. Best Business Event, Internal (Bronze) — Campaign: Zero-Waste Your Lifestyle with #GreenAtWork

Kenanga's Global Market Outlook Seminar 2019.

FINANCIAL LITERACY

We continue advancing financial literacy through various avenues ranging from workshops, roadshows and exhibitions to seminars and webinars. Subjects range from market outlook, product launches and workshops for novice traders to sessions on technical analysis for the more seasoned investors.

Throughout the year, these sessions were held at various geographical locations nationwide to cater to our growing client base and the investing public at large. The targeted on-ground engagement sites included universities and corporate offices.

An overview of the Group's activities is presented below:

Subsidiaries/ Business Unit	Types of Forum	No. of Sessions	Location
Kenanga Investment Bank Berhad — Equity Broking	Seminars, workshops, roadshows	32	Kuala Lumpur, Selangor, Penang, Johor, Pahang, Sabah, Sarawak
Kenanga Investment Bank Berhad — Structured Warrants	Seminars, workshops, roadshows, trade group meetings	38	Kuala Lumpur, Selangor, Penang, Ipoh, Kuantan, Malacca, Kuching, Bintulu, Miri, Seremban, Kuala Terengganu
Kenanga Investors Berhad	Workshops, roadshows, exhibitions, seminars, webinars	167	Selangor, Kuala Lumpur, Melaka, Negeri Sembilan, Johor, Perak, Kedah, Pahang, Penang, Sabah, Sarawak
Kenanga Futures Sdn Bhd	Webinars, workshops, seminars, conferences	47	Kuala Lumpur, Selangor, Sarawak, Sabah, Malacca, Negeri Sembilan, Pahang, Perak, Johor and Penang, and Nationwide via Webinars

FINANCIAL STATEMENTS

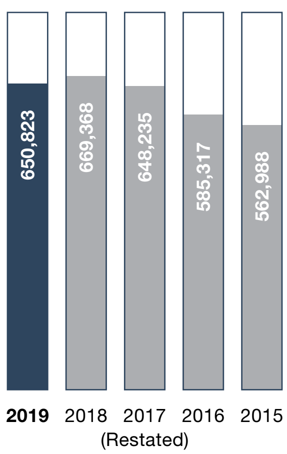
CONTENTS

FIVE (5)-YEAR GROUP FINANCIAL SUMMARY

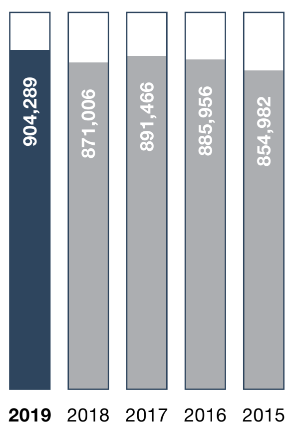
	2019 RM'000	2018 RM'000	2017 RM'000 Restated	2016 RM'000	2015 RM'000 Restated
RESULTS					
Operating Revenue	650,823	669,368	648,235	585,317	562,988
Profit before Taxation continuing operations	42,951	28,851	40,619	32,537	18,223
Profit after taxation for the financial year attributable to equity holders of KIBB	26,386	11,911	24,188	19,720	11,304
ASSETS					
Total Assets	6,630,774	6,546,528	6,508,720	6,069,780	6,120,955
SHAREHOLDERS' FUNDS					
Paid-up share capital	246,249	246,249	246,137	180,637	770,000
Shareholders' funds attributable to equity holders of KIBB	904,289	871,006	891,466	885,956	854,982
FINANCIAL RATIOS					
Net return on average' shareholders funds (%)	2.97	1.35	2.72	2.27	1.32
Net return on average assets (%)	0.40	0.18	0.38	0.32	0.19
SHARE INFORMATION					
Basic earnings per share (sen)	3.78	1.67	3.35	2.59	1.47
Net assets backing per share (RM)	1.29	1.25	1.23	1.23	1.11
Dividend cover (times)	1.16	1.55	1.12	1.21	1.56
Net dividend per share (sen)	3.25	1.10	3.00	2.25	1.00

FIVE (5)-YEAR GROUP FINANCIAL HIGHLIGHTS

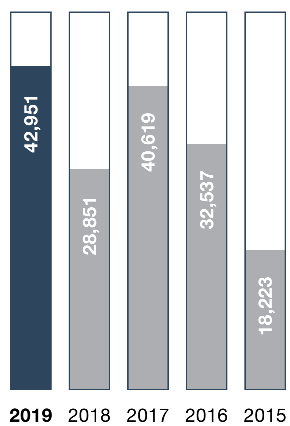
Operating Revenue (RM'000)



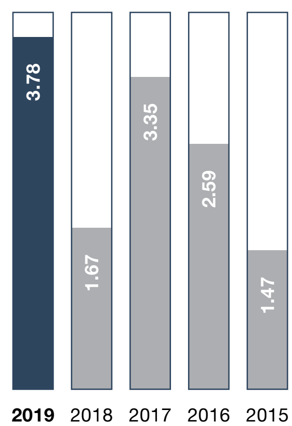
Shareholders' Funds (RM'000)



Profit Before Taxation (RM'000)



Basic Earnings per Share (sen)



DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of Kenanga Investment Bank Berhad ("the Bank" or "KIBB") and its subsidiaries ("the Group" or "Kenanga Group") for the financial year ended 31 December 2019.

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	33,959	26,305
Share of results in associates and a joint venture	(7,573)	-
Profit for the financial year	26,386	26,305
Attributable to:		
Equity holders of the Bank	26,386	26,305

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 1.1 sen per ordinary share on 698,687,499 ordinary shares in respect of the financial year ended 31 December 2018, which amounted to RM7,685,562 was paid on 19 April 2019.

Subsequent to financial year end, on 2 March 2020 the Directors declared an interim dividend in respect of the current financial year ended 31 December 2019 of 3.25 sen amounting to a dividend payable of approximately RM22,707,344. This is computed based on issued and paid-up capital as of 31 December 2019 of 698,687,499 ordinary shares (excluding 24,053,900 treasury shares).

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 2020.

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 may be extended for a further period of five (5) years and is administered by the ESS Committee.

The aggregate maximum number of the Bank shares which may be made available 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 is subject to the approval of the shareholders in a general meeting and is 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 Employees' Share Option Scheme ("ESOS") and Employee Share Grant Plan ("ESGP").

The actual allocation of share options to senior management of the Group is 38.8% as at 31 December 2019.

More details of the ESS are as disclosed in Note 55 to the financial statements.

ISSUANCE OF SHARES

The Bank had not issued any new shares during the year.

BUSINESS REVIEW FOR 2019

The profit before tax ("PBT") of the Group and the Bank for the financial year ended 31 December 2019 ("FYE19") are RM43.0 million and RM40.4 million, compared to PBT of RM28.9 million and RM38.6 million respectively in the previous financial year ("FYE18").

The performance of the Group's respective business segments are analysed below:

STOCKBROKING

Stockbroking division registered PBT of RM9.5 million for FYE19 (FYE18: loss before tax ("LBT") of RM13.5 million) mainly due to reversal of provision of impairment negated by lower brokerage income and interest income in 2019.

DIRECTORS' REPORT

INVESTMENT BANKING

Investment Banking registered a higher PBT of RM24.7 million in FYE19 (FYE18: PBT of RM22.5 million) mainly due to higher interest income, trading and investment income and advisory fees income but partially negated by lower placement fees and fees on loans recorded for FYE19.

INVESTMENT AND WEALTH MANAGEMENT

Investment and Wealth Management registered a PBT of RM5.2 million (FYE18: PBT of RM33,000) mainly due to increase in Asset Under Management and higher management and performance fee earned.

FUTURES

The futures segment recorded higher LBT of RM2.9 million in FYE19 compared to LBT of RM2.8 million in FYE18 mainly due to lower commission income and interest income earned during the year. Income decreased mainly due to lower levels of client activities amid sluggish market conditions.

MONEY LENDING AND FINANCING

This segment reported a PBT of RM0.8 million in FYE19 compared to PBT of RM0.5 million in FYE18 mainly due to higher interest and profit income recorded during the current year.

CAPITAL RATIOS

The Group and the Bank remain on a strong financial footing with total capital ratios of 23.184% (FYE18: 25.257%) and 22.725% (FYE18: 23.869%) 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 2020

Our research indicates that external demand is expected to remain weak in the immediate term, dragged down by the escalating COVID-19 outbreak and the global oil price war, thus weighing on Malaysia's Gross Domestic Product ("GDP") growth in 2020. This is mainly attributable to the potential economic fallout in the services sector where transportation and tourism related industries will be amongst the most substantially affected. Whilst the full implications and impact of COVID-19 on the economy is not fully understood at this time, it is highly likely that there will be a significant and adverse impact on the overall GDP in 2020.

Nevertheless, KIBB will proactively manage its risks such as liquidity, credit and market risks to mitigate the impact of slowdown in the economy resulting from the COVID-19 outbreak. We expect the year to be volatile and challenging but will continue to focus on our strategic objectives of achieving long term sustainable growth across the Group whilst ensuring our core businesses remain resilient.

INDEMNIFICATION OF DIRECTORS

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 Bank for the current financial year was RM34,000.

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:

Izlan Bin Izhab	(Independent Non-Executive Director/Chairman)
Datuk Syed Ahmad Alwee Alsree	(Non-Independent Non-Executive Director/Deputy Chairman)
Dato' Richard Alexander John Curtis	(Non-Independent Non-Executive Director)
Luigi Fortunato Ghirardello	(Non-Independent Non-Executive Director)
Ismail Harith Merican	(Non-Independent Non-Executive Director)
Luk Wai Hong, William	(Independent Non-Executive Director)
Jeremy Bin Nasrulhaq	(Independent Non-Executive Director)
Norazian Binti Ahmad Tajuddin	(Independent Non-Executive Director)
Kanagaraj Lorenz	(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 54 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.

DIRECTORS' 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 in the Bank, are as follows:

The Bank	Number of ordinary shares			
	At 1.1.2019	Addition	Disposal	At 31.12.2019
Direct interest:				
Luigi Fortunato Ghirardello	631,700	-	-	631,700
Dato' Richard Alexander John Curtis	1,100,000	-	-	1,100,000
Norazian Binti Ahmad Tajuddin	-	10,000	-	10,000
Kanagaraj Lorenz	-	42,000	-	42,000

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in 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.

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 EVENT

There was no significant event during the financial year and subsequent to the financial year ended 31 December 2019 other than the event disclosed in Note 56 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Messrs. Ernst & Young, 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 16 March 2020.

Izlan Bin Izhab
Kuala Lumpur, Malaysia

Jeremy Bin Nasrulhaq

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Izlan Bin Izhab 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 120 to 319 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 2019 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 16 March 2020.

Izlan Bin Izhab

Jeremy Bin Nasrulhaq

Kuala Lumpur, Malaysia

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 120 to 319 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 16 March 2020

Cheong Boon Kak
(MIA No: 10259)

Before me,

PESURUHJAYA SUMPAH
No. W723
FIRDAUS BT. FAIZAL
BCM PJK
01-01-2019
31 12 2021
MALAYSIA

Lot 6, Arked Star, 23-G,
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

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 ("the Bank"), which comprise the statements of financial position as at 31 December 2019 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 120 to 319.

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 2019, 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 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 judgment, were of most significance in our audit of the financial statements of the Group and of the Bank for the current 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 matters 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 (INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss	
As at 31 December 2019, the loans, advances and financing represent 31.14% and 31.79% of the total assets of the Group and of the Bank respectively, and the debt instruments carried at amortised cost and fair value through other comprehensive income represent 13.67% and 14.13% of the total assets of the Group and of the Bank respectively. The measurement of expected credit loss ("ECL") requires the application of significant judgement and 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 multiple scenarios.	Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of the loans, advances and financing and the investments. We assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL. For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's and the Bank's credit risk management practices.

Key audit matters (cont'd.)

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (cont'd.)	
Refer to summary of significant accounting policies in Note 3.4(k)(ii), significant accounting judgements, estimates and assumptions in Note 4(iii), loans, advances and financing in Note 9, financial investments other than those carried at fair value through profit or loss in Note 7, and disclosures of credit risk exposures in Note 50(a) to the financial statements.	For the measurement of ECL, we assessed and tested reasonableness of the Group's and the Bank's ECL models, including model input, model design and model performance 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. We evaluated if changes in modeling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed, tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions. With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. Where impairment has been identified, we challenged and 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 assessed whether the financial statement disclosures are adequate and appropriately reflect the Group's and the Bank's exposures to credit risk.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Risk area and rationale	Our response
Fair value measurement of financial instruments	
When fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined by the Group using a variety of valuation techniques that include the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required to establish fair values. Judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. Refer to summary of significant 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 included reviewing and evaluating management's rationale for selecting and using the valuation models to assess if the use of such models was appropriate. Our audit procedures also included, among others, testing management's controls related to the development and calibration of any model used, challenged and assessed assumptions used, including reasonableness of market observable inputs. We also reviewed the adequacy of the Group's and Bank's disclosures within the financial statements about those key assumptions to which the fair value is most sensitive.
Impairment of goodwill	
As at 31 December 2019, the goodwill recognised in the financial statements of the Group and of the Bank are RM243.754 million and RM252.909 million, respectively. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group and the Bank are required to annually test the amount of goodwill for impairment. These involve management judgement and are based on assumptions that are affected by expected future market and economic conditions. Refer to summary of significant accounting policies in Note 3.4(e)(i), significant accounting estimates and judgment in Note 4(i) and the disclosure of intangible assets in Note 17 to the financial statements.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data. We assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about those key assumptions to which the VIU is most sensitive.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (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 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 on the other information that we have obtained prior to the date of this auditors' report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENANGA INVESTMENT BANK BERHAD (INCORPORATED IN MALAYSIA)

Auditors' responsibility for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT.
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Sue Ean
03276/07/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 March 2020

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the 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 2019. 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 2019 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 channeled to the eligible beneficiaries;

(4) Relating to the financial year 2018, 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.

SHARIAH COMMITTEE'S REPORT

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 2019 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee: Dr. Kamaruzaman Noordin

Shariah Committee Member: Dr. Muhammad Arzim Naim

Shariah Committee Member: Dr. Mohd Fuad Md Sawari

Shariah Committee Member: Dr. Mohammad Firdaus Mohammad Hatta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

Group	Note	2019 RM'000	2018 RM'000
Assets			
Cash and bank balances	5	**2,063,057**	1,351,260
Financial assets at fair value through profit or loss	6	**328,680**	189,224
Debt instruments at fair value through other comprehensive income	7(a)	**793,993**	1,659,922
Equity instruments at fair value through other comprehensive income	7(a)	**1,088**	1,754
Debt instruments at amortised cost	7(b)	**112,756**	121,256
Derivative financial assets	8	**65,174**	71,992
Loans, advances and financing	9	**2,064,674**	2,004,915
Balances due from clients and brokers	10	**280,357**	296,323
Other assets	11	**201,785**	175,873
Statutory deposit with Bank Negara Malaysia	12	**99,164**	116,619
Tax recoverable		**24,155**	25,428
Investments in associates	14	**64,642**	58,809
Investment in a joint venture company	15	**15,801**	14,077
Property, plant and equipment	16	**170,450**	186,322
Intangible assets	17	**317,387**	266,222
Right-of-use assets	18	**24,656**	-
Deferred tax assets	19	**2,955**	6,532
Total assets		**6,630,774**	6,546,528
Liabilities			
Deposits from customers	20	**4,065,494**	4,562,104
Deposits and placements of banks and other financial institutions	21	**650,718**	95,016
Balances due to clients and brokers	22	**537,393**	481,932
Derivative financial liabilities	23	**13,416**	12,693
Other liabilities	24	**322,952**	308,722
Obligations on securities sold under repurchase agreements	25	**-**	83,067
Borrowings	26	**96,600**	119,300
Lease liabilities	18	**24,429**	-
Provision for taxation and zakat		**14,793**	12,688
Deferred tax liabilities	19	**690**	-
Total liabilities		**5,726,485**	5,675,522
Equity			
Share capital	27	**246,249**	246,249
Treasury shares	27	**(16,990)**	(16,808)
Reserves	28	**675,030**	641,565
Total equity attributable to equity holders of the Bank		**904,289**	871,006
Total liabilities and shareholders' equity		**6,630,774**	6,546,528
Commitments and contingencies	42	**3,041,684**	3,120,704

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

Bank	Note	2019 RM'000	2018 RM'000
Assets			
Cash and bank balances	5	**1,877,150**	1,116,117
Financial assets at fair value through profit or loss	6	**326,560**	188,576
Debt instruments at fair value through other comprehensive income	7(a)	**793,993**	1,659,922
Equity instruments at fair value through other comprehensive income	7(a)	**1,088**	1,754
Debt instruments at amortised cost	7(b)	**112,756**	121,256
Derivative financial assets	8	**65,174**	71,992
Loans, advances and financing	9	**2,039,517**	1,975,765
Balances due from clients and brokers	10	**280,357**	296,323
Other assets	11	**122,564**	85,413
Statutory deposit with Bank Negara Malaysia	12	**99,164**	116,619
Tax recoverable		**20,246**	18,114
Investments in subsidiaries	13	**70,135**	70,428
Investment in an associate	14	**56,235**	56,235
Investment in a joint venture company	15	**40,000**	30,000
Property, plant and equipment	16	**166,710**	183,131
Intangible assets	17	**320,712**	305,409
Right-of-use assets	18	**23,745**	-
Deferred tax assets	19	**-**	3,666
Total assets		**6,416,106**	6,300,720
Liabilities			
Deposits from customers	20	**4,119,352**	4,613,788
Deposits and placements of banks and other financial institutions	21	**650,718**	95,016
Balances due to clients and brokers	22	**304,880**	221,083
Derivative financial liabilities	23	**13,416**	12,693
Other liabilities	24	**269,026**	258,080
Obligations on securities sold under repurchase agreements	25	**-**	83,067
Borrowings	26	**66,600**	77,800
Lease liabilities	18	**23,436**	-
Provision for taxation and zakat		**12,052**	11,963
Deferred tax liabilities	19	**657**	-
Total liabilities		**5,460,137**	5,373,490
Equity			
Share capital	27	**246,249**	246,249
Treasury shares	27	**(16,990)**	(16,808)
Reserves	28	**726,710**	697,789
Total equity		**955,969**	927,230
Total liabilities and shareholders' equity		**6,416,106**	6,300,720
Commitments and contingencies	42	**3,127,341**	3,245,541

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 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 (Restated) (Note 53)	Bank 2019 RM'000	Bank 2018 RM'000 (Restated) (Note 53)
Operating revenue	29	**650,823**	669,368	**549,955**	591,347
Interest income	30	**244,152**	260,851	**236,401**	251,921
Interest expense	31	**(158,731)**	(177,851)	**(162,896)**	(176,603)
Net interest income		**85,421**	83,000	**73,505**	75,318
Net income from Islamic banking operations	52(b)	**17,982**	15,760	**17,982**	15,760
Other operating income	32	**346,628**	353,286	**247,913**	284,687
Net income		**450,031**	452,046	**339,400**	375,765
Other operating expenses	33	**(418,187)**	(400,684)	**(315,121)**	(319,078)
Operating profit		**31,844**	51,362	**24,279**	56,687
Credit loss reversal/(expenses)	34	**15,216**	(29,823)	**12,926**	(29,848)
Bad debts recovered	35	**3,464**	13,860	**3,464**	13,860
Allowance for impairment on investments in subsidiaries	13	**-**	-	**(293)**	(2,136)
		50,524	35,399	**40,376**	38,563
Share of results of associates and a joint venture	14, 15	**(7,573)**	(6,548)	**-**	-
Profit before taxation and zakat		**42,951**	28,851	**40,376**	38,563
Taxation and zakat	40	**(16,565)**	(16,940)	**(14,071)**	(15,216)
Profit for the financial year		**26,386**	11,911	**26,305**	23,347
Other comprehensive income:					
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")		**(666)**	-	**(666)**	-
Share of other comprehensive income/(loss) in associates		**5,457**	(4,506)	**-**	-
Income tax related to the above		**160**	-	**160**	-
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		**(994)**	1,385	**-**	-
Fair value gain on debt instruments at FVOCI		**11,626**	7,948	**11,626**	7,948
Other comprehensive income c/f:		**15,583**	4,827	**11,120**	7,948

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 (Restated) (Note 53)	Bank 2019 RM'000	Bank 2018 RM'000 (Restated) (Note 53)
Other comprehensive income b/f:		**15,583**	4,827	**11,120**	7,948
Income tax relating to the components of other comprehensive income	19	**(2,790)**	(1,907)	**(2,790)**	(1,907)
Other comprehensive income for the financial year, net of tax		**12,793**	2,920	**8,330**	6,041
Total comprehensive income for the financial year, net of tax		**39,179**	14,831	**34,635**	29,388
Earnings per share attributable to equity holders of the Bank:					
Basic (sen)	41	**3.78**	1.67		
Diluted (sen)	41	**3.78**	1.67		

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		← Non-distributable				→			
Group	Ordinary shares (Note 27) RM'000	Capital reserve (Note 28) RM'000	Fair value (deficit)/ 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	Total attributable to equity holders RM'000
At 1 January 2019	246,249	88,938	(4,120)	25,488	18,783	2,588	(16,808)	509,888	871,006
Net profit for the financial year	-	-	-	-	-	-	-	26,386	26,386
Share of other comprehensive gain of associates	-	-	2,278	-	-	-	-	3,179	5,457
Other comprehensive income/(loss)	-	-	8,330	-	(994)	-	-	-	7,336
Total comprehensive income/(loss) for the financial year	-	-	10,608	-	(994)	-	-	29,565	39,179
Share-based payment under ESS scheme	-	-	-	-	-	1,972	-	-	1,972
Buy-back of shares	-	-	-	-	-	-	(182)	-	(182)
Transfer from regulatory reserve	-	-	-	(44)	-	-	-	44	-
Dividend paid (Note 45)	-	-	-	-	-	-	-	(7,686)	(7,686)
At 31 December 2019	246,249	88,938	6,488	25,444	17,789	4,560	(16,990)	531,811	904,289

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		← Non-distributable				→			
Group	Ordinary shares (Note 27) RM'000	Capital reserve (Note 28) RM'000	Fair value (deficit)/ 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	Total attributable to equity holders RM'000
At 1 January 2018	246,137	88,938	(5,655)	25,277	17,398	-	-	519,824	891,919
Net profit for the financial year	-	-	-	-	-	-	-	11,911	11,911
Share of other comprehensive loss of associates	-	-	(4,506)	-	-	-	-	-	(4,506)
Other comprehensive income	-	-	6,041	-	1,385	-	-	-	7,426
Total comprehensive income for the financial year	-	-	1,535	-	1,385	-	-	11,911	14,831
Share-based payment under ESS scheme	-	-	-	-	-	2,605	-	-	2,605
Issue of shares pursuant to exercise of ESS (Note 27)	112	-	-	-	-	-	-	-	112
Buy-back of shares	-	-	-	-	-	-	(16,808)	-	(16,808)
Transfer from regulatory reserve	-	-	-	211	-	-	-	(211)	-
Transfer to retained profits	-	-	-	-	-	(17)	-	17	-
Dividend paid (Note 45)	-	-	-	-	-	-	-	(21,653)	(21,653)
At 31 December 2018	246,249	88,938	(4,120)	25,488	18,783	2,588	(16,808)	509,888	871,006

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Non-distributable						
Bank	Ordinary shares (Note 27) RM'000	Regulatory reserve (Note 28) RM'000	Capital reserve (Note 28) RM'000	Fair value reserve (Note 28) RM'000	ESS reserve (Note 28) RM'000	Treasury shares (Note 27) RM'000	Retained profits (Note 28) RM'000	Total equity RM'000
At 1 January 2019	**246,249**	**25,488**	**153,863**	**2,175**	**2,588**	**(16,808)**	**513,675**	**927,230**
Net profit for the financial year	-	-	-	-	-	-	**26,305**	**26,305**
Other comprehensive income	-	-	-	**8,330**	-	-	-	**8,330**
Total comprehensive income for the financial year	-	-	-	**8,330**	-	-	**26,305**	**34,635**
Share-based payment under ESS scheme	-	-	-	-	**1,972**	-	-	**1,972**
Buy-back of shares	-	-	-	-	-	**(182)**	-	**(182)**
Transfer from regulatory reserve	-	**(44)**	-	-	-	-	**44**	-
Dividend paid (Note 45)	-	-	-	-	-	-	**(7,686)**	**(7,686)**
At 31 December 2019	**246,249**	**25,444**	**153,863**	**10,505**	**4,560**	**(16,990)**	**532,338**	**955,969**
At 1 January 2018	246,137	25,277	153,863	(3,866)	-	-	512,175	933,586
Net profit for the financial year	-	-	-	-	-	-	23,347	23,347
Other comprehensive income	-	-	-	6,041	-	-	-	6,041
Total comprehensive income for the financial year	-	-	-	6,041	-	-	23,347	29,388
Share-based payment under ESS scheme	-	-	-	-	2,605	-	-	2,605
Issue of shares pursuant to exercise of ESS (Note 27)	112	-	-	-	-	-	-	112
Buy-back of shares	-	-	-	-	-	(16,808)	-	(16,808)
Transfer to regulatory reserve	-	211	-	-	-	-	(211)	-
Transfer to retained profits	-	-	-	-	(17)	-	17	-
Dividend paid (Note 45)	-	-	-	-	-	-	(21,653)	(21,653)
At 31 December 2018	246,249	25,488	153,863	2,175	2,588	(16,808)	513,675	927,230

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		**42,951**	28,851	**40,376**	38,563
Adjustments for:					
Depreciation of property, plant and equipment	33	**10,724**	13,843	**10,046**	13,342
Amortisation of intangible assets - software licence	33	**4,305**	213	**4,030**	-
Amortisation of right-of-use assets		**9,769**	-	**8,864**	-
Lease interest expenses	31	**1,236**	-	**1,177**	-
ESS expenses	33	**1,733**	2,319	**1,733**	2,319
Credit loss (reversal)/expense	34	**(15,216)**	29,823	**(12,926)**	29,848
Allowance for impairment on investments in subsidiary	13	**-**	-	**293**	2,136
Property, plant and equipment written off	33	**37**	7	**37**	5
Bad debts written off	35	**266**	55	**266**	55
Other assets written off		**-**	32	**-**	32
Gross dividend income from investments	32(b)	**(1,384)**	(1,302)	**(1,243)**	(1,098)
Gain on disposal of property, plant and equipment	32(c)	**(23)**	(93)	**(23)**	(93)
Net gain from sale of financial assets at fair value through profit or loss and derivatives		**(56,878)**	(35,300)	**(56,878)**	(35,300)
Net gain from sale of financial instruments at FVOCI		**(12,072)**	(2,816)	**(12,072)**	(2,816)
Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss and derivatives		**17,326**	(14,950)	**19,758**	(15,640)
Share of results of associates and a joint venture		**6,905**	6,548	**-**	-
Operating gain before working capital changes		**9,679**	27,230	**3,438**	31,353

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Bank	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)					
(Increase)/decrease in operating assets:					
Loans, advances and financing		**(46,069)**	160,299	**(50,677)**	173,680
Other assets		**(19,960)**	(57,625)	**(39,075)**	(19,018)
Statutory deposit with Bank Negara Malaysia		**17,455**	(433)	**17,455**	(433)
Balances due from clients and brokers		**16,764**	198,525	**16,764**	198,525
Trust monies and deposits	5	**30,590**	(50,447)	**2,343**	(2,060)
(Decrease)/increase in operating liabilities:					
Other liabilities		**(4,597)**	(20,064)	**9,531**	15,293
Balances due to clients and brokers		**55,461**	(142,680)	**83,797**	(195,877)
Deposits from customers		**(496,610)**	328,190	**(494,436)**	335,640
Deposits and placements of banks and other financial institutions		**555,702**	(115,746)	**555,702**	(115,746)
Obligations on securities sold under repurchase agreements		**(83,067)**	8,074	**(83,067)**	8,074
Cash generated from operations		**35,348**	335,323	**21,775**	429,431
Taxation and zakat paid		**(11,473)**	(20,733)	**(14,421)**	(20,275)
Rental/lease payment (Interest)		**(1,235)**	-	**(1,177)**	-
Net cash generated from operating activities		**22,640**	314,590	**6,177**	409,156

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities					
Net cash outflow on acquisition of a subsidiary	13	**(25,383)**	-	**-**	-
Dividend income from investments	32(b)	**1,384**	1,302	**1,243**	1,098
Purchase of property, plant and equipment	16	**(9,143)**	(10,330)	**(8,344)**	(9,500)
Purchase of intangible assets	17	**(4,701)**	(21)	**(4,651)**	-
Proceeds from disposal of property, plant and equipment and intangible assets		**23**	93	**23**	93
Additional investment in a joint venture	15	**(10,000)**	(10,000)	**(10,000)**	(10,000)
Net sale/(purchase) of securities		**806,475**	(333,290)	**805,515**	(339,785)
Net cash generated from/(used in) investing activities		**758,655**	(352,246)	**783,786**	(358,094)
Cash flows from financing activities					
Dividend paid	45	**(7,686)**	(21,653)	**(7,686)**	(21,653)
Issuance of new shares	27	**-**	112	**-**	112
Rental/lease payments (principal)		**(8,341)**	-	**(7,519)**	-
Net (repayment)/drawdown of borrowings		**(22,700)**	29,300	**(11,200)**	8,800
Buy-back of shares	27	**(182)**	(16,808)	**(182)**	(16,808)
Net cash used in financing activities		**(38,909)**	(9,049)	**(26,587)**	(29,549)
Net increase/(decrease) in cash and cash equivalents		**742,386**	(46,705)	**763,376**	21,513
Effect of exchange rate differences		**1**	1	**-**	-
Cash and cash equivalents at beginning of financial year		**1,096,373**	1,143,077	**1,053,573**	1,032,060
Cash and cash equivalents at end of financial year	5	**1,838,760**	1,096,373	**1,816,949**	1,053,573
Cash and cash equivalents comprise the followings (Note 5):					
Cash and balances with banks		**1,990,155**	1,260,864	**1,777,150**	1,116,117
Deposits and placements with banks and other financial institutions		**72,902**	90,396	**100,000**	-
Less: Monies and short-term deposits held in trust on behalf of dealers' representatives		**(60,201)**	(62,544)	**(60,201)**	(62,544)
Less: Segregated funds from customers		**(164,096)**	(192,343)	**-**	-
		1,838,760	1,096,373	**1,816,949**	1,053,573

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 Sdn. Bhd. The registered office of the Bank is located at Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur.

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 16 March 2020.

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 on 1 January 2019:

MFRS 16: *Leases*
Amendments to MFRS 9: *Prepayment Features with Negative Compensation*
Amendments to MFRS 128: *Long-term interests in Associates and Joint Ventures*
IC Interpretation 23: *Uncertainty Over Income Tax Treatments*
Amendments to MFRS 3: *Business Combinations contained in the documents entitled "Annual Improvements to MFRS Standards 2015-2017 Cycle"*
Amendments to MFRS 11: *Joint Arrangements contained in the documents entitled "Annual Improvements to MFRS Standards 2015-2017 Cycle"*
Amendments to MFRS 112: *Income Tax Consequences of Payments on Financial Instruments Classified as Equity contained in the documents entitled "Annual Improvements to MFRS Standards 2015-2017 Cycle"*
Capitalisation contained Amendments to MFRS 123: *Borrowing Costs Eligible for in the documents entitled "Annual Improvements to MFRS Standards 2015-2017 Cycle"*
Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement*

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 other than the impacts disclosed below:

(a) MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

2.1 New and amended Malaysian Financial Reporting Standards ("MFRSs") adopted (cont'd.)

(a) MFRS 16 *Leases* (cont'd.)

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IFRS 17 and IFRIC 4 at the date of initial application.

The Group has lease contracts for various branches and equipment. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 3.4 (p) for the accounting policy prior to 1 January 2019.

Upon adoption of MFRS 16, assets and liabilities were recognised for all leases with a term of more than 12 months, unless the underlying assets were low-value assets. Refer to Note 3.4 (p) for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Bank.

The Group and the Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group and the Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

2.1 New and amended Malaysian Financial Reporting Standards ("MFRSs") adopted (cont'd.)

(a) MFRS 16 *Leases* (cont'd.)

Based on the above, as at 1 January 2019:

- Right-of-use assets of RM14.0 million were recognised and presented in the statement of financial position.
- Additional lease liabilities of RM14.0 million were recognised.
- The adoption of MFRS 16 had no impact on the Bank's retained earnings and no material impact on its Common Equity Tier 1 ratio.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group RM'000	Bank RM'000
Operating lease commitment as at 31 December 2018	14,486	13,877
Weighted average incremental borrowing rate as at 1 January 2019	5.82%	5.88%
Discounted operating lease commitment as at 1 January 2019	13,314	12,742
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	9,733	9,415
Lease liability as at 1 January 2019	23,047	22,157

(b) Amendments to MFRS 9: *Prepayment Features with Negative Compensation*

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset can pass the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the financial statements of the Group and the Bank.

2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

2.2 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
Amendments to MFRS 3: *Definition of a Business*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
MFRS 17: *Insurance Contracts*	1 January 2021
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.

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. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise 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.

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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(a) Basis of consolidation (cont'd.)

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.

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).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

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.

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 2019

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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(e) Goodwill and intangible assets (cont'd.)

(ii) Other intangible assets (cont'd.)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets are amortised over their finite useful lives at the following annual rate:

Computer software and licence	14.28% to 33.33%

(f) Financial instruments – initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to clients, are initially recognised on the trade date, i.e., the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to clients when settlement has yet to be made on outstanding contracts which have 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 Bank accounts for the Day 1 profit or loss, as described below.

(ii) Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group and the Bank recognise the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(f) Financial instruments – initial recognition (cont'd.)

(iii) Measurement categories of financial assets and liabilities

The Group and the Bank classify all of their financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

(a) Amortised cost, as explained in Note 3.4(g)(i)

(b) FVOCI, as explained in Notes 3.4(g)(v) and 3.4(g)(vi)

(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 due from banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(i) Due from banks, loans and advances to customers, financial investments at amortised cost (cont'd.)

The details of these conditions are outlined below.

(1) Business model assessment

The Group and the Bank determine their business model at the level that best reflects how they manage groups of financial assets to achieve their business objective.

The Group's and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key entity's management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important important aspects of the Group's and 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.

(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).

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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 (cont'd.)

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.

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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(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).

(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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(g) Financial assets and liabilities (cont'd.)

(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.

(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.

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

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.

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 is 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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(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").

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 purchased or originated credit-impaired 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.

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

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.

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.

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.)

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 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.

(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. asset or liability.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(j) Determination of fair value (cont'd.)

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.

(k) Impairment of financial assets

(i) Overview of the ECL principles

As described in Note 2.1(b), the adoption of MFRS 9 has fundamentally changed the Group's and the Bank's loan and receivable impairment method by replacing MFRS 139's incurred loss approach with 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).

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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

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 which considered 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.

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 lifetime ECLs 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*.

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

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).

- 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).

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:

- 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.

- Stage 3: For loans or assets considered credit-impaired, the Group and the Bank recognise the lifetime expected credit losses 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 lifetime ECLs 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. For loan commitments and letters of credit, the ECL is recognised within provisions.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(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 LTECL 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").

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 under MFRS 9 is the same as it was under MFRS 139. 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.

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3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(vii) Collateral repossessed

The Group's and the Bank's accounting policy under MFRS 9 remains the same as it was under MFRS 139. 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.

(viii) Write-offs

The Group's and the Bank's accounting policy under MFRS 9 remains the same as it was under MFRS 139. 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) Forborne and modified 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 forborne 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. Forbearance 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 forborne loans to help ensure that future payments continue to be likely to occur. The Group's and the Bank's policy is to monitor forborne 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 forborne asset until it is collected or written off.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(k) Impairment of financial assets (cont'd.)

(ix) Forborne and modified loans (cont'd.)

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). The Group and the Bank also consider whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6 months probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of half year has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contract that is more than 30 days past due.

(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.

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 other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS

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3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(l) Impairment of non-financial assets (cont'd.)

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.

(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).

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(o) Property, plant and equipment and depreciation (cont'd.)

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.

(p) Leases

(Policy applicable before 1 January 2019)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an agreement.

(i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's and the Bank's incremental borrowing rate is used.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(p) Leases (cont'd.)

<u>**(Policy applicable before 1 January 2019) (cont'd.)**</u>

(i) Finance leases (cont'd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3.4(o).

(ii) Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease.

<u>**(Policy applicable from 1 January 2019)**</u>

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).

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(p) Leases (cont'd.)

(Policy applicable before 1 January 2019) (cont'd.)

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognises 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.

(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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(s) Income recognition

(i) The effective interest rate ("EIR") method

Under both MFRS 9 and MFRS 139, 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, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under MFRS 139 are 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.

(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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(s) Income recognition (cont'd.)

(iii) Fee and other income (cont'd.)

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.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(u) Foreign currency (cont'd.)

(i) Foreign currency transactions (cont'd.)

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.

(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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(v) Income taxes (cont'd.)

(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.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(w) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

(iii) Kenanga's Group Employees' share scheme ("ESS")

Employees (including Executive Directors and senior management) of the Group and 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 55. 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.

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.

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies (cont'd.)

(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 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 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 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in accordance with MFRS requires management to make judgments, 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.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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 (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.

(iii) The measurement of impairment losses under MFRS 9 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 grading 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 LTECL 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(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.

(iv) The Group and the Bank assess whether there is any indication that investments in subsidiaries and investments in associates may be impaired at each reporting date.

If indicators are present, these assets are subject to impairment review. The impairment review comprises comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgements made by management in the process of applying the Group's and the Bank's accounting policies in respect of investments in subsidiaries and investments in an associate are as follows:

- The Bank determines whether its investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investments and deteriorating financial performance of the investments due to observed changes and fundamentals.

- Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flows and realisable net asset value.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the reporting date may have a significant risk of causing material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Investments in subsidiaries and associates of the Group are disclosed in Notes 13 and 14 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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5. CASH AND BANK BALANCES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	**408,089**	257,762	**291,599**	144,307
Money at call and deposit placements	**1,654,968**	1,093,498	**1,585,551**	971,810
	2,063,057	1,351,260	**1,877,150**	1,116,117
Included in cash and bank balances are:				
Cash and cash equivalents	**1,838,760**	1,096,373	**1,816,949**	1,053,573
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	**224,297**	254,887	**60,201**	62,544
	2,063,057	1,351,260	**1,877,150**	1,116,117

Monies held in trust on behalf of clients of RM623,581,000 (2018: RM689,222,000) in respect of the stockbroking business are excluded from the cash and bank balances of the Group and 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Quoted securities:				
Shares in Malaysia	**193,566**	37,491	**193,566**	37,491
Shares outside Malaysia	**-**	147	**-**	147
Unquoted securities:				
Shares and funds in Malaysia	**135,114**	131,725	**132,994**	131,077
Unquoted debt securities in Malaysia:				
Islamic Corporate Bills	**-**	19,861	**-**	19,861
	328,680	189,224	**326,560**	188,576

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
(a) Financial instruments at Fair Value Through Other Comprehensive Income ("FVOCI"):		
Debt instruments:		
Malaysian Government Securities	**30,550**	40,182
Malaysian Government Investment Certificates	**72,649**	195,055
Negotiable Instruments of Deposits	**-**	50,000
Islamic Negotiable Instruments of Deposits	**59,550**	629,165
Islamic Corporate Sukuk	**458,204**	584,853
Corporate Bonds	**173,040**	160,667
	793,993	1,659,922
Equity instruments:		
Unquoted Shares in Malaysia	**1,088**	1,754
Total financial instruments at FVOCI	**795,081**	1,661,676

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 the Bank's debt instruments measured at FVOCI by credit risk, based on the Group's and the Bank's internal credit rating system and year-end stage classification. Details of the Group's and the Bank's internal grading system are explained in Note 50(a).

Group and Bank	2019			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Investment grade	**793,993**	**-**	**-**	**793,993**

Group and Bank	2018			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Investment grade	1,659,922	-	-	1,659,922

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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:

Group and Bank	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	**1,659,922**	**-**	**-**	**1,659,922**
New assets originated or purchased	**4,318,783**	**-**	**-**	**4,318,783**
Assets derecognised or matured (excluding write-offs)	**(5,182,368)**	**-**	**-**	**(5,182,368)**
Change in fair value	**(2,344)**	**-**	**-**	**(2,344)**
As at 31 December	**793,993**	**-**	**-**	**793,993**

Group and Bank	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	1,009,677	-	-	1,009,677
New assets originated or purchased	867,028	-	-	867,028
Assets derecognised or matured (excluding write-offs)	(221,366)	-	-	(221,366)
Change in fair value	4,583	-	-	4,583
As at 31 December	1,659,922	-	-	1,659,922

Group and Bank	2019			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total ECL RM'000
As at 1 January	**225**	**-**	**-**	**225**
New assets originated or purchased	**18**	**-**	**-**	**18**
Assets derecognised or matured (excluding write-offs)	**(181)**	**-**	**-**	**(181)**
Impact of re-measurement of ECL	**(26)**	**-**	**-**	**(26)**
As at 31 December	**36**	**-**	**-**	**36**

Group and Bank	2018			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total ECL RM'000
As at 1 January	17	-	-	17
New assets originated or purchased	208	-	-	208
As at 31 December	225	-	-	225

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

(b) Financial instruments at amortised cost:

	Group and Bank	
	2019 RM'000	2018 RM'000
Debt instruments:		
Malaysian Government Investment Certificates	**9,892**	9,876
Corporate Bonds	**20,030**	20,038
Islamic Corporate Sukuk	**83,172**	92,202
	113,094	122,116
Less: Allowance for ECL	**(338)**	(860)
Total financial instruments at amortised cost	**112,756**	**121,256**

Debt instrument 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 the Bank's internal grading system are explained in Note 50(a).

Group and Bank	2019			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Investment grade	**100,094**	**-**	**-**	**100,094**
Non investment grade	**-**	**13,000**	**-**	**13,000**
	100,094	**13,000**	**-**	**113,094**

Group and Bank	2018			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Investment grade	100,116	-	-	100,116
Non investment grade	-	22,000	-	22,000
	100,116	22,000	-	122,116

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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:

Group and Bank	2019			
Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**100,116**	**22,000**	**-**	**122,116**
Assets derecognised or matured (excluding write-offs)	**-**	**(9,000)**	**-**	**(9,000)**
Change in fair value	**(22)**	**-**	**-**	**(22)**
As at 31 December	**100,094**	**13,000**	**-**	**113,094**

Group and Bank	2018			
Gross carrying amount	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	10,001	28,000	-	38,001
New assets purchased	100,116	-	-	100,116
Assets derecognised or matured (excluding write-offs)	(10,001)	(6,000)	-	(16,001)
As at 31 December	100,116	22,000	-	122,116

Group and Bank	2019			
ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	**-**	**860**	**-**	**860**
Assets derecognised or matured (excluding write-offs)	**-**	**(156)**	**-**	**(156)**
Impact of net re-measurement of ECL	**-**	**(366)**	**-**	**(366)**
As at 31 December	**-**	**338**	**-**	**338**

Group and Bank	2018			
ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	64	952	-	1,016
Impact of net re-measurement of ECL	(64)	(92)	-	(156)
As at 31 December	-	860	-	860

7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

(b) Financial instruments at amortised cost (cont'd.):

Included in financial investments measured at FVOCI are financial assets sold under repurchase agreements as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Corporate Bond (Note 25)	-	83,067
	-	83,067

8. DERIVATIVE FINANCIAL ASSETS

	Group and Bank	
	2019 RM'000	2018 RM'000
At fair value		
Dual currency investment - Options	**11**	115
Equity related contracts - Options	**58,659**	69,585
Equity related contracts - Swap	**3,602**	2,292
Synthetic protected forward	**2,902**	-
	65,174	71,992
Contract/Notional amount		
Dual currency investment - Options	**4,509**	13,636
Equity related contracts - Options	**66,528**	100,319
Equity related contracts - Swap	**52,340**	14,771
Synthetic protected forward	**77,667**	-
	201,044	128,726

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.

NOTES TO THE FINANCIAL STATEMENTS
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9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At amortised cost				
Term loans	**665,323**	554,282	**722,404**	577,312
Share margin financing	**1,320,106**	1,419,617	**1,320,106**	1,419,617
Other lending and factoring receivables	**97,317**	62,735	**-**	-
Advances to group employees	**17**	60	**17**	60
Subordinated term loan*	**-**	-	**15,417**	10,278
Gross loans, advances and financing	**2,082,763**	2,036,694	**2,057,944**	2,007,267
Less: Allowance for ECL				
- Stage 1 - 12-month ECL	**(1,312)**	(898)	**(2,366)**	(1,402)
- Stage 2 - Lifetime ECL not credit impaired	**-**	(8,847)	**-**	(8,847)
- Stage 3 - Lifetime ECL credit impaired	**(16,777)**	(22,034)	**(16,061)**	(21,253)
Net loans, advances and financing	**2,064,674**	2,004,915	**2,039,517**	1,975,765

* *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 6.30% per annum (2018: 6.06%) and is repayable by November 2021.

(i) Gross loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic business enterprises				
- Small and medium enterprises	**256,545**	233,392	**208,259**	213,770
- Others	**744,067**	587,463	**816,565**	587,463
Individuals	**1,052,269**	1,149,370	**1,003,238**	1,139,565
Foreign enterprises	**29,882**	66,469	**29,882**	66,469
	2,082,763	2,036,694	**2,057,944**	2,007,267

(ii) Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
In Malaysia	**2,040,133**	1,944,629	**2,015,314**	1,915,202
Outside Malaysia	**42,630**	92,065	**42,630**	92,065
	2,082,763	2,036,694	**2,057,944**	2,007,267

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate				
- Other fixed rate loans	**1,417,423**	1,482,352	**1,320,105**	1,419,617
Variable rate				
- Other variable rates	**646,871**	535,855	**719,370**	569,163
- Base lending rate plus	**18,452**	18,427	**18,452**	18,427
Interest free	**17**	60	**17**	60
	2,082,763	2,036,694	**2,057,944**	2,007,267

(iv) Gross loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	**1,639,548**	1,715,237	**1,638,853**	1,704,785
Working capital	**195,864**	154,549	**221,271**	159,238
Others	**247,351**	166,908	**197,820**	143,244
	2,082,763	2,036,694	**2,057,944**	2,007,267

(v) Gross loans, advances and financing analysed by residual contractual maturity are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	**1,657,891**	1,656,272	**1,686,370**	1,640,660
More than one year	**424,872**	380,422	**371,574**	366,607
	2,082,763	2,036,694	**2,057,944**	2,007,267

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9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.1 Movements in impaired loans, advances and financing ("Impaired LAF")

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the financial year	**59,068**	2,737	**58,283**	1,910
Impaired during the financial year	**32,032**	57,814	**32,032**	57,814
Amount written off against allowance for ECL	**-**	(1,441)	**-**	(1,441)
Amount recovered	**(42,220)**	(42)	**(42,155)**	-
At end of the financial year	**48,880**	59,068	**48,160**	58,283
Less: Allowance for ECL	**(16,777)**	(22,034)	**(16,061)**	(21,253)
Net impaired LAF	**32,103**	37,034	**32,099**	37,030
Net impaired LAF as a % of gross loans, advances and financing less allowance	**1.55%**	1.85%	**1.57%**	1.87%

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
9.1.1 Impaired LAF by geographical distribution				
Outside Malaysia	**12,759**	47,205	**12,759**	47,205
Malaysia	**36,121**	11,863	**35,401**	11,078
Gross impaired LAF	**48,880**	59,068	**48,160**	58,283
9.1.2 Impaired LAF by purpose				
Working capital	**720**	785	**-**	-
Purchase of securities	**48,160**	58,283	**48,160**	58,283
	48,880	59,068	**48,160**	58,283

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows:

(a) Term loans 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 the Bank's internal grading system are explained in Note 50(a).

Group	2019			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Performing:				
Strong	**3,840**	**-**	**-**	**3,840**
Satisfactory	**426,008**	**36,347**	**-**	**462,355**
Substandard	**192,681**	**6,447**	**-**	**199,128**
Total	**622,529**	**42,794**	**-**	**665,323**

Group	2018			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Performing:				
Strong	3,840	-	-	3,840
Satisfactory	433,965	-	-	433,965
Substandard	110,060	6,417	-	116,477
Total	547,865	6,417	-	554,282

Bank	2019			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Performing:				
Strong	**3,840**	**-**	**-**	**3,840**
Satisfactory	**498,506**	**36,347**	**-**	**534,853**
Substandard	**192,681**	**6,447**	**-**	**199,128**
Total	**695,027**	**42,794**	**-**	**737,821**

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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 and subordinated term loan (cont'd.)

Bank	2018			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Performing:				
Strong	3,840	-	-	3,840
Satisfactory	467,273	-	-	467,273
Substandard	110,060	6,417	-	116,477
Total	581,173	6,417	-	587,590

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loan is as follows:

Group	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	RM'000	RM'000	RM'000	RM'000
As at 1 January	**547,865**	**6,417**	**-**	**554,282**
New assets originated or purchased	**372,275**	**1,743**	**-**	**374,018**
Assets derecognised or repaid (excluding write-offs)	**(261,264)**	**(1,713)**	**-**	**(262,977)**
Transfers of stages	**(36,347)**	**36,347**	**-**	**-**
As at 31 December	**622,529**	**42,794**	**-**	**665,323**

Group	2018			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	RM'000	RM'000	RM'000	RM'000
As at 1 January	588,800	-	-	588,800
New assets originated or purchased	221,750	-	-	221,750
Assets derecognised or repaid (excluding write-offs)	(256,268)	-	-	(256,268)
Transfers of stages	(6,417)	6,417	-	-
As at 31 December	547,865	6,417	-	554,282

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(a) Term loans and subordinated term loan (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loan is as follows (cont'd.):

Bank	2019			
Gross carrying amount	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	581,173	6,417	-	587,590
New assets originated or purchased	414,674	1,743	-	416,417
Assets derecognised or repaid (excluding write-offs)	(264,473)	(1,713)	-	(266,186)
Transfers of stages	(36,347)	36,347	-	-
As at 31 December	695,027	42,794	-	737,821

Bank	2018			
Gross carrying amount	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	624,739	-	-	624,739
New assets originated or purchased	233,160	-	-	233,160
Assets derecognised or repaid (excluding write-offs)	(270,309)	-	-	(270,309)
Transfers of stages	(6,417)	6,417	-	-
As at 31 December	581,173	6,417	-	587,590

Group	2019			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	815	-	-	815
New assets originated or purchased	1,018	-	-	1,018
Assets derecognised or repaid (excluding write-offs)	(650)	-	-	(650)
As at 31 December	1,183	-	-	1,183

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 and subordinated term loan (cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loan is as follows (cont'd.):

Group	2018			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	1,302	-	-	1,302
New assets originated or purchased	1,048	-	-	1,048
Assets derecognised or repaid (excluding write-offs)	(1,535)	-	-	(1,535)
As at 31 December	815	-	-	815

Bank	2019			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	**1,201**	**-**	**-**	**1,201**
New assets originated or purchased	**1,601**	**-**	**-**	**1,601**
Assets derecognised or repaid (excluding write-offs)	**(691)**	**-**	**-**	**(691)**
As at 31 December	**2,111**	**-**	**-**	**2,111**

Bank	2018			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	1,720	-	-	1,720
New assets originated or purchased	1,048	-	-	1,048
Assets derecognised or repaid (excluding write-offs)	(1,567)	-	-	(1,567)
As at 31 December	1,201	-	-	1,201

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 Band	2019			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Performing:				
Strong	365,224	-	-	365,224
Satisfactory	748,857	-	-	748,857
Substandard	108,784	-	-	108,784
Non-performing:				
Default	-	-	48,161	48,161
Non-rated	49,080	-	-	49,080
Total	1,271,945	-	48,161	1,320,106

Group and Bank	2018			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Performing:				
Strong	442,927	-	-	442,927
Satisfactory	709,054	30,417	-	739,471
Substandard	119,458	-	-	119,458
Non-performing:				
Default	-	-	58,284	58,284
Non-rated	59,477	-	-	59,477
Total	1,330,916	30,417	58,284	1,419,617

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to share margin financing is as follows:

Group and Bank	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	RM'000	RM'000	RM'000	RM'000
As at 1 January	1,330,916	30,417	58,284	1,419,617
New assets originated or purchased	793,423	411	106	793,940
Assets derecognised or repaid (excluding write-offs)	(828,789)	(6,471)	(41,985)	(877,245)
Transfers of stages	(7,523)	(24,403)	31,926	-
Effect of movement of cash collateral	(16,082)	46	(170)	(16,206)
As at 31 December	1,271,945	-	48,161	1,320,106

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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	2018			
Gross carrying amount	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	1,557,649	-	-	1,557,649
New assets originated or purchased	945,207	-	-	945,207
Assets derecognised or repaid (excluding write-offs)	(1,097,143)	-	-	(1,097,143)
Transfers of stages	(88,701)	30,417	58,284	-
Effect of movement of cash collateral	13,904	-	-	13,904
As at 31 December	1,330,916	30,417	58,284	1,419,617

Group and Bank	2019			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	**-**	**8,847**	**21,253**	**30,100**
New assets originated or purchased	**-**	**-**	**14,839**	**14,839**
Transfer of stages	**-**	**(8,847)**	**8,847**	**-**
Assets derecognised or repaid (excluding write-offs)	**-**	**-**	**(28,878)**	**(28,878)**
As at 31 December	**-**	**-**	**16,061**	**16,061**

Group and Bank	2018			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	-	-	1,441	1,441
New assets originated or purchased	-	8,847	21,253	30,100
Amount written off	-	-	(1,441)	(1,441)
As at 31 December	-	8,847	21,253	30,100

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

<u>Other lending and factoring receivables</u>

Group	2019			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Performing:				
Strong	**26,598**	**-**	**-**	**26,598**
Satisfactory	**67,855**	**-**	**-**	**67,855**
Substandard	**2,148**	**-**	**-**	**2,148**
Non-performing:				
Individually impaired	**-**	**-**	**716**	**716**
Total	**96,601**	**-**	**716**	**97,317**

Group	2018			
Internal rating grade	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Performing:				
Strong	4,721	-	-	4,721
Satisfactory	28,602	-	-	28,602
Substandard	28,631	-	-	28,631
Non-performing:				
Individually impaired	-	-	781	781
Total	61,954	-	781	62,735

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other financing is as follows:

Group	2019			
Gross carrying amount	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	61,954	-	781	62,735
New assets originated or purchased	127,921	-	-	127,921
Assets derecognised or repaid (excluding write-offs)	(93,274)	-	(65)	(93,339)
As at 31 December	96,601	-	716	97,317

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31 DECEMBER 2019

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.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other financing is as follows (cont'd.):

Group	2018			
Gross carrying amount	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	51,161	-	823	51,984
New assets originated or purchased	116,194	-	-	116,194
Assets derecognised or repaid (excluding write-offs)	(105,401)		(42)	(105,443)
As at 31 December	61,954	-	781	62,735

Group	2019			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2019	**23**	**-**	**781**	**804**
Assets derecognised or repaid (excluding write-offs)	**(23)**	**-**	**(65)**	**(88)**
As at 31 December 2019	**-**	**-**	**716**	**716**

Group	2018			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2019	21	-	823	844
New assets originated or purchased	2	-	-	2
Assets derecognised or repaid (excluding write-offs)	-	-	(42)	(42)
As at 31 December 2019	23	-	781	804

Advances to group employees

Group and Bank	2019 RM'000	2018 RM'000
Gross carrying amount	**17**	60

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

(d) Undrawn commitment

Group	2019			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Performing:				
Strong	**76,174**	**-**	**-**	**76,174**
Satisfactory	**23,665**	**-**	**-**	**23,665**
Substandard	**361**	**-**	**-**	**361**
Total	**100,200**	**-**	**-**	**100,200**

Group	2018			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Performing:				
Strong	76,174	-	-	76,174
Satisfactory	47,231	-	-	47,231
Total	123,405	-	-	123,405

Bank	2019			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Performing:				
Strong	**76,174**	**-**	**-**	**76,174**
Satisfactory	**91,665**	**-**	**-**	**91,665**
Substandard	**361**	**-**	**-**	**361**
Total	**168,200**	**-**	**-**	**168,200**

Bank	2018			
	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	RM'000	RM'000	RM'000	RM'000
Performing:				
Strong	76,174	-	-	76,174
Satisfactory	154,231	-	-	154,231
Total	230,405	-	-	230,405

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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:

Group	2019			
Outstanding exposure	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	**123,405**	**-**	**-**	**123,405**
New exposures	**240,557**	**-**	**-**	**240,557**
Exposures derecognised or matured/lapsed (excluding write-offs)	**(263,762)**	**-**	**-**	**(263,762)**
As at 31 December	**100,200**	**-**	**-**	**100,200**

Group	2018			
Outstanding exposure	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	32,485	-	-	32,485
New exposures	116,920	-	-	116,920
Exposures derecognised or matured/lapsed (excluding write-offs)	(26,000)	-	-	(26,000)
As at 31 December	123,405	-	-	123,405

Bank	2019			
Outstanding exposure	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	**230,405**	**-**	**-**	**230,405**
New exposures	**240,557**	**-**	**-**	**240,557**
Exposures derecognised or matured/lapsed (excluding write-offs)	**(302,762)**	**-**	**-**	**(302,762)**
As at 31 December	**168,200**	**-**	**-**	**168,200**

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	2018			
Outstanding exposure	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	136,985	-	-	136,985
New exposures	119,420	-	-	119,420
Exposures derecognised or matured/lapsed (excluding write-offs)	(26,000)	-	-	(26,000)
As at 31 December	230,405	-	-	230,405

Group	2019			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	**60**	**-**	**-**	**60**
New exposures	**85**	**-**	**-**	**85**
Exposures derecognised or repaid (excluding write-offs)	**(16)**	**-**	**-**	**(16)**
As at 31 December	**129**	**-**	**-**	**129**

Group	2018			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	13	-	-	13
New exposures	60	-	-	60
Exposures derecognised or repaid (excluding write-offs)	(13)	-	-	(13)
As at 31 December	60	-	-	60

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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	2019			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	**201**	**-**	**-**	**201**
New exposures	**95**	**-**	**-**	**95**
Exposures derecognised or repaid (excluding write-offs)	**(41)**	**-**	**-**	**(41)**
As at 31 December	**255**	**-**	**-**	**255**

Bank	2018			
ECL allowances	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	154	-	-	154
New exposures	60	-	-	60
Exposures derecognised or repaid (excluding write-offs)	(13)	-	-	(13)
As at 31 December	201	-	-	201

10. BALANCES DUE FROM CLIENTS AND BROKERS

	Group and Bank	
	2019 RM'000	2018 RM'000
Balances due from clients and brokers	**294,014**	310,778
Less: Allowance for ECL	**(13,657)**	(14,455)
	280,357	296,323

10. BALANCES DUE FROM CLIENTS AND BROKERS (CONT'D.)

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 2019	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
ECL allowances			
As at 1 January 2019	**1,517**	**12,938**	**14,455**
New assets originated or purchased	**214**	**503**	**717**
Assets derecognised or repaid (excluding write-offs)	**(215)**	**(1,300)**	**(1,515)**
As at 31 December 2019	**1,516**	**12,141**	**13,657**

Group and Bank 2018	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
ECL allowances			
As at 1 January 2018	1,516	12,904	14,420
New assets originated or purchased	103	218	321
Assets derecognised or repaid (excluding write-offs)	(102)	(184)	(286)
As at 31 December 2018	1,517	12,938	14,455

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11. OTHER ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Assets segregated for customers	(a)	**86,376**	78,127	**-**	-
Interest/income receivable		**11,641**	12,847	**11,401**	12,456
Amounts due from subsidiary companies	(b)	**-**	-	**30,599**	289
Amounts due from related parties	(c)	**33**	31	**33**	31
Prepayments and deposits		**19,378**	18,666	**17,771**	17,439
Other debtors	(d)	**39,166**	31,528	**17,873**	19,153
Treasury trade receivables		**49,842**	39,530	**49,842**	39,530
		206,436	180,729	**127,519**	88,898
Allowance for ECL					
- Other debtors	11.1	**(4,651)**	(4,856)	**(4,651)**	(3,485)
- Amount due from subsidiary companies	11.2	**-**	-	**(304)**	-
		201,785	175,873	**122,564**	85,413

11.1 ECL allowance for other assets are as follows:

Group ECL allowances	2019 Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
As at 1 January	**259**	**4,597**	**4,856**
New assets originated or purchased	**1,207**	**1,222**	**2,429**
Assets derecognised or repaid (excluding write-offs)	**-**	**(2,446)**	**(2,446)**
Written off	**(9)**	**(179)**	**(188)**
Transfer of stages	**(1,277)**	**1,277**	**-**
As at 31 December	**180**	**4,471**	**4,651**

11. OTHER ASSETS (CONT'D.)

11.1 ECL allowance for other assets are as follows (cont'd.):

Group	2018		
ECL allowances	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
As at 1 January	473	4,267	4,740
New assets originated or purchased	96	97	193
Assets derecognised or repaid (excluding write-offs)	-	(77)	(77)
Transfer of stages	(310)	310	-
As at 31 December	259	4,597	4,856

Bank	2019		
ECL allowances	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
As at 1 January	**259**	**3,226**	**3,485**
New assets originated or purchased	**1,207**	**1,222**	**2,429**
Assets derecognised or repaid (excluding write-offs)	**-**	**(1,075)**	**(1,075)**
Written off	**(9)**	**(179)**	**(188)**
Transfer of stages	**(1,277)**	**1,277**	**-**
As at 31 December	**180**	**4,471**	**4,651**

Bank	2018		
ECL allowances	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
As at 1 January	473	2,879	3,352
New assets originated or purchased	96	97	193
Assets derecognised or repaid (excluding write-offs)	-	(60)	(60)
Transfer of stages	(310)	310	-
As at 31 December	259	3,226	3,485

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11. OTHER ASSETS (CONT'D.)

11.2 ECL allowance for amount due from subsidiaries are as follows:

Bank	2019			
ECL allowances	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	-	-	-	-
New assets originated or purchased	304	-	-	304
As at 31 December	304	-	-	304

(a) Assets segregated for customers

These represent margin deposits paid by a subsidiary to Bursa Malaysia Derivatives Clearing Berhad.

(b) Amounts due from subsidiary companies

Included in the amount due from subsidiary companies is the term loan offered to a subsidiary company, Kenanga Investors Berhad. The loan is unsecured and bear 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 comprise 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 (2018: 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	
	2019 RM'000	**2018 RM'000**
Unquoted shares:		
At beginning of the financial year	**70,428**	72,564
Less: Impairment losses	**(293)**	(2,136)
At end of the financial year	**70,135**	70,428

(i) On 8 July 2019, the Bank's asset management subsidiary, Kenanga Investors Berhad ("KIB") completed the acquisition of 100% equity stake in Libra Invest Berhad ("LIB").

(ii) Business combinations

Pursuant to the SPA, the acquisition involves KIB acquiring shares of LIB for an aggregate purchase consideration of RM50.6 million. The purchase consideration was fully paid by cash.

Accounting for acquisition at the Group level

At the Group level, the Group's acquisition of the assets and liabilities of LIB was accounted for using the acquisition method of accounting in accordance with MFRS 3 *Business Combinations*.

	Fair value RM'000
Recognised amounts of identifiable assets and liabilities:	
Cash and bank balances	25,233
Other receivables	3,837
Tax recoverable	211
Property, plant and equipment	428
Intangible assets	1,087
Right-of-use assets	55
Other payables	(15,046)
Deferred tax liabilities	(133)
Lease liabilities	(56)
Total net assets	15,616
Goodwill	35,000
	50,616
Consideration settled in cash	50,616
Less: Cash and cash equivalents of subsidiary acquired	(25,233)
Net cash outflow on acquisition	25,383

NOTES TO THE FINANCIAL STATEMENTS
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13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(ii) Business combinations (cont'd.)

Accounting for acquisition at the Group level (cont'd.)

	RM'000
Acquisition-related cost included in administration and general expenses in the statements of profit or loss and other comprehensive income	1,229

Since 1 July 2019, the profit before tax included in the statements of profit or loss and other comprehensive income contributed by LIB was RM1.2 million.

Had LIB been consolidated from 1 January 2019, the statements of profit or loss and other comprehensive income would show profit before tax of RM2.0 million and profit after tax of RM1.6 million.

Details of the subsidiary companies are as follows:

Name	Principal activities	Effective equity interest 2019 %	Effective equity interest 2018 %
Local subsidiary companies			
Kenanga Futures Sdn Bhd ("KF")	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
ECML Nominees (Tempatan) Sdn Bhd	Provision of nominee 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

13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name	Principal activities	Effective equity interest 2019 %	Effective equity interest 2018 %
Local subsidiary companies (cont'd.)			
Kenanga Investors Berhad	Promotion and management of collective investment schemes and management of investment fund	**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
Libra Invest Berhad	Management in unit trust funds and the provision of fund management services	**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
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	**100**	100
Kenanga Singapore Pte. Ltd.*	Dealing in securities, advising in corporate finance, securities financing and providing custodial services for securities	**100**	100

* *Audited by affiliate of Messrs. Ernst & Young PLT.*

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14. INVESTMENTS IN ASSOCIATES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost	**88,644**	88,644	**68,435**	68,435
Share of post acquisition losses	**(18,061)**	(22,611)	**-**	-
Share of changes in other comprehensive loss	**(4,017)**	(6,295)	**-**	-
Dividends received	**(102)**	(102)	**-**	-
Foreign exchange differences	**17,788**	18,783	**-**	-
	84,252	78,419	**68,435**	68,435
Less: Accumulated impairment losses	**(19,610)**	(19,610)	**(12,200)**	(12,200)
	64,642	58,809	**56,235**	56,235
Represented by:				
Share of net tangible assets	**64,642**	58,809		

(a) Details of the associates are as follows:

Name	Place of incorporation	Principal activities	Effective equity interest 2019 %	Effective equity interest 2018 %
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**	49.0

* *Audited by firms other than Messrs. Ernst & Young PLT.*

^ *Equity accounted for using unaudited management accounts.*

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.

14. INVESTMENTS IN ASSOCIATES (CONT'D.)

(b) Summarised financial information of the material associate is as follows (cont'd.):

(i) Summarised statement of financial position

	Wasatah Capital	
	2019 RM'000	**2018 RM'000**
Current assets	**80,447**	76,748
Non-current assets	**127,573**	119,217
Total assets	**208,020**	195,965
Current liabilities*	**5,520**	10,000
Non-current liabilities	**3,015**	2,706
Total liabilities	**8,535**	12,706
Net assets	**199,485**	183,259

* *The net asset is net of zakat expense which is 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 representing the Group's and the Bank's share of net assets in Wasatah Capital that disclosed in Note 14(b)(iii) below. The difference will be the total zakat expenses that was fully borne by the Saudi shareholders.*

(ii) Summarised statement of profit or loss and other comprehensive income

	Wasatah Capital	
	2019 RM'000	**2018 RM'000**
Revenue	**14,820**	24,644
Profit before taxation	**1,119**	9,044
Tax credit/(expense)	**1,314**	(1,872)
Other comprehensive income/(loss)	**18,966**	(15,223)
Total comprehensive income/(loss)	**21,399**	(8,051)

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14. INVESTMENTS IN ASSOCIATES (CONT'D.)

(b) Summarised financial information of the material associate is as follows (cont'd.):

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the material associate

	Wasatah Capital	
	2019 RM'000	2018 RM'000
Net assets at 1 January	**218,234**	216,677
Profit before taxation	**1,119**	9,044
Other comprehensive income/(loss)	**18,966**	(15,223)
Movement of foreign exchange reserve	**(3,333)**	5,134
Impact of adopting new accounting standard	**-**	2,602
Audit adjustments:		
- Profit before taxation	**(1,163)**	-
- Other comprehensive income	**(12,937)**	-
- Retained profits	**12,407**	-
Net assets at 31 December	**233,293**	218,234
Interest in Wasatah Capital	**29.60%**	29.60%
Share of net assets at 31 December	**69,055**	64,598
Accumulated Bank's share of tax credit/(expense)	**(670)**	(1,984)
Accumulated impairment losses	**(4,549)**	(4,549)
Carrying value of the Group's interest in associate	**63,836**	58,065

(c) Aggregate information of associates that are not individually material

	2019 RM'000	2018 RM'000
The Group's share of results in associates, representing share of total comprehensive loss	**70**	83

15. INVESTMENT IN A JOINT VENTURE COMPANY

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Unquoted shares				
At beginning of the financial year	**30,000**	20,000	**30,000**	20,000
Add: Subscription of new shares in a joint venture company	**10,000**	10,000	**10,000**	10,000
	40,000	30,000	**40,000**	30,000
Cumulative share of results	**(24,199)**	(15,923)	**-**	-
At the end of financial year	**15,801**	14,077	**40,000**	30,000

(a) The summarised income and expenses of the joint venture company are as follows:

Group	2019 RM'000	2018 RM'000
Revenue	**6,292**	5,841
Loss after taxation	**(16,478)**	(18,286)

(b) The summarised assets and liabilities of the joint venture company are as follows:

Group	2019 RM'000	2018 RM'000
Total assets	**182,247**	345,287
Total liabilities	**150,645**	317,135

The net asset included the transaction between the Bank and the joint venture company which have been eliminated at group level. Therefore, the net assets will not representing the Group's and the Bank's share of net assets in joint venture. The difference will be the net adjustment of the inter-company transactions that was 50% shared by the Bank.

(c) Details of the joint venture company held by the Bank are as follows:

Name	Percentage (%) of equity held 2019	Percentage (%) of equity held 2018	Principal activities
Rakuten Trade Sdn Bhd	**50**	50	Dealing in securities restricted to listed securities and investment advice

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
2019									
Cost									
At 1 January 2019	81,910	46,830	5,983	59,397	26,840	45,382	31,539	1,257	299,138
Transfer*	-	-	-	(34,216)	-	-	-	-	(34,216)
Acquisition of subsidiary	-	-	15	852	36	746	137	-	1,786
Additions	-	-	-	5,569	163	229	256	2,926	9,143
Reclassification	-	-	-	861	793	(479)	446	(1,621)	-
Disposals/write-off	-	-	(70)	(1,882)	(577)	(286)	(119)	-	(2,934)
At 31 December 2019	81,910	46,830	5,928	30,581	27,255	45,592	32,259	2,562	272,917
Accumulated depreciation									
At 1 January 2019	-	2,564	5,477	39,331	12,263	35,927	17,254	-	112,816
Transfer*	-	-	-	(19,534)	-	-	-	-	(19,534)
Acquisition of assets and liabilities of LIB	-	-	15	816	20	487	20	-	1,358
Depreciation charge for the financial year (Note 33)	-	936	196	3,231	2,084	1,524	2,753	-	10,724
Reclassification	-	-	-	-	467	(513)	46	-	-
Disposals/write-off	-	-	(70)	(1,881)	(576)	(253)	(117)	-	(2,897)
At 31 December 2019	-	3,500	5,618	21,963	14,258	37,172	19,956	-	102,467
Net carrying amount									
At 31 December 2019	81,910	43,330	310	8,618	12,997	8,420	12,303	2,562	170,450

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Plant and office equipment* RM'000	Furniture and fittings RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
2018								
Cost								
At 1 January 2018	81,910	46,830	6,632	76,480	45,166	29,334	3,746	290,098
Additions	-	-	362	7,643	244	1,816	265	10,330
Reclassification	-	-	-	2,328	18	408	(2,754)	-
Disposals/write-off	-	-	(1,011)	(214)	(46)	(19)	-	(1,290)
At 31 December 2018	81,910	46,830	5,983	86,237	45,382	31,539	1,257	299,138
Accumulated depreciation								
At 1 January 2018	-	1,627	6,302	43,429	34,256	14,642	-	100,256
Depreciation charge for the financial year (Note 33)	-	937	186	8,371	1,720	2,629	-	13,843
Reclassification	-	-	-	6	(6)	-	-	-
Disposals/write-off	-	-	(1,011)	(212)	(43)	(17)	-	(1,283)
At 31 December 2018	-	2,564	5,477	51,594	35,927	17,254	-	112,816
Net carrying amount								
At 31 December 2018	81,910	44,266	506	34,643	9,455	14,285	1,257	186,322

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
2019									
Cost									
At 1 January 2019	81,910	46,830	5,803	57,670	25,898	43,826	28,605	939	291,481
Transfer*	-	-	-	(34,216)	-	-	-	-	(34,216)
Additions	-	-	-	5,408	119	214	238	2,365	8,344
Reclassification	-	-	-	861	612	(669)	57	(861)	-
Disposals/write-off	-	-	(70)	(1,868)	(549)	(286)	(36)	-	(2,809)
At 31 December 2019	81,910	46,830	5,733	27,855	26,080	43,085	28,864	2,443	262,800
Accumulated depreciation									
At 1 January 2019	-	2,563	5,299	37,921	11,628	34,904	16,035	-	108,350
Transfer*	-	-	-	(19,534)	-	-	-	-	(19,534)
Depreciation charge for the financial year (Note 33)	-	937	195	3,020	1,995	1,404	2,495	-	10,046
Reclassification	-	-	-	-	467	(513)	46	-	-
Disposals/write-off	-	-	(70)	(1,868)	(548)	(253)	(33)	-	(2,772)
At 31 December 2019	-	3,500	5,424	19,539	13,542	35,542	18,543	-	96,090
Net carrying amount									
At 31 December 2019	81,910	43,330	309	8,316	12,538	7,543	10,321	2,443	166,710

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Plant and office equipment* RM'000	Furniture and fittings RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
2018								
Cost								
At 1 January 2018	81,910	46,830	6,452	74,018	43,637	26,594	3,713	283,154
Additions	-	-	362	7,388	205	1,730	(185)	9,500
Reclassification	-	-	-	2,309	(9)	289	(2,589)	-
Disposals/write-off	-	-	(1,011)	(147)	(7)	(8)	-	(1,173)
At 31 December 2018	81,910	46,830	5,803	83,568	43,826	28,605	939	291,481
Accumulated depreciation								
At 1 January 2018	-	1,627	6,124	41,542	33,260	13,623	-	96,176
Depreciation charge for the financial year (Note 33)	-	936	186	8,147	1,655	2,418	-	13,342
Reclassification	-	-	-	6	(6)	-	-	-
Disposals/write-off	-	-	(1,011)	(146)	(5)	(6)	-	(1,168)
At 31 December 2018	-	2,563	5,299	49,549	34,904	16,035	-	108,350
Net carrying amount								
At 31 December 2018	81,910	44,267	504	34,019	8,922	12,570	939	183,131

* *Computer hardware, computer software and office equipment were categorised as plant and office equipment in 2018. Reclassification was made to transfer computer software from plant and office equipment to intangible assets in 2019.*

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17. INTANGIBLE ASSETS

		Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Total intangible assets					
Goodwill	(a)	**243,754**	208,754	**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	(d)	**16,548**	383	**15,303**	-
Trading and clearing rights for derivatives broking	(e)	**416**	416	**-**	-
At end of the financial year		**317,387**	266,222	**320,712**	305,409

(a) Goodwill

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cost				
At beginning of the financial year	**244,521**	244,521	**288,676**	288,676
Goodwill arising from acquisition of subsidiary	**35,000**	-	**-**	-
Accumulated impairment loss				
- at beginning/end of the financial year	**(35,767)**	(35,767)	**(35,767)**	(35,767)
At end of the financial year	**243,754**	208,754	**252,909**	252,909

(b) Merchant banking licence

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cost				
At beginning/end of the financial year	**52,500**	52,500	**52,500**	52,500

(c) Fund management contracts

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cost				
At beginning/end of the financial year	**4,169**	4,169	**-**	-

(d) Computer software

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cost				
At beginning of the financial year	**4,880**	4,859	**2,281**	2,281
Transfer from property, plant and equipment	**34,216**	-	**34,216**	-
Acquisition of subsidiary	**2,657**	-	**-**	-
Additions	**4,701**	21	**4,651**	-
At end of the financial year	**46,454**	4,880	**41,148**	2,281

17. INTANGIBLE ASSETS (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(d) Computer software (cont'd.)				
Accumulated amortisation				
At beginning of the financial year	**4,497**	4,284	**2,281**	2,281
Transfer from property, plant and equipment	**19,534**	-	**19,534**	-
Acquisition of subsidiary	**1,570**	-	**-**	-
Amortisation (Note 33)	**4,305**	213	**4,030**	-
At end of the financial year	**29,906**	4,497	**25,845**	2,281
Net carrying amount	**16,548**	383	**15,303**	-
(e) Trading and clearing rights for derivatives broking				
Cost				
At beginning/end of the financial year	**416**	416	**-**	-

(f) Impairment test on intangible assets

The intangible assets consist of:

Goodwill

Goodwill has been allocated to the following CGUs:

	Group	
	2019 RM'000	2018 RM'000
Stockbroking	**147,459**	147,459
Investment banking*	**55,651**	37,101
Treasury*	**-**	18,550
Investment management	**40,644**	5,644
	243,754	208,754

* *In order to better align with the business segment of the KIBB Group, the Group's former treasury CGU have been merged into one single investment banking CGU during the financial year.*

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17. INTANGIBLE ASSETS (CONT'D.)

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

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.

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 an indefinite useful life and an annual impairment review has been carried out on all the intangible assets with an indefinite useful life in accordance with MFRS 136 *Impairment of Assets* and MFRS 138 *Intangible Assets*.

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 7.06% (2018: 8.06%) per annum.

17. INTANGIBLE ASSETS (CONT'D.)

(g) 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.

18. RIGHT-OF-USE ASSETS

Group	Building RM'000	Equipment RM'000	Total RM'000
2019			
Cost			
Effect of adoption of MFRS 16:			
At 1 January 2019	24,445	290	24,735
Acquisition of a subsidiary	73	-	73
Additions	9,664	-	9,664
Derecognition	(29)	-	(29)
At 31 December 2019	34,153	290	34,443
Accumulated amortisation			
At 1 January 2019	-	-	-
Acquisition of a subsidiary	18	-	18
Amortisation for the financial year (Note 33)	9,588	210	9,798
Derecognition	(29)	-	(29)
At 31 December 2019	9,577	210	9,787
Net carrying amount			
At 31 December 2019	24,576	80	24,656

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

Bank	Building/ total RM'000
2019	
Cost	
Effect of adoption of MFRS 16:	
At 1 January 2019	**23,843**
Additions	**8,795**
Derecognition	**(29)**
At 31 December 2019	**32,609**
Accumulated depreciation	
At 1 January 2019	**-**
Amortisation for the financial year (Note 33)	**8,893**
Derecognition	**(29)**
At 31 December 2019	**8,864**
Net carrying amount	
At 31 December 2019	**23,745**

Lease Liabilities

	Group	Bank
	2019 RM'000	2019 RM'000
As at 1 January- effect of adoption of MFRS 16	**23,047**	22,157
Acquisition of assets and liabilities of LIB	**56**	-
Addition	**9,695**	7,167
Accretion of interest	**1,236**	1,177
Payments	**(9,576)**	(7,036)
Derecognition	**(29)**	(29)
As at 31 December	**24,429**	23,436

The maturity analysis of lease liabilities are disclosed as below:

	Group	Bank
	2019 RM	2019 RM
Within 1 year	**16,961**	16,727
Between one and five years	**7,468**	6,709
	24,429	23,436

19. DEFERRED TAXATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	**6,532**	10,107	**3,666**	7,980
Acquisition of a subsidiary (Note 13(ii))	**(133)**	-	**-**	-
Recognised in profit or loss (Note 40)	**(1,504)**	(1,668)	**(1,693)**	(2,407)
Recognised in other comprehensive income	**(2,630)**	(1,907)	**(2,630)**	(1,907)
At end of the financial year	**2,265**	6,532	**(657)**	3,666
Deferred tax assets	**2,955**	6,532	**-**	3,666
Deferred tax liabilities	**(690)**	-	**(657)**	-
	2,265	6,532	**(657)**	3,666

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	**17,290**	12,986	**14,159**	9,900
Deferred tax liabilities	**(15,025)**	(6,454)	**(14,816)**	(6,234)
	2,265	6,532	**(657)**	3,666

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	Right-of-use asset RM'000	Total RM'000
At 1 January 2019	**-**	**(6,454)**	**-**	**(6,454)**
Acquisition of a subsidiary (Note 13(ii))	**-**	**(133)**	**-**	**(133)**
Recognised in profit or loss	**-**	**578**	**(5,699)**	**(5,121)**
Recognised in other comprehensive income	**(3,317)**	**-**	**-**	**(3,317)**
At 31 December 2019	**(3,317)**	**(6,009)**	**(5,699)**	**(15,025)**
At 1 January 2018	-	(5,947)	-	(5,947)
Recognised in profit or loss	-	(507)	-	(507)
At 31 December 2018	-	(6,454)	-	(6,454)

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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:

2019	Fair value reserve RM'000	Impairment allowance and provisions RM'000	Unabsorbed capital allowances and tax losses RM'000	Lease liabilities RM'000	Total RM'000
At 1 January 2019	**(535)**	**12,458**	**1,063**	**-**	**12,986**
Recognised in profit or loss	**-**	**(2,152)**	**144**	**5,625**	**3,617**
Recognised in other comprehensive income	**687**	**-**	**-**	**-**	**687**
At 31 December 2019	**152**	**10,306**	**1,207**	**5,625**	**17,290**
At 1 January 2018	1,372	14,215	467	-	16,054
Recognised in profit or loss	-	(1,757)	596	-	(1,161)
Recognised in other comprehensive income	(1,907)	-	-	-	(1,907)
At 31 December 2018	(535)	12,458	1,063	-	12,986

Deferred tax liabilities of the Bank:

	Fair value reserve RM'000	Excess capital allowances over depreciation	Right-of-use assets	Total RM'000
At 1 January 2019	**-**	**(6,234)**	**-**	**(6,234)**
Recognised in profit or loss	**-**	**434**	**(5,699)**	**(5,265)**
Recognised in other comprehensive income	**(3,317)**	**-**	**-**	**(3,317)**
At 31 December 2019	**(3,317)**	**(5,800)**	**(5,699)**	**(14,816)**
At 1 January 2018	-	(5,649)	-	(5,649)
Recognised in profit or loss	-	(585)	-	(585)
At 31 December 2018	-	(6,234)	-	(6,234)

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	Impairment allowance and provisions RM'000	Lease liabilities RM'000	Total RM'000
At 1 January 2019	**(687)**	**10,587**	**-**	**9,900**
Recognised in profit or loss	**-**	**(2,053)**	**5,625**	**3,572**
Recognised in other comprehensive income	**687**	**-**	**-**	**687**
At 31 December 2019	**-**	**8,534**	**5,625**	**14,159**
At 1 January 2018	1,220	12,409	-	13,629
Recognised in profit or loss	-	(1,822)	-	(1,822)
Recognised in other comprehensive income	(1,907)	-	-	(1,907)
At 31 December 2018	(687)	10,587	-	9,900

Deferred tax assets have not been recognised in respect of the following items:

	Group 2019 RM'000	Group 2018 RM'000
Unutilised tax losses carried forward	**5,650**	3,878
Unutilised capital allowances carried forward	**1,761**	1,730
	7,411	5,608

The Public Ruling No.6/2016 *Group Relief for Companies* states that the provision of group relief allows a company in a group to surrender not more than 70% of its adjusted losses in the basis period for a year of assessment to one or more related companies within the same group. The Bank's subsidiaries' have surrendered tax losses amounting to a total of RM2,047,860 to the Bank for set-off against the aggregate income for year of tax assessment 2018.

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20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed term deposits	**3,282,087**	3,645,634	**3,312,129**	3,683,800
Short term money deposits	**657,880**	782,435	**681,696**	795,578
Negotiable instruments of deposits	**54,160**	45,789	**54,160**	46,164
Call money deposits	**71,367**	88,246	**71,367**	88,246
	4,065,494	4,562,104	**4,119,352**	4,613,788
(i) The maturity structure is as follows:				
Due within six months	**2,911,025**	3,332,226	**2,964,883**	3,383,910
Six months to one year	**727,267**	1,014,878	**727,267**	1,014,878
More than one year	**427,202**	215,000	**427,202**	215,000
	4,065,494	4,562,104	**4,119,352**	4,613,788
(ii) The deposits are from the following types of customers:				
Government and statutory bodies	**786,494**	972,649	**786,494**	972,649
Individuals	**124,805**	125,692	**124,805**	125,692
Business enterprises	**776,876**	1,076,432	**776,876**	1,076,432
Non-bank financial institutions	**2,265,852**	2,315,172	**2,265,852**	2,315,172
Subsidiaries and related companies	**111,467**	72,159	**165,325**	123,843
	4,065,494	4,562,104	**4,119,352**	4,613,788

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2019 RM'000	2018 RM'000
Licensed investment banks	**50,000**	50,000
Other financial institutions	**600,718**	45,016
	650,718	95,016

22. BALANCES DUE TO CLIENTS AND BROKERS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balances due to clients and brokers	**537,393**	481,932	**304,880**	221,083

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 (2018: 1 to 3 trading days) term.

23. DERIVATIVE FINANCIAL LIABILITIES

	Group and Bank	
	2019 RM'000	2018 RM'000
At fair value		
Dual currency investment - Options	**14**	111
Equity related contracts - Options	**13,402**	12,559
Equity related contract - Swaps	**-**	23
	13,416	12,693
Contract/notional amount		
Dual currency investment - Options	**4,509**	13,636
Equity related contracts - Options	**72,413**	122,122
Equity related contract - Swaps	**-**	5,900
	76,922	141,658

The contractual or underlying notional amounts of derivative financial liabilities held at fair value through profit or loss reflect the value of transactions outstanding as at reporting date, and do not represent amounts at risk.

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24. OTHER LIABILITIES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Interest/income payable		**35,878**	35,902	**35,375**	35,563
Retention for contra losses		**17**	487	**17**	487
Structured products		**5,399**	37,222	**5,399**	37,222
Treasury trade payables		**49,842**	19,458	**49,842**	19,458
Accruals and provisions	(i)	**70,989**	64,374	**35,484**	37,871
Amount held in trust on behalf of:					
- Dealer's representative		**60,201**	62,544	**60,201**	62,544
Securities borrowing and lending		**3,040**	-	**3,040**	-
Deposits and other creditors		**84,975**	67,929	**79,400**	64,476
Amount due to trustee		**12,611**	20,806	**-**	-
Amount due to subsidiaries		**-**	-	**268**	459
		322,952	308,722	**269,026**	258,080

(i) Included in accruals and provisions, the movements in the provisions are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
As at 1 January	**17,163**	22,993	**12,932**	19,423
Provision made, net	**16,320**	14,090	**11,681**	9,312
Utilisation	**(14,859)**	(19,920)	**(9,809)**	(15,803)
As at 31 December	**18,624**	17,163	**14,804**	12,932

The nature of the provisions made above are for provision for annual leave, bonus, potential liabilities and directors' fee.

25. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Financial investments at FVOCI (Note 7)	**-**	83,067
	-	83,067

26. BORROWINGS

		Group		Bank	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Short term borrowings					
Secured:					
Revolving bank loan	(a)	**41,600**	52,800	**41,600**	52,800
Unsecured:					
Revolving bank loans	(b)	**30,000**	41,500	**-**	-
Subordinated notes	(c)	**25,000**	25,000	**25,000**	25,000
		96,600	119,300	**66,600**	77,800

(a) The revolving bank loan amounting to RM41.6 million (2018: RM52.8 million) bear interest of 0.5% (2018: 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 fund (2018: 1.50% to 2.00% over cost of fund) 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 (2018: 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 2019 are as follows:

Issue date	Tranches	RM'000	Rate (p.a.)	Tenure
20 April 2017	1	5,000	6.25%	10 years (non-callable 5 years)
29 January 2018	2	10,000	6.60%	
18 September 2018	3	10,000	6.40%	
		25,000		

27. SHARE CAPITAL

	Group and Bank			
	Number of Ordinary Shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**722,741**	722,547	**246,249**	246,137
Issuance of shares pursuant to ESS exercise	**-**	194	**-**	112
At 31 December	**722,741**	722,741	**246,249**	246,249

Treasury shares

	Group and Bank			
	Number of Ordinary Shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
At 1 January	**23,744**	-	**16,808**	-
Share buy back	**310**	23,744	**182**	16,808
At 31 December	**24,054**	23,744	**16,990**	16,808

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 30 May 2019, 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 310,000 (2018: 23,743,900) ordinary shares, at an average price of RM0.5786 (2018:RM0.7046) from the open market. The share buy-back transactions were financed by internally generated funds. As at 31 December 2019, the total number of shares bought was 24,053,900 and were held as treasury shares in accordance with the provisions of Section 127 of the Companies Act, 2016. Accordingly the adjusted issued and paid-up share capital of the Company (excluding 24,053,900 treasury shares) as at 31 December 2019 was RM229,258,908 (2018: RM229,439,987) comprising 698,687,499 (2018: 698,997,499) shares.

28. RESERVES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Non-distributable:					
Capital reserve		**88,938**	88,938	**153,863**	153,863
Fair value reserve	(a)	**6,488**	(4,120)	**10,505**	2,175
Exchange reserve	(b)	**17,789**	18,783	**-**	-
Regulatory reserve	(c)	**25,444**	25,488	**25,444**	25,488
ESS reserve		**4,560**	2,588	**4,560**	2,588
		143,219	131,677	**194,372**	184,114
Distributable:					
Retained profits		**531,811**	509,888	**532,338**	513,675
		675,030	641,565	**726,710**	697,789

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 company.

(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.

29. OPERATING REVENUE

Revenue of the Bank comprises all types of revenue derived from brokerage, lending, treasury, investment and 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.

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30. INTEREST INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
Loans, advances and financing				
- Interest income other than from recoveries from impaired loans	**137,948**	150,508	**134,035**	144,342
Money at call and deposit placements with financial institutions	**50,794**	52,617	**46,971**	49,865
Financial investments measured at FVOCI	**35,857**	37,299	**35,857**	37,299
Financial investments at amortised cost	**4,159**	4,020	**4,159**	4,020
Others	**15,394**	16,407	**15,379**	16,395
	244,152	260,851	**236,401**	251,921

31. INTEREST EXPENSE

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits from customers	**144,968**	165,143	**148,309**	166,767
Deposits and placements from banks and other financial institutions	**4,701**	2,227	**4,701**	2,227
Borrowings	**5,848**	6,549	**3,630**	3,677
Lease interest expense	**1,236**	-	**1,177**	-
Others	**1,978**	3,932	**5,079**	3,932
	158,731	177,851	**162,896**	176,603

32. OTHER OPERATING INCOME

		Group		Bank	
		2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000 Restated
(a)	Fee income:				
	Brokerage fees	**144,453**	172,253	**144,900**	172,253
	Corporate advisory fees	**12,671**	9,518	**12,788**	9,558
	Processing fees on loans, advances and financing	**4,021**	6,285	**3,335**	5,074
	Underwriting commission	**1,241**	1,491	**1,241**	1,491
	Placement fees	**9,002**	13,782	**8,100**	12,183
	Commissions	**6,890**	6,998	**-**	-
	Management fee income	**82,755**	55,991	**1,445**	525
	Other fee income	**14,653**	12,753	**6,902**	8,076
	Other	**1,679**	2,243	**582**	1,303
		277,365	281,314	**179,293**	210,463
(b)	Investment and trading income:				
	Net gain from sale of financial assets at fair value through profit or loss and derivatives	**55,590**	35,597	**55,590**	35,597
	Unrealised (loss)/gain revaluation of financial assets at fair value through profit or loss and derivatives	**(17,264)**	14,704	**(19,696)**	15,394
	Net gain from sale of financial investments at FVOCI	**10,827**	1,728	**10,827**	1,728
	Gross dividend income from:				
	- Financial assets at fair value through profit or loss	**1,064**	1,012	**923**	808
	- Financial investments at FVOCI	**320**	290	**320**	290
	Interest Income from financial assets at FVTPL	**2,137**	5,386	**2,137**	5,386
		52,674	58,717	**50,101**	59,203
(c)	Other income:				
	Foreign exchange gain, net	**6,800**	5,602	**6,825**	5,618
	Gain on disposal of property, plant and equipment	**23**	93	**23**	93
	Other operating income	**1,004**	1,253	**1,474**	1,547
	Other non-operating income				
	- Rental income	**2,828**	2,689	**4,658**	4,392
	- Others	**5,934**	3,618	**5,539**	3,371
		16,589	13,255	**18,519**	15,021
	Total other operating income	**346,628**	353,286	**247,913**	284,687

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33. OTHER OPERATING EXPENSES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs				
- Salaries, allowances and bonuses	**143,504**	127,467	**111,093**	99,099
- EPF	**18,006**	17,147	**14,309**	13,374
- ESS	**1,972**	2,605	**1,733**	2,319
- Others	**21,621**	19,560	**12,936**	11,878
	185,103	166,779	**140,071**	126,670
Establishment costs				
- Depreciation of property, plant and equipment (Note 16)	**10,724**	13,843	**10,046**	13,342
- Amortisation of intangible assets (Note 17(d))	**4,305**	213	**4,030**	-
- Amortisation of right-of-use assets* (Note 18)	**9,769**	-	**8,864**	-
- Rental of premises:*				
- Current year	**730**	9,441	**463**	8,642
- Over accrual in prior year	**(1,617)**	-	**(1,617)**	-
- Rental of equipment*	**469**	645	**306**	282
- Repairs and maintenance	**5,691**	3,957	**3,879**	3,079
- Information technology expenses	**12,630**	10,267	**12,537**	10,184
- Others	**6,653**	6,665	**3,624**	3,874
	49,354	45,031	**42,132**	39,403

* *Rental expense is now reclassified as amortisation of right-of-use assets. Please refer to Note 2.1 (a) of changes in accounting policies and regulatory requirements.*

33. OTHER OPERATING EXPENSES (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Marketing expenses				
- Promotion and advertisement	**10,587**	7,628	**4,591**	5,219
- Travel and entertainment	**4,600**	6,145	**2,687**	3,226
- Others	**759**	1,163	**637**	1,091
	15,946	14,936	**7,915**	9,536
Administration and general expenses				
- Communication expenses	**5,210**	4,636	**4,462**	4,015
- Regulatory charges	**21,760**	21,384	**19,563**	19,563
- Printing and stationery	**1,502**	1,560	**973**	1,022
- Administrative expenses	**13,415**	14,420	**11,470**	12,779
- Professional fees and legal fees	**4,741**	4,177	**4,189**	3,704
- Fees and brokerage	**121,156**	127,761	**84,346**	102,386
	167,784	173,938	**125,003**	143,469
Total other operating expenses	**418,187**	400,684	**315,121**	319,078
Included in the other operating expenses are the following:				
Auditors' remuneration				
- Statutory audit	**523**	462	**335**	300
- Assurance related	**60**	61	**60**	61
- Other services	**208**	215	**81**	116
Directors' remuneration (Note 39)	**4,178**	4,023	**3,916**	3,826
Property, plant and equipment written off (Note 16)	**37**	7	**37**	5

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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) Movement in ECLs on debt instruments, loan commitments and loans, advances and financing:

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debts instruments at FVOCI (Note 7(a))	**189**	**-**	**-**	**189**
Debts instruments at amortised cost (Note 7(b))	**-**	**522**	**-**	**522**
Loans, advances and financing (Note 9.2)	**(345)**	**-**	**14,104**	**13,759**
Loan commitments (Note 9.2(d))	**(69)**	**-**	**-**	**(69)**
Credit loss (expenses)/reversal	**(225)**	**522**	**14,104**	**14,401**

2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debts instruments at FVOCI (Note 7(a))	(208)	-	-	(208)
Debts instruments at amortised cost (Note 7(b))	64	92	-	156
Loans, advances and financing (Note 9.2)	485	(8,847)	(21,211)	(29,573)
Loan commitments (Note 9.2(d))	(47)	-	-	(47)
Credit reversal/(expenses)	294	(8,755)	(21,211)	(29,672)

(b) Movement in ECLs on other financial assets:

2019	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
Balances due from clients and brokers (Note 10.1)	**1**	**797**	**798**
Other debtors (Note 11.1)	**(1,207)**	**1,224**	**17**
Credit loss (expenses)/reversal	**(1,206)**	**2,021**	**815**

2018	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
Balances due from clients and brokers (Note 10.1)	(1)	(34)	(35)
Other debtors (Note 11.1)	(96)	(20)	(116)
Credit loss (expenses)/reversal	(97)	(54)	(151)

34. CREDIT LOSS REVERSAL/(EXPENSES) (CONT'D.)

Bank

(a) Movement in ECLs on debt instruments, loan commitments and loans, advances and financing:

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debts instruments at FVOCI (Note 7(a))	**189**	**-**	**-**	**189**
Debts instruments at amortised cost (Note 7(b))	**-**	**522**	**-**	**522**
Loans, advances and financing (Note 9.2)	**(910)**	**-**	**14,039**	**13,129**
Loan commitments (Note 9.2(d))	**(54)**	**-**	**-**	**(54)**
Amount due from subsidiaries	**(304)**	**-**	**-**	**(304)**
Credit loss (expenses)/reversal	**(1,079)**	**522**	**14,039**	**13,482**

2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debts instruments at FVOCI (Note 7(a))	(208)	-	-	(208)
Debts instruments at amortised cost (Note 7(b))	64	92	-	156
Loans, advances and financing (Note 9.2)	519	(8,847)	(21,253)	(29,581)
Loan commitments (Note 9.2(d))	(47)	-	-	(47)
Credit loss reversal/(expenses)	328	(8,755)	(21,253)	(29,680)

(b) Movement in ECLs on other financial assets:

2019	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
Balances due from clients and brokers (Note 10.1)	**1**	**797**	**798**
Other debtors (Note 11.1)	**(1,207)**	**(147)**	**(1,354)**
Credit loss (expenses)/reversal	**(1,206)**	**650**	**(556)**

2018	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
Balances due from clients and brokers (Note 10.1)	(1)	(34)	(35)
Other debtors (Note 11.1)	(96)	(37)	(133)
Credit loss (expenses)/reversal	(97)	(71)	(168)

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35. BAD DEBTS RECOVERED/(WRITTEN OFF)

	Group and Bank	
	2019 RM'000	2018 RM'000
- Loans, advances and financing	**3,534**	13,730
- Balances due from clients and brokers	**196**	185
- Other debtors	**(266)**	(55)
	3,464	13,860

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Transactions				
Income earned:				
Brokerage fees:				
- Key management personnel	**-**	1	**-**	1
- Related company	**895**	325	**895**	325
Corporate advisory fees:				
- Subsidiaries	**-**	-	**117**	66
Processing fees on loans, advances and financing:				
- Subsidiaries	**-**	-	**250**	349
Management fee income:				
- Subsidiary	**-**	-	**92**	17
Other income:				
- Subsidiary	**-**	-	**216**	128
- Related company	**302**	313	**302**	313
Interest on loans, advances and financing:				
- Subsidiaries	**-**	-	**4,146**	4,282
Group support services charged:				
- Subsidiaries	**-**	-	**5,221**	4,992

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Transactions (cont'd.)				
Income earned (cont'd.):				
Rental of premises:				
- Subsidiaries	**-**	-	**1,944**	1,887
- Related company	**348**	247	**348**	247
Service charge:				
- Subsidiary	**-**	-	**267**	294
Expenditure incurred:				
Interest on deposits and placements:				
- Subsidiaries	**-**	-	**1,901**	1,624
- Key management personnel	**21**	25	**21**	25
- Other related company	**2,882**	2,185	**2,882**	2,185
- Other related party	**1,135**	4,640	**1,135**	4,640
Group support services incurred:				
- Subsidiary	**-**	-	**3,101**	1,717
Staff training cost:				
- Subsidiaries	**-**	-	**147**	121
Direct placement cost				
- Subsidiary	**-**	-	**902**	1,600
Incentive fees - management fees income (WM)				
- Subsidiary	**-**	-	**4,194**	3,496
Incentive fees - agent (Kenwealth)				
- Subsidiary	**-**	-	**2,785**	927
Service charge:				
- Subsidiary	**-**	-	**1,790**	256

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36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Transactions (cont'd.)				
Balances				
Amount due from:				
Loans, advances and financing:				
- Subsidiaries	**-**	-	**72,000**	33,000
Commitment receivable:				
- Subsidiaries	**-**	-	**17**	29
Amount due to:				
Deposits and placements:				
- Subsidiaries (Note 20)	**-**	-	**53,859**	51,684
- Related company (Note 20)	**51,466**	72,159	**51,466**	72,159
- Other related party	**33,000**	151,000	**33,000**	151,000
- Key management personnel	**190**	722	**190**	722
Balances due to clients and brokers:				
- Key management personnel	**323**	385	**323**	385
Interest receivable on loan, advances and financing:				
- Subsidiaries	**-**	-	**499**	308
Interest payable on deposits:				
- Subsidiaries	**-**	-	**106**	69
- Related company	**151**	210	**151**	210
- Other related party	**17**	159	**17**	159
Deposit for Index trading	**-**	-	**548**	-

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 Venture

Details of the joint venture are disclosed in Note 15.

(iv) Other related parties

Name	Relationship
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

	Group and Bank	
	2019 RM'000	**2018 RM'000**
Outstanding credit exposures with connected parties	**171,387**	164,104
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	**5.06%**	4.97%
- 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, which became effective on 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group Managing Director				
- Short term employee benefits	**2,246**	3,036	**2,246**	3,036
- Post-employment benefits: EPF	**345**	438	**345**	438
Senior Management				
- Short term employee benefits	**14,287**	14,530	**10,659**	11,398
- Post-employment benefits: EPF	**2,180**	2,246	**1,629**	1,759
	19,058	20,250	**14,879**	16,631

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Bank:				
Non-executive directors' remuneration:				
- Fees	**3,479**	3,365	**3,265**	3,185
- Other remuneration, including meeting allowance	**596**	569	**548**	552
Total directors' remuneration	**4,075**	3,934	**3,813**	3,737
Estimated money value of benefits-in-kind	**103**	89	**103**	89
Total for directors of the Bank (Note 33)	**4,178**	4,023	**3,916**	3,826

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

	Remuneration received from the Group				
	Fees RM'000	Salaries RM'000	Other emolument RM'000	Benefits-in-kind RM'000	Group Total RM'000
31 December 2019					
Non-Executive Directors:					
Izlan Bin Izhab	**510**	**-**	**56**	**84**	**650**
Datuk Syed Ahmad Alwee Alsree	**510**	**-**	**68**	**19**	**597**
Dato' Richard Alexander John Curtis	**310**	**-**	**48**	**-**	**358**
Luigi Fortunato Ghirardello	**390**	**-**	**78**	**-**	**468**
Ismail Harith Merican	**300**	**-**	**40**	**-**	**340**
Luk Wai Hong, William	**389**	**-**	**86**	**-**	**475**
Jeremy Bin Nasrulhaq	**350**	**-**	**70**	**-**	**420**
Norazian Binti Ahmad Tajuddin	**376**	**-**	**84**	**-**	**460**
Kanagaraj Lorenz	**344**	**-**	**66**	**-**	**410**
Total Directors' remuneration	**3,479**	**-**	**596**	**103**	**4,178**

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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	Salaries RM'000	Other emolument RM'000	Benefits-in-kind RM'000	Group Total RM'000
31 December 2018					
Non-Executive Directors:					
Izlan Bin Izhab	518	-	59	57	634
Datuk Syed Ahmad Alwee Alsree	510	-	47	32	589
Dato' Richard Alexander John Curtis	293	-	54	-	347
Luigi Fortunato Ghirardello	387	-	83	-	470
Ismail Harith Merican	300	-	54	-	354
Luk Wai Hong, William	380	-	84	-	464
Jeremy Bin Nasrulhaq	347	-	70	-	417
Norazian Binti Ahmad Tajuddin	315	-	62	-	377
Kanagaraj Lorenz	315	-	56	-	371
Total Directors' remuneration	3,365	-	569	89	4,023

40. TAXATION AND ZAKAT

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:				
Tax expense for the financial year	**14,345**	12,189	**11,695**	11,623
Under provision in prior years	**343**	2,668	**326**	846
	14,688	14,857	**12,021**	12,469
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	**75**	564	**265**	1,159
Over provision of deferred tax assets in prior years	**1,429**	1,104	**1,428**	1,248
	1,504	1,668	**1,693**	2,407
Zakat	**373**	415	**357**	340
Total income tax expense	**16,565**	16,940	**14,071**	15,216

Domestic income tax is calculated at the statutory tax rate of 24% (2018: 24%) on the estimated chargeable profit for the financial year.

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40. TAXATION AND ZAKAT (CONT'D.)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation and zakat	**42,951**	28,851	**40,376**	38,563
Taxation at Malaysian statutory income tax rate of 24% (2018: 24%)	**10,308**	6,924	**9,690**	9,255
Effect of income not subject to tax	**(688)**	(1,527)	**(405)**	(399)
Effect of expenses not deductible for tax purposes	**2,549**	4,671	**2,675**	3,926
Loss not deductible for tax purposes	**1,818**	3,083	**-**	-
Utilisation of previously unrecognised tax loss and unabsorbed capital allowances	**(110)**	(398)	**-**	-
Deferred tax asset not recognised on unutilised business losses	**525**	-	**-**	-
Deferred tax asset not recognised on unabsorbed capital allowances	**18**	-	**-**	-
Over provision of deferred tax assets in prior years	**1,429**	1,104	**1,428**	1,248
Under provision of income tax expense in prior years	**343**	2,668	**326**	846
Tax expense for the year	**16,192**	16,525	**13,714**	14,876
Zakat	**373**	415	**357**	340
Tax expense and zakat for the financial year	**16,565**	16,940	**14,071**	15,216

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	
	2019	**2018**
Profit for the financial year attributable to equity holders of the Bank (RM'000)	**26,386**	11,911
Weighted average number of ordinary shares in issue excluding treasury shares ('000)	**698,702**	713,185
Effects of dilution ('000)	**-**	1,566
Adjusted weighted average number of ordinary shares in issue ('000)	**698,702**	714,751
Earnings per share (sen)		
- basic	**3.78**	1.67
- fully diluted	**3.78**	1.67

Diluted earnings per share was the same as basic earnings per share as there were no dilutive potential ordinary shares during the financial year ended 31 December 2019.

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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 commitment and contingencies are as follows:

	Group		Bank	
	2019 Principal amount RM'000	2018 Principal amount RM'000	2019 Principal amount RM'000	2018 Principal amount RM'000
Commitments to extend credit with maturity of less than 1 year:				
- share margin financing	**1,892,577**	1,871,277	**1,892,577**	1,871,277
- foreign exchange related contracts	**30,356**	58,155	**30,356**	58,155
- equity exchange related contracts	**108,435**	105,036	**108,435**	105,036
Commitments to extend credit with maturity of more than 1 year:				
- equity exchange related contracts	**520**	2,113	**520**	2,113
Other commitments with an original maturity of less than 1 year:				
- corporate loans	**23,742**	25,551	**66,742**	102,551
Other commitments with an original maturity of more than 1 year:				
- corporate loans	**76,458**	97,854	**101,458**	127,854
Monies held in trust for client (Note 5)	**623,581**	689,222	**623,581**	689,222
Securities borrowing and lending	**2,705**	-	**2,705**	-
Derivative financial assets (Note 8):				
- dual currency investment - options	**4,509**	13,636	**4,509**	13,636
- equity related contracts - options	**66,528**	100,319	**66,528**	100,319
- equity related contracts - swap	**52,340**	14,771	**52,340**	14,771
- synthetic protected forward	**77,667**	-	**77,667**	-
Derivative financial liabilities (Note 23):				
- dual currency investment - options	**4,509**	13,636	**4,509**	13,636
- equity related contracts - options	**72,413**	122,122	**72,413**	122,122
- equity related contracts - swaps	**-**	5,900	**-**	5,900
Capital commitment:				
- Authorised and contracted for	**5,344**	1,112	**5,147**	1,095
Investment in equity funds	**-**	-	**17,854**	17,854
	3,041,684	3,120,704	**3,127,341**	3,245,541

43. CONTINGENT LIABILITIES

Group and Bank

	2019 RM'000
(a) 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 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 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 matter is fixed for case management on 6 March 2020 and the trial dates are from 19-22 April 2021.	**3,600**
(b) On 18 December 2019, the Bank was served with a sealed Writ of Summons and Statement of Claim filed by Opes Capital Berhad ("the Plaintiff"). The Plaintiff is alleging that, inter alia, the 1st Defendant (who was a dealer representative of KIBB) and another third (3rd) party had failed to purchase certain shares of a public listed company on its behalf upon transmitting a total of RM16,000,000, and had caused the Plaintiff to suffer losses. KIBB's solicitors are of the view that the claim against KIBB is without merit and KIBB will contest the claim in the court. The matter is fixed for case management on 11 March 2020 and the trial dates are from 26-29 July 2021.	**16,000**

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.

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44. OPERATING LEASE ARRANGEMENTS

Operating lease payments represent rentals payable for the use of office equipment and premises. A summary of the non-cancellable operating leases contracted for as at reporting date but not recognised as liabilities and sub-lease receipts expected to be received under non-cancellable sublease are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future minimum rental payable:				
Within one year	-	8,114	-	7,706
Between one and five years	-	6,372	-	6,171
	-	14,486	-	13,877

With effect from 1 January 2019 operating leases are recognised on balance sheet as right-of-use assets in accordance with MFRS 16 *Leases*. Please refer to Note 2.1 (a) of changes in accounting policies and regulatory requirements.

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future minimum sub lease receipts:				
Subsidiaries	-	-	**2,945**	2,945
External parties	**4,458**	4,458	**4,458**	4,458
	4,458	4,458	**7,403**	7,403

45. DIVIDEND

During the financial year, an interim single tier dividend of 1.10 sen (2018 final single tier dividend: 3.0 sen) per ordinary share on 698,687,499 ordinary shares (2018: 721,761,599 ordinary shares) in respect of the financial year ended 31 December 2018 (2018: financial year ended 31 December 2017), which amounted to RM7,685,562 (2018: RM21,652,848) was paid on 19 April 2019 (2018: paid on 31 May 2018).

Subsequent to financial year end, on 2 March 2020 the Directors declared an interim dividend in respect of the current financial year ended 31 December 2019 of 3.25 sen amounting to a dividend payable of approximately RM22,707,344. This is computed based on issued and paid-up capital as of 31 December 2019 of 698,687,499 ordinary shares (excluding 24,053,900 treasury shares).

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 2020.

46. OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross amounts of recognised financial asset/ liability RM'000	Gross amounts of recognised financial asset/ liability set off in the statements of financial position RM'000	Net amounts of recognised financial assets presented in the statements of financial position RM'000	Related accounts not set off in the statements of financial position: Financial instruments RM'000	Cash collateral received RM'000	Net amount RM'000
Group						
2019						
Balances due from clients and brokers (Note 10)	**672,622**	**(392,265)**	**280,357**	**(1,700,504)**	**(145,968)**	**-**
Balances due to clients and brokers (Note 22)	**1,234,537**	**(697,144)**	**537,393**	**-**	**-**	**537,393**
2018						
Balances due from clients and brokers (Note 10)	720,753	(424,430)	296,323	(2,520,360)	(128,111)	-
Balances due to clients and brokers (Note 22)	1,127,446	(645,514)	481,932	-	-	481,932
Bank						
2019						
Balances due from clients and brokers (Note 10)	**672,622**	**(392,265)**	**280,357**	**(1,700,504)**	**(145,968)**	**-**
Balances due to clients and brokers (Note 22)	**1,002,024**	**(697,144)**	**304,880**	**-**	**-**	**304,880**
2018						
Balances due from clients and brokers (Note 10)	720,753	(424,430)	296,323	(2,520,360)	(128,111)	-
Balances due to clients and brokers (Note 22)	866,597	(645,514)	221,083	-	-	221,083

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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 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 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 the Bank are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF"). 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 Bank are as follows:

	Group		Bank	
	2019	**2018**	**2019**	**2018**
Before deducting interim dividend*				
CET 1 capital ratio	**21.309%**	23.237%	**20.730%**	21.714%
Tier 1 capital ratio	**21.309%**	23.237%	**20.730%**	21.714%
Total capital ratio	**23.184%**	25.257%	**22.725%**	23.869%
After deducting interim dividend*				
CET 1 capital ratio	**20.289%**	22.750%	**19.655%**	21.190%
Tier 1 capital ratio	**20.289%**	22.750%	**19.655%**	21.190%
Total capital ratio	**22.164%**	24.769%	**21.650%**	23.346%

* *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.):

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET 1 capital/Tier 1 capital				
Paid-up share capital	**246,249**	246,249	**246,249**	246,249
Retained profits	**531,811**	509,888	**532,338**	513,675
Other reserves	**143,219**	131,677	**194,372**	184,114
Less: Goodwill	**(243,754)**	(208,754)	**(252,909)**	(252,909)
55% of cumulative gains on financial investments at FVOCI	**(3,568)**	-	**(5,777)**	(1,196)
Deferred tax assets	**(2,955)**	(6,532)	**-**	(3,666)
Other intangibles	**(73,633)**	(57,468)	**(67,803)**	(52,500)
Regulatory reserve	**(25,444)**	(25,488)	**(25,444)**	(25,488)
Treasury shares	**(16,990)**	(16,808)	**(16,990)**	(16,808)
Deduction in excess of Tier 2*	**(80,442)**	(72,885)	**(166,170)**	(156,462)
Total CET 1/Tier 1 capital	**474,493**	499,879	**437,866**	435,009
Tier 2 Capital				
Subordinated obligations capital	**25,000**	25,000	**25,000**	25,000
Collective allowance and regulatory reserve	**16,752**	18,447	**17,151**	18,180
Total Tier 2 capital	**41,752**	43,447	**42,151**	43,180
Total Capital	**516,245**	543,326	**480,017**	478,189

* *The portion of regulatory adjustments not deducted from Tier 2 (as the Group and the Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the 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:

	2019		2018	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
Group				
Credit risk	**5,116,298**	**1,340,143**	5,267,199	1,475,789
Market risk	**-**	**219,406**	-	59,609
Operational risk	**-**	**604,853**	-	586,419
Large exposure risk	**-**	**62,367**	-	29,385
Total Risk Weighted Assets	**5,116,298**	**2,226,769**	5,267,199	2,151,202
Bank				
Credit risk	**4,919,418**	**1,372,091**	4,980,663	1,454,395
Market risk	**-**	**204,614**	-	42,180
Operational risk	**-**	**473,201**	-	477,424
Large exposure risk	**-**	**62,367**	-	29,385
Total Risk Weighted Assets	**4,919,418**	**2,112,273**	4,980,663	2,003,384

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 the Bank are as follows:

Group	2019 Carrying amount RM'000	2019 Fair value RM'000	2018 Carrying amount RM'000	2018 Fair value RM'000
Financial assets				
Cash and bank balances	**2,063,057**	**2,063,057**	1,351,260	1,351,260
Financial assets at fair value through profit or loss ("FVTPL")	**328,680**	**328,680**	189,224	189,224
Financial investments at fair value through other comprehensive income ("FVOCI")	**795,081**	**795,081**	1,661,676	1,661,676
Financial investments at amortised cost ("AC")	**112,756**	**117,673**	121,256	125,156
Derivative financial assets	**65,174**	**65,174**	71,992	71,992
Loans, advances and financing	**2,064,674**	**2,064,990**	2,004,915	2,002,626
Balances due from clients and brokers	**280,357**	**280,357**	296,323	296,323
Other assets, excluding prepayments	**182,407**	**182,407**	157,207	157,207
Statutory deposit with Bank Negara Malaysia	**99,164**	**99,164**	116,619	116,619
Financial liabilities				
Deposits from customers	**4,065,494**	**4,065,494**	4,562,104	4,562,104
Deposits and placements of banks and other financial institutions	**650,718**	**650,718**	95,016	95,016
Balances due to clients and brokers	**537,393**	**537,393**	481,932	481,932
Derivative financial liabilities	**13,416**	**13,416**	12,693	12,693
Other liabilities, excluding deposits	**283,739**	**283,739**	260,541	260,541
Obligations on securities sold under repurchase agreements	**-**	**-**	83,067	83,067
Borrowings	**96,600**	**92,144**	119,300	114,409

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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 the Bank are as follows (cont'd.):

Bank	2019 Carrying amount RM'000	2019 Fair value RM'000	2018 Carrying amount RM'000	2018 Fair value RM'000
Financial assets				
Cash and bank balances	**1,877,150**	**1,877,150**	1,116,117	1,116,117
Financial assets at fair value through profit or loss	**326,560**	**326,560**	188,576	188,576
Financial investments at fair value through other comprehensive income	**795,081**	**795,081**	1,661,676	1,661,676
Financial investments at amortised cost	**112,756**	**112,756**	121,256	125,156
Derivative financial assets	**65,174**	**65,174**	71,992	71,992
Loans, advances and financing	**2,039,517**	**2,040,578**	1,975,765	1,973,758
Balances due from clients and brokers	**280,357**	**280,357**	296,323	296,323
Other assets, excluding prepayments	**104,793**	**104,793**	67,974	67,974
Statutory deposit with Bank Negara Malaysia	**99,164**	**99,164**	116,619	116,619
Financial liabilities				
Deposits from customers	**4,119,352**	**4,119,352**	4,613,788	4,613,788
Deposits and placements of banks and other financial institutions	**650,718**	**650,718**	95,016	95,016
Balances due to clients and brokers	**304,880**	**304,880**	221,083	221,083
Derivative financial liabilities	**13,416**	**13,416**	12,693	12,693
Other liabilities, excluding deposits	**233,633**	**233,633**	220,934	220,934
Obligations on securities sold under repurchase agreements	**-**	**-**	83,067	83,067
Borrowings	**66,600**	**62,148**	77,800	72,908

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, 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.

Derivative products valued using a valuation technique are valued using the Black-Scholes model for options and discounted cash flow techniques for swaps. The model incorporates various market and non-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 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 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.

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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 (cont'd.):

(vii) Borrowings

The fair values of borrowings approximate their carrying amounts as these are variable rate borrowings.

49. SEGMENTAL REPORTING

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure. The Group is organised into six major operating divisions. The division form the basis of which the Group reports its segment information.

(i) Investment banking - Investment banking business, treasury and related financial services;

(ii) Stockbroking - Dealings in securities and investment related services;

(iii) Futures broking - Futures broker business;

(iv) Money lending and financing - Money lending, Islamic factoring and leasing;

(v) Investment and wealth management - Management of funds and unit trusts; 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 venture company, Rakuten Trade Sdn Bhd.

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.

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:

2019	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Revenue								
External sales	276,469	247,901	10,669	9,345	97,289	9,150	-	650,823
- Interest income	216,191	55,828	3,779	8,060	3,355	10,685	-	297,898
- Fee income	26,196	154,243	6,890	1,285	93,008	430	-	282,052
- Trading and investment income	30,554	34,647	-	-	141	(1,985)	-	63,357
- Other operating income	3,528	3,183	-	-	785	20	-	7,516
Inter segment sales	1,550	714	1,073	-	3,611	747	(7,695)	-
Total revenue	278,019	248,615	11,742	9,345	100,900	9,897	(7,695)	650,823
Result								
Net income	84,082	236,601	10,836	5,366	100,976	12,420	(250)	450,031
Other operating expenses	(57,659)	(242,206)	(13,751)	(4,621)	(95,811)	(7,567)	3,428	(418,187)
Credit loss (expense)/reversal	(1,247)	14,878	-	88	-	665	832	15,216
Allowance for impairment on investment in an associate and subsidiaries	-	-	-	-	-	(293)	293	-
Bad debt (written off)/ recovered	(455)	241	-	-	-	3,678	-	3,464
Share of results in associates and a joint venture company	-	-	-	-	-	(7,573)	-	(7,573)
Profit/(loss) before taxation and zakat	24,721	9,514	(2,915)	833	5,165	1,330	4,303	42,951
Taxation and zakat								(16,565)
Net profit for the financial year								26,386

49. SEGMENTAL REPORTING (CONT'D.)

2019 (cont'd.)	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations RM'000	Total RM'000
Other information								
Net interest and finance income	25,106	40,595	3,975	3,292	3,204	7,537	4,593	88,302
Depreciation and amortisation	785	12,484	634	143	2,603	9,670	(1,521)	24,798
Non cash items								
- Unrealised (losses)/ gains on revaluation of financial assets at fair value through profit or loss and derivatives	(134)	(17,541)	-	-	2,432	(2,083)	-	(17,326)

2019	Investment banking and stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations RM'000	Total RM'000
Assets							
Investments in associate companies	-	-	-	-	64,642	-	64,642
Investment in a joint venture company	-	-	-	-	15,801	-	15,801
Addition to property, plant and equipment and intangible assets	12,994	18	12	35,820	-	-	48,844
Segment assets	6,416,106	81	104,156	141,884	286,879	(318,332)	6,630,774
Liabilities							
Segment liabilities	5,460,137	250,708	91,621	86,359	1,656	(163,996)	5,726,485

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:

2018	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations/ consolidation adjustments RM'000	Total RM'000
Revenue								
External sales	275,726	272,596	10,795	8,214	70,232	31,805	-	669,368
- Interest income	221,583	63,728	3,796	6,475	4,298	12,073	-	311,953
- Fee income	28,779	182,408	6,999	1,739	63,072	359	-	283,356
- Trading and investment income	22,222	23,531	-	-	2,385	19,355	-	67,493
- Other operating income	3,142	2,929	-	-	477	18	-	6,566
Inter segment sales	1,800	295	1,085	-	14,849	-	(18,029)	-
Total revenue	277,526	272,891	11,880	8,214	85,081	31,805	(18,029)	669,368
Result								
Net income	74,586	258,620	11,311	5,064	85,548	33,631	(16,714)	452,046
Other operating expenses	(52,216)	(242,317)	(14,067)	(4,566)	(85,522)	(13,019)	11,023	(400,684)
Credit loss income/(expense)	131	(30,187)	-	41	7	218	(33)	(29,823)
Allowance for impairment on investment in an associate and subsidiaries	-	-	-	-	-	(2,352)	2,352	-
Bad debt (written off)/ recovered	(50)	408	-	-	-	13,502	-	13,860
Share of results in associates and a joint venture company	-	-	-	-	-	(6,548)	-	(6,548)
Profit/(loss) before taxation and zakat	22,451	(13,476)	(2,756)	539	33	25,432	(3,372)	28,851
Taxation and zakat								(16,940)
Net profit for the financial year								11,911

49. SEGMENTAL REPORTING (CONT'D.)

2018 (cont'd.)	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations RM'000	Total RM'000
Other information								
Net interest and finance income	32,229	47,160	4,276	2,799	4,781	8,521	-	99,766
Depreciation and amortisation	668	5,304	101	34	626	7,323	-	14,056
Non cash items								
- Unrealised (losses)/gains on revaluation of financial assets at fair value through profit or loss and derivatives	(176)	(3,114)	-	-	-	18,930	(690)	14,950

2018	Investment banking and stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Eliminations RM'000	Total RM'000
Assets							
Investments in associate companies	-	-	-	-	58,809	-	58,809
Investment in a joint venture company	-	-	-	-	14,077	-	14,077
Addition to property, plant and equipment and intangible assets	9,500	73	63	715			10,351
Segment assets	6,300,720	297,326	80,604	83,221	16,753	(232,096)	6,546,528
Liabilities							
Segment liabilities	5,373,491	273,280	68,871	47,394	4,909	(92,423)	5,675,522

49. SEGMENTAL REPORTING (CONT'D.)

Notes

A Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment		
- Additions during the financial year (Note 16)	**9,143**	10,330
Intangible assets		
- Additions during the financial year (Note 17)	**39,701**	21
	48,844	10,351

B The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Investments in subsidiaries	**(94,942)**	(70,428)
Investments in associates and joint venture	**(16,536)**	(14,093)
Intangible assets	**(40,095)**	(40,095)
Inter-segment assets	**(166,759)**	(107,480)
	(318,332)	(232,096)

C The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Deposits accepted from subsidiaries	**(53,859)**	(51,684)
Inter-segment liabilities	**(110,137)**	(40,739)
	(163,996)	(92,423)

NOTES TO THE FINANCIAL STATEMENTS

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50. FINANCIAL RISK MANAGEMENT

The Group and the Bank adopt a proactive and continuous approach in managing risk and has established a risk management framework to ensure that adequate policies and processes are in place to identify and manage risk within defined policies and guidelines 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 Group Board Risk Committee and Board of Directors.

The Risk Management Division 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 individual 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.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment

For the purpose of determining the risk of default occurring, default is defined based on credit risk management practises.

Portfolio	Default
Loans, advances and financing	Declaration of event of default
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 - 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

In the context of the Group and 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-stage process which is intended to reflect the deterioration in credit quality of a financial instrument.

General approach

- Stage 1 covers 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 assets that have objective evidence of impairment at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

General approach (cont'd.)

Low Credit Risk

The Group and the Bank shall adopt practical expedients for its applicable portfolios as detailed in the table below:

Practical Expedient	Low Credit Risk
Applicable portfolio	Government and quasi-government bonds, commercial paper, interbank deposit placement/lending.
Criteria	• the financial instrument has a low risk of default; • the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and • adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations
Measurement	12-month ECL
Methodology	PD x LGD x EAD formula

Definition of 12-month ECL

12-month expected credit losses are a portion of the lifetime expected credit losses 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.

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 expected credit loss under general approach can be written in the formula below:

ECL = PD x LGD x EAD

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

General approach (cont'd.)

Key Components of ECL Measurement

Probability of Default (PD)

PD is an estimate of the likelihood of default over a given time horizon, in this case, 12 months. It is estimated as at a point in time. The calculation is based on 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 decides to adopt 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") rating is 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 credit rating band. Overall, both of 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 category 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).

Details on mapping of the Group's and the Bank's internal credit risk grades to 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 lender 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

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; factoring.
Criteria	• Contract assets without significant financing component • Trade receivables without a significant financing component
Measurement	Lifetime ECL
Methodology	Based on the 'age' of receivables i.e. aging bucket

Definition of Lifetime ECL

Lifetime expected credit losses are the losses that result from all possible default of events 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, aging bucket based on definition of default is established and incorporates the forward-looking element.

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 contact 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")

Significant increase in credit risk ("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 expected credit losses instead of the 12-month expected credit losses estimate.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

Significant increase in credit risk ("SICR") (cont'd.)

The indicators for significant increase in credit risk are established to facilitate the staging assessment (from stages 1 to 2) for portfolios that apply the general approach in the measurement of ECL. An asset moves from 12-month expected credit losses (stage 1) to lifetime expected credit losses (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 Bank takes 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 further deteriorates. It is also possible that an asset classified under stage 1 experiences drastic credit deterioration and requires to be transferred out to stage 3 directly. 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 cost
- Loans, advances and financing
- Balances due from clients and brokers
- Other receivables

The Group and the Bank group 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 grade
- Exposure value
- Collateral type
- Borrower's industry

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.)

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, has estimated relationships between macro-economic variables and credit risk and credit losses. These are 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.

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 (annual %)
Downturn (D)	<4.0%	>-15.0%
Normal (N)	4.0%-6.0%	>+15% or >-15%
Booming (B)	>6.0%	>+15%

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 assumptions used for the ECL estimates as at 31 December 2019 are set out below.

Economic Factor	Scenario	2019	2020	2021
GDP Growth Rate	1	N	N	N
	2	N	N	N
	3	D	D	N
KLCI Index	1	N	N	N
	2	N	N	N
	3	N	N	N

The assumptions used for the ECL estimates as at 31 December 2018 are set out below.

Economic Factor	Scenario	2018	2019	2020
GDP Growth Rate	1	D	N	B
	2	N	N	N
	3	N	D	D
KLCI Index	1	D	N	B
	2	N	N	N
	3	N	D	D

The weightings assigned to each state of economy as at 31 December 2019 were as follows:

	State of Economy	Weighting
All portfolios	B	10%
	N	60%
	D	30%

The weightings assigned to each state of economy as at 31 December 2018 were as follows:

	State of Economy	Weighting
All portfolios	B	30%
	N	50%
	D	20%

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Impairment assessment (cont'd.)

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 expected credit loss. The exercise of such judgement - together with any separately-calculated adjustments to model 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 judgments need to be properly documented and backed by reasonable and supportable information that is available without undue cost or effort.

II. Any expert judgment 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 judgment 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 expected credit loss due to data limitations;

  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 ("SCEL") 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.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2019

Group	Primary agriculture RM'000	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	-	-	-	-	-	-	2,063,057	-	-	2,063,057
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	99,164	-	-	99,164
Balances due from clients and brokers	-	-	-	-	-	-	-	154,600	125,757	280,357
Financial assets at FVTPL										
Unquoted shares and unit trust funds in Malaysia	-	-	-	-	-	-	-	-	135,114	135,114
Derivative financial assets	-	-	-	-	30,263	65	-	31,870	2,976	65,174
Net loans, advances and financing										
Term loans	-	-	-	35,885	37,566	-	-	36,058	392,371	501,880
Islamic term loans	-	-	-	-	-	-	-	20,057	142,074	162,131
Share margin financing	-	8,803	-	1,312	27,394	-	-	933,160	326,352	1,297,021
Islamic share margin financing	-	-	-	-	-	-	-	7,024	-	7,024
Others	-	-	-	5,286	30,478	7,708	9,539	17	43,590	96,618
Financial investments at FVOCI										
Malaysian Government Securities	-	-	-	-	-	-	30,550	-	-	30,550
Malaysian Government Investment Certificates	-	-	-	-	-	-	72,649	-	-	72,649
Islamic Negotiable Instruments of Deposits	-	-	-	-	-	-	59,550	-	-	59,550
Corporate Bonds	-	-	15,857	-	-	-	45,847	-	111,336	173,040
Islamic Corporate Sukuk	5,017	-	71,945	-	10,157	30,677	298,835	-	41,573	458,204
Unquoted equities	-	-	-	-	-	-	-	-	1,088	1,088
Financial investments at AC										
Corporate Bonds	-	-	-	-	-	-	20,030	-	-	20,030
Malaysian Government Investment Certificates	-	-	-	-	-	-	9,892	-	-	9,892
Islamic Corporate Sukuk	-	-	-	12,662	-	-	70,172	-	-	82,834
Other assets	-	-	-	-	-	-	-	-	182,407	182,407
	5,017	8,803	87,802	55,145	135,858	38,450	2,779,285	1,182,786	1,504,638	5,797,784

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2018

Group	Primary agriculture RM'000	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	-	-	-	-	-	-	1,351,260	-	-	1,351,260
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	116,619	-	-	116,619
Balances due from clients and brokers	-	-	-	-	-	-	-	99,305	197,018	296,323
Financial assets at FVTPL										
Islamic Corporate Bills	-	-	-	-	19,861	-	-	-	-	19,861
Unquoted shares and unit trust funds in Malaysia	-	-	-	-	-	-	131,725	-	-	131,725
Derivative financial assets	-	1	-	210	32,298	-	1	33,858	5,624	71,992
Net loans, advances and financing										
Term loans	-	-	-	20,959	23,025	-	-	-	343,305	387,289
Islamic term loans	-	-	-	-	-	-	-	25,079	141,039	166,118
Share margin financing	-	5,830	-	-	35,770	-	-	974,623	365,501	1,381,724
Islamic share margin financing	-	-	-	-	-	-	-	7,793	-	7,793
Others	-	-	-	9,964	17,399	-	15,047	70	19,511	61,991
Financial investments at FVOCI										
Malaysian Government Securities	-	-	-	-	-	-	40,182	-	-	40,182
Malaysian Government Investment Certificates	-	-	-	-	-	-	195,055	-	-	195,055
Negotiable Instruments of Deposits	-	-	-	-	-	-	50,000	-	-	50,000
Islamic Negotiable Instruments of Deposits	-	-	-	-	-	-	629,165	-	-	629,165
Corporate Bonds	-	-	-	-	-	-	-	-	160,667	160,667
Islamic Corporate Sukuk	4,998	-	105,924	-	44,786	74,650	220,180	-	134,315	584,853
Unquoted equities	-	-	-	-	-	-	-	-	1,754	1,754
Financial investments at AC										
Corporate Bonds	-	-	-	-	-	-	20,038	-	-	20,038
Malaysian Government Investment Certificates	-	-	-	-	-	-	9,876	-	-	9,876
Islamic Corporate Sukuk	-	-	15,000	21,140	-	-	34,995	-	20,207	91,342
Other assets	-	-	-	-	-	-	-	-	157,206	157,206
	4,998	5,831	120,924	52,273	173,139	74,650	2,814,143	1,140,728	1,546,147	5,932,833

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2019

Bank	Primary agriculture RM'000	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	-	-	-	-	-	-	1,877,150	-	-	1,877,150
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	99,164	-	-	99,164
Balances due from clients and brokers	-	-	-	-	-	-	-	154,600	125,757	280,357
Financial assets at FVTPL										
Unquoted shares and unit trust funds in Malaysia	-	-	-	-	-	-	-	-	132,994	132,994
Derivative financial assets	-	-	-	-	30,263	65	-	31,870	2,976	65,174
Net loans, advances and financing										
Term loans	-	-	-	35,885	37,566	-	56,311	36,058	407,504	573,324
Islamic term loans	-	-	-	-	-	-	-	20,057	142,074	162,131
Share margin financing	-	8,803	-	1,312	27,394	-	-	933,160	326,352	1,297,021
Islamic share margin financing	-	-	-	-	-	-	-	7,024	-	7,024
Others	-	-	-	-	-	-	-	17	-	17
Financial investments at FVOCI										
Malaysian Government Securities	-	-	-	-	-	-	30,550	-	-	30,550
Malaysian Government Investment Certificates	-	-	-	-	-	-	72,649	-	-	72,649
Islamic Negotiable Instruments of Deposits	-	-	-	-	-	-	59,550	-	-	59,550
Corporate Bonds	-	-	15,857	-	-	-	45,847	-	111,336	173,040
Islamic Corporate Sukuk	5,017	-	71,945	-	10,157	30,677	298,835	-	46,573	458,204
Unquoted equities	-	-	-	-	-	-	-	-	1,088	1,088
Financial investments at AC										
Corporate Bonds	-	-	-	-	-	-	20,030	-	-	20,030
Malaysian Government Investment Certificates	-	-	-	-	-	-	9,892	-	-	9,892
Islamic Corporate Sukuk	-	-	-	12,662	-	-	70,172	-	-	82,834
Other assets	-	-	-	-	-	-	-	-	104,793	104,793
	5,017	8,803	87,802	49,859	105,380	30,742	2,640,150	1,182,786	1,396,447	5,506,986

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Industry analysis as at 31 December 2018

Bank	Primary agriculture RM'000	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	-	-	-	-	-	-	1,116,117	-	-	1,116,117
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	116,619	-	-	116,619
Balances due from clients and brokers	-	-	-	-	-	-	-	99,305	197,018	296,323
Financial assets at FVTPL										
Islamic Corporate Bills	-	-	-	-	19,861	-	-	-	-	19,861
Unquoted shares and unit trust funds in Malaysia	-	-	-	-	-	-	131,077	-	-	131,077
Derivative financial assets	-	1	-	210	32,298	-	1	33,858	5,624	71,992
Net loans, advances and financing										
Term loans	-	-	-	20,959	23,025	-	22,741	121,301	232,044	420,070
Islamic term loans	-	-	-	-	-	-	-	25,079	141,039	166,118
Share margin financing	-	5,830	-	-	35,770	-	-	974,623	365,501	1,381,724
Islamic share margin financing	-	-	-	-	-	-	-	7,793	-	7,793
Others	-	-	-	-	-	-	-	60	-	60
Financial investments at FVOCI										
Malaysian Government Securities	-	-	-	-	-	-	40,182	-	-	40,182
Malaysian Government Investment Certificates	-	-	-	-	-	-	195,055	-	-	195,055
Negotiable Instruments of Deposits	-	-	-	-	-	-	50,000	-	-	50,000
Islamic Negotiable Instruments of Deposits	-	-	-	-	-	-	629,165	-	-	629,165
Corporate Bonds	-	-	-	-	-	-	-	-	160,667	160,667
Islamic Corporate Sukuk	4,998	-	105,924	-	44,786	74,650	220,180	-	134,315	584,853
Unquoted equities	-	-	-	-	-	-	-	-	1,754	1,754
Financial investments at AC										
Corporate Bonds	-	-	-	-	-	-	20,038	-	-	20,038
Malaysian Government Investment Certificates	-	-	-	-	-	-	9,876	-	-	9,876
Islamic Corporate Sukuk	-	-	15,000	21,140	-	-	34,995	-	20,207	91,342
Other assets	-	-	-	-	-	-	-	-	67,973	67,973
	4,998	5,831	120,924	42,309	155,740	74,650	2,586,046	1,262,019	1,326,142	5,578,659

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.

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(i) Internal Credit Risk Ratings

The table below provides a mapping of the Group's and the Bank's internal credit risk grades to external ratings:

Notches	KIBB Obligor Rating	External Rating	Classification of Credit Risk Grade	Description
1	AAA	AAA	Investment Grade	Superior capacity to meet its financial obligation.
2 3 4	AA1 AA2 AA3	AA		Strong capacity to meet its financial obligations. The entity is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
5 6 7	A1 A2 A3	A		Adequate capacity to meet its financial obligations. The entity is more susceptible to adverse changes in circumstances, economic and/or operating environments.
8 9 10	BBB1 BBB2 BBB3	BBB		Moderate capacity to meet its financial obligations. The entity is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
11 12 13	BB1 BB2 BB3	BB	Non-Investment Grade	Weak capacity to meet its financial obligations. The entity is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
14 15 16	B1 B2 B3	B		Very weak capacity to meet its financial obligations. The entity has a limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
17 18 19	C1 C2 C3	C		High likelihood of defaulting on its financial obligations. The entity is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations.
20	D	D	Default	Currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the entity that could jeopardize the payment of financial obligations.

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 fulfil, 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 but not past due nor impaired	Customers that have demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term. This rating broadly corresponds to ratings "BB" to "C" of RAM and MARC respectively.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Group	Neither past due nor impaired								
	Strong credit profile Stage 1 RM'000	Satisfactory risk Stage 1 RM'000	Sub-standard* Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2019									
Cash and bank balances	2,063,057	-	-	-	-	-	-	-	2,063,057
Statutory deposit with Bank Negara Malaysia	99,164	-	-	-	-	-	-	-	99,164
Financial assets at FVTPL									
Unquoted shares and unit trust funds in Malaysia	131,114	-	-	4,000	-	-	-	-	135,114
Net loans, advances and financing									
Term loans	3,840	297,037	158,876	-	42,794	-	-	(667)	501,880
Islamic term loans	-	128,971	33,805	-	-	-	-	(645)	162,131
Share margin financing	365,221	748,802	101,818	49,080	-	48,161	(16,061)	-	1,297,021
Islamic share margin financing	3	56	6,965	-	-	-	-	-	7,024
Others	26,598	67,854	2,149	17	-	716	(716)	-	96,618
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	30,550	-	-	-	-	-	-	-	30,550
Malaysian Government Investment Certificates	72,649	-	-	-	-	-	-	-	72,649
Islamic Corporate Sukuk	458,204	-	-	-	-	-	-	-	458,204
Corporate bonds	173,040	-	-	-	-	-	-	-	173,040
Islamic Negotiable Instruments of Deposits	59,550	-	-	-	-	-	-	-	59,550
Equity instrument:									
Unquoted equities	-	-	-	1,088	-	-	-	-	1,088
Financial investments at AC									
Corporate Bonds	20,030	-	-	-	-	-	-	-	20,030
Malaysian Government Investment Certificates	9,892	-	-	-	-	-	-	-	9,892
Islamic Corporate Sukuk	70,172	-	-	13,000	-	-	-	(338)	82,834
Derivative financial assets	-	-	-	65,174	-	-	-	-	65,174
Balances due from clients and brokers	274,815	-	-	-	-	19,199	(12,141)	(1,516)	280,357
Other assets	178,971	-	-	-	-	8,087	(4,471)	(180)	182,407
Total	4,036,870	1,242,720	303,613	132,359	42,794	76,163	(33,389)	(3,346)	5,797,784

* *Majority of the sub-standard rating profile credits are from share margin and structured loan financing portfolio in which the credit risks are mitigated with guarantor with acceptable financial strength and adequate collateral coverage. These accounts are monitored on a daily basis in terms of their ability in meeting the minimum security coverage requirements and appropriate actions such as force selling or indulgence are considered to manage the exceptions.*

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Group	Neither past due nor impaired								
	Strong credit profile Stage 1 RM'000	Satisfactory risk Stage 1 RM'000	Sub-standard* Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2018									
Cash and bank balances	1,351,260	-	-	-	-	-	-	-	1,351,260
Statutory deposit with Bank Negara Malaysia	116,619	-	-	-	-	-	-	-	116,619
Financial assets at FVTPL									
Islamic Corporate Bills	19,861	-	-	-	-	-	-	-	19,861
Unquoted shares and unit trust funds in Malaysia	131,725	-	-	-	-	-	-	-	131,725
Net loans, advances and financing									
Term loans	3,840	327,897	50,010	-	6,417	-	-	(875)	387,289
Islamic term loans	-	106,068	60,050	-	-	-	-	-	166,118
Share margin financing	442,927	709,011	111,708	59,477	30,417	58,284	(21,253)	(8,847)	1,381,724
Islamic share margin financing	-	43	7,750	-	-	-	-	-	7,793
Others	4,721	28,602	28,631	60	-	781	(781)	(23)	61,991
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	40,182	-	-	-	-	-	-	-	40,182
Malaysian Government Investment Certificates	195,055	-	-	-	-	-	-	-	195,055
Islamic Corporate Sukuk	584,853	-	-	-	-	-	-	-	584,853
Corporate bonds	160,667	-	-	-	-	-	-	-	160,667
Negotiable Instruments of Deposits	50,000	-	-	-	-	-	-	-	50,000
Islamic Negotiable Instruments of Deposits	629,165	-	-	-	-	-	-	-	629,165
Equity instrument:									
Unquoted equities	-	-	-	1,754	-	-	-	-	1,754
Financial investments at AC									
Corporate Bonds	20,038	-	-	-	-	-	-	-	20,038
Malaysian Government Investment Certificates	9,876	-	-	-	-	-	-	-	9,876
Islamic Corporate Sukuk	70,202	-	-	-	22,000	-	-	(860)	91,342
Derivative financial assets	-	-	-	71,992	-	-	-	-	71,992
Balances due from clients and brokers	-	297,840	-	-	-	12,938	(12,938)	(1,517)	296,323
Other assets	154,920	-	-	-	-	7,143	(4,597)	(259)	157,207
Total	3,985,911	1,469,461	258,149	133,283	58,834	79,146	(39,569)	(12,381)	5,932,834

* *Majority of the sub-standard rating profile credits are from share margin and structured loan financing portfolio in which the credit risks are mitigated with guarantor with acceptable financial strength and adequate collateral coverage. These accounts are monitored on a daily basis in terms of their ability in meeting the minimum security coverage requirements and appropriate actions such as force selling or indulgence are considered to manage the exceptions.*

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Bank	Neither past due nor impaired								
	Strong credit profile Stage 1 RM'000	Satisfactory risk Stage 1 RM'000	Sub-standard* Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2019									
Cash and bank balances	1,877,150	-	-	-	-	-	-	-	1,877,150
Statutory deposit with Bank Negara Malaysia	99,164	-	-	-	-	-	-	-	99,164
Financial assets at FVTPL									
Unquoted shares and unit trust funds in Malaysia	128,994	-	-	4,000	-	-	-	-	132,994
Net loans, advances and financing									
Term loans	3,840	369,535	158,876	-	42,794	-	-	(1,721)	573,324
Islamic term loans	-	128,971	33,805	-	-	-	-	(645)	162,131
Share margin financing	365,221	748,802	101,818	49,080	-	48,161	(16,061)	-	1,297,021
Islamic share margin financing	3	56	6,965	-	-	-	-	-	7,024
Others	-	-	-	17	-	-	-	-	17
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	30,550	-	-	-	-	-	-	-	30,550
Malaysian Government Investment Certificates	72,649	-	-	-	-	-	-	-	72,649
Islamic Corporate Sukuk	458,204	-	-	-	-	-	-	-	458,204
Corporate Bonds	173,040	-	-	-	-	-	-	-	173,040
Islamic Negotiable Instruments of Deposits	59,550	-	-	-	-	-	-	-	59,550
Equity instrument:									
Unquoted equities	-	-	-	1,088	-	-	-	-	1,088
Financial investments at AC									
Corporate Bonds	20,030	-	-	-	-	-	-	-	20,030
Malaysian Government Investment Certificates	9,892	-	-	-	-	-	-	-	9,892
Islamic Corporate Sukuk	70,172	-	-	13,000	-	-	-	(338)	82,834
Derivative financial assets	-	-	-	65,174	-	-	-	-	65,174
Balances due from clients and brokers	274,815	-	-	-	-	19,199	(12,141)	(1,516)	280,357
Other assets	101,661	-	-	-	-	8,087	(4,471)	(484)	104,793
Total	3,744,935	1,247,364	301,464	132,359	42,794	75,447	(32,673)	(4,704)	5,506,986

* *Majority of the sub-standard rating profile credits are from share margin and structured loan financing portfolio in which the credit risks are mitigated with guarantor with acceptable financial strength and adequate collateral coverage. These accounts are monitored on a daily basis in terms of their ability in meeting the minimum security coverage requirements and appropriate actions such as force selling or indulgence are considered to manage the exceptions.*

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality by class of financial assets (cont'd.)

Bank	Neither past due nor impaired: Strong credit profile Stage 1 RM'000	Neither past due nor impaired: Satisfactory risk Stage 1 RM'000	Neither past due nor impaired: Sub-standard* Stage 1 RM'000	Non rated Stage 1 RM'000	Stage 2 RM'000	Default/ impaired Stage 3 RM'000	ECL on individually impaired RM'000	ECL on collectively impaired RM'000	Total RM'000
31 December 2018									
Cash and bank balances	1,116,117	-	-	-	-	-	-	-	1,116,117
Statutory deposit with Bank Negara Malaysia	116,619	-	-	-	-	-	-	-	116,619
Financial assets at FVTPL									
Islamic Corporate Bills	19,861	-	-	-	-	-	-	-	19,861
Unquoted shares and unit trust funds in Malaysia	131,077	-	-	-	-	-	-	-	131,077
Net loans, advances and financing									
Term loans	3,840	361,205	50,010	-	6,417	-	-	(1,402)	420,070
Islamic term loans	-	106,068	60,050	-	-	-	-	-	166,118
Share margin financing	442,927	709,011	111,708	59,477	30,417	58,284	(21,253)	(8,847)	1,381,724
Islamic share margin financing	-	43	7,750	-	-	-	-	-	7,793
Others	-	-	-	60	-	-	-	-	60
Financial investments at FVOCI									
Debt instruments:									
Malaysian Government Securities	40,182	-	-	-	-	-	-	-	40,182
Malaysian Government Investment Certificates	195,055	-	-	-	-	-	-	-	195,055
Islamic Corporate Sukuk	584,853	-	-	-	-	-	-	-	584,853
Corporate Bonds	160,667	-	-	-	-	-	-	-	160,667
Negotiable Instruments of Deposits	50,000	-	-	-	-	-	-	-	50,000
Islamic Negotiable Instruments of Deposits	629,165	-	-	-	-	-	-	-	629,165
Equity instrument:									
Unquoted equities	-	-	-	1,754	-	-	-	-	1,754
Financial investments at AC									
Corporate Bonds	20,038	-	-	-	-	-	-	-	20,038
Malaysian Government Investment Certificates	9,876	-	-	-	-	-	-	-	9,876
Islamic Corporate Sukuk	70,202	-	-	-	22,000	-	-	(860)	91,342
Derivative financial assets	-	-	-	71,992	-	-	-	-	71,992
Balances due from clients and brokers	-	297,840	-	-	-	12,938	(12,938)	(1,517)	296,323
Other assets	65,687	-	-	-	-	5,772	(3,226)	(259)	67,974
Total	3,656,166	1,474,167	229,518	133,283	58,834	76,994	(37,417)	(12,885)	5,578,660

* *Majority of the sub-standard rating profile credits are from share margin and structured loan financing portfolio in which the credit risks are mitigated with guarantor with acceptable financial strength and adequate collateral coverage. These accounts are monitored on a daily basis in terms of their ability in meeting the minimum security coverage requirements and appropriate actions such as force selling or indulgence are considered to manage the exceptions.*

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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 2019 RM'000	Bank Total 2019 RM'000
Strong		
AAA	**3,441,713**	**3,168,682**
AA	**593,326**	**574,119**
Satisfactory		
A	**1,100,081**	**1,047,360**
BBB	**177,809**	**234,119**
Substandard		
BB	**201,277**	**199,128**
B	**108,594**	**108,594**
C	**189**	**189**
Default		
D	**42,774**	**42,774**
Non-rated	**132,021**	**132,021**
	5,797,784	**5,506,986**

Internal credit rating	Group Total 2018 RM'000	Bank Total 2018 RM'000
Strong		
AAA	3,229,883	2,904,859
AA	755,939	751,241
Satisfactory		
A	1,291,799	1,285,267
BBB	195,643	206,354
Substandard		
BB	116,477	116,477
B	147,756	119,125
C	333	333
Default		
D	39,577	39,577
Non-rated	155,427	155,427
	5,932,834	5,578,660

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Aging 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				
2019				
Share margin financing	**-**	**949**	**4,832**	**5,781**
Corporate loans	**-**	**42,794**	**-**	**42,794**
Other assets	**7**	**-**	**77**	**84**
Total	**-**	**43,743**	**4,909**	**48,659**
2018				
Share margin financing	-	1,262	-	1,262
Corporate loans	-	6,417	-	6,417
Other assets	-	-	78	78
Total	-	7,679	78	7,757
Bank				
2019				
Share margin financing	**-**	**949**	**4,832**	**5,781**
Corporate loans	**-**	**42,794**	**-**	**42,794**
Other assets	**7**	**-**	**77**	**84**
Total	**-**	**43,743**	**4,909**	**48,659**
2018				
Share margin financing	-	1,262	-	1,262
Corporate loans	-	6,417	-	6,417
Other assets	-	-	78	78
Total	-	7,679	78	7,757

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

(v) Estimated value of collateral and other charges related to financial assets that are past due and individually impaired

	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						
2019						
Loans, advances and financing						
Share margin financing	**18,105**	**8,214**	**2,937**	**29,256**	**45,317**	**16,061**
Others	**-**	**-**	**-**	**-**	**-**	**-**
Balances due from clients and brokers	**-**	**-**	**-**	**-**	**12,141**	**12,141**
Other assets	**-**	**-**	**3,616**	**3,616**	**8,087**	**4,471**
	18,105	**8,214**	**6,553**	**32,872**	**65,545**	**32,673**
2018						
Loans, advances and financing						
Share margin financing	21,642	7,500	-	29,142	50,395	21,253
Others	-	-	-	-	781	781
Balances due from clients and brokers	-	-	-	-	12,938	12,938
Other assets	-	-	2,546	2,546	7,143	4,597
	21,642	7,500	2,546	31,688	71,257	39,569

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						
2019						
Loans, advances and financing						
Share margin financing	**18,105**	**8,214**	**2,937**	**29,256**	**45,317**	**16,061**
Balances due from clients and brokers	**-**	**-**	**-**	**-**	**12,141**	**12,141**
Other assets	**-**	**-**	**3,616**	**3,616**	**8,087**	**4,471**
	18,105	**8,214**	**6,553**	**32,872**	**65,545**	**32,673**
2018						
Loans, advances and financing						
Share margin financing	21,642	7,500	-	29,142	50,395	21,253
Balances due from clients and brokers	-	-	-	-	12,938	12,938
Other assets	-	-	2,546	2,546	5,772	3,226
	21,642	7,500	2,546	31,688	69,105	37,417

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

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 the Bank's earnings and/or economic values of the Group's and the Bank's portfolio to changes in interest rates. Interest rate risk is managed through various risk management techniques including re-pricing gap, net interest income simulation and stress testing.

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The effect of changes in the levels of interest rates on the market value of securities is monitored regularly and the outcome of mark-to-market valuations is escalated to management regularly. The table below summarises the effective interest rates at the reporting date and the periods in which the financial instruments will reprice or mature, whichever is the earlier.

Interest rate sensitivity analysis

The Board has established limits on the trading and non-trading interest rate gaps activities. In accordance with the Group's and the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The sensitivity of interest rate to the statements of profit and loss and other comprehensive income and equity is the effect of the assumed changes in interest rates level on the profit and loss for the financial year, based on the financial assets and financial liabilities held as at the reporting date.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Group 2019	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	1,447,060	207,908	-	-	-	408,089	-	2,063,057	3.16
Financial assets at FVTPL	-	-	-	-	-	-	328,680	328,680	4.25
Financial instruments at FVOCI	-	59,550	135,583	438,013	160,847	1,088	-	795,081	4.18
Financial instruments at AC	-	12,662	-	70,206	29,888	-	-	112,756	4.77
Derivative financial assets	-	-	-	-	-	65,174	-	65,174	
Loans, advances and financing	1,952,346	21,251	22,346	68,714	-	17	-	2,064,674	7.43
Balances due from clients and brokers	-	-	-	-	-	280,357	-	280,357	
Other assets	86,376	-	-	-	-	115,409	-	201,785	
Other non interest sensitive balances	-	-	-	-	-	719,210	-	719,210	
Total assets	3,485,782	301,371	157,929	576,933	190,735	1,589,344	328,680	6,630,774	
Liabilities									
Deposits from customers	2,263,216	943,772	658,506	200,000	-	-	-	4,065,494	3.59
Deposits and placement of banks and other financial institutions	310,518	340,200	-	-	-	-	-	650,718	3.59
Borrowings	67,600	4,000	-	-	25,000	-	-	96,600	5.11
Derivative financial liabilities	-	-	-	-	-	13,416	-	13,416	
Balances due to clients and brokers	-	-	-	-	-	537,393	-	537,393	
Structured product	5,399	-	-	-	-	-	-	5,399	12.25
Other non interest sensitive balances	-	-	-	-	-	357,465	-	357,465	
Total liabilities	2,646,733	1,287,972	658,506	200,000	25,000	908,274	-	5,726,485	
Equity	-	-	-	-	-	904,289	-	904,289	
Total liabilities and shareholders' equity	2,646,733	1,287,972	658,506	200,000	25,000	1,812,563	-	6,630,774	
On-balance sheet interest sensitivity gap	839,049	(986,601)	(500,577)	376,933	165,735	(223,219)	328,680	-	
Cumulative interest sensitivity gap	839,049	(147,552)	(648,129)	(271,196)	(105,461)	(328,680)	-	-	

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Group 2018	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	897,263	196,235	-	-	-	257,762	-	1,351,260	3.31
Financial assets at FVTPL	-	-	-	-	-	-	189,224	189,224	4.35
Financial instruments at FVOCI	679,164	-	180,278	401,405	399,075	1,754	-	1,661,676	4.10
Financial instruments at AC	-	8,716	-	62,461	50,079	-	-	121,256	4.96
Derivative financial assets	-	-	-	-	-	71,992	-	71,992	
Loans, advances and financing	1,923,847	19,820	33,441	27,747	-	60	-	2,004,915	7.61
Balances due from clients and brokers	-	-	-	-	-	296,323	-	296,323	
Other assets	79,401	-	-	-	-	96,472	-	175,873	
Other non interest sensitive balances	-	-	-	-	-	674,009	-	674,009	
Total assets	3,579,675	224,771	213,719	491,613	449,154	1,398,372	189,224	6,546,528	
Liabilities									
Deposits from customers	2,526,837	892,512	942,755	200,000	-	-	-	4,562,104	3.72
Deposits and placement of banks and other financial institutions	95,016	-	-	-	-	-	-	95,016	3.72
Borrowings	82,300	12,000	-	-	25,000	-	-	119,300	5.09
Obligations on securities sold under repurchase agreements	83,067	-	-	-	-	-	-	83,067	
Derivative financial liabilities	-	-	-	-	-	12,693	-	12,693	
Balances due to clients and brokers	-	-	-	-	-	481,932	-	481,932	
Structured product	13,636	-	23,586	-	-	-	-	37,222	14.50
Other non interest sensitive balances	-	-	-	-	-	284,188	-	284,188	
Total liabilities	2,800,856	904,512	966,341	200,000	25,000	778,813	-	5,675,522	
Equity	-	-	-	-	-	871,006	-	871,006	
Total liabilities and shareholders' equity	2,800,856	904,512	966,341	200,000	25,000	1,649,819	-	6,546,528	
On-balance sheet interest sensitivity gap	778,819	(679,741)	(752,622)	291,613	424,154	(251,447)	189,224	-	
Cumulative interest sensitivity gap	778,819	99,078	(653,544)	(361,931)	62,223	(189,224)	-	-	

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Bank 2019	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	1,430,551	155,000	-	-	-	291,599	-	1,877,150	3.16
Financial assets at FVTPL	-	-	-	-	-	-	326,560	326,560	4.25
Financial instruments at FVOCI	-	59,550	135,583	438,013	160,847	1,088	-	795,081	4.18
Financial instruments at AC	-	12,662	-	70,206	29,888	-	-	112,756	4.77
Derivative financial assets	-	-	-	-	-	65,174	-	65,174	
Loans, advances and financing	2,023,790	15,710	-	-	-	17	-	2,039,517	7.43
Balances due from clients and brokers	-	-	-	-	-	280,357	-	280,357	
Other assets	-	-	-	-	29,696	92,868	-	122,564	
Other non interest sensitive balances	-	-	-	-	-	796,947	-	796,947	
Total assets	3,454,341	242,922	135,583	508,219	220,431	1,528,050	326,560	6,416,106	
Liabilities									
Deposits from customers	2,292,032	968,814	658,506	200,000	-	-	-	4,119,352	3.59
Deposits and placement of banks and other financial institutions	310,518	340,200	-	-	-	-	-	650,718	3.59
Borrowings	41,600	-	-	-	25,000	-	-	66,600	4.94
Derivative financial liabilities	-	-	-	-	-	13,416	-	13,416	
Balances due to clients and brokers	-	-	-	-	-	304,880	-	304,880	
Structured product	5,399	-	-	-	-	-	-	5,399	12.25
Other non interest sensitive balances	-	-	-	-	-	299,772	-	299,772	
Total liabilities	2,649,549	1,309,014	658,506	200,000	25,000	618,068	-	5,460,137	
Equity	-	-	-	-	-	955,969	-	955,969	
Total liabilities and shareholders' equity	2,649,549	1,309,014	658,506	200,000	25,000	1,574,037	-	6,416,106	
On-balance sheet interest sensitivity gap	804,792	(1,066,092)	(522,923)	308,219	195,431	(45,987)	326,560	-	
Cumulative interest sensitivity gap	804,792	(261,300)	(784,223)	(476,004)	(280,573)	(326,560)	-	-	

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest rate risk (cont'd.)

Bank 2018	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	846,810	125,000	-	-	-	144,307	-	1,116,117	3.31
Financial assets at FVTPL	-	-	-	-	-	-	188,576	188,576	4.35
Financial instruments at FVOCI	679,164	-	180,278	401,405	399,075	1,754	-	1,661,676	4.10
Financial instruments at AC	-	8,716	-	62,461	50,079	-	-	121,256	4.96
Derivative financial assets	-	-	-	-	-	71,992	-	71,992	
Loans, advances and financing	1,956,628	19,077	-	-	-	60	-	1,975,765	7.61
Balances due from clients and brokers	-	-	-	-	-	296,323	-	296,323	
Other assets	-	-	-	-	-	85,413	-	85,413	
Other non interest sensitive balances	-	-	-	-	-	783,602	-	783,602	
Total assets	3,482,602	152,793	180,278	463,866	449,154	1,383,451	188,576	6,300,720	
Liabilities									
Deposits from customers	2,568,521	902,512	942,755	200,000	-	-	-	4,613,788	3.72
Deposits and placement of banks and other financial institutions	95,016	-	-	-	-	-	-	95,016	3.72
Borrowings	52,800	-	-	-	25,000	-	-	77,800	4.92
Obligations on securities sold under repurchase agreements	83,067	-	-	-	-	-	-	83,067	
Derivative financial liabilities	-	-	-	-	-	12,693	-	12,693	
Balances due to clients and brokers	-	-	-	-	-	221,083	-	221,083	
Structured product	13,636	-	23,586	-	-	-	-	37,222	14.50
Other non interest sensitive balances	-	-	-	-	-	232,821	-	232,821	
Total liabilities	2,813,040	902,512	966,341	200,000	25,000	466,597	-	5,373,490	
Equity	-	-	-	-	-	927,230	-	927,230	
Total liabilities and shareholders' equity	2,813,040	902,512	966,341	200,000	25,000	1,393,827	-	6,300,720	
On-balance sheet interest sensitivity gap	669,562	(749,719)	(786,063)	263,866	424,154	(10,376)	188,576	-	
Cumulative interest sensitivity gap	669,562	(80,157)	(866,220)	(602,354)	(178,200)	(188,576)	-	-	

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 +/- 100 basis points change in interest rates, ceteris paribus, on the Group's profit or loss and equity.

Change in Interest Rates 2019	Impact on Profit or Loss 2019	Impact on Equity* 2019	Change in Interest Rates 2018	Impact on Profit or Loss 2018	Impact on Equity 2018
	RM'000	RM'000		RM'000	RM'000
+100	(3,553)	(18,240)	+100	(2,487)	(34,101)
-100	3,553	18,240	-100	2,487	34,101

* *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 FX Proprietary Trading Policy.

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(ii) Foreign currency exchange risk (cont'd.)

Currency rate sensitivity analysis

The following table shows the impact of a 5% movement of MYR, ceteris paribus, on the Group's profit/loss:

Currency	Changes in Foreign Exchange Rates	Impact on Profit or Loss 2019	Impact on Equity 2019	Changes in Foreign Exchange Rates	Impact on Profit or Loss 2018	Impact on Equity 2018
		RM'000	RM'000		RM'000	RM'000
AUD	5%	63	-	5%	116	-
CHF	5%	(8)	-	5%	(2)	-
CNY	5%	(3)	-	5%	3	-
EUR	5%	22	-	5%	15	-
GBP	5%	82	-	5%	(47)	-
HKD	5%	45	-	5%	27	-
IDR	5%	0.06	-	5%	0.22	-
JPY	5%	(102)	-	5%	(28)	-
NZD	5%	11	-	5%	12	-
PHP	5%	0.44	-	5%	0.50	-
SGD	5%	450	-	5%	65	-
THB	5%	3	-	5%	1	-
USD	5%	182	-	5%	(472)	-

Arising from the Group's investment in the associate company in Saudi Arabia, there is a natural position held in foreign currency exposure in Riyal. The following shows the profit or loss impact of a 5% price movement on this position:

Currency	Changes in Foreign Exchange Rates	Impact on Profit or Loss 2019	Impact on Equity 2019	Changes in Foreign Exchange Rates	Impact on Profit or Loss 2018	Impact on Equity 2018
		RM'000	RM'000		RM'000	RM'000
SAR	5%	-	(3,192)	5%	-	(2,903)

(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.

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Market risk (cont'd.)

(iii) Equity price sensitivity analysis (cont'd.)

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.

Percentage Change in Equity Price 2019	Impact on Profit or Loss 2019	Impact on Equity 2019	Percentage Change in Equity Price 2018	Impact on Profit or Loss 2018	Impact on Equity 2018
	RM'000	RM'000		RM'000	RM'000
+30%	**47,992**	**-**	+30%	4,482	-
-30%	**(57,164)**	**-**	-30%	(11,337)	-

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 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. 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, with a total mark-to-market value of SAR 18.1 million. The impact of a +/- 30% change in equity prices on the Group's profit or loss arising from these investments are shown as follows:

Percentage Change in Equity Price 2019	Impact on Profit or Loss 2019	Impact on Equity 2019	Percentage Change in Equity Price 2018	Impact on Profit or Loss 2018	Impact on Equity 2018
	RM'000	RM'000		RM'000	RM'000
+30%	**-**	**7,369**	+30%	-	5,862
-30%	**-**	**(7,369)**	-30%	-	(5,862)

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk

Liquidity risk is the risk of loss as a result of the Group's or 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 ("LCR") issued by BNM, internal policies and management oversight by Group Risk Committee. A Contingency Funding Plan ("CFP") 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 3.0% 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 2019. The contractual maturity profile often may not reflect the actual behavioural patterns.

Group 2019	On demand RM'000	Up to 1 months 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	408,089	1,447,060	207,908	-	-	-	-	2,063,057
Financial assets at FVTPL	-	-	-	-	-	-	328,680	328,680
Financial instruments at FVOCI	-	-	59,550	5,017	130,566	598,860	1,088	795,081
Financial instruments at AC	-	-	12,662	-	-	100,094	-	112,756
Derivative financial assets	-	34,926	-	307	29,876	65	-	65,174
Loans, advances and financing	314,868	1,247,734	5,541	8,753	63,614	424,147	17	2,064,674
Balances due from clients and brokers	-	280,357	-	-	-	-	-	280,357
Other assets	3,717	8,632	52,686	1,927	-	-	48,447	115,409
Assets segregated by customers	-	86,376	-	-	-	-	-	86,376
Others	-	495	1,420	2,093	4,024	16,624	694,554	719,210
Total assets	726,674	3,105,580	339,767	18,097	228,080	1,139,790	1,072,786	6,630,774

50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

Group 2019	On demand RM'000	Up to 1 months 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	71,367	2,191,849	943,772	548,270	110,236	200,000	-	4,065,494
Deposits and placements of banks and other financial institutions	-	310,518	340,200	-	-	-	-	650,718
Derivative financial liabilities	-	57	1,911	1,765	9,683	-	-	13,416
Balances due to clients and brokers	-	537,393	-	-	-	-	-	537,393
Borrowings	-	26,000	6,800	2,800	5,600	55,400	-	96,600
Other liabilities balances	413	76,102	67,276	10,321	4,962	31,387	172,403	362,864
Total liabilities	71,780	3,141,919	1,359,959	563,156	130,481	286,787	172,403	5,726,485
Net maturity mismatch	654,894	(36,339)	(1,020,192)	(545,059)	97,599	853,003	900,383	904,289

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

Group 2019	On demand RM'000	Up to 1 months 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
Miscellaneous commitments	623,581	-	-	-	-	-	-	623,581
Total commitments and guarantees	623,581	-	-	-	-	-	-	623,581

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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.)

The table below summarises the contractual maturity profile of the Group's assets and liabilities as at 31 December 2018. The contractual maturity profile often may not reflect the actual behavioural patterns.

Group 2018	On demand RM'000	Up to 1 months 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	257,762	897,263	196,235	-	-	-	-	1,351,260
Financial assets at FVTPL	-	-	14,171	-	-	-	175,053	189,224
Financial instruments at FVOCI	-	679,164	-	20,015	160,263	800,480	1,754	1,661,676
Financial instruments at AC	-	-	8,716	-	-	112,540	-	121,256
Derivative financial assets	-	35,213	-	10,934	25,635	210	-	71,992
Loans, advances and financing	167,330	1,424,009	3,710	8,933	44,856	356,017	60	2,004,915
Balances due from clients and brokers	-	296,323	-	-	-	-	-	296,323
Other assets	4,104	6,556	200	14	1,297	46,400	39,175	97,746
Assets segregated by customers	-	78,127	-	-	-	-	-	78,127
Others	-	-	-	-	-	-	674,009	674,009
Total assets	429,196	3,416,655	223,032	39,896	232,051	1,315,647	890,051	6,546,528
Liabilities								
Deposits from customers	88,246	2,438,591	892,512	568,763	373,992	200,000	-	4,562,104
Deposits and placements of banks and other financial institutions	-	95,016	-	-	-	-	-	95,016
Obligations on securities sold under repurchase agreements	-	83,067	-	-	-	-	-	83,067
Derivative financial liabilities	-	111	1,178	9,327	2,077	-	-	12,693
Balances due to clients and brokers	-	481,932	-	-	-	-	-	481,932
Borrowings	-	41,500	2,800	2,800	5,600	66,600	-	119,300
Other liabilities balances	4	89,352	16,036	20,777	10,188	34,103	150,950	321,410
Total liabilities	88,250	3,229,569	912,526	601,667	391,857	300,703	150,950	5,675,522
Net maturity mismatch	340,946	187,086	(689,494)	(561,771)	(159,806)	1,014,944	739,101	871,006

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

Group 2018	On demand RM'000	Up to 1 months 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
Miscellaneous commitments	689,222	-	-	-	-	-	-	689,222
Total commitments and guarantees	689,222	-	-	-	-	-	-	689,222

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 2019. The contractual maturity profile often may not reflect the actual behavioural patterns.

Bank 2019	On demand RM'000	Up to 1 months 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	291,599	1,430,551	155,000	-	-	-	-	1,877,150
Financial assets at FVTPL	-	-	-	-	-	-	326,560	326,560
Financial instruments at FVOCI	-	-	59,550	5,017	130,566	598,860	1,088	795,081
Financial instruments at AC	-	-	12,662	-	-	100,094	-	112,756
Derivative financial assets	-	34,926	-	307	29,876	65	-	65,174
Loans, advances and financing	314,868	1,304,044	-	-	50,021	370,567	17	2,039,517
Balances due from clients and brokers	-	280,357	-	-	-	-	-	280,357
Other assets	4,317	8,392	52,686	1,927	-	29,696	25,546	122,564
Others	-	412	1,255	1,883	3,712	16,483	773,202	796,947
Total assets	610,784	3,058,682	281,153	9,134	214,175	1,115,765	1,126,413	6,416,106
Liabilities								
Deposits from customers	71,367	2,220,665	968,814	548,270	110,236	200,000	-	4,119,352
Deposits and placements of banks and other financial institutions	-	310,518	340,200	-	-	-	-	650,718
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	57	1,911	1,765	9,683	-	-	13,416
Balances due to clients and brokers	-	304,880	-	-	-	-	-	304,880
Borrowings	-	-	2,800	2,800	5,600	55,400	-	66,600
Other liabilities balances	413	75,489	67,116	10,064	4,644	31,238	116,207	305,171
Total liabilities	71,780	2,911,609	1,380,841	562,899	130,163	286,638	116,207	5,460,137
Net maturity mismatch	539,004	147,073	(1,099,688)	(553,765)	84,012	829,127	1,010,206	955,969

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

Bank 2019	On demand RM'000	Up to 1 months 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
Miscellaneous commitments	623,581	-	-	-	-	-	-	623,581
Total commitments and guarantees	623,581	-	-	-	-	-	-	623,581

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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.)

The table below summarises the contractual maturity profile of the Bank's assets and liabilities as at 31 December 2018. The contractual maturity profile often may not reflect the actual behavioural patterns.

Bank 2018	On demand RM'000	Up to 1 months 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	144,307	846,810	125,000	-	-	-	-	1,116,117
Financial assets at FVTPL	-	-	19,861	-	-	-	168,715	188,576
Financial instruments at FVOCI	-	679,164	-	20,015	160,263	800,480	1,754	1,661,676
Financial instruments at AC	-	-	8,716	-	-	112,540	-	121,256
Derivative financial assets	-	35,213	-	10,934	25,635	210	-	71,992
Loans, advances and financing	167,330	1,389,517	2,967	4,978	44,856	366,057	60	1,975,765
Balances due from clients and brokers	-	296,323	-	-	-	-	-	296,323
Other assets	4,105	6,165	490	14	1,297	46,400	26,942	85,413
Others	-	-	-	-	-	-	783,602	783,602
Total assets	315,742	3,253,192	157,034	35,941	232,051	1,325,687	981,073	6,300,720
Liabilities								
Deposits from customers	88,246	2,480,275	902,512	568,763	373,992	200,000	-	4,613,788
Deposits and placements of banks and other financial institutions	-	95,016	-	-	-	-	-	95,016
Obligations on securities sold under repurchase agreements	-	83,067	-	-	-	-	-	83,067
Derivative financial liabilities	-	111	1,178	9,327	2,077	-	-	12,693
Balances due to clients and brokers	-	221,083	-	-	-	-	-	221,083
Borrowings	-	-	2,800	2,800	5,600	66,600	-	77,800
Other liabilities balances	4	89,013	16,036	20,777	10,188	34,102	99,923	270,043
Total liabilities	88,250	2,968,565	922,526	601,667	391,857	300,702	99,923	5,373,490
Net maturity mismatch	227,492	284,627	(765,492)	(565,726)	(159,806)	1,024,985	881,150	927,230

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

Bank 2018	On demand RM'000	Up to 1 months 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
Miscellaneous commitments	689,222	-	-	-	-	-	-	689,222
Total commitments and guarantees	689,222	-	-	-	-	-	-	689,222

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	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 month RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
2019							
Financial liabilities							
Deposits from customers	**2,329,083**	**1,031,809**	**577,606**	**133,138**	**261,504**	**-**	**4,333,140**
Deposits and placements of banks and other financial institutions	**311,762**	**342,878**	**-**	**-**	**-**	**-**	**654,640**
Derivative financial liabilities	**57**	**1,911**	**1,765**	**9,683**	**-**	**-**	**13,416**
Balances due to clients and brokers	**537,393**	**-**	**-**	**-**	**-**	**-**	**537,393**
Borrowings	**26,125**	**6,882**	**2,829**	**5,659**	**71,849**	**-**	**113,344**
Other liabilities balances	**76,515**	**67,276**	**10,321**	**4,962**	**31,387**	**172,403**	**362,864**
Total undiscounted financial liabilities	**3,280,935**	**1,450,756**	**592,521**	**153,442**	**364,740**	**172,403**	**6,014,797**
2018							
Financial liabilities							
Deposits from customers	2,537,381	914,799	582,386	389,105	236,575	-	4,660,246
Deposits and placements of banks and other financial institutions	95,340	-	-	-	-	-	95,340
Obligations on securities sold under repurchase agreements	83,546	-	-	-	-	-	83,546
Derivative financial liabilities	111	1,178	9,327	2,077	-	-	12,693
Balances due to clients and brokers	481,932	-	-	-	-	-	481,932
Borrowings	41,787	2,827	2,828	5,658	83,155	-	136,255
Other liabilities balances	89,356	16,036	20,777	10,188	34,103	150,950	321,410
Total undiscounted financial liabilities	3,329,453	934,840	615,318	407,028	353,833	150,950	5,791,422

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50. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Liquidity risk (cont'd.)

(ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 month RM'000	>6 to 12 months RM'000	>1 year RM'000	Non specific maturity RM'000	Total RM'000
2019							
Financial liabilities							
Deposits from customers	**2,300,230**	**1,006,768**	**577,606**	**133,138**	**261,504**	**-**	**4,279,245**
Deposits and placements of banks and other financial institutions	**311,762**	**342,878**	**-**	**-**	**-**	**-**	**654,640**
Obligations on securities sold under repurchase agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative financial liabilities	**57**	**1,911**	**1,765**	**9,683**	**-**	**-**	**13,416**
Balance due to clients and brokers	**304,880**	**-**	**-**	**-**	**-**	**-**	**304,880**
Borrowings	**-**	**2,829**	**2,829**	**5,659**	**71,849**	**-**	**83,167**
Other liabilities balances	**75,902**	**67,116**	**10,064**	**4,644**	**31,238**	**116,207**	**305,171**
Total undiscounted financial liabilities	**2,992,831**	**1,421,502**	**592,264**	**153,124**	**364,591**	**116,207**	**5,640,519**
2018							
Financial liabilities							
Deposits from customers	2,579,179	924,894	582,386	389,105	236,575	-	4,712,139
Deposits and placements of banks and other financial institutions	95,340	-	-	-	-	-	95,340
Obligations on securities sold under repurchase agreements	83,546	-	-	-	-	-	83,546
Derivative financial liabilities	111	1,178	9,327	2,077	-	-	12,693
Balances due to clients and brokers	221,083	-	-	-	-	-	221,083
Borrowings	-	2,827	2,828	5,658	83,155	-	94,468
Other liabilities balances	89,017	16,036	20,777	10,188	34,103	99,923	270,044
Total undiscounted financial liabilities	3,068,276	944,935	615,318	407,028	353,833	99,923	5,489,313

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's and the Bank's products, activities, processes and system, effective internal audit function, monitoring and reporting by independent risk management function and oversight by the management and Board of Directors.

The operational risk management processes include identifying and assessing operational risks inherent in the Group's and the Bank's existing, as well as new products, activities, processes and systems, monitoring of operational risk profiles and reporting of material exposures, documented policies, processes and procedures to control and mitigate material operational risks and contingency and business continuity plans.

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.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Group 2019	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	-	96,741	-	96,741
- Equity securities	193,566	9,379	28,994	231,939
Financial investments at FVOCI				
- Debt securities	-	793,993	-	793,993
- Equity securities	-	-	1,088	1,088
Derivative financial assets	-	65,174	-	65,174
Financial assets for which fair values are disclosed				
Financial investments at AC	-	117,673	-	117,673
Loans, advances and financing	-	-	2,064,990	2,064,990
	193,566	1,082,960	2,095,072	3,371,598
Financial liability measured at fair value				
Derivative financial liabilities	13,395	21	-	13,416
Financial liabilities for which fair values are disclosed				
Borrowings	-	92,144	-	92,144
	13,395	92,165	-	105,560

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Group 2018	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	-	114,171	-	114,171
- Equity securities	37,638	6,338	31,077	75,053
Financial investments at FVOCI				
- Debt securities	-	1,659,922	-	1,659,922
- Equity securities	-	-	1,754	1,754
Derivative financial assets	-	71,992	-	71,992
Financial assets for which fair values are disclosed				
Financial investments at AC	-	125,156	-	125,156
Loans, advances and financing	-	-	2,002,626	2,002,626
	37,638	1,977,579	2,035,457	4,050,674
Financial liability measured at fair value				
Derivative financial liabilities	1,854	10,839	-	12,693
Financial liabilities for which fair values are disclosed				
Obligations on securities sold under repurchase agreements	-	83,067	-	83,067
Borrowings	-	114,409	-	114,409
	1,854	208,315	-	210,169

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Bank 2019	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	-	100,000	-	100,000
- Equity securities	193,566	4,000	28,994	226,560
Financial investments at FVOCI				
- Debt securities	-	793,993	-	793,993
- Equity securities	-	-	1,088	1,088
Derivative financial assets	-	65,174	-	65,174
Financial assets for which fair values are disclosed				
Financial investments at AC	-	117,673	-	117,673
Loans, advances and financing	-	-	2,040,578	2,040,578
	193,566	1,080,840	2,070,660	3,345,066
Financial liability measured at fair value				
Derivative financial liabilities	13,395	21	-	13,416
Financial liabilities for which fair values are disclosed				
Borrowings	-	62,148	-	62,148
	13,395	62,169	-	75,564

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value measurement (cont'd.)

Bank 2018	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	-	119,861	-	119,861
- Equity securities	37,638	-	31,077	68,715
Financial investments at FVOCI				
- Debt securities	-	1,659,922	-	1,659,922
- Equity securities	-	-	1,754	1,754
Derivative financial assets	-	71,992	-	71,992
Financial assets for which fair values are disclosed				
Financial investments at AC	-	125,156	-	125,156
Loans, advances and financing	-	-	1,973,758	1,973,758
	37,638	1,976,931	2,006,589	4,021,158
Financial liability measured at fair value				
Derivative financial liabilities	1,854	10,839	-	12,693
Financial liabilities for which fair values are disclosed				
Obligations on securities sold under repurchase agreements	-	83,067	-	83,067
Borrowings	-	72,908	-	72,908
	1,854	166,814	-	168,668

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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**
2019		
Balance at the beginning of the financial year	**31,077**	**1,754**
Revaluation loss during the financial year	**(2,083)**	**(666)**
Balance at the end of the financial year	**28,994**	**1,088**
2018		
Balance at the beginning of the financial year	10,208	490
Acquisition of investments during the financial year	1,938	-
Revaluation gain during the financial year	18,931	1,264
Balance at the end of the financial year	31,077	1,754

52. OPERATIONS OF ISLAMIC BANKING

The Islamic banking operations of the Bank are as follows:

(a) Statements of financial position as at 31 December 2019

	Note	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Assets			
Cash and bank balances	(e)	**982,933**	420,144
Financial assets at FVTPL	(f)	**100,000**	119,861
Financial investments at FVOCI	(g)(i)	**157,374**	774,466
Financial investments at AC	(g)(ii)	**30,087**	30,102
Financing and advances	(h)	**169,155**	173,911
Balances due from clients and brokers		**410**	929
Other assets	(i)	**4,692**	26,489
Property, plant and equipment		**28**	89
Intangible assets		**12**	-
Total assets		**1,444,691**	1,545,991
Liabilities			
Deposits from customers	(j)	**1,174,263**	1,274,758
Balances due to clients and brokers		**2,670**	1,712
Other liabilities	(k)	**98,311**	114,945
Deferred tax liabilities		**1,121**	92
Provision for taxation and zakat		**3,822**	3,432
Total liabilities		**1,280,187**	1,394,939
Islamic banking capital funds			
Islamic banking funds		**120,000**	120,000
Reserves		**44,504**	31,052
Total Islamic banking capital funds		**164,504**	151,052
Total liabilities and Islamic banking capital funds		**1,444,691**	1,545,991

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

(b) Statements of profit or loss and other comprehensive income For the financial year ended 31 December 2019

	Note	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Income derived from investment of depositors' funds	(l)	**60,810**	53,401
Income derived from investment of shareholders' funds	(m)	**8,096**	9,199
Credit loss (expense)/reversal		**(680)**	386
Total attributable income		**68,226**	62,986
Profit distributed to the depositors	(n)	**(48,668)**	(43,734)
Net Income		**19,558**	19,252
Finance cost		**(2,256)**	(3,106)
Personnel expenses	(o)	**(747)**	(676)
Other overhead expenses	(o)	**(2,719)**	(2,280)
Profit before taxation and zakat		**13,836**	13,190
Taxation and Zakat		**(3,822)**	(3,432)
Profit for the financial year		**10,014**	9,758
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Fair value gain on debt instruments at FVOCI		**4,461**	49
Income tax related to the above items		**(1,029)**	(12)
Total other comprehensive income for the financial year, net of tax		**13,446**	9,795

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 the Bank comprise the following items:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Income derived from investment of depositors' funds	**60,810**	53,401
Income derived from investment of shareholders' funds	**8,096**	9,199
Total income before impairment allowances and overhead expenses	**68,906**	62,600
Profit distributed to depositors	**(48,668)**	(43,734)
Finance cost	**(2,256)**	(3,106)
Income from Islamic Banking Window operations reported in the statements of profit or loss of the Group and the Bank	**17,982**	15,760

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

(c) Statements of cash flows
For the financial year ended 31 December 2019

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation and zakat	**13,836**	13,190
Adjustments for:		
Depreciation of plant and equipment (Note 52(o)(ii))	**6**	45
Amortisation of intangible assets (Note 52(o)(ii))	**43**	-
Credit loss expense/(reversal)	**680**	(386)
Realised (gain)/loss from sale of financial assets at FVTPL	**(1,288)**	297
Realised gain from sale of financial investments at FVOCI (Note 52(l))	**(1,245)**	(1,088)
Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss	**62**	(246)
Operating profit before working capital changes	**12,094**	11,812
Changes in operating assets:		
Financing and advances	**4,111**	(1,728)
Balances due from clients and brokers	**519**	6,568
Other assets	**21,745**	(3,664)
Changes in operating liabilities:		
Deposits from customers	**(100,495)**	455,462
Balances due to clients and brokers	**958**	334
Other liabilities	**(19,720)**	17,152
Cash (used in)/generated from operating activities	**(80,788)**	485,936
Taxation and zakat paid	**(340)**	(2,177)
Net cash (used in)/generated from operating activities	**(81,128)**	483,759
Cash flows from investing activity		
Purchase of plant and equipment	**-**	(30)
Net purchase of securities	**643,917**	(596,248)
Net cash flows generated from/(used in) investing activities	**643,917**	(596,278)
Net change in cash and cash equivalents	**562,789**	(112,519)
Cash and cash equivalents at beginning of the financial year	**420,144**	532,663
Cash and cash equivalents at end of the financial year	**982,933**	420,144

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

(d) Statements of changes in Islamic banking funds
For the financial year ended 31 December 2019

	Non-distributable					Distributable	
Group and Bank	**Islamic banking fund RM'000**	**Fair value reserve RM'000**	**Regulatory reserve RM'000**	**ESS reserve RM'000**	**Capital reserve* RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2019	**120,000**	**85**	**3,335**	**9**	**5,248**	**22,375**	**151,052**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**10,014**	**10,014**
Other comprehensive income for the financial year	**-**	**3,432**	**-**	**-**	**-**	**-**	**3,432**
Issuance of shares pursuant to ESOS	**-**	**-**	**-**	**6**	**-**	**-**	**6**
Transfer to regulatory reserve	**-**	**-**	**(832)**	**-**	**-**	**832**	**-**
At 31 December 2019	**120,000**	**3,517**	**2,503**	**15**	**5,248**	**33,221**	**164,504**
At 1 January 2018	120,000	48	1,928	-	5,248	14,024	141,248
Profit for the financial year	-	-	-	-	-	9,758	9,758
Other comprehensive income for the financial year	-	37	-	-	-	-	37
Issuance of shares pursuant to ESOS	-	-	-	9	-	-	9
Transfer to regulatory reserve	-	-	1,407	-	-	(1,407)	-
At 31 December 2018	120,000	85	3,335	9	5,248	22,375	151,052

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

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

(e) Cash and bank balances

	Group and Bank	
	2019 RM'000	2018 RM'000
Current account with BNM and banks	**22,933**	1,644
Money at call and deposit placements with:		
Licensed banks	**140,000**	368,500
Domestic non-bank financial institutions	**470,000**	50,000
Bank Negara Malaysia	**350,000**	-
	982,933	420,144

(f) Financial assets at FVTPL

	Group and Bank	
	2019 RM'000	2018 RM'000
At fair value		
Unquoted securities in Malaysia:		
Funds	**100,000**	100,000
Corporate Bills	**-**	19,861
	100,000	119,861

(g) Financial investments other than those measured at FVTPL

(i) Financial investments at Fair Value Through Other Comprehensive Income ("FVOCI"):

	Group and Bank	
	2019 RM'000	2018 RM'000
Debt instruments:		
Malaysian Government Investment Certificates	**41,373**	81,766
Negotiable Instruments of Deposits	**-**	549,173
Corporate Sukuk	**116,001**	143,527
Total financial investments at FVOCI	**157,374**	774,466

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

(g) Financial investments other than those measured at FVTPL (cont'd.)

(ii) Financial investments at amortised cost:

	Group and Bank	
	2019 RM'000	2018 RM'000
Debt instruments:		
Corporate Sukuk	**30,087**	30,102
Total financial investments at amortised cost	**30,087**	30,102
Total financial investments other than those measured at FVTPL	**187,461**	804,568

(iii) Impairment losses on financial investments subject to impairment assessment

Debt instrument at amortised cost ("AC"):

An analysis of changes in the ECLs is, as follows:

	Group and Bank 2019	
	RM'000 Stage 1	RM'000 Total
Movement in ECLs		
As at 1 January and 31 December	**-**	-

	Group and Bank 2018	
	RM'000 Stage 1	RM'000 Total
Movement in ECLs		
As at 1 January	(32)	(32)
Impact of net re-measurement of ECL	32	32
As at 31 December	-	-

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

(h) Financing and advances at AC

	Group and Bank	
	2019 RM'000	2018 RM'000
Commodity Murabahah revolving credit		
- Shariah contract - others	**-**	15,043
Commodity Murabahah term financing		
- Shariah contract - others	**162,776**	151,075
Commodity Murabahah share margin financing		
- Shariah contract - others	**7,024**	7,793
Gross financing and advances	**169,800**	173,911
Less: Allowance for ECL	**(645)**	-
Net financing and advances	**169,155**	173,911

(i) Gross financing and advances analysed by type of customer are as follows:

	2019 RM'000	2018 RM'000
Domestic business enterprises	**142,719**	141,039
Individuals	**27,081**	32,872
	169,800	173,911

(ii) Gross financing and advances analysed by geographical distribution are as follows:

	2019 RM'000	2018 RM'000
In Malaysia	**169,800**	173,911

(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:

	2019 RM'000	2018 RM'000
Fixed rate	**7,024**	7,793
Variable rate - Cost plus	**162,776**	166,118
	169,800	173,911

(iv) Gross financing and advances analysed by economic purpose are as follows:

	2019 RM'000	2018 RM'000
Purchase of securities	**40,829**	107,969
Working capital	**45,707**	-
Others	**83,264**	65,942
	169,800	173,911

(v) Gross financing and advances analysed by residual contractual maturity are as follows:

	2019 RM'000	2018 RM'000
Within one year	**73,343**	32,864
More than one year	**96,457**	141,047
	169,800	173,911

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

(h) Financing and advances at AC (cont'd.)

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

	Group & Bank	
	2019	
ECL allowances	Stage 1 RM'000	Total RM'000
As at 1 January	-	-
New assets originated	728	728
Assets derecognised or repaid (excluding write-offs)	(83)	(83)
As at 31 December	645	645

(i) Other assets

	Group and Bank	
	2019 RM'000	2018 RM'000
Income receivables	4,651	4,431
Prepayment	1	5
Other receivables	100	22,061
Less: Allowance for impairment	(60)	(8)
	4,692	26,489

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

(j) Deposits from customers

	Group and Bank	
	2019 RM'000	2018 RM'000
(i) By type of deposit:		
Tawarruq (Commodity Murabahah deposits)	**1,174,263**	1,274,758
(ii) By type of customers:		
Government and statutory bodies	**200,000**	200,000
Domestic non-bank institutions	**875,842**	755,520
Business enterprises	**96,923**	318,249
Individuals	**1,498**	989
	1,174,263	1,274,758
(iii) By maturity:		
Due within six months	**915,150**	1,005,258
Due more than six months	**259,113**	269,500
	1,174,263	1,274,758

(k) Other liabilities

	Group and Bank	
	2019 RM'000	2018 RM'000
Mudarabah Specific Investment Account	**54,200**	54,000
Profit payables	**4,133**	4,423
Other payables	**39,978**	56,522
	98,311	114,945

Included in other payables is funds pending distribution to charitable organisations:

	Group and Bank	
	2019 RM'000	2018 RM'000
Balance as at 1 January	**-**	-
Gharamah charges	**7**	-
Distribution during the year	**-**	-
Balance as at 31 December	**7**	-

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

(l) Income derived from investment of depositors' funds

	Group and Bank	
	2019 RM'000	2018 RM'000
Finance income and hibah		
Financing and advances	**4,432**	4,312
Deposits and placements with financial institutions	**21,387**	10,085
Financial investments other than those measured at FVTPL	**20,600**	28,291
Accretion of discount	**(710)**	(716)
	45,709	41,972
Other operating income		
Net gain/(loss) on sale of financial assets at FVTPL	**1,226**	(51)
Net gain on sale of financial investments other than those measured at FVTPL	**1,245**	1,088
Fees on financing and advances	**1,788**	1,922
Brokerage fee	**2,517**	1,376
Profit income	**8,287**	7,051
Advisory fee	**217**	313
Placement fee	**90**	27
Direct trading fees	**(313)**	(302)
Other non-operating income	**44**	5
	15,101	11,429
	60,810	53,401

(m) Income derived from investment of shareholders' funds

	Group and Bank	
	2019 RM'000	2018 RM'000
Finance income and hibah		
Financing and advances	**7,476**	8,835
Financial investments other than those measured at FVTPL	**687**	334
Accretion of (premium)/discount	**(67)**	30
	8,096	9,199

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

(n) Profit distributed to depositors

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
Deposits from customers and financial institutions		
- Murabahah Fund	**44,567**	43,627
Others	**4,101**	107
	48,668	43,734

(o) Other operating expenses

	Group and Bank	
	2019	**2018**
	RM'000	**RM'000**
(i) Personnel costs		
- salaries, wages, allowances and bonus	**563**	518
- EPF	**86**	79
- other staff related expense	**98**	79
	747	676
(ii) Other overhead expenses		
Establishment costs		
- depreciation	**6**	3
- amortisation	**43**	42
- office rental	**57**	57
- repair and maintenance	**3**	2
- others	**5**	5
	114	109
Marketing and trading expenses		
- advertisement and promotions	**4**	22
- travelling and entertainment expenses	**5**	3
	9	25
Administration and general expenses		
- Fees and brokerage	**307**	145
- Support service charges	**1,794**	1,534
- Shariah committee expenses	**222**	200
- Others	**273**	267
	2,596	2,146
Total other overhead expenses	**2,719**	2,280

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

(p) Shariah Committees' remuneration

Remuneration in aggregate for Shariah Committees for the financial year is as follows:

	Remuneration received		
Group and Bank	Fees RM'000	Other emolument RM'000	Total RM'000
Committees members:			
31 December 2019			
Dr. Kamaruzaman Noordin	**54,000**	**6,000**	**60,000**
Dr. Muhammad Arzim Naim	**49,000**	**6,000**	**55,000**
Dr. Mohd Fuad Md Sawari	**43,000**	**6,000**	**49,000**
Dr. Mohammad Firdaus Mohammad Hatta	**6,000**	**1,000**	**7,000**
Dr. Ahmad Sufian Che Abdullah	**45,000**	**5,000**	**50,000**
	197,000	**24,000**	**221,000**
31 December 2018			
Dr. Kamaruzaman Noordin	54,000	3,000	57,000
Dr. Muhammad Arzim Naim	48,000	3,000	51,000
Dr. Mohd Fuad Md Sawari	42,000	2,500	44,500
Dr. Ahmad Sufian Che Abdullah	44,000	3,000	47,000
	188,000	11,500	199,500

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

(q) Capital adequacy

	Group and Bank	
	2019 RM'000	2018 RM'000
CET 1/Tier 1 capital		
Islamic banking funds	**120,000**	120,000
Retained profits	**33,221**	22,375
Reserves	**11,283**	8,677
Less:		
Intangible assets	**(12)**	-
55% of cumulative gains on financial investments at FVOCI	**(1,935)**	-
Regulatory reserve	**(2,503)**	(3,335)
Total CET 1/Tier 1 capital	**160,054**	147,717
Tier 2 capital		
Impairment provision	**3,151**	3,335
Total Tier 2 capital	**3,151**	3,335
Total capital	**163,205**	151,052
CET 1 capital ratio	**45.304%**	40.155%
Tier 1 capital ratio	**45.304%**	40.155%
Total capital ratio	**46.196%**	41.061%

The breakdown of risk-weighted assets (excluding any deferred tax assets) in the various categories of risk-weights are as follows:

	2019		2018	
Group and Bank	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Credit risk	**1,359,665**	**327,481**	1,451,588	344,078
Market risk	**-**	**-**	-	1,119
Operational risk	**-**	**25,804**	-	22,673
Total risk weighted assets	**1,359,665**	**353,285**	1,451,588	367,870

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 commitment and contingencies are as follows:

	Group and Bank	
	2019 Principal amount RM'000	2018 Principal amount RM'000
Commitments to extend credit with maturity of less than 1 year:		
- share margin financing	**8,676**	7,507
- corporate financing	**5,000**	-
Commitments to extend credit with maturity of more than 1 year:		
- corporate financing	**-**	5,250
	13,676	12,757

(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.

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 2019. The contractual maturity profile often may not reflect the actual behavioural patterns.

Group and Bank 2019	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	22,933	860,000	100,000	-	-	-	-	982,933
Financial assets at FVTPL	-	-	-	-	-	-	100,000	100,000
Financial instruments at FVOCI	-	-	-	-	25,228	132,146	-	157,374
Financial instruments at AC	-	-	-	-	-	30,087	-	30,087
Financing and advances	65,892	7,023	-	-	-	96,240	-	169,155
Balances due from clients and brokers	-	410	-	-	-	-	-	410
Other assets	-	3,491	437	763	-	-	1	4,692
Others	-	-	-	-	-	-	40	40
Total assets	88,825	870,924	100,437	763	25,228	258,473	100,041	1,444,691
Liabilities								
Deposits from customers	-	910,248	9,902	1,000	53,113	200,000	-	1,174,263
Balances due to clients and brokers	-	2,670	-	-	-	-	-	2,670
Other liabilities balances	-	847	78	28	721	2,458	99,122	103,254
Total liabilities	-	913,765	9,980	1,028	53,834	202,458	99,122	1,280,187
Net maturity mismatch	88,825	(42,841)	90,457	(265)	(28,606)	56,015	919	164,504

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 2018	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	1,644	418,500	-	-	-	-	-	420,144
Financial assets at FVTPL	-	-	19,861	-	-	-	100,000	119,861
Financial instruments at FVOCI	-	549,174	-	15,013	20,191	190,088	-	774,466
Financial instruments at AC	-	-	-	-	-	30,102	-	30,102
Financing and advances	15,035	7,793	-	-	25,079	126,004	-	173,911
Balances due from clients and brokers	-	929	-	-	-	-	-	929
Other assets	72	2,638	-	10	205	21,648	1,916	26,489
Others	-	-	-	-	-	-	89	89
Total assets	16,751	979,034	19,861	15,023	45,475	367,842	102,005	1,545,991
Liabilities								
Deposits from customers	-	1,001,106	4,152	-	69,500	200,000	-	1,274,758
Balances due to clients and brokers	-	1,712	-	-	-	-	-	1,712
Other liabilities balances	-	1,067	32	-	868	5,878	110,624	118,469
Total liabilities	-	1,003,885	4,184	-	70,368	205,878	110,624	1,394,939
Net maturity mismatch	16,751	(24,851)	15,677	15,023	(24,893)	161,964	(8,619)	151,052

53. PRIOR YEAR RECLASSIFICATION

In previous years, the interest and profit income earned from the financial assets measured at FVTPL have been recorded as interest and profit income instead of under a separate line item as other operating income on the statements of profit or loss and other comprehensive income.

Interest and profit income earned from financial assets measured at FVTPL in the financial year ended 31 December 2018 has been restated to be consistent with presentation in financial year ended 31 December 2019 and these resulted in reduction of interest and profit income and increase of other operating income by RM12.4 million respectively. The reclassification was the effect of the consequential amendment that MFRS 9 made to paragraph 82(a) of MASB 101. The MASB 101 requires separate presentation, interest or profit income calculated using the effective interest method, on the face of profit and loss statement. This implies that interest or profit income on those financial assets that are not measured at amortised cost or fair value through other comprehensive income (subject to the effect of applying hedge accounting to derivatives in designated hedge relationship) will no longer be included in interest.

54. 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 Izlan Bin Izhab Emmanuel, Dominique, Martial, Georges, Faure Sree Kumar A/L C K Nayar Lum Chee Wah Azila Binti Abdul Aziz
2	Kenanga Nominees (Asing) Sdn Bhd	Lee Kok Khee Lum Chee Wah Ng Yoke Mun Nuryasmin Lee Binti Abdullah Cheong Boon Kak Wong Mee Hong Ruslan Bin Md Nor
3	Kenanga Nominees (Tempatan) Sdn Bhd	Lee Kok Khee Lum Chee Wah Ng Yoke Mun Nuryasmin Lee Binti Abdullah Cheong Boon Kak Wong Mee Hong Ruslan Bin Md Nor
4	Kenanga Private Equity Sdn Bhd	Datuk Chay Wai Leong Megat Mizan Nicholas Denney Cheong Boon Kak Lum Chee Wah
5	ECML Berhad	Lee Kok Khee Lum Chee Wah
6	ECML Nominees (Tempatan) Sdn Bhd	Lee Kok Khee Lum Chee Wah Ng Yoke Mun Tan Tong Nam Chan Tuck Kiong Nuryasmin Lee Binti Abdullah
7	Avenue Kestrel Sdn Bhd	Lee Kok Khee Lum Chee Wah

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54. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

No	Name of subsidiaries	Name of Directors
8	K & N Kenanga Holdings Berhad	Datuk Chay Wai Leong Datuk Roslan Bin Hj Tik Cheong Boon Kak
9	SSSB Management Services Sdn Bhd	Megat Mizan Nicholas Denney Lem Siow Hui
10	Kenanga Management & Services Sdn Bhd	Megat Mizan Nicholas Denney Lum Chee Wah
11	Kenanga Investors Berhad	Datuk Syed Ahmad Alwee Alsree Syed Zafilen Bin Syed Alwee Peter John Rayner Imran Devindran Bin Abdullah Ismitz Matthew De Alwis Norazian Binti Ahmad Tajuddin (appointed on 1 March 2019)
12	Kenanga Islamic Investors Berhad	YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail Datuk Syed Ahmad Alwee Alsree Dato' Zuraidah Binti Atan Ismitz Matthew De Alwis Megat Mizan Nicholas Denney (Alternate to YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail) Zulkifli Bin Ishak (appointed on 1 March 2019)
13	KUT Nominees (Tempatan) Sdn Bhd	Lee Kok Khee Ismitz Matthew De Alwis
14	KUT Nominees (Asing) Sdn Bhd	Lee Kok Khee Ismitz Matthew De Alwis
15	Kenanga Funds Berhad	Cheong Boon Kak Ismitz Matthew De Alwis
16	Kenanga Capital Sdn Bhd	Datuk Roslan Bin Hj Tik Megat Mizan Nicholas Denney Lee Kok Khee Dato' Azlan Bin Abu Rais @ A Rais Al Noah
17	Kenanga Capital Islamic Sdn Bhd	Datuk Roslan Bin Hj Tik Megat Mizan Nicholas Denney Dato' Azlan Bin Abu Rais @ A Rais Al Noah

54. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

No	Name of subsidiaries	Name of Directors
18	Kenanga Singapore Pte. Ltd.	Luk Wai Hong, William Lee Kok Khee
19	Libra Invest Berhad	Syed Zafilen Bin Syed Alwee (appointed on 8 July 2019) Imran Devindran Bin Abdullah (appointed on 1 August 2019) Ismitz Matthew De Alwis (appointed on 8 July 2019) Muhammad Helmi Bin Hamzah (appointed on 8 July 2019 and resigned on 12 February 2020) Datuk Kamarudin bin Md Ali (resigned on 8 July 2019) Mahadzir bin Azizan (resigned on 8 July 2019) Khairudin bin Ibrahim (resigned on 8 July 2019) Ong Lei Hua (resigned on 8 July 2019) Lee Wei Chung (resigned on 8 July 2019)

55. 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 granted during the financial year are as follow:

On 2 January 2018, the Bank has offered 49,579,000 of options under ESOS to the eligible employees of the Group ("ESOS First Offer"). The exercise price of the ESOS First Offer is RM0.575. Out of the 49,579,000 options offered, 2,218,000 and 13,320,000 options have been vested on 1 March 2018 and 2 May 2019 respectively. These options are exercisable within three (3) years from date of vesting.

On 31 May 2018, the Bank has offered 10,000,000 of options under ESOS ("ESOS Second Offer"). The exercise price of the ESOS Second Offer is RM0.630. Out of the 10,000,000 options offered, 3,000,000 options have been vested on 2 May 2019.

On 2 May 2019, the Bank has offered 5,791,000 of options under ESOS ("ESOS Third Offer"). The exercise price of the ESOS Third Offer is RM0.605. Out of the 5,791,000 options offered, 386,000 options have been vested on 1 June 2019 and are exercisable within three (3) years from date of vesting.

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55. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

On 17 June 2019, the Bank has offered 750,000 of options under ESOS ("ESOS Fourth Offer"). The exercise price of the ESOS Fourth Offer is RM0.595. None of these options have been vested as at the reporting date.

Details of share options granted under ESOS:

Offer date	Vesting date	Number of options ('000)	Exercise price	Number of exercisable options ('000)	Exercise period
02.1.2018	01.03.2018	2,218,000	0.575	1,865,600	01.03.2018 - 28.02.2021
02.1.2018	02.05.2019	14,161,500	0.575	13,132,500	02.05.2019 - 01.05.2022
02.1.2018	N/A*	33,043,500	0.575	N/A	N/A
31.5.2018	02.05.2019	3,000,000	0.630	3,000,000	02.05.2019 - 01.05.2022
31.5.2018	N/A*	7,000,000	0.630	N/A	N/A
02.05.2019	01.06.2019	386,000	0.605	362,000	01.06.2019 - 31.05.2022
02.05.2019	N/A*	5,295,000	0.605	N/A	N/A
17.06.2019	N/A*	750,000	0.595	N/A	N/A

* *Based on 3-year cliff vesting from the offer date and performance metrics.*

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

2019

	Opening	Movement during the financial year			Outstanding
Offer date	As at 1.1.2019	Granted	Exercised	Forfeited/ Cancelled/ Lapsed	As at 31.12.2019
02.1.2018	1,989,600	-	-	124,000	1,865,600
02.1.2018	45,760,000	-	-	1,365,500	44,394,500
WAEP (RM)	0.575	-	-	-	0.575

2018

	Opening	Movement during the financial year			Outstanding
Offer date	As at 1.1.2018	Granted	Exercised	Forfeited/ Cancelled/ Lapsed	As at 31.12.2018
02.1.2018	-	2,218,000	194,400	34,000	1,989,600
02.1.2018	-	47,205,000	-	1,445,000	45,760,000
WAEP (RM)	N/A	0.575	0.575	-	0.575

55. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

ESOS Second Offer

2019

	Opening	Movement during the financial year			Outstanding
Offer date	As at 1.1.2019	Granted	Exercised	Forfeited/ Cancelled/ Lapsed	As at 31.12.2019
31.5.2018	10,000,000				10,000,000
WAEP (RM)	0.630	-	-	-	0.630

2018

	Opening	Movement during the financial year			Outstanding
Offer date	As at 1.1.2018	Granted	Exercised	Forfeited/ Cancelled/ Lapsed	As at 31.12.2018
31.5.2018	-	10,000,000	-	-	10,000,000
WAEP (RM)	N/A	0.630	-	-	0.630

ESOS Third Offer

2019

	Opening	Movement during the financial year			Outstanding
Offer date	As at 1.1.2019	Granted	Exercised	Forfeited/ Cancelled/ Lapsed	As at 31.12.2019
02.5.2019	-	5,681,000	-	304,000	5,377,000
WAEP (RM)	N/A	0.605	-	-	0.605

ESOS Fourth Offer

2019

	Opening	Movement during the financial year			Outstanding
Offer date	As at 1.1.2019	Granted	Exercised	Forfeited/ Cancelled/ Lapsed	As at 31.12.2019
17.06.2019	-	750,000	-	-	750,000
WAEP (RM)	N/A	0.595	-	-	0.595

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55. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

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	0.1012	0.0991
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%	27.16%	26.96%
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 or 20 September 2022, whichever is earlier.

ESOS Second Offer

	Tranches of vesting:		
	First tranche	Second tranche	Third tranche
Fair value of share options (RM)	0.1031	0.1087	0.1159
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%	28.13%	30.09%
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 or 20 September 2022, whichever is earlier.

55. EQUITY COMPENSATION BENEFITS (CONT'D.)

Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

(1) ESOS (cont'd.)

ESOS Third Offer

	Tranches of vesting:			
	First tranche	Second tranche	Third tranche	Fourth tranche
Fair value of share options (RM)	0.1103	0.1156	0.1217	0.1183
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%	27.98%	29.57%	28.72%
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 or 20 September 2022, whichever is earlier.

ESOS Fourth Offer

	Tranches of vesting:		
	First tranche	Second tranche	Third tranche
Fair value of share options (RM)	0.1090	0.1110	0.1141
Share price at offer date (RM)	0.570	0.570	0.570
Exercise price (RM)	0.595	0.595	0.595
Expected volatility (%)	27.67%	28.21%	29.08%
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 or 20 September 2022, whichever is earlier.

(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.

NOTES TO THE FINANCIAL STATEMENTS
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55. 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 but there has been no grant vested as at 31 December 2019.

The fair value of share grant allocated on 2 January 2018 would be the market value of the shares of the entity, adjusted to take into account vesting conditions.

56. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) There was no significant event during the financial year ended 31 December 2019 other than the following:

Acquisition of Libra Invest Berhad

Kenanga Investors Berhad ("KIB"), a wholly-owned subsidiary of the Bank, had on 28 March 2019 entered into a conditional SPA with ECM Libra Financial Group Berhad ("Vendor") to acquire the entire issued share capital of LIB comprising 6,500,000 ordinary shares in LIB held by the Vendor, subject to the terms and conditions as stipulated in the SPA ("Proposed Acquisition").

BNM had approved the Bank's and KIB's application for the proposed acquisition on 24 May 2019 and 29 May 2019 respectively subject to KIB obtaining the necessary approval from the Securities Commission Malaysia.

Securities Commission Malaysia had on 31 May 2019 approved KIB's application for the Proposed Acquisition subject to the following conditions:

(1) KIB is to fulfil the representations made and ensure that the acquisition is managed effectively and does not adversely affect the clients of the licensed entities;

(2) KIB is to ensure that:

(i) the merger and integration of th operations are managed effectively with no disruption to the functioning of the licensed entities;

(ii) the soundness of the licensed entities is not adversely affected; and

(iii) any potential risks are addressed and managed on an on-going basis.

Following the approval from the shareholders of the Vendor on 27 June 2019 for the disposal of the entire issued share capital of LIB held by the Vendor to KIB, all conditions precedent pursuant to the conditional SPA dated 28 March 2019 have been fulfilled and hence, the SPA has become unconditional.

On 8 July 2019, KIB had completed the Proposed Acquisition. The recognised amounts of identifiable assets and liabilities arising from the acquisition is disclosed in Note 13 (ii).

(b) There was no significant event subsequent to the financial year ended 31 December 2019.

ANALYSIS OF SHAREHOLDINGS

As at 15 April 2020

SHARE CAPITAL

Total Number of Issued Shares	:	722,741,399 ordinary shares (including treasury shares of 24,053,900)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Shareholdings
Less than 100	7,052	30.27	186,717	0.03
100 to 1,000	5,416	23.25	2,404,305	0.34
1,001 to 10,000	9,029	38.75	29,501,531	4.22
10,001 to 100,000	1,592	6.83	45,385,330	6.50
100,001 to less than 5% of Issued Shares	207	0.89	330,372,047	47.28
5% and above of Issued Shares	3	0.01	290,837,569	41.63
Total	**23,299**	**100.00**	**698,687,499**[(1)]	**100.00**

Note:

(1) *Excluding 24,053,900 treasury shares retained by the Company as at 15 April 2020.*

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Holdings	%
1	CMS Capital Sdn Bhd	153,353,000	21.95
2	Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail	100,969,770	14.45
3	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Tokai Tokyo Securities Co., Ltd.	36,514,799	5.23
4	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore Bch)	30,114,427	4.31
5	Cahya Mata Sarawak Berhad	30,070,000	4.30
6	Infotech Mark Sdn Bhd	30,053,040	4.30
7	Abdul Aziz Bin Hashim	29,753,712	4.26
8	Aiza Binti Abdul Aziz	26,467,156	3.79
9	Kenanga Nominees (Tempatan) Sdn Bhd Koon Poh Keong	21,825,500	3.12
10	TMF Trustees Malaysia Berhad Channel Knowledge Sdn Bhd	21,404,301	3.06
11	TMF Trustees Malaysia Berhad Naungan Efektif Sdn Bhd	14,610,000	2.09
12	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Inter-Pacific Capital Sdn Bhd	11,046,000	1.58
13	Lim Kuan Gin	10,138,815	1.45
14	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse	10,044,752	1.44
15	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd	7,643,400	1.09
16	Kenanga Nominees (Tempatan) Sdn Bhd Kenanga Investors Berhad for ECM Libra Foundation	6,399,649	0.92
17	Rescom International Limited	4,320,000	0.62
18	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Syed Hizam Alsagoff	3,000,000	0.43
19	CGS-CIMB Nominees (Tempatan) Sdn Bhd Exempt AN for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	2,920,416	0.42
20	Datuk Chay Wai Leong	2,500,000	0.36
21	Raja Karib Shah Bin Shahrudin	2,137,642	0.31
22	Khor Keng Saw @ Khaw Ah Soay	1,628,700	0.23
23	Lim Su Tong @ Lim Chee Tong	1,626,833	0.23
24	CGS-CIMB Nominees (Asing) Sdn Bhd Exempt AN for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	1,620,209	0.23
25	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Ng Koh Lip (PB)	1,619,999	0.23
26	Ong Geok Hwa	1,611,100	0.23
27	Kim Poh Holdings Sdn Bhd	1,503,000	0.22
28	Syed Budriz Putra Jamalullail	1,387,000	0.20
29	Yeoh Phek Leng	1,155,133	0.17
30	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Dato' Richard Alexander John Curtis (PB)	1,100,000	0.16
	Total	**568,538,353**	**81.38**

ANALYSIS OF SHAREHOLDINGS

As at 15 April 2020

SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND GROUP MANAGING DIRECTOR'S INTERESTS IN SECURITIES

Substantial Shareholders' Interests in Shares

	No. of Ordinary Shares Held			
Name of Substantial Shareholders	Direct Interest	Percentage (%)	Indirect Interest	Percentage (%)
CMS Capital Sdn Bhd	153,353,000	21.95	-	-
Cahya Mata Sarawak Berhad	30,070,000	4.30	153,353,000[(1)]	21.95
Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail	100,969,770	14.45	43,500[(2)]	0.01
Tokai Tokyo Financial Holdings, Inc.	36,514,799	5.23	-	-

Notes:

[(1)] *Deemed interest pursuant to Section 8(4) of the Companies Act 2016 by virtue of shares held by CMS Capital Sdn Bhd.*

[(2)] *Deemed interest by virtue of shares held by person connected.*

Directors' Interests in Shares

	Direct Interest		Indirect Interest	
Name of Directors	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
Dato' Richard Alexander John Curtis	1,100,000	0.16	-	-
Luigi Fortunato Ghirardello	631,700	0.09	-	-
Norazian Ahmad Tajuddin	10,000	*	-	-
Kanagaraj Lorenz	42,000	0.01	-	-

Note:

* *Negligible*

Group Managing Director's Interests in Securities[(1)]

	No. of Ordinary Shares Held				
Name of Group Managing Director	Direct Interest	Percentage (%)	Indirect Interest	Percentage (%)	No. of Options Held under the Employees' Share Option Scheme
Datuk Chay Wai Leong[(2)]	2,500,000	0.36	-	-	10,000,000

Notes:

[(1)] *Securities cover shares and options.*

[(2)] *The Group Managing Director is not a Director of the Company.*

CORPORATE DIRECTORY

Equity Broking Branches

KUALA LUMPUR

Kenanga Investment Bank Berhad ("KIBB") Kuala Lumpur
Level 15, Kenanga Tower,
237, Jalan Tun Razak,
50400 Kuala Lumpur, Malaysia
T : +603 2172 2949
F : +603 2172 2955

KIBB Damansara Heights
1st Floor, West Wing, Bangunan ECM Libra,
8, Jalan Damansara Endah,
Damansara Heights, 50490 Kuala Lumpur
T : +603 2089 2888
F : +603 2089 2801

KIBB Pandan Indah
M3-A-7 & M3-A-8,
Jalan Pandan Indah 4/3A,
Pandan Indah,
55100 Kuala Lumpur
T : +603 4297 8806
F : +603 4297 8809

SELANGOR

KIBB Bandar Baru Klang
35, Ground Floor & 1st Floor,
Jalan Tiara 3, Bandar Baru Klang,
41150 Klang, Selangor
T : +603 3348 8080
F : +603 3348 8880

KIBB The Curve
Lot 240, 2nd Floor,
No. 6, Jalan PJU 7/3,
The Curve, Mutiara Damansara,
47800 Petaling Jaya, Selangor
T : +603 7725 9095
F : +603 7725 9079

KIBB Subang Jaya
Level 1, East Wing, Wisma Consplant 2,
No. 7, Jalan SS16/1,
47500 Subang Jaya, Selangor
T : +603 5621 2118
F : +603 5621 1748

KIBB USJ
55C (2nd Floor), Jalan USJ 10/1F,
47610 UEP Subang Jaya,
Selangor
T : +603 8024 1773
F : +603 8024 1787

PENANG

KIBB Penang – Menara Boustead
7th, 8th & 16th Floor,
Menara Boustead Penang,
39, Jalan Sultan Ahmad Shah,
10050 Penang
T : +604 228 3355
F : +604 227 9634

PERAK

KIBB Ipoh
63, Persiaran Greenhill,
30450 Ipoh, Perak
T : +605 242 2828
F : +605 242 2323

KIBB Sitiawan
Ground Floor, 25 & 25A, Jalan Jaya 2,
Medan Jaya,
32000 Sitiawan, Perak
T : +605 693 9828
F : +605 693 9822

MELAKA

KIBB Bandar Melaka
71 (A & B) and 73 (A & B), Jalan Merdeka,
Taman Melaka Raya,
75000 Melaka
T : +606 288 1700
F : +606 288 1710

KIBB Batu Berendam
22A & 22A-1 and 26 & 26-1,
Jalan MP 10,
Taman Merdeka Permai, Batu Berendam,
75350 Melaka
T : +606 337 2550
F : +606 337 2770

CORPORATE DIRECTORY

Equity Broking Branches (Cont'd)

NEGERI SEMBILAN

KIBB Seremban
1C & 1D, Ground Floor & 1st Floor,
Jalan Tuanku Munawir,
70000 Seremban, Negeri Sembilan
T : +606 765 5998
F : +606 765 5739

JOHOR

KIBB Johor Bahru - Menara Pelangi
Level 2, Menara Pelangi,
Jalan Kuning, Taman Pelangi,
80400 Johor Bahru, Johor
T : +607 333 3600
F : +607 334 3770

KIBB Kluang - Jalan Syed Abdul Hamid Sagaff
33 & 35 A & B, Ground Floor,
Jalan Syed Abdul Hamid Sagaff,
86000 Kluang, Johor
T : +607 777 1161
F : +607 777 1162

KIBB Muar – Jalan Ali
57, 59 & 61,
Jalan Ali,
84000 Muar, Johor
T : +606 953 1222
F : +606 951 6660

KIBB Segamat
34, Jalan Genuang,
85000 Segamat, Johor
T : +607 933 3515
F : +607 933 3505

KIBB Tangkak
Ground Floor, No. 4,
Jalan Dataran 1,
Taman Bandar Tangkak,
84900 Tangkak, Johor
T : +606 978 2292
F : +606 978 2322

KIBB Batu Pahat
24, 24A & 24B, Jalan Penjaja 3,
Kim Park Centre,
83000 Batu Pahat, Johor
T : +607 432 8188
F : +607 432 3388

KIBB Yong Peng
234, Jalan Besar,
Taman Semberong Baru,
83700 Yong Peng, Johor
T : +607 467 8885
F : +607 467 8884

KIBB Pontian
916, Ground Floor,
Jalan Bakek,
82000 Pontian, Johor
T : +607 686 1121
F : +607 686 1151

KIBB Labis Electronic Access Facility
No 33, First Floor,
Jalan Hijau,
Taman Bandar Jaya,
85300 Labis, Johor
T : +607 925 2291
F : +607 925 2291

Equity Broking Branches (Cont'd)

PAHANG

KIBB Kuantan
A15, A17 & A19, Ground Floor,
Jalan Tun Ismail 2, Sri Dagangan 2,
25000 Kuantan, Pahang
T : +609 517 1698
F : +609 513 8996

KIBB Triang Electronic Access Facility
1, Ground Floor,
Jalan Dagangan 6,
Pusat Dagangan Triang,
28300 Triang, Pahang
T : +609 250 1282
F : +609 250 1086

SARAWAK

KIBB Kuching
Level 2-4, Wisma Mahmud,
Jalan Sungai Sarawak,
93100 Kuching, Sarawak
T : +6082 338 000
F : +6082 338 222

KIBB Miri
Lot 1866, Jalan MS 2/5,
Marina Square 2, Marina Parkcity
98000 Miri, Sarawak
T : +6085 435 577
F : +6085 435 511

KIBB Sibu
11-12, Ground Floor & First Floor,
Lorong Kampung Datu 3,
96000 Sibu, Sarawak
T : +6084 313 855
F : +6084 329 735

KIBB Bintulu
Ground Floor, Survey Lot No. 4203,
Parkcity Commerce Square, Phase 6,
Jalan Diwarta,
97000 Bintulu Town District, Sarawak
T : +6086 337 588
F : +6086 338 166

SABAH

KIBB Kota Kinabalu
Level 8, Wisma Great Eastern,
68 Jalan Gaya,
88000 Kota Kinabalu, Sabah
T : +6088 236 188
F : +6088 235 700

KIBB Sandakan
1st Floor, Lot 40 (Corner),
Taman Nasalim, Phase 7A, Batu 5,
Jalan Lintas Utara,
90000 Sandakan, Sabah
T : +6089 464 801
F : +6089 464 804

KIBB Tawau
Lot 66-0 [TB15611-0]
Ground Floor, Kubota Road
91000 Tawau, Sabah
T : +6089 704 892
F : +6089 704 893

CORPORATE DIRECTORY

Investment Management Branches

Kenanga Investors Berhad ("KIB") Kuala Lumpur
Level 13, Kenanga Tower,
237, Jalan Tun Razak,
50400 Kuala Lumpur
T : 1 800 88 3737 (Toll Free)
T : +603 2172 3123
F : +603 2172 3133

KIB Penang
5.04, 5th Floor, Menara Boustead Penang,
39, Jalan Sultan Ahmad Shah,
10050 Penang
T : +604 210 6628
F : +604 210 6644

KIB Ipoh
Suite 1, 2nd Floor,
63 Persiaran Greenhill,
30450 Ipoh, Perak
T : +605 254 7573/7570
F : +605 254 7606

KIB Melaka
No. 25-1, Jalan Kota Laksamana 2/17,
Taman Kota Laksamana, Seksyen 2,
75200 Melaka
T : +606 281 8913/+606-282 0518
F : +606 281 4286

KIB Klang
No.12 Jalan Batai Laut 3,
Taman Intan,
41300, Klang, Selangor
T : +603 3341 8818 / +603 3348 7889
F : +603 3341 8816

KIB Johor Bahru
No. 63, Jalan Molek 3/1,
Taman Molek,
81100 Johor Bahru, Johor
T : +607 288 1683
F : +607 288 1693

KIB Kuching
1st Floor, No. 71,
Lot 10900, Jalan Tun Jugah,
93350 Kuching, Sarawak
T : +6082 572 228
F : +6082 572 229

KIB Kota Kinabalu
Level 8, Wisma Great Eastern,
No.68, Jalan Gaya,
88000 Kota Kinabalu, Sabah
T : +088 203 063
F : +088 203 062

KIB Seremban
2nd Floor, No. 1D-2, Jalan Tuanku Munawir,
70000 Seremban, Negeri Sembilan
T : +606 761 5678
F : +606 761 2242

KIB Miri
2nd Floor, Lot 1264,
Centre Point Commercial Centre,
Jalan Melayu, 98000 Miri, Sarawak
T : +6085 416 866
F : +6085 322 340

KIB Kuantan
Ground Floor Shop,
No. B8, Jalan Tun Ismail 1,
25000 Kuantan, Pahang
T : +609 514 3688
F : +609 514 3838

KIB Petaling Jaya
44B, Jalan SS21/35,
Damansara Utama,
47400 Petaling Jaya,
Selangor
T : +603 7710 8828
F : +603 7710 8830

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