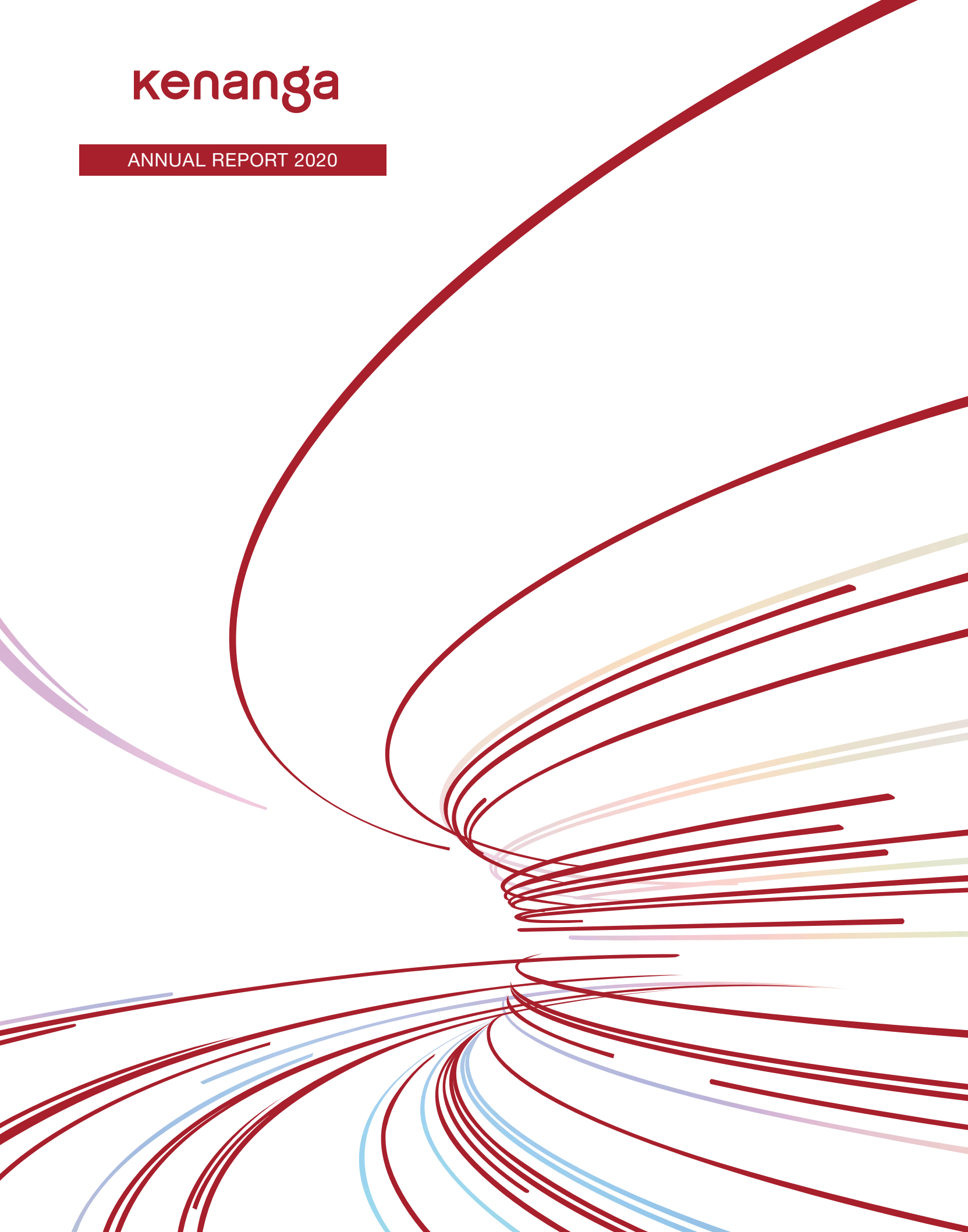


# Kenanga

ANNUAL REPORT 2020



## **Cover Rationale**

The layers of fluid lines on the cover of this document which runs throughout the entire Annual Report, reflect the velocity and agility in which Kenanga is leading change through the uncertainties around us.

# OUR JOURNEY THIS YEAR

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# WHO WE ARE

With over 45 years of history, Kenanga Investment Bank Berhad is an award winning, 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.



Scan for more information on our products and services.

# Kenanga

## KENANGA'S DIGITAL JOURNEY

### RAKUTEN JOINT VENTURE

Kenanga entered into a joint venture with Japanese internet giant Rakuten Group, Inc.



2016

### LAUNCH OF RAKUTEN TRADE

Kenanga and Rakuten jointly launched Rakuten Trade, Malaysia's first fully digital equities broker.



2017

### RECEIVE APPROVAL TO OPERATE ROBO ADVISOR

Kenanga received conditional approval from Securities Commission Malaysia to operate a robo-advisor.



2020

### PARTNERSHIP WITH CAPBAY

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



2020

### ESTABLISHMENT OF FINTECH FUND

Kenanga signed a Collaboration Agreement with Malaysia Debt Ventures Berhad for the establishment of a fintech fund.



2021

2017

### BACK OFFICE DIGITALISATION

Kenanga completed back office digitalisation to enhance efficiencies.



2019

### LAUNCH OF REMISIER PORTAL

Kenanga launched a new portal to enable remisiers to work remotely.



2020

### E-WALLET LAUNCH WITH MERCHANTRADE

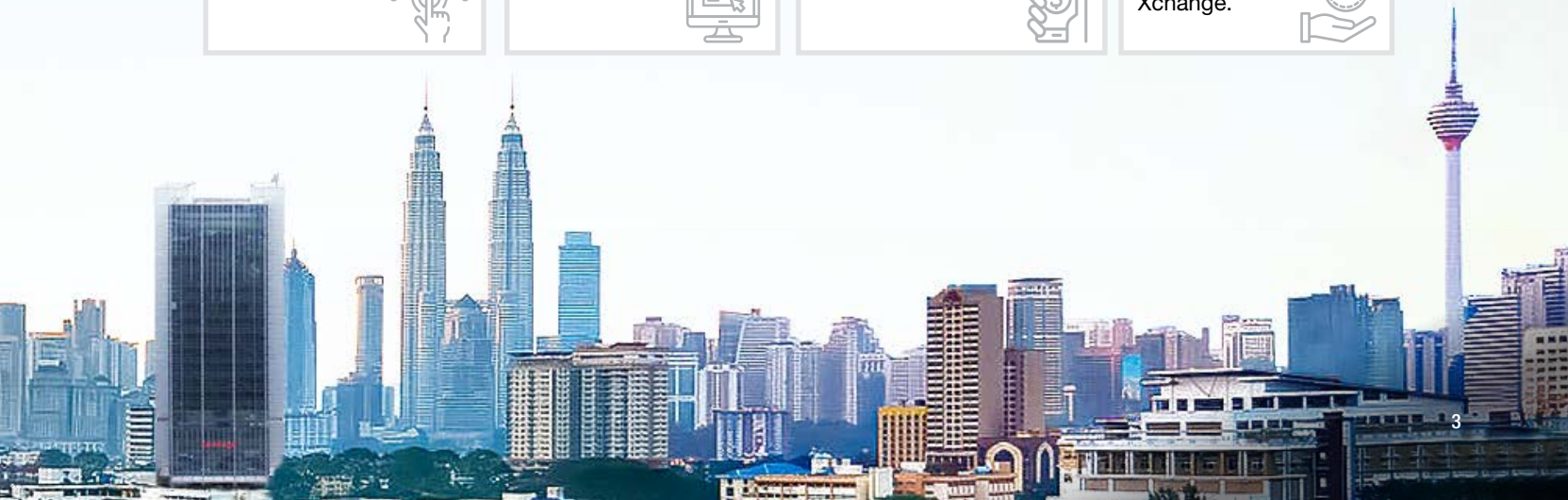
Kenanga launched an e-wallet with Merchantrade and later acquired a 4.99% stake in the company.



2021

### A STAKE IN TOKENIZE XCHANGE

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

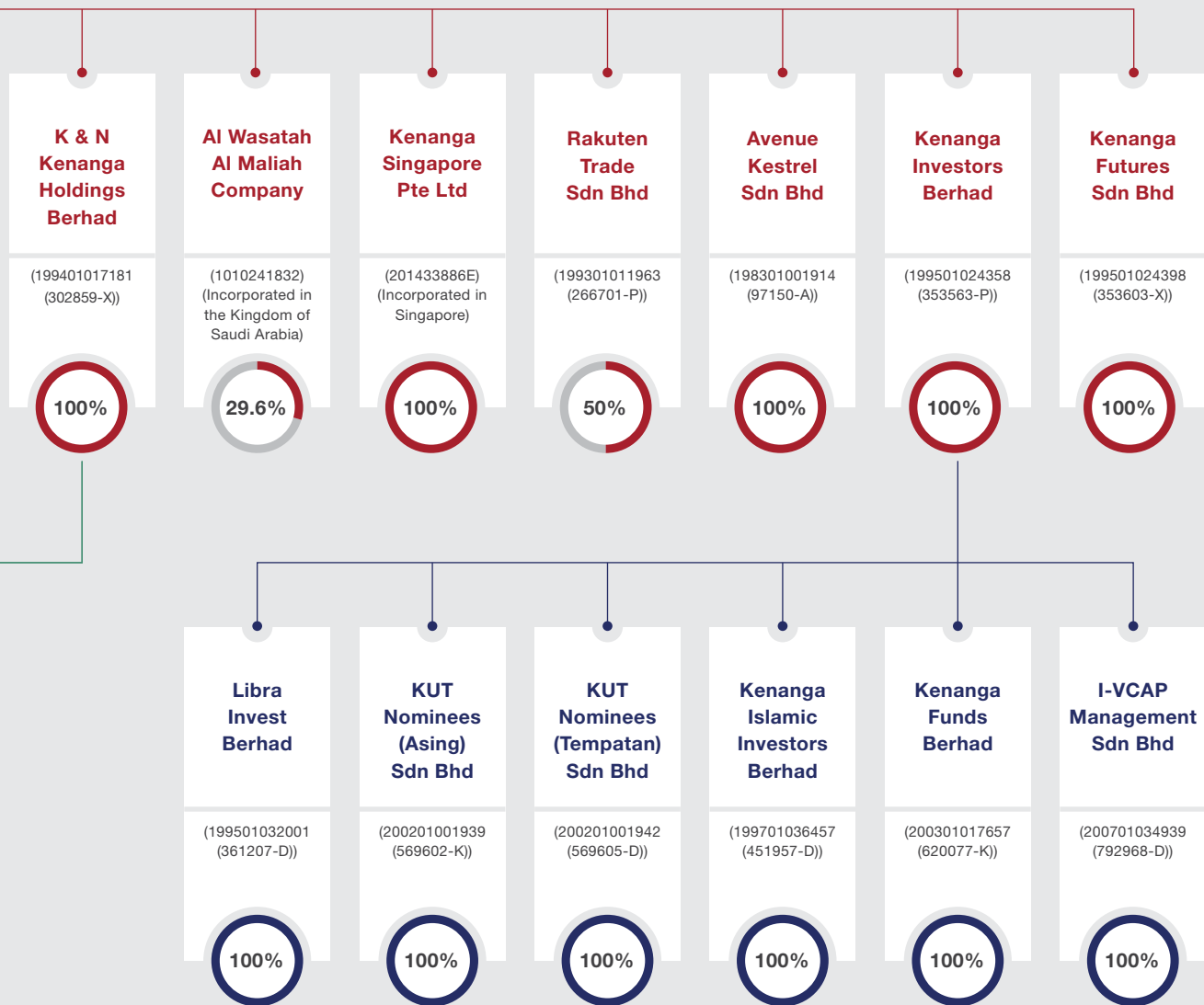


# CORPORATE STRUCTURE

# Kenanga

**KENANGA INVESTMENT BANK BERHAD**  
 Company Registration No. 197301002193 (15678-H)





**NOTE:**

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### YAM TAN SRI DATO' SERI SYED ZAINOL ANWAR IBNI SYED PUTRA JAMALULLAIL

("YAM Tan Sri Dato' Seri Syed Anwar Jamalullail")

Chairman/

Independent Non-Executive Director

### 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

#### > Members

Luk Wai Hong, William

Kanagaraj Lorenz

Ismail Harith Merican

## GROUP GOVERNANCE, NOMINATION & COMPENSATION COMMITTEE

### NORAZIAN AHMAD TAJUDDIN

Chairman

#### > Members

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail

Luk Wai Hong, William

Jeremy Nasrulhaq

Datuk Syed Ahmad Alwee Alsree

Luigi Fortunato Ghirardello

## GROUP BOARD RISK COMMITTEE

### LUK WAI HONG, WILLIAM

Chairman

#### > Members

Norazian Ahmad Tajuddin

Kanagaraj Lorenz

Dato' Richard Alexander John Curtis

Luigi Fortunato Ghirardello

## EMPLOYEES' SHARE SCHEME COMMITTEE

### NORAZIAN AHMAD TAJUDDIN

Chairman

#### > Members

Luk Wai Hong, William

Jeremy Nasrulhaq

Datuk Syed Ahmad Alwee Alsree

Luigi Fortunato Ghirardello

## GROUP BOARD DIGITAL INNOVATION & TECHNOLOGY COMMITTEE

### KANAGARAJ LORENZ

Chairman

#### > Members

Luk Wai Hong, William

Jeremy Nasrulhaq

Norazian Ahmad Tajuddin

Dato' Richard Alexander John Curtis

Luigi Fortunato Ghirardello

## SHARIAH COMMITTEE

### DR. GHAZALI JAAPAR

Chairman

#### > Members

Dr. Mohammad Firdaus

Mohammad Hatta

Dr. Fadillah Mansor

(Appointed on 9 April 2021)



**GROUP EXECUTIVE COMMITTEE****DATUK CHAY WAI LEONG**

Group Managing Director  
Kenanga Investment Bank Berhad

**LEE KOK KHEE**

Executive Director  
Head, Group Equity Broking Business  
Kenanga Investment Bank Berhad

**DATUK ROSLAN HJ TIK**

Executive Director  
Head, 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/ Executive Director  
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

**TAI YAN FEE**

Group Chief Risk Officer  
Kenanga Investment Bank Berhad

**CHUA E LONG**

Chief Technology Officer  
Kenanga Investment Bank Berhad

**WOO KING HUAT**

Chief Credit Officer  
Kenanga Investment Bank Berhad

**GROUP COMPANY SECRETARY****NORLIZA ABD SAMAD**

CCM PC NO. 201908002139  
MAICSA 7011089

**REGISTERED OFFICE****KENANGA INVESTMENT BANK BERHAD**

Company Registration No.  
197301002193 (15678-H)

- > Level 17, Kenanga Tower  
237, Jalan Tun Razak  
50400 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia  
Tel: +603 2172 2888  
Fax: +603 2172 2999  
URL: www.kenanga.com.my  
E-mail:  
kenanga@kenanga.com.my

**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

**SHARE REGISTRAR****BOARDROOM SHARE REGISTRARS SDN BHD**

Company Registration No.  
199601006647 (378993-D)

- > 11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel: +603 7890 4700  
Fax: +603 7890 4670  
E-mail: BSR.Helpdesk@  
boardroomlimited.com  
Website:  
www.boardroomlimited.com

**PRINCIPAL BANKERS**

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

**STOCK EXCHANGE LISTING****BURSA MALAYSIA SECURITIES BERHAD**

- > Main Market: Financial Services  
Stock Name: KENANGA  
Stock Code: 6483  
Listing Date: 2 November 2016

## CHAIRMAN'S MESSAGE

### DEAR SHAREHOLDERS,

I am very pleased to announce that Kenanga Investment Bank Berhad (“KIBB”) performed admirably for 2020, displaying utmost fortitude, resourcefulness and resilience in the face of the immense challenges posed by the COVID-19 pandemic, as well as, uncertainties in several key markets including Malaysia.



**YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL**

*Chairman*

---

For the Financial Year Ended 31 December 2020 (“**FYE2020**”), KIBB and its Group of Companies (“**Kenanga Group**” or “**the Group**”) recorded a Profit Before Tax (“**PBT**”) of RM134.7 million, compared to RM43.0 million in 2019. This is the Group’s highest PBT in a financial year since it received its investment bank licence in 2007, and it has been surpassed only once in its history of almost 50 years.

This exceptional result is mainly attributable to surge in trading volume on the local bourse, which drove higher income from our stockbroking and investment management businesses.

With this in view, the Board of Directors is pleased to declare a total Single Tier Interim Dividend of 8.8 sen per share in respect of the FYE2020 comprising Ordinary Interim Dividend of 4.00 sen per share and Special Interim Dividend of 4.80 sen per share.

2020 has witnessed the Malaysian business community as a whole playing an integral role in helping our country weather the storm of the pandemic. In terms of Kenanga Group’s response to the COVID-19 new normal, we have been very fortunate to have been able to pivot almost seamlessly to a digital workspace that has allowed us to continue operating with maximum efficiency and minimal disruption even at the height of Malaysia’s lockdown. This good fortune has been the direct result of the Group’s digital preparedness, which began five years ago and which now allows us to respond to the challenges of the pandemic with rapidity and relevance to the market and to the changing needs of our customers.

Throughout the course of 2020, the Group made a consistent response to the COVID-19 crisis through a message of quiet confidence, trust in our partners and responsibility towards our customers, staff and shareholders. I take this opportunity to thank and congratulate the Group’s Management team as a whole, who has worked tirelessly throughout the year and under immense pressure to ensure uninterrupted transition to online and work from home procedures both for our employees, as well as, our large family of remisers nationwide—and it is all the more remarkable that this all took place during a massive surge in business activity.

I am confident that the Group will continue to build a business that is fundamentally grounded in sustainable value, as well as, professional values that will secure our place as Malaysia’s largest independent investment bank for many years to come.

## DIGITALISATION AND TECHNOLOGY

As I mentioned earlier, the year 2020 posed extraordinary challenges for capital markets around the world. In this highly uncertain environment, Kenanga Group’s digital transformation, coupled with its strong presence in the retail market, placed us in prime position to meet the unexpected surge in demand for online broking services.

Our capacity to respond quickly to the “New Normal”, including a 70% work from home ratio, as well as, split team operations—without compromising quality, effectiveness, and security—provided clear confirmation that our digital transformation remains the key to the creation of a strong, adaptable and resilient company that will safeguard the interests of all our customers and stakeholders.

In 2020, we also undertook two endeavours that will be instrumental in our technological evolution in the coming years. The first was our acquisition of a 4.99% equity interest in Malaysia’s leading e-money player, Merchantrade Asia Sdn Bhd, which will allow us to maximise new digital opportunities together. Second was our partnership with Bay Group Holdings Sdn Bhd (“**CapBay**”)—an award-winning digital supply chain financing company—which will allow us to help transform the traditional factoring market in Malaysia.

These developments build on several digital initiatives in recent years, including our joint-venture with Rakuten Securities Inc., Japan, to create the first fully online stock trading platform in Malaysia - Rakuten Trade Sdn Bhd - which enjoyed a significant increase in interest during the lockdown, as well as, the initiation of our first-in-the-market algorithmic trading solution and robo-advisory platform, which we expect to roll out in 2021.

## CHAIRMAN'S MESSAGE

### DIGITAL GOVERNANCE

In view of these events, there is now an even greater need for comprehensive and robust technological and digital governance. In 2019, we laid the framework for this through the establishment of the Group Board Digital Innovation & Technology Committee (“Committee”) in line with the requirements of Bank Negara Malaysia’s Policy Document on Risk Management in Technology. In 2020, the Committee served as the foundation of the Group’s overall digital response both to market developments, as well as, to the increased risks and challenges posed by the COVID-19 pandemic.

Above all, the Committee continued to drive the Group’s technology agenda and worked hard to ensure that we remained on target with the goals of our three-year Digitalisation Roadmap. To this end, the Committee continued to identify capacities, capabilities and technological infrastructure and services that will be increasingly important to the Group’s agility and responsiveness in the coming years.

Supporting this, is a newly established Digital Ventures Team, tasked with executing the Roadmap. They worked persistently throughout the year under challenging circumstances to continue designing and developing new innovative digital products and solutions.

In view of this, I am confident that our approach to digital transformation remains absolutely vital to the continued sustainability and success of the Group, and that we have the right people and processes in place to achieve that vision.

### ETHICS AND GOVERNANCE

In the course of 2020, we implemented the second phase of the Group’s Ethics Blueprint and further enhanced our governance and controls which, among other things, brought us in compliance with the newly implemented Section 17A of the Malaysian Anti-Corruption Commission Act 2009. Furthermore, we proceeded with our Fraud Awareness Week (“FAW”) by transferring all activities online or on virtual environment.

Held annually in conjunction with the Association of Certified Fraud Examiners’ International Fraud Awareness Week, FAW allows us to raise anti-fraud awareness and promote fraud prevention and detection. In 2020, the number of external participants that took part in our FAW activities significantly increased, including those from regulators and enforcement

bodies, other listed companies, as well as, professional organisations. The overwhelming response to FAW has been very encouraging in our ongoing mission to combat fraud in the financial services industry and corporate Malaysia generally.

In the COVID-19 new normal, it was more important than ever that we put in place and enforce measures to ensure accountability, integrity, and good governance throughout all the Group’s operations. The Board is pleased to note that every member of the Kenanga family has demonstrated an aggressive commitment to the creation of value that is always circumscribed by an equally aggressive commitment to ethical conduct and the best, sustainable practices.

Early this year, the Board had expanded the scope of its Group Nomination & Remuneration Committee. It is now the Group Governance, Nomination and Compensation Committee, which will provide increased stewardship, transparency and accountability by uniting previously separate — but critically important — disciplines under a common level of board oversight.

A fuller account of our efforts in this respect can be found in the Ethics and Compliance Statement on pages 62 to 69 of this Annual Report.

### NURTURING SUSTAINABILITY

As a leading financial services provider, as well as, business partner, employer, value creator and corporate citizen, we have been committed to sustainable practices for many years. The adoption of our Sustainability Roadmap in 2019 marked the achievement of the first of many milestones on this journey, and we are currently reviewing the sustainability governance framework which will consist of a multidisciplinary membership supported by the Board of Directors, to further reinforce focus on this growing priority.

During the year, the Group also conducted its biennial Materiality Assessment to identify key sustainability issues to guide our reporting. In this cycle, we expanded our survey of stakeholder groups to include regulators, and customers, as well as, media, remisers, vendors, community partners and employees. Please see page 82 for the Sustainability Statement.

In the coming year, we hope to expand our work in sustainability in accordance with the Sustainability Roadmap through greater Group-wide acceptance in terms of better integration of sustainability practices in our operations, as well as, through accreditation and benchmarking.

## THE COMING YEAR

In 2021, the Board of Directors anticipates that the public health crisis in Malaysia will continue to be with us for the medium-term even as the global vaccination programme is being rolled out. The pandemic will undoubtedly impact multiple sectors of the global economy, and Malaysia's experience will be no exception.

Against this backdrop, I am confident that the Group will continue to weather the storm of the pandemic through its continued commitment to the vision and direction it has embarked on, particularly our ongoing digital evolution, adaptation to the "New Normal" and enhanced sustainability in all our operations. We will continue to be driven by strong financial governance, experience, talent and resources within the Group, with the support and stewardship of a committed and active Board, and the leadership of the right people, at the right place and at the right time. In these troubled times, our valuable assets are resilience, tenacity, perseverance, courage and vision—which I am proud to say the Kenanga Group possesses in abundance.

## APPRECIATION

I take this opportunity to record my appreciation and gratitude to the Kenanga Group's Founder Emeritus & Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail for her trust, friendship, confidence and advice as I journeyed through the first year of my tenure as Chairman. I also wish to thank my predecessor, Encik Izlan Izhah, for his unswerving dedication to the Group, and I give my heartfelt thanks to my colleagues on the Board of Directors for their wise counsel, support and stewardship.

In this most difficult of years, I wish to thank all members of the Kenanga Group family for their steadfast commitment and faith in the mission of this Group, as well as, in one another. Finally, I wish to convey my appreciation to our valued customers, business partners, suppliers and shareholders for their trust in the Group, as well as, for Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia Berhad for their advice and support.

## YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Chairman

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

## DEAR SHAREHOLDERS,

The COVID-19 pandemic triggered serious challenges to the health of the global economy throughout 2020. Global economic activities were muted, with subsequent waves of the pandemic contributing to uncertainties that are expected to carry-over well into 2021.



**DATUK CHAY WAI LEONG**

*Group Managing Director*

## SEGMENTAL REVIEW



### Stockbroking

page 15



### Investment Banking

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### Investment and Wealth Management

page 17



### Futures Broking

page 17



### Money Lending and Financing

page 18

The situation in Malaysia was no exception: full year Gross Domestic Product (“GDP”) contracted by 5.6% - the greatest extent since the Asian Financial Crisis in 1998. In an effort to stimulate the Malaysian economy, Bank Negara Malaysia had lowered the Statutory Reserve Ratio from 3.00% to 2.00% in March, while the Overnight Policy Rate was lowered to 1.75% in July which was then maintained into 2021.

In contrast to the negative impact of the pandemic on global economies, most stock markets around the world experienced a remarkable and protracted surge in trading volumes, primarily in the technology, healthcare and pharmaceutical sectors. Trading volumes in Malaysia was also concentrated in healthcare and technology sectors with record volume in gloves stocks as global demand for healthcare gloves rose significantly due to the pandemic.

Local retail and institutional investors drove trading volumes to record highs during the year, peaking at 27.8 billion shares traded on 11 August. Retail investors dominated the trading ground, with many first-time millennial traders making an entrance to the local bourse, enabled by the ease of online trading platforms such as Rakuten Trade. Average Daily Trading Value (“ADV”) of securities on Bursa Malaysia Securities Berhad (“Bursa Securities”) for the year doubled to RM4.2 billion.

Kenanga Investment Bank Berhad was buoyed by this intense surge of interest in the stock market. Profit Before Tax (“PBT”) rose to a high of RM134.7 million in 2020, vis-à-vis RM43.0 million in 2019. Net profit stood at RM102.3 million, almost five-fold over the previous year.

As Chairman YAM Tan Sri Dato’ Seri Syed Anwar Jamalullail mentioned in his statement, this performance is unprecedented in Kenanga Group’s history as an investment bank. This was driven by positive results from all our core businesses, particularly the outstanding contribution from our stockbroking and investment banking divisions, as well as, a share of profits from our joint venture, Rakuten Trade, which turned black during the year, ahead of its third anniversary.

### NAVIGATING THROUGH CRISIS

Amidst the turmoil brought about by the pandemic, our operational goals during the year, centred on managing the surge in trading volumes coupled with the increase in account related services, while simultaneously transitioning swiftly and seamlessly to work from home arrangements.

This would not have been possible if not for the decision made several years ago, to digitalise and automate our key operations and processes through our Digital Transformation journey. I cannot overemphasise the significance of our efforts and investments in this area that had prepared the necessary systems and pathways to allow our employees and remisers to operate remotely throughout the intermittent Movement Control Order periods without compromising delivery and performance.

## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

Overall, the events that unfolded in 2020 served as a validation of the Group's persistent focus on digital, as we witnessed the readiness and activation of our business processes and digital infrastructure in responding to the sudden shift in customer behaviours and online interactions that were sparked by the pandemic. It is apparent these changes are here for the long haul and we are committed to ensuring the Group continues to prioritise digital-led growth and transformation as part of our enterprise strategy to be future-ready.

I take this opportunity to commend the Group Business Continuity Management Committee which adopted an all hands-on deck approach, in responding to the threats and uncertainties from the pandemic. A spectrum of initiatives was rapidly rolled out to keep employees and stakeholders informed, engaged and assured – from daily updates, on-site testing of employees and rigorous sanitising of our offices, to developing and enforcing quarantine policies, distribution of masks and sanitisers, contact tracing and all other standard operating procedures set out by the Ministry of Health. In addition to that, the Group also disbursed financial aid to certain employee segments to tide them over this difficult period.

Beyond the importance of process and system efficiencies, the pandemic also showed us the value of collaboration, adaptability, flexibility and speed – all of which will continue to be vital in contributing to the Group's resilience and success in the coming years.

### CORPORATE HIGHLIGHTS >

#### Strategic Partnerships

Kenanga Group via its subsidiaries entered into strategic partnerships with several notable digital players during the year, in a bid to fuel growth, fortify our fundamental business model and expand our current offerings.

In August 2020, the Group's subsidiary that offers Islamic Structured Lending & Trade Financing solutions, Kenanga Capital Islamic Sdn Bhd ("**KCI**") entered into a partnership with the award-winning digital supply chain financing company, Bay Group Holdings Sdn Bhd ("**CapBay**"). KCI's established track record in supply-chain financing to small and medium enterprises ("**SMEs**") supporting the public sector, coupled

with CapBay's recognised experience in the private sector, provides the ideal basis for the introduction of Malaysia's first solution to unify both private and public sector receivables under a single fully digital end-to-end online platform. Besides providing access to an underserved market, this partnership will enhance KCI's position in the factoring market, expand its range of offerings while also improving operational efficiencies. Short-term financing solutions such as this, has become instrumental to many entrepreneurs, at a time where many businesses continue to grapple with the impact of the COVID-19 pandemic outbreak.

In October 2020, the Group acquired a 4.99% equity stake in Merchantrade Asia Sdn Bhd ("**Merchantrade**"), one of the fastest-growing digital payments and money services players in the region. This investment follows our development of Malaysia's first stockbroker e-wallet, Kenanga Money, in partnership with Merchantrade. Kenanga Money will enable our customers to transfer funds from their stock trading accounts to a multi-currency e-wallet and prepaid card for retail payments, remittance and withdrawals on a worldwide basis.

With a shared vision and ambition to reshape the financial space through technology, we look forward to developing greater synergies with Merchantrade in the coming year and the creation of game-changing products and solutions for our customers.

In the same vein, 2021 had kicked off with the acquisition of i-VCAP Management Sdn Bhd, a subsidiary of ValueCAP Sdn Bhd, that is engaged primarily in the provision of Islamic Exchange Traded Fund ("**ETF**"). This move via our Investment and Wealth Management arm, Kenanga Investors Berhad ("**KIB**"), follows a year after KIB's maiden foray into the ETF arena with OneETF by Kenanga, Malaysia's first KLCI-linked leverage and inverse ETFs. This acquisition will augment KIB's position as a leading ETF issuer as it will broaden its geographical reach, product suite and investment expertise, enabling it to provide more solutions to help clients achieve their investment objectives.

With digital continuing to be at the centre of our enterprise growth strategy, reinforced by the ambition to create a robust and extensive ecosystem for our customers, the Group took its first step into the digital assets space in February 2021, via



a proposed acquisition of a 19.0% equity stake in Tokenize Technologies (M) Sdn Bhd (“**Tokenize Malaysia**”), which was approved by the Securities Commission Malaysia on 24 March 2021. Tokenize Malaysia is one of three Digital Asset Exchanges (“**DAX**”), licensed by the Securities Commission Malaysia and second largest DAX in the country by traded market share.

Operating under the brand Tokenize Xchange, it is an online exchange that allows the trading of cryptocurrencies like Bitcoin and Ethereum. The emergence of digital assets including cryptocurrencies has been gaining acceptance globally in the last few years, with its presence in Malaysia fast gaining traction. Fund raising through the tokenisation of businesses and assets is anticipated to be a significant part of the capital markets in the future and making an inroad in the digital assets sector with domain experts Tokenize Malaysia, positions Kenanga to meet opportunities in this area.

#### Financial Position

As at 31 December 2020, our capital adequacy ratios were 24.04% and 24.08% at Group and Company levels respectively. These levels were well above the 10.50% set by Bank Negara Malaysia, including a capital conservation buffer of up to 2.50% if imposed.

Liquidity Coverage Ratio was 154%, above the regulatory requirement of 100%, while Net Stable Funding Ratio averaged above 100%, which became a mandatory level in July 2020.

The Group maintained A+ and MARC-1 ratings from Malaysian Rating Corporation Berhad (“**MARC**”), which demonstrated once again our strong competitive position, sound capital position, profitability and funding profile despite weakened capital market conditions. We will continue to work towards better ratings through ongoing improvements to our financial performance.

At the same time, our subsidiaries KIB and Kenanga Islamic Investors Berhad (“**KIIB**”) maintained MARC’s IMR-2 ratings, reflecting well-established investment process and sound risk management practices.

## SEGMENTAL REVIEW



### Stockbroking

The Stockbroking division, buoyed by the momentum in the stock market, delivered one of its best performance yet with a PBT of RM86.8 million for FYE2020 against PBT of RM9.5 million for FYE2019. This was mainly due to the higher net brokerage income and higher trading income on the back of the significant increase in Bursa Securities trading volume and market volatility.

The COVID-19 pandemic provided a second wind to the stockbroking industry by reigniting retail interest. This segment, which previously represented less than 20% of daily trading volume on the Main Market of Bursa Securities, grew to average of around 50% over the course of the year. As a result, our brokerage and trading incomes rose together with the increased vibrancy of the market, and the Stockbroking division significantly outperformed expectations for the year. Technology investments made in recent years prepared us well for the sudden shift to online trading. It also allowed us to support our remisiers and dealers who were able to service their clients and fulfil surge in volumes remotely. The division clocked a significant 30% growth in its market share to 12.6%, ending the year as the number one retail stockbroker in Malaysia by trading value.

Entering its fourth year as Malaysia’s fully online stocktrading platform, our joint venture, Rakuten Trade, was buoyed by hundreds of thousands of traders piling into the stock market, mirroring trends seen in the U.S and other major economies. With all its facilities accessible throughout movement restrictions, Rakuten Trade received record high account opening and trades on its platform, spurring its first profit in April 2020 and has remained profitable ever since. Rakuten Trade currently contributes approximately 20 % of the Group’s market volume on a daily basis and we expect this figure to grow in 2021.

As at 31 December 2020, Rakuten Trade has 166,000 trading accounts under its belt, making it the fastest growing stockbroker in the market with a market share of over 2%. Rakumargin, a new margin financing platform was rolled out during the year and customers can look forward to more exciting new value-added products and features on the platform in 2021.

## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

We are also in the process of further digitalising workflows and operational processes affecting remisers and dealers, integrating mobility with service workflows, digital knowledge centre and business dashboards that will optimise productivity and efficiency for remote work. When this process is completed, our client reach will expand beyond traditional branch network, propelling growth through convenient, seamless and personalised client experience.

As with the years before, investor literacy remains a key priority for the Stockbroking division. We look forward to providing enhanced outreach to clients in 2021 via webinars and social media.

The year in review saw the Stockbroking division continuing to receive a host of awards and accolades. At the prestigious annual Bursa Excellence Awards, the division was awarded under the Best Overall Equities Participating Organisation, Best Structured Warrant Issuer, Best Retail Equities Participating Organisation and Best Institutional Equities Participating Organisation Investment Bank. The recent Bursa Malaysia Salesforce Retail Investor Campaign 2020 also witnessed the division clinching awards under the Top Dealer Category for Highest Traded Value for ETFs and Highest Traded Value for L&I ETFs. It also won under the Top Remisier Category for Highest Traded Value – New Accounts (Conventional), Highest Traded Value for ETFs and Highest Reactivation of – Inactive & Dormant Accounts.



### Investment Banking

Against the backdrop of the global COVID-19 pandemic, the Investment Banking (“IB”) division as a whole recorded PBT of RM34.0 million over RM24.7 million in 2019, which was attributable to strong performance from the Treasury business, higher net income and reversal of provision for credit loss, which partially offset lower investment banking fee income.

In the equity capital market, the division participated in the listing of Reservoir Link Energy Berhad on the ACE Market - the first O&G listing since 2017. During the year, it also advised on the transfer listing of Nova Wellness Group Berhad from the ACE Market to the Main Market and participated in the biggest Initial Public Offering of 2020, as a Joint Underwriter to the listing of Mr D.I.Y Group (M) Berhad on the Main Market.

Towards the end of the year, it further advised and acted as the principal adviser, managing and joint underwriter for the largest underwritten rights issue in 2020 by JAKS Resources Berhad raising a total of RM238 million, of which RM100 million was underwritten by the IB division. For equity private placement, it acted as the placement agent/manager and sole bookrunner to Komarkcorp Berhad and joint placement agent/manager to KNM Group Berhad.

On the fixed income front, its Debt Capital Markets team was actively involved in various government-guaranteed Sukuk issuances and advised on the maiden issuance of RM3.5 billion Sukuk Murabahah Programme, followed by another issuance of RM1.35 billion and RM1.5 billion respectively by Prasarana Malaysia Berhad. It also advised Malaysia Rail Link Sdn Bhd for its inaugural issuance of RM2.0 billion Sukuk Murabahah Programme. On the corporate side, it advised on a Sukuk Wakalah Programme of RM200 million by SHC Capital Sdn Bhd, with the successful issuance of the first tranche of Islamic medium-term notes of RM80 million.

On our loan assets portfolio, the Corporate Banking team has been actively managing and monitoring our exposure and cautiously growing our portfolio by selectively pursuing lending pipelines generated through our IB channels such as the Merger & Acquisition advisory leads. The team is currently managing a loan portfolio of circa RM655 million as at 31 December 2020 and hoping to grow cautiously in 2021.

As for Islamic Capital Markets, the division will continue exploring innovative Islamic instruments for suitable clients, be it in the form of hybrid debt securities such as Islamic convertible sukuk or equity offerings such as Islamic Redeemable Convertible Preference Shares. With the presence of more fintech players in industry shaping the future of our capital markets, it will also explore the alternative fundraising mode for clients such as the issuance of Shariah-compliant tokenised securities, which is now made possible under the Guidelines on Digital Assets launched by the Securities Commission Malaysia during the year.

The Treasury business achieved outstanding performance in FYE2020 with PBT doubling to RM25.9 million over RM12.0 million in the previous year. This was due to higher revenue from improved trading and investment income, as well as, higher income from foreign exchange and structured product offerings.

In the first quarter of 2020, Bank Negara Malaysia had announced several prudential measures aimed at ensuring that banking institutions remain focused on supporting the economy during exceptional circumstances of the COVID-19 outbreak.

In the midst of such challenging environment, the Treasury division was able to maintain stable funding throughout the year with both our Liquidity Coverage Ratio and Net Stable Funding Ratio remaining above 100%.

The division also gained tremendous traction with the Wealth Management division within the Group, in efforts to increase transaction volumes on products across different asset classes. We anticipate that the division will continue providing this support in the near term with the shared goal of raising business volumes and profitability for the Group.

To further the division's continual growth and in line with Kenanga's overall digitalisation strategy, it embarked on a front-end system automation exercise during the year. The system, which is expected to be ready by the end of this year, will automate the processing of its Dual Currency Investment and Equity-Linked Investment product transactions, taking efficiency, client experience and overall transparency to the next level.



## Investment and Wealth Management

Investment and Wealth Management registered a PBT of RM13.6 million, relative to RM5.2 million from the year before, mainly due to higher management and performance fee earned. Despite a turbulent year, assets under administration (“**AUA**”) increased to RM13.83 billion from RM13.49 billion in 2019. The financial performance for Kenanga Investors Group (“**KIG**”), which comprises Kenanga Investors Berhad (“**KIB**”), Kenanga Islamic Investors Berhad (“**KIIB**”), and Libra Invest Berhad (“**LIB**”), in 2020 exceeded expectations, against the backdrop of volatile markets and a weaker economy.

As the investment and wealth management arm of KIBB, KIG provides investment solutions ranging from collective investment schemes, portfolio management services, ETFs, financial planning and alternative investments for retail, high net worth clients, corporate and institutional clients. It is a repeat recipient of distinguished industry accolades such as Refinitiv Lipper, Morningstar, FSMOne Recommended Unit Trusts Awards and Asia Asset Management's Best of the Best Awards.

In 2020, KIG's funds and mandates recorded notable outperformance against its peers and benchmarks. In view of this and other successes, KIG won three awards at the FSMOne Recommended Unit Trusts Awards 2020/21. Its flagship funds—Kenanga Growth Fund and Kenanga Syariah Growth Fund, won awards in the Core Equity-Malaysia and Core Equity-Malaysia (Islamic) categories, and the Kenanga Balanced Fund won an award in the Balanced-Malaysia category. This is the 11<sup>th</sup> consecutive year that KGF has won the Core Equity title. In 2021, it clinched awards from the Best of the Best Awards for Malaysia – Best Equity Manager, Malaysia – Best Islamic Fund (Equity), Malaysia – CIO of the Year (5<sup>th</sup> win) and Malaysia – Best House for Alternatives. Additionally, at the Refinitiv Lipper Fund Awards 2021, the Kenanga SyariahEXTRA Fund was awarded “Mixed Asset MYR Balanced – Malaysia” award for 3-years and 5-years in both categories of Malaysia Islamic Funds and Malaysia Provident Funds while the Kenanga Growth Opportunities Fund won “Equity Malaysia Small & Mid Caps” for 3-years under the Malaysia Provident Funds category. Kenanga Investors also won in the overall best Malaysia Islamic Funds Group Awards (Equity) and Malaysia Provident Funds Group Awards (Mixed Assets) categories.

KIG has been a signatory to the Malaysian Code for Institutional Investors (“**Code**”) since 2017 and it recently became a member of the Institutional Investors Council (IIC). KIG is committed to work with asset owners, regulators and a wide range of market participants to deliver on this step change to stewardship and Environmental, Social and Governance (“**ESG**”) considerations, ensuring that it takes its place at the heart of the investment process and to promote the sustainability agenda. In addition to financial considerations, the integration of ESG factors in the investment process is essential to make better informed and holistic investment decisions to ensure long-term sustainable value to stakeholders. The continuous delivery of consistent performance stems from the premise of an effective stewardship and active ownership approach throughout the investment value chain.

For 2020, KIG declared an income repatriation and distribution amounting over RM531 million to its investors, making it the highest pay-out ever.



## Futures Broking

Global listed derivatives saw a significant increase in volume in 2020 as volatility fuelled by the COVID-19 pandemic and global political uncertainty drove investors and traders to hedge their portfolios or seek new trading opportunities, respectively. However, growth in the commission income of our listed derivatives business was impaired by a decline in interest income amid the falling interest rate environment. For FYE2020, Kenanga Futures Sdn Bhd (“**KFSB**”) recorded a marginally lower Loss Before Tax (“**LBT**”) of RM2.8 million from LBT of RM2.9 million in FYE2019.

KFSB saw a surge in contracts executed on Bursa Malaysia Derivatives Berhad in line with the rise in overall volume on the exchange. Meanwhile, KFSB continued to register year-on-year increases in contracts executed on both the US Exchange, CME Group, as well as, the Hong Kong Futures Exchange.

With the nationwide Movement Control Order in force in Malaysia from March 2020, KFSB swiftly pivoted to its e-sales channel to maintain strong virtual engagement with clients. Working in the new normal also spurred KFSB to accelerate its digital plan and expand its e-onboarding and e-learning initiatives.

KFSB continued to be recognised as one of the top derivatives brokers in the country in the Bursa Excellence Award 2020. KFSB was awarded the Champion for Best Institutional Derivatives Trading Participant, Best Trading Participant – Equity & Financial Derivatives for the 18<sup>th</sup> year in a row and was also the second runner up for Best Overall Derivatives Trading Participant.

## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS



### Money Lending and Financing

The Structured Lending and Trade Financing division doubled its PBT to RM1.86 million in 2020, vis-à-vis a PBT of RM0.83 million in FYE2019. The division increased its market share in equity financing as public listed companies sought to raise funds in response to the economic slowdown in the wake of the pandemic.

A significant development in 2020 was the partnership with CapBay, as mentioned earlier, which represents an important step forward in our efforts to digitalise our businesses. The partnership will provide Malaysian entrepreneurs seamless access to a completely digital supply chain financing solution, which will change the way capital is accessed in Malaysia.

#### RISK MANAGEMENT >

Amid the turbulent economic conditions and unprecedented market volatilities during the year, the Group continued to exercise prudence and diligence in managing its key risks in the context of credit risk and market risk portfolio exposure, especially in view of the increase in Bursa trading volumes and demand for the Group's digital services.

We maintained meticulous risk management oversight and management processes that emphasised the enforcement of established policies and procedures. Throughout the year, we conducted thorough and comprehensive risk assessments and performed rigorous adaptations of appropriate facility and trading strategies in regards to their respective exposures. This proved effective and resulted in well contained and managed credit and market risk portfolios.

The Group remains fully committed to strengthening risk resilience, as well as, enhancing of our risk management approaches, methodologies and skill-sets. We have put in place risk management processes involving identifying, assessing, monitoring and reporting risks, complemented by a robust governance structure, implementation of policies and procedures, established methodologies, as well as, risk processes that are constantly reviewed and enhanced.

In view of heightened operational risks during the year, we made continuous effort to fortify the governance and robustness of our operational risk management at enterprise-wide level through

Group Operational Risk Management training. In this respect, we have significantly improved performance over previous years with fewer operational risk events recorded, and the challenge going forward is to reduce operational risk events further, in particular, within our evolving cyber environment.

Cybersecurity threats remain one of the top operational risks to the Group. For this reason, we will continue to apply the Group's Technology Risk Management Framework and Cyber Resilience Framework, which incorporate industry best practises in managing various technology related risks including those arising from new digital innovation businesses, as well as, new operating norms such as working from home. The Group stands guided by the Policy Document on Risk Management in Technology established by Bank Negara Malaysia on 19 June 2020.

In light of the persistence of COVID-19 in the coming year, the Group will remain vigilant and maintain responsive business continuity plans. The Business Continuity Management Team stands ready to take all appropriate measures to mitigate risks of exposure to the contagion, including precautionary measures involving split-team operations and working-from-home arrangements, as well as, disaster recovery and contingency drills. We will continue to hold regular Management briefings and updates on business continuity to address emerging risks, as well as, to conduct periodic pandemic risk assessment and to heighten monitoring of possible exposure to all affected domains.

More information on risk management and internal controls can be found on pages 70 of this report.

#### 2021 OUTLOOK >

At the writing of this statement, it has been more than a year since the COVID-19 pandemic began disrupting economic activities around the world. The pace of spread did not slow during the year, with the number of new cases in major economies such as the US and Europe charting record highs daily. In view of the rising rate of infection, the recent success announced by major vaccine developers marks a major breakthrough that should eventually help contain the spread of the virus. In this light, we anticipate a gradual resumption of normality when distribution and vaccination of the general population starts taking place globally by the second half of 2021.

The lockdown measures implemented in many countries globally have resulted in an estimated global GDP contraction of 3.3% in 2020. In Malaysia, 2020 GDP contracted by 5.6%, but with the improved global backdrop in 2021, the rollout of the COVID-19

vaccine, the restoration of global supply chains and the further acceleration of demand for advance technology, we expect GDP recovery of 6.5% in 2021. There have already been early signs of recovery in the final quarter of 2020, with year-to-date gains in prices of oil and crude palm oil, and we anticipate that continued expansionary fiscal and monetary measures and a low base effect will also contribute to improved growth.

This recovery bodes well for the stock market as it provides a basis for the improvement of corporate earnings especially in sectors that have been directly impacted by lockdown measures. In this early phase of economic recovery, we expect interest rates and statutory reserve requirements for banks to remain low for most of 2021. In tandem with these developments, the Government has announced a Budget of RM322.5 billion for 2021, which is the largest ever for Malaysia. With increases in development and operating expenditures of RM19 billion and RM10 billion respectively, we expect infrastructure development to accelerate with a positive multiplier effect on the economy.

As we learn from the new normal of social distancing, work from home, and prioritising the development and wellbeing of our people, I am confident that Kenanga Group will continue to make best use of its resources, expertise and experience to capitalise on emerging opportunities. We expect 2021 to remain volatile and challenging, and we will continue to proactively manage liquidity, credit and market risks, while remaining focused on our objectives of achieving long term growth through our ongoing digital transformation. As always, we will continue to pursue a strategy grounded in prudence, which has served us well through good times and bad for almost half a century.

## APPRECIATION

I take this opportunity to express my gratitude to our Founder Emeritus & Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail, who has been an example of leadership and compassion throughout this most challenging year. I would like to thank our retired Chairman, Encik Izlan Izhah, for his dedicated service to the Group since 2017, and welcome his successor YAM Tan Sri Dato' Seri Syed Anwar Jamalullail as Chairman.

I thank the Board of Directors for their diligence and stewardship, and I am particularly thankful to the staff of Kenanga Group for their dedication and commitment throughout what were often difficult and uncertain times. Likewise, I express my gratitude to our business partners, valued clients, suppliers and stakeholders for their support during our journey through 2020.

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

## DATUK CHAY WAI LEONG

Group Managing Director

## FOUNDER EMERITUS & ADVISER'S PROFILE



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

**YM TAN SRI DATO' PADUKA TENGKU  
NOOR ZAKIAH TENGKU ISMAIL**

Founder Emeritus & Adviser

- **Date of Appointment**

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

- **Gender/Age**

Female/93

## 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 (1<sup>st</sup>) 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 (1<sup>st</sup>) 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.

# PROFILES OF DIRECTORS

• **Position**

- ① Chairman of the Board of Directors
- ② Independent Non-Executive Director

• **Nationality**

Malaysian

• **Gender/Age**

Male/69



## YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

**BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR**

Attended all 5 Meetings



**LENGTH OF TENURE AS DIRECTOR** (As at 31 March 2021)

- Nine (9) Months

**Declaration**

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad ("KIBB"). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

**DATE OF APPOINTMENT**

- 1 July 2020

**MEMBERSHIP OF BOARD COMMITTEE(S)**

- Member of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee) (Appointed on 1 January 2021)

**ACADEMIC/ PROFESSIONAL QUALIFICATION(S)**

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

**AWARD**

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

**PRESENT APPOINTMENT(S)**

- Chairman of Nestle (Malaysia) Berhad
- Chairman of S P Setia Berhad
- Chairman of Lembaga Zakat Selangor
- Chancellor of SEGi University

**PAST EXPERIENCES**

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



• **Position**

- ① Deputy Chairman of the Board of Directors
- ② Non-Independent Non-Executive Director

• **Nationality**

Singaporean, Permanent Resident of Malaysia

• **Gender/Age**

Male/55



## DATUK SYED AHMAD ALWEE ALSREE

**BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR**

Attended all 11 Meetings



**LENGTH OF TENURE AS DIRECTOR** (As at 31 March 2021)

- Ten (10) Years and Eleven (11) Months

**Declaration**

Datuk Syed Ahmad Alwee Alsee has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad (“KIBB”). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

**DATE OF APPOINTMENT**

- 21 April 2010 (Non-Independent Non-Executive Director)
- 25 October 2011 (Deputy Chairman)

**MEMBERSHIP OF BOARD COMMITTEE(S)**

- Member of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee)
- Member of the Employees’ Share Scheme Committee

**ACADEMIC/ PROFESSIONAL QUALIFICATION(S)**

- Bachelor of Laws (LL.B.) Degree, the National University of Singapore
- Advanced Management Program, Harvard Business School, United States of America

**PRESENT APPOINTMENT(S)**

- Chairman and Non-Independent Non-Executive Director of Kenanga Investors Berhad
- Non-Independent Non-Executive Director of Kenanga Islamic Investors Berhad
- Non-Executive Director of SIG Gases Berhad
- Chairman and/or Director of several private limited companies

**PAST EXPERIENCES**

- Non-Independent Non-Executive Director of KKB Engineering Berhad
- Group Executive Director of Cahya Mata Sarawak Berhad (“CMS”)
- Deputy Group Managing Director of CMS
- Group General Manager – Human Resources of CMS
- Practised law in Singapore for over ten (10) years prior to joining CMS

## PROFILES OF DIRECTORS

• **Position**

- 1 Non-Independent Non-Executive Director

• **Nationality**

British, Permanent Resident of Malaysia

• **Gender/Age**

Male/69



### DATO' RICHARD ALEXANDER JOHN CURTIS

**BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR**

Attended all 11 Meetings



**LENGTH OF TENURE AS DIRECTOR** (As at 31 March 2021)

- Thirteen (13) Years and Six (6) Months

**Declaration**

Dato' Richard Alexander John Curtis ("Dato' Richard Curtis") has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad ("KIBB"). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

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

**DATE OF APPOINTMENT**

- 26 September 2007

**MEMBERSHIP OF BOARD COMMITTEE(S)**

- Member of the Group Board Risk Committee
- Member of the Group Board Digital Innovation & Technology Committee

**ACADEMIC/ PROFESSIONAL QUALIFICATION(S)**

- Bachelor of Laws (LL.B.) Degree (Honours), University of Bristol, United Kingdom ("UK")
- Admitted as a solicitor in England, Wales and Hong Kong
- Sloan Fellow, London Business School, UK
- Fellow, Chartered Institute of Arbitrators, UK

**PRESENT APPOINTMENT(S)**

- Trustee of Yayasan Raja Muda Selangor
- Director of several private limited companies

**PAST EXPERIENCES**

- Non-Independent Non-Executive Director of Cahya Mata Sarawak Berhad ("CMS")
- Advisor of CMS, after his retirement as Group Managing Director of CMS
- Chief Executive Officer of The Melium Group
- Pursued own businesses in retail, consultancy and construction
- Director/ General Manager and Vice President – Director in Jardine Offshore Group, Singapore and Indonesia
- Solicitor in Jardine Matheson & Co., Hong Kong
- Solicitor in Norton Rose, London

- **Position**

- ① Non-Independent Non-Executive Director

- **Nationality**

- Australian

- **Gender/Age**

- Male/57



## LUIGI FORTUNATO GHIRARDELLO

### BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR

Attended all 11 Meetings



### LENGTH OF TENURE AS DIRECTOR (As at 31 March 2021)

- Twelve (12) Years and Eight (8) Months

### Declaration

Luigi Fortunato Ghirardello (“**Luigi**”) has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad (“**KIBB**”). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

Luigi is currently holding 631,700 shares in KIBB.

### DATE OF APPOINTMENT

- 29 July 2008 (Non-Independent Non-Executive Director)
- 26 April 2011 (Re-designated as an Independent Non-Executive Director)
- 29 July 2017 (Re-designated as a Non-Independent Non-Executive Director)

### MEMBERSHIP OF BOARD COMMITTEE(S)

- Member of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee)
- Member of the Group Board Risk Committee
- Member of the Employees’ Share Scheme Committee
- Member of the Group Board Digital Innovation & Technology Committee

### ACADEMIC/ PROFESSIONAL QUALIFICATION(S)

- Bachelor of Arts, University of Sydney, Australia
- Bachelor of Laws, University of Sydney, Australia
- Diploma in Applied Finance and Investment, Securities Institute of Australia

### PRESENT APPOINTMENT(S)

- Chairman of Kenanga Futures Sdn Bhd, a wholly-owned subsidiary of KIBB

### PAST EXPERIENCES

- Managing Director, Global Head of Proprietary Trading, Global Finance and Foreign Exchange in Deutsche Bank AG (Capital Market and Financial Services), Singapore
- Managing Director, Head of Global Finance – Asia Pacific in Deutsche Bank AG, Singapore
- Managing Director, Global Head of Money Markets Trading and Securities for Deutsche Bank AG, United Kingdom
- Various senior positions at the National Australia Bank
- Associate Director and Trading Manager with Schroders Australia Ltd

## PROFILES OF DIRECTORS

• **Position**

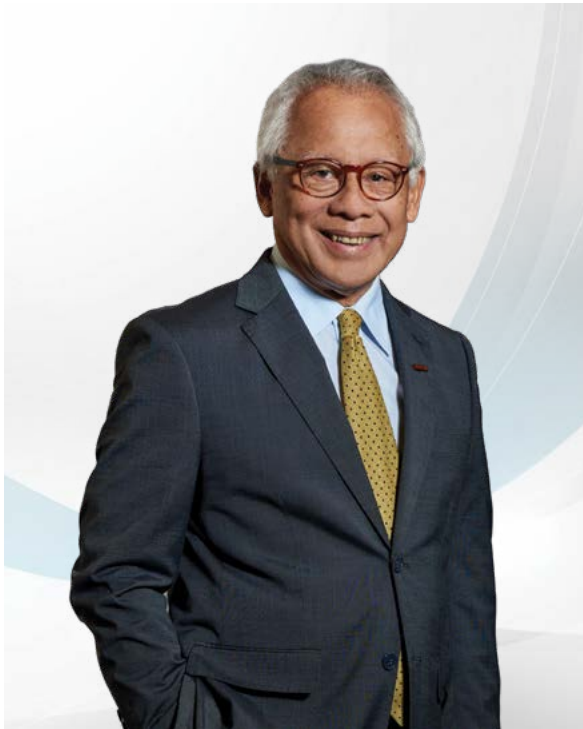
- 1 Non-Independent Non-Executive Director

• **Nationality**

Malaysian

• **Gender/Age**

Male/70



### ISMAIL HARITH MERICAN

**DATE OF APPOINTMENT**

- 26 August 2010

**MEMBERSHIP OF BOARD COMMITTEE(S)**

- Member of the Audit Committee

**ACADEMIC/ PROFESSIONAL QUALIFICATION(S)**

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

**PRESENT APPOINTMENT(S)**

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

**PAST EXPERIENCES**

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

**BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR**

Attended all 11 Meetings



**LENGTH OF TENURE AS DIRECTOR** (As at 31 March 2021)

- Ten (10) Years and Seven (7) Months

**Declaration**

Ismail Harith Merican is the son of YM Tan Sri Dato’ Paduka Tengku Noor Zakiah Binti Tengku Ismail, a major shareholder of Kenanga Investment Bank Berhad (“KIBB”). He has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

• **Position**

- ① Independent Non-Executive Director

• **Nationality**

Hong Kong

• **Gender/Age**

Male/57



## LUK WAI HONG, WILLIAM

**BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR**

Attended all 11 Meetings



**LENGTH OF TENURE AS DIRECTOR** (As at 31 March 2021)

- Seven (7) Years and Five (5) Months

**Declaration**

Luk Wai Hong, William has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad (“KIBB”). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

**DATE OF APPOINTMENT**

- 1 November 2013

**MEMBERSHIP OF BOARD COMMITTEE(S)**

- Chairman of the Group Board Risk Committee
- Member of the Audit Committee
- Member of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee)
- Member of the Employees’ Share Scheme Committee
- Member of the Group Board Digital Innovation & Technology Committee

**ACADEMIC/ PROFESSIONAL QUALIFICATION(S)**

- Bachelor of Arts (Honours), Concordia University, Montreal, Canada
- Masters of Urban Planning, University of Michigan, United States of America (“USA”)
- Executive Fellowship awarded by the State of Washington, USA

**PRESENT APPOINTMENT(S)**

- Director of Investment of Cotton Tree Capital Ltd

**PAST EXPERIENCES**

- Principal and Portfolio Manager of Pacific Advantage Capital, Hong Kong and Singapore
- Managing Director and Co-Head of Saba Proprietary Trading Group Asia in Deutsche Bank AG, Hong Kong
- Managing Director and Co-Head of Global Credit Trading and Principal Finance Asia in Deutsche Bank AG, Singapore
- Director and Head of Structured Credit Trading and Principal Finance Asia in Deutsche Bank AG, Singapore
- Senior Associate Director and Senior Credit and Derivatives Trader in Deutsche Bank AG, Singapore
- Senior Fixed Income Trader in HSBC Markets, Hong Kong
- Fixed Income and Credit Trader in Lehman Brothers Asia, Hong Kong and Japan
- Executive Fellow and Transportation Finance Specialist in the Office of Financial Management in the State of Washington, USA

## PROFILES OF DIRECTORS

• **Position**

- 1 Independent Non-Executive Director

• **Nationality**

Malaysian

• **Gender/Age**

Male/67



### JEREMY NASRULHAQ

**DATE OF APPOINTMENT**

- 1 June 2017

**MEMBERSHIP OF BOARD COMMITTEE(S)**

- Chairman of the Audit Committee
- Member of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee)
- Member of the Employees' Share Scheme Committee
- Member of the Group Board Digital Innovation & Technology Committee

**ACADEMIC/ PROFESSIONAL QUALIFICATION(S)**

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

**PRESENT APPOINTMENT(S)**

- Director of Sweetet Development Sdn Bhd
- Member of the Digital Technology Implementation Committee, as well as, its Oversight Committee in MIA
- Chairman of the MIA-Malaysian Qualifications Agency Joint Technical Committee in MIA
- Deputy President of CIMA, Malaysia Division for several years and was re-appointed to serve on the council of the MIA for another term of two (2) years from 1 July 2020 to 30 June 2022

**PAST EXPERIENCES**

- Chairman of Urusan Teknologi Wawasan Sdn Bhd
- Chairman of Malaysia Airports (Niaga) Sdn Bhd
- Independent Non-Executive Director/ Senior Independent Non-Executive Director, Chairman of the Board Nomination & Remuneration Committee, Chairman of the Whistleblowing Independent Committee, Member of the Board Audit Committee and the Board Finance & Investment Committee of Malaysia Airports Holdings Berhad
- Committee Member of a few national organisations such as the Malaysian International Chamber of Commerce and Industry and the Federation of Malaysian Manufacturers
- Supply Chain Director for Unilever (M) Holdings Sdn Bhd, Malaysia and Unilever Singapore Pte Ltd, Singapore
- Commercial Director for Unilever (M) Holdings Sdn Bhd in Malaysia
- Regional Finance Manager for Unilever Asia Retail Foods
- Several senior financial and supply chain positions in Unilever (M) Holdings Sdn Bhd, P.T. Unilever Indonesia and Unilever Asia (S) Pte Ltd

**BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR**

Attended all 11 Meetings



**LENGTH OF TENURE AS DIRECTOR** (As at 31 March 2021)

- Three (3) Years and Ten (10) Months

**Declaration**

Jeremy Nasrulhaq ("Jeremy") has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad ("KIBB"). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

Jeremy is currently holding 187,900 shares in KIBB.

- **Position**

- ① Independent Non-Executive Director

- **Nationality**

- Malaysian

- **Gender/Age**

- Female/60



## NORAZIAN AHMAD TAJUDDIN

### BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR

Attended all 11 Meetings



### LENGTH OF TENURE AS DIRECTOR (As at 31 March 2021)

- Three (3) Years and Three (3) Months

### Declaration

Norazian Ahmad Tajuddin (“**Norazian**”) has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad (“**KIBB**”). She also has no conflict of interest with KIBB.

She has never been charged for any offence within the past five (5) years nor has she had any public sanction and/ or penalty imposed on her by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

Norazian is currently holding 10,000 shares in KIBB.

### DATE OF APPOINTMENT

- 15 December 2017

### MEMBERSHIP OF BOARD COMMITTEE(S)

- Chairman of the Group Governance, Nomination & Compensation Committee (formerly known as Group Nomination & Remuneration Committee)
- Member of the Group Board Risk Committee
- Chairman of the Employees’ Share Scheme Committee
- Member of the Group Board Digital Innovation & Technology Committee

### ACADEMIC/ PROFESSIONAL QUALIFICATION(S)

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

### PRESENT APPOINTMENT(S)

- Independent Non-Executive Director of Kenanga Investors Berhad (“**KIB**”), a wholly-owned subsidiary of KIBB
- Chairman of Investment Committee and Member of the Audit & Risk Committee of KIB
- Independent Non-Executive Director of Pacific & Orient Insurance Co. Berhad (“**POI**”), a subsidiary of Pacific & Orient Berhad
- Member of the Nomination Committee, Remuneration Committee, as well as, the Audit Committee and Risk Management Committee of POI

### PAST EXPERIENCES

- Non-Independent Non-Executive Director and Member of the Risk Management Committee and Nomination & Remuneration Committee of Prudential BSN Takaful Bhd
- Deputy Chief Executive Officer of Bank Simpanan Nasional Berhad
- Manager, Treasury of Daimlerchrysler (M) Sdn Bhd
- Assistant General Manager, Treasury of KAF Discount Bhd
- Deputy Chief Operating Officer, Group Treasury & International Banking of EON Bank Berhad Group
- Senior Dealer, Treasury of Bank Bumiputra (M) Bhd

## PROFILES OF DIRECTORS

• **Position**

- 1 Independent Non-Executive Director

• **Nationality**

Malaysian

• **Gender/Age**

Male/63



### KANAGARAJ LORENZ

**DATE OF APPOINTMENT**

- 26 December 2017

**MEMBERSHIP OF BOARD COMMITTEE(S)**

- Chairman of the Group Board Digital Innovation & Technology Committee
- Member of the Audit Committee
- Member of the Group Board Risk Committee

**ACADEMIC/ PROFESSIONAL QUALIFICATION(S)**

- Fellow Member, Institute of Chartered Accountants in England and Wales, United Kingdom
- Member, Malaysian Institute of Certified Public Accountants

**PRESENT APPOINTMENT(S)**

- Product Specialist and Advisor to the FinTech Association of Malaysia

**PAST EXPERIENCES**

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

**BOARD MEETING ATTENDANCE IN THE FINANCIAL YEAR**

Attended all 11 Meetings



**LENGTH OF TENURE AS DIRECTOR** (As at 31 March 2021)

- Three (3) Years and Three (3) Months

**Declaration**

Kanagaraj Lorenz (“Raj”) has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad (“KIBB”). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

Raj is currently holding 212,300 shares in KIBB.



# GROUP MANAGING DIRECTOR'S PROFILE

## • Position

- ① Group Managing Director

## • Nationality

Singaporean, Permanent Resident of Malaysia

## • Gender/Age

Male/57



## DATUK CHAY WAI LEONG

### DATE OF APPOINTMENT

- 17 May 2011

### QUALIFICATION

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

### DIRECTORSHIP

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

### 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)

### Declaration

Datuk Chay Wai Leong has no family relationship with any Director and/or major shareholder of Kenanga Investment Bank Berhad ("KIBB"). He also has no conflict of interest with KIBB.

He has never been charged for any offence within the past five (5) years nor has he had any public sanction and/ or penalty imposed on him by any relevant regulatory bodies during the Financial Year Ended 31 December 2020.

Datuk Chay Wai Leong currently holds 5,500,000 shares in KIBB and an option of 7,000,000 shares under the Employees' Share Option Scheme.

# SENIOR MANAGEMENT'S PROFILES

## DATUK ROSLAN HJ TIK

Executive Director, Head of Group Investment Banking and Islamic Banking



• **Date of Appointment**  
16 May 2011

• **Nationality**  
Malaysian

• **Gender/Age**  
Male/52

### 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)

### 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



• **Date of Appointment**  
19 May 2011

• **Nationality**  
Malaysian

• **Gender/Age**  
Male/53

### 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)

## MAHESWARI A/P G KANNIAH

Group Chief Regulatory and  
Compliance Officer



- **Date of Appointment**

1 June 2011

- **Nationality**

Malaysian

- **Gender/Age**

Female/60

### QUALIFICATION

- Chartered Banker, jointly awarded by the Asian Institute of Chartered Bankers and the Chartered Banker Institute, United Kingdom (“UK”)
- Certified Fraud Examiner
- Chartered Secretary
- Fellow of the Malaysian Institute of Chartered Secretaries and Administrators
- Fellow of the Chartered Governance Institute, UK
- Chartered Governance Professional
- Fellow of the Institute of Corporate Directors Malaysia (“ICDM”)
- Specialist Diploma in Company Secretarial Practice

### DIRECTORSHIP

- ICDM

### 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

- Council Member of the Malaysian Association of Certified Fraud Examiners
- Member of the Audit and Risk Management Committee of ICDM

## ISMITZ MATTHEW DE ALWIS

Chief Executive Officer/ Executive Director,  
Kenanga Investors Berhad



- **Date of Appointment**

10 February 2015

- **Nationality**

Malaysian

- **Gender/Age**

Male/46

### 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) (1995), 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
- Committee Member for Malaysian Association of Asset Managers
- Member of FTSE Bursa Malaysia Index Advisory Committee

## SENIOR MANAGEMENT'S PROFILES

### CHEONG BOON KAK

Group Chief Financial and Operations Officer



• **Date of Appointment**  
1 November 2016

• **Nationality**  
Malaysian

• **Gender/Age**  
Male/50

#### QUALIFICATION

- Member of Malaysian Institute of Accountants
- Member of Certified Practising Accountant Australia
- Member of Malaysian Institute of Certified Public Accountant
- Chartered Banker, jointly awarded by the Asian Institute of Chartered Bankers and the Chartered Banker Institute, United Kingdom

#### 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 & Head of Listed Derivatives, Kenanga Futures Sdn Bhd



• **Date of Appointment**  
1 December 2012

• **Nationality**  
Malaysian

• **Gender/Age**  
Female/52

#### QUALIFICATION

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

#### 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's 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 FTSE Russell Bursa Malaysia Index Advisory Committee
- Member of FTSE Bursa Malaysia Industry Advisory Forum
- Member of Derivatives Market Consultative Panel of Bursa Malaysia
- Global Primary Member of Futures Industry Association, Inc (FIA) Washington DC
- Associate Member of Palm Oil Refiners' Association of Malaysia (PORAM)
- Member representative for Malaysia Futures Brokers' Association (MFBA)

## MEGAT MIZAN NICHOLAS DENNEY

Executive Director,  
Head of Group Business Development



- **Date of Appointment**

1 July 2011

- **Nationality**

Malaysian

- **Gender/Age**

Male/60

### 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

### RELEVANT EXPERIENCE

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

### APPOINTMENT

- Governor of the Malaysian Institute of Corporate Governance

## CYNTHIA WOON CHENG YEE

Head,  
Group Treasury



- **Date of Appointment**

25 May 2017

- **Nationality**

Malaysian

- **Gender/Age**

Female/55

### 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

### NIK HASNIZA NIK IBRAHIM

Head,  
Group Human Resource



• **Date of Appointment**  
1 July 2014

• **Nationality**  
Malaysian

• **Gender/Age**  
Female/55

#### 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)

### WOO KING HUAT

Chief Credit Officer



• **Date of Appointment**  
1 July 2015

• **Nationality**  
Malaysian

• **Gender/Age**  
Male/50

#### 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/ Executive Director,  
Kenanga Islamic Investors Berhad



- **Date of Appointment**

14 February 2019

- **Nationality**

Malaysian

- **Gender/Age**

Male/53

### 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 Berhad
  - Senior Manager, Fixed Income (2006 - 2007)
- PMB Investment Berhad
  - Assistant General Manager, Investment (2005 - 2006)
- Philip Capital Group
  - Vice President, Investment (2002 - 2005)

- Danamodal Nasional Berhad
  - Head of Treasury (2000 - 2002)
- CIMB-Principal Asset Management Berhad
  - Senior Fund Manager, Fixed Income (1996 - 2000)
- CIMB Bank Berhad
  - Treasury Dealer (1991 - 1996)

## DATO' AZLAN ABU RAIS @ A RAIS AL NOAH

Chief Executive Officer/ Executive Director,  
Kenanga Capital Sdn Bhd



- **Date of Appointment**

1 March 2005

- **Nationality**

Malaysian

- **Gender/Age**

Male/58

### 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)

## SENIOR MANAGEMENT'S PROFILES

### CHUAH SZE PHING

Head,  
Group Marketing and Communications



• **Date of Appointment**

1 September 2012

• **Nationality**

Malaysian

• **Gender/Age**

Female/44

**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)

### TERENCE TAN KIAN MENG

Group Chief  
Internal Auditor



• **Date of Appointment**

17 January 2011

• **Nationality**

Malaysian

• **Gender/Age**

Male/52

**QUALIFICATION**

- Bachelor of Commerce (Accounting) with Merit (University of New South Wales, Australia)
- Certified Internal Auditor (The Institute of Internal Auditors, United State of America)
- Certified Practising Accountant (CPA Australia)
- Chartered Accountant (Malaysian Institute of Accountants)
- Chartered Banker, jointly awarded by the Asian Institute of Chartered Bankers and the Chartered Banker Institute, United Kingdom

**DIRECTORSHIP**

- Nil

**RELEVANT EXPERIENCE**

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



## NORLIZA ABD SAMAD

Group Company Secretary



- **Date of Appointment**

19 November 2012

- **Nationality**

Malaysian

- **Gender/Age**

Female/55

### QUALIFICATION

- Chartered Secretary
- Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators
- Associate Member of the Chartered Governance Institute, United Kingdom
- 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)

## TAI YAN FEE

Group Chief Risk Officer



- **Date of Appointment**

1 August 2017

- **Nationality**

Malaysian

- **Gender/Age**

Male/49

### 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)

## SENIOR MANAGEMENT'S PROFILES

### CHUA E LONG

Chief Technology Officer



• **Date of Appointment**

1 November 2018

• **Nationality**

Malaysian

• **Gender/Age**

Male/44

#### QUALIFICATION

- Bachelor of 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 herein*

- *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.*

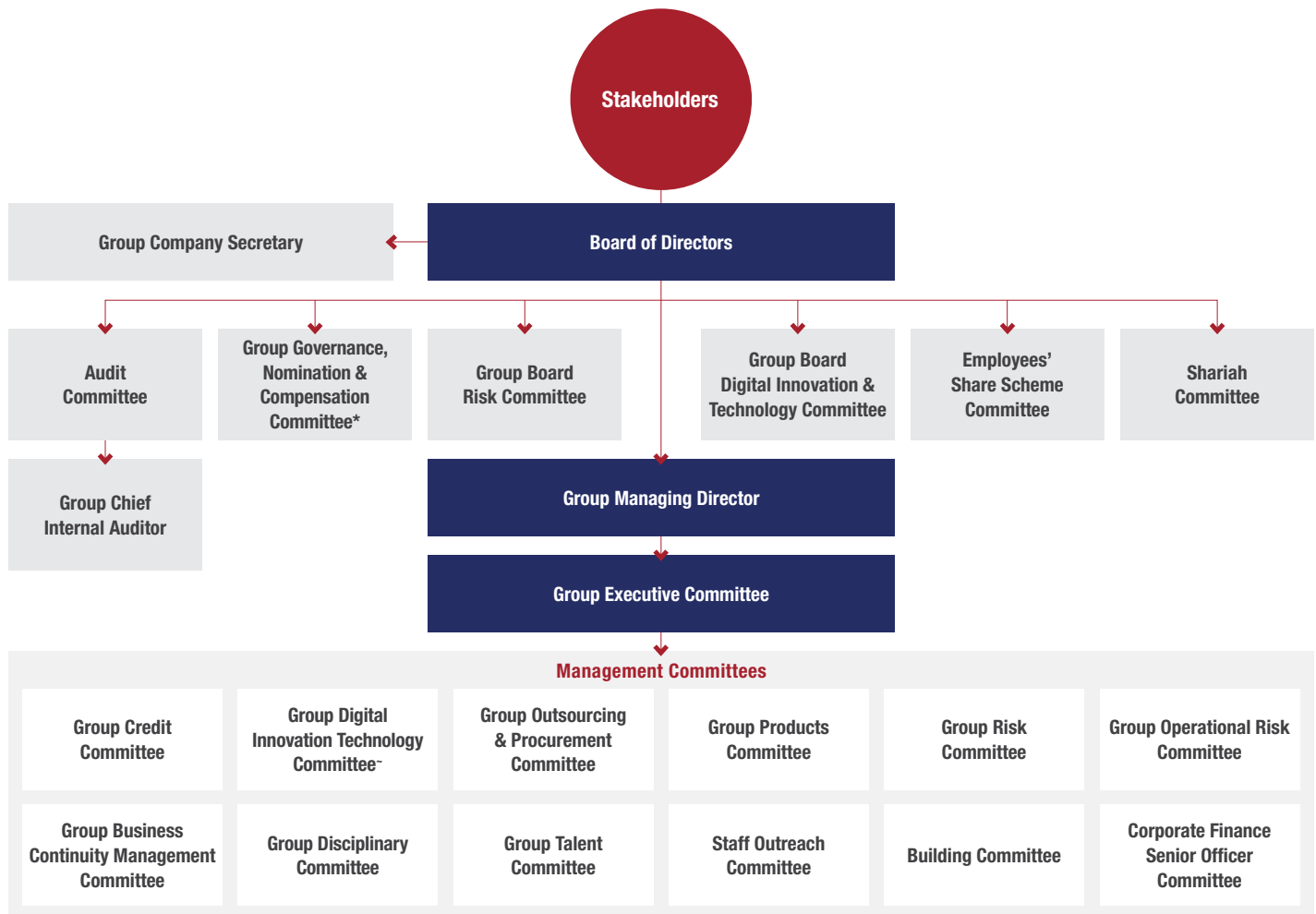
# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

## CORPORATE GOVERNANCE FRAMEWORK



\* Formerly Known as Group Nomination & Remuneration Committee.  
 ~ Formerly Known as Group Information Technology Steering Committee.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### BOARD LEADERSHIP AND EFFECTIVENESS

#### Board Responsibilities

The Board is charged with leading and guiding the Company 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>.

#### 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.

- Audited Financial Statements for the Financial Year Ended 31 December 2019 and the Reports for the Directors and Auditors
- Interim Dividend for Financial Year Ended 31 December 2019
- Re-Appointment of External Auditors
- 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
- Increase in Issuance Limit from RM25 Million to RM100 Million for Tier 2 Subordinated Notes Under the Tier 2 Subordinated Note Programme
- Provision of Financial Support and Contingency Funding for Subsidiaries
- Establishment of New Branches and/or Closures of Branches
- Plant and Equipment Write-Off
- Change in Shareholding of Kenanga Capital Islamic Sdn Bhd

### Strategy/ Financials

- Budget and Business Plan for KIBB Group for the Financial Year Ending 31 December 2021
- Updates on Budget 2020
- Proposals on New Investments/ Business Collaborations/ New Business Initiatives
- Monthly Management Accounts
- Quarterly Financial Results
- Write-Off of Impaired Equity Accounts

### Risk, Compliance and Oversight

- Monthly Regulatory Reports
- Assessment on Compliance with the Guidelines on Adequate Procedures Issued Pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009
- Whistleblowing Framework: Enhancing and Evaluating Staff's Understanding with Kenanga's Whistleblowing Video and Quiz
- Report on Staff Survey on Embracing of the New Normal under COVID-19 Pandemic
- Execution of Revised International Swap and Derivatives Association Agreement with Other Banks

- BNM's Composite Risk Rating Assessment on KIBB for 2019
- Compliance with the Guidelines on the Adequate Procedures Issued Pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009
- Monthly Risk Management Reports
- Review of Impact of COVID-19 Pandemic on KIBB's Credit Portfolio
- Economic Impact of COVID-19 and Stimulus Packages for Individuals and Businesses in Malaysia
- Measures for COVID-19 Pandemic Introduced by the Regulators
- Implementation of Targeted Assistance Post COVID-19 Moratorium – Temporary Restructuring and Rescheduling Guidelines
- Monthly Share Margin Financing Report
- Recovery Time Objectives and Maximum Tolerable Downtime of Critical Business Functions for Year 2020
- Business Continuity Management Framework
- Business Continuity Plan and Disaster Recovery Plan Test Matrix 2020
- Technology Risk Management Framework and Cyber Risk Policy
- Internal Capital Adequacy Assessment Process for 2019
- MY HORIZON Report 2019/ Volume 3: BNM Operational Risk Landscape Report for Banking Industry
- Operational Risk Capital Charge Assessment for Year 2019
- Establishment of New Policies and Review of Existing Policies
- Credit Proposals as Recommended/ Approved by the Group Credit Committee
- Issuance of New Series of Structured Warrants to be Listed on the Structured Warrants Board of Bursa Securities

- Quarterly Cyber Security Updates
- Group Level Business Continuity Plan
- Pillar 3 Disclosure as at 31 December 2019
- Half-Yearly Review on Shariah Committee's Decisions
- Annual Attestation of Products Issued for 2019
- Review of the Tier-1 Board Month-to-Date and Year-to-Date Profit & Loss Management Action Trigger Limit for Equity Derivatives' Option Book
- Exercise of Discretionary Credit Mitigation and Management for Equity Option Facility
- 2020 First Supplementary Base Prospectus in Respect of Structured Warrants
- Proposals and Updates on Digital Investment Management Business
- Annual Assurance on Safeguarding of Customer Information for Year 2019
- Operationalisation of the Ruling of BNM's Shariah Advisory Council on Non-Compounding of Profit

## Governance



- Appointments and Re-Appointments of Directors within KIBB Group
- Appointment of New Chairman of KIBB
- Review of Composition of the Boards of KIBB's Subsidiaries
- Review of Composition and Terms of Reference of KIBB's Management Committees
- Appointment of KIBB's Representatives to the Board of Associate Companies
- Proposed Expansion of the Roles and Responsibilities and Renaming of the Group Nomination & Remuneration Committee to "Group Governance, Nomination & Compensation Committee"

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Governance



- Review of Compositions of Board and Board Committees
- Reports by Board Committees on Matters Discussed at the Respective Board Committees' Meetings
- Assessment on the Fitness and Propriety and Re-Appointment of Members of Shariah Committee of KIBB and Review of Their Remuneration
- Proposed Revision of KIBB's Shariah Committee's Terms of Reference and Remuneration
- Annual Performance Evaluation for the Board, Board Committees and Individual Directors for the Financial Year Ended 31 December 2019
- Directors' Training Calendar for 2020
- Status Report on KIBB Group Directors' Training for 2019/ 2020
- Remuneration and Benefits for Directors of the Group
- Notification by Directors and Principal Officers in Relation to Dealings in the Securities of KIBB
- Declaration of Interest by a Director Pursuant to Section 221 of the Companies Act 2016
- Directors and Officers Liability Insurance
- Establishment of the Corporate Finance Senior Officer Committee Pursuant to the Securities Commission Malaysia's Guidelines on Submission of Corporate and Capital Market Product Proposals
- Issuance of Bonus Shares by Kenanga Futures Sdn Bhd
- Key Human Resource Matters
  - Review of the List of Management Key Responsible Persons ("KRPs") of KIBB Group as at 1 January 2020
  - Review of the List of KIBB Group's Management KRPs' Employment Contracts Expiring in Year 2020
  - New Appointment, Review and Renewal of Contract of Appointment of Management KRPs

- 2019 Performance Appraisal and Annual Assessment on Fit and Proper for Management KRPs
- Renewal of Group Staff Insurance Policies for 2021
- Progress Report on Implementation of Asian Institute of Chartered Bankers Certifications for KIBB
- 2020 Balanced Scorecards for Management KRPs
- Proposals in Relation to Employees' Share Scheme
- 2019 Performance Bonus and 2020 Annual Salary Increment
- Management KRPs' Succession Plan
- Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as KIBB's Adviser
- Identification and Updating of the List of Material Risk Takers and List of Other Material Risk Takers within KIBB Group

#### 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.

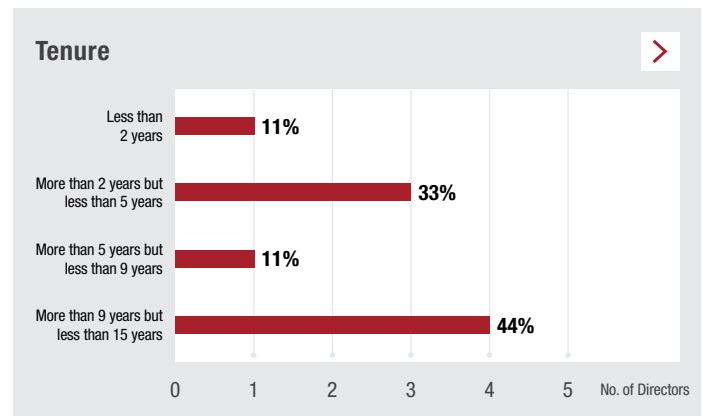
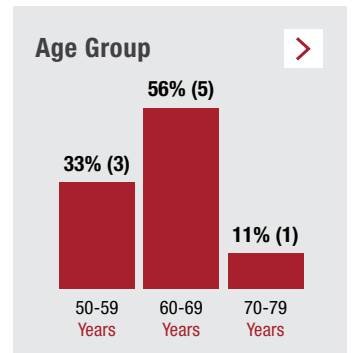
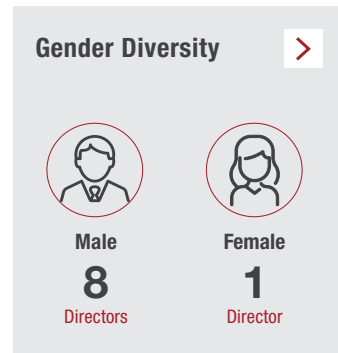
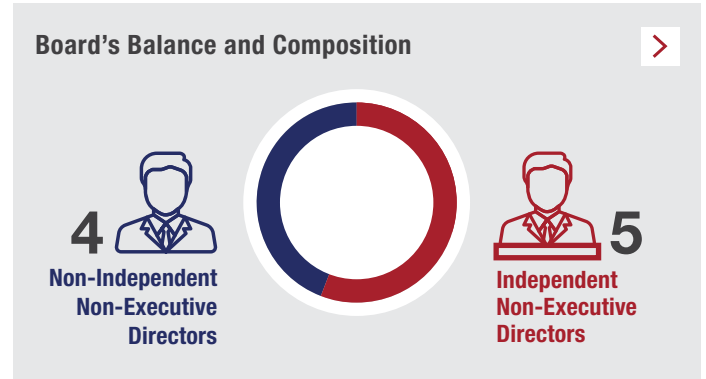
Whilst the Chairman is responsible for leading the Board in setting the values and standards of the Company, as well as, maintaining a relationship of trust with and between Management and Non-Executive Directors, the GMD, on the other hand, is entrusted with the executive responsibility for the day-to-day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

**Board Composition**

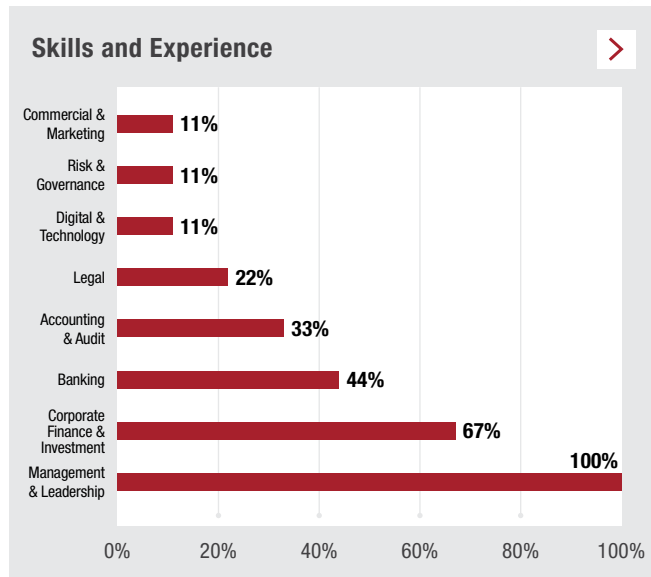
The Board of KIBB currently comprises the following nine (9) Directors, five (5) of whom are Independent Non-Executive Directors (“INED”) and the remaining four (4) are Non-Independent Non-Executive Directors (“NINED”):

- > **YAM TAN SRI DATO’ SERI SYED ANWAR JAMALULLAIL**  
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

**Snapshot of the Board's Profile**



## CORPORATE GOVERNANCE OVERVIEW STATEMENT



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 of Independent Directors requirement stipulated in BNM's Policy Document on Corporate Governance.

The profile of each Director is available on pages 22 to 30 of this Annual Report.

### Board and Board Committee Meetings

In 2020, eleven (11) Board meetings were held, two (2) of which were special meetings convened to consider urgent proposals that required the Board's expeditious review and consideration.

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

During the Financial Year Ended 31 December 2020, all the Directors of the Company attended 100% of the Board meetings convened, demonstrating a strong commitment and dedication of the Board members in fulfilling and discharging their respective roles and responsibilities as Directors of the Company.

Given the circumstances surrounding the COVID-19 pandemic and the implementation of the Movement Control Order by the Government of Malaysia commencing March 2020, all meetings of the Board and Board Committees were

held in accordance with the Standard Operating Procedures put in place by the respective authorities and regulators.

The Directors' attendance at the Board and Board Committee meetings held during the Financial Year Ended 31 December 2020 are provided below.

### Board

| Name of Director   | Number of Meetings |          | Percentage (%) |
|--|--------------------|----------|----------------|
|  | Held               | Attended |                |
| YAM Tan Sri Dato' Seri Syed Anwar Jamalullail <sup>(1)</sup> | 11                 | 5/5      | 100%           |
| Izlan Izhah <sup>(2)</sup>                                   | 11                 | 11/11    | 100%           |
| Datuk Syed Ahmad Alwee Alsree                                | 11                 | 11/11    | 100%           |
| Dato' Richard Alexander John Curtis                          | 11                 | 11/11    | 100%           |
| Luigi Fortunato Ghirardello                                  | 11                 | 11/11    | 100%           |
| Ismail Harith Merican  | 11                 | 11/11    | 100%           |
| Luk Wai Hong, William  | 11                 | 11/11    | 100%           |
| Jeremy Nasrulhaq   | 11                 | 11/11    | 100%           |
| Norazian Ahmad Tajuddin                                      | 11                 | 11/11    | 100%           |
| Kanagaraj Lorenz   | 11                 | 11/11    | 100%           |






#### NOTES:

<sup>(1)</sup> Appointed as Chairman and INED of KIBB on 1 July 2020. During the period from July 2020 to December 2020, five (5) Board meetings were held and YAM Tan Sri Dato' Seri Syed Anwar Jamalullail attended all these five (5) meetings.






<sup>(2)</sup> Upon relinquishing his position as the Chairman of the Board on 1 July 2020, Encik Izlan Izhah had continued to serve as an INED of KIBB until 31 December 2020.








**Audit Committee (“AC”)**

| Name of Director            | Number of Meetings  |  | Percentage (%) |
|-----------------------------|---------------------|--|----------------|
|                             | Held <sup>(1)</sup> | Attended   |                |
| Jeremy Nasrulhaq (Chairman) | 8                   |   | 100%           |
| Izlan Izhab                 | 8                   |   | 100%           |
| Luk Wai Hong, William       | 8                   |   | 100%           |
| Kanagaraj Lorenz            | 8                   |   | 100%           |
| Ismail Harith Merican       | 8                   |  | 100%           |







**Group Nomination & Remuneration Committee (“NRC”)\***

| Name of Director                   | Number of Meetings |   | Percentage (%) |
|------------------------------------|--------------------|---|----------------|
|                                    | Held               | Attended  |                |
| Norazian Ahmad Tajuddin (Chairman) | 7                  |  | 100%           |
| Luk Wai Hong, William              | 7                  |  | 100%           |
| Jeremy Nasrulhaq                   | 7                  |  | 100%           |
| Datuk Syed Ahmad Alwee Alsree      | 7                  |  | 100%           |
| Luigi Fortunato Ghirardello        | 7                  |  | 100%           |

**Group Board Risk Committee (“GBRC”)**

| Name of Director                    | Number of Meetings  |  | Percentage (%) |
|-------------------------------------|---------------------|--|----------------|
|                                     | Held <sup>(1)</sup> | Attended   |                |
| Luk Wai Hong, William (Chairman)    | 8                   |   | 87.5%          |
| Norazian Ahmad Tajuddin             | 8                   |   | 100%           |
| Kanagaraj Lorenz                    | 8                   |   | 100%           |
| Dato’ Richard Alexander John Curtis | 8                   |   | 100%           |
| Luigi Fortunato Ghirardello         | 8                   |  | 100%           |

**Group Board Digital Innovation & Technology Committee (“GBDITC”)**

| Name of Director                    | Number of Meetings |   | Percentage (%) |
|-------------------------------------|--------------------|---|----------------|
|                                     | Held               | Attended  |                |
| Kanagaraj Lorenz (Chairman)         | 6                  |  | 100%           |
| Luk Wai Hong, William               | 6                  |  | 100%           |
| Jeremy Nasrulhaq                    | 6                  |  | 83%            |
| Norazian Ahmad Tajuddin             | 6                  |  | 100%           |
| Dato’ Richard Alexander John Curtis | 6                  |  | 100%           |
| Luigi Fortunato Ghirardello         | 6                  |  | 100%           |






**NOTES**

<sup>(1)</sup> Total number of meetings held is inclusive of one (1) joint meeting between the AC and the GBRC.






\* Renamed as Group Governance, Nomination & Compensation Committee with effect from 1 January 2021.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Employees' Share Scheme Committee ("ESS Committee")

| Name of Director                   | Number of Meetings |  | Percentage (%) |
|------------------------------------|--------------------|--|----------------|
|                                    | Held               | Attended   |                |
| Norazian Ahmad Tajuddin (Chairman) | 2                  |   | 100%           |
| Luk Wai Hong, William              | 2                  |   | 100%           |
| Jeremy Nasrulhaq                   | 2                  |   | 100%           |
| Datuk Syed Ahmad Alwee Alsree      | 2                  |   | 100%           |
| Luigi Fortunato Ghirardello        | 2                  |  | 100%           |

### Shariah Committee

| Name of Shariah Committee Member             | Number of Meetings |   | Percentage (%) |
|--|--------------------|---|----------------|
|  | Held               | Attended  |                |
| Dr. Kamaruzaman Noordin <sup>(1)</sup>       | 12                 |  | 100%           |
| Dr. Ghazali Jaapar (Chairman) <sup>(2)</sup> | 12                 |  | 100%           |
| Dr. Mohd Fuad Md Sawari <sup>(3)</sup>       | 12                 |  | 100%           |
| Dr. Muhammad Arzim Naim <sup>(4)</sup>       | 12                 |  | 100%           |
| Dr. Mohammad Firdaus Mohammad Hatta          | 12                 |  | 100%           |

#### NOTES

<sup>(1)</sup> Ceased as Chairman of the Shariah Committee on 31 March 2020.

<sup>(2)</sup> Appointed as Chairman of the Shariah Committee on 1 April 2020.

<sup>(3)</sup> Ceased as a member of the Shariah Committee on 31 October 2020. As BNM's approval for the appointment(s) of new Shariah Committee member(s) was still pending at that point in time, BNM has allowed KIBB's Skim Perbankan Islam (Islamic Banking Window) to operate with two (2) Shariah Committee members effective from 1 November 2020.

<sup>(4)</sup> Ceased as a member of the Shariah Committee on 31 October 2020.

### Group Nomination & Remuneration Committee

*(Renamed as Group Governance, Nomination & Compensation Committee with effect from 1 January 2021)*

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 2020 are provided on page 47 of this Annual Report and in Section B of the Corporate Governance Report ("CG Report") which are available on KIBB's website at <https://kenanga.com.my/investor-relations/AGM2021>.

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 2020, the NRC had deliberated, reviewed and made appropriate recommendations to the Board for approval, pertaining to the matters stated below.

- Appointments and Re-Appointments of Directors of KIBB Group
- Appointment of New Chairman of KIBB
- List of Management KRPs of the Group as at 1 January 2020
- New Appointment, Review and Renewal of Contract of Appointment of Management KRPs
- Re-Appointment of YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail as Adviser of KIBB
- Appointment of KIBB's Representatives to the Board of Investee Companies
- Review of Compositions of the Board and Board Committees
- Appointment of New Group Executive Committee Member and Management KRP
- Annual Performance Review and Assessment on the Fitness and Propriety of Management KRPs
- Annual Performance Evaluation for the Board, Board Committees and Individual Directors for the Financial Year Ended 31 December 2019, Together with the Annual Assessment on Independence and Fitness and Propriety of Directors
- Proposed Identification and Updating of the List of Material Risk Takers and List of Other Material Risk Takers within KIBB Group
- Remuneration and Benefits for Directors of KIBB Group
- Directors Training Calendar for 2020
- Status Report on KIBB Group's Directors Training for 2019/ 2020

- 2019 Annual Performance Bonus and 2020 Annual Salary Increment for the Group
- Revised Succession Plan for Management KRPs
- 2020 Annual Balanced Scorecards for Management KRPs
- Assessment on the Fitness and Propriety and the Re-Appointment of Members of the Shariah Committee of KIBB and their Remuneration
- Revision of KIBB's Shariah Committee's Terms of Reference
- Expansion of the Roles and Responsibilities and Renaming of the Group Nomination & Remuneration Committee to "Group Governance, Nomination & Compensation Committee"

### 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 making any recommendations 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 with 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 to achieve diversification, not only in terms of gender, but also skills set, expertise, experience, as well as, ethnic background.

With regard to gender diversity, although, as at 31 December 2020, 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 strategic goals.

During the Financial Year Ended 31 December 2020, the composition of the Board of KIBB was revised with the appointment of the new Chairman, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail on 1 July 2020, in place of Encik Izlan Izhab.

Encik Izlan Izhab, who had served as the Chairman of the Company since 7 February 2017, had, however, remained on the Board of KIBB as an INED until 31 December 2020. Encik Izlan retired from the Board of KIBB on 1 January 2021.

## 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 achievement of the Company's goals.

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

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

As a new Chairman and INED of the Company, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail had completed the in-house Induction Programme for Newly Appointed Director on 24 September 2020.

### 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 discharging their responsibilities as Directors of the Company.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 relation to the CMDP, being a newly appointed Director, YAM Tan Sri Dato’ Seri Syed Anwar Jamalullail had duly completed four (4) modules of the CMDP, within the timeline stipulated by the SC.

On 30 March 2018, BNM had, issued a Circular with regard to the compulsory requirements for all existing Directors of the following institutions to complete the Islamic Finance for Board (“**IF4BOD**”) Programme by end of 2020:

- a. Licensed Islamic banks under the Islamic Financial Services Act 2013 and their holding companies which are licensed banks under the Financial Services Act 2013 (“**FSA**”);
- b. Licensed banks and licensed investment banks under the FSA approved to carry on Islamic banking business pursuant to section 15(1)(a) of the FSA; and
- c. Prescribed institutions under the Development Financial Institutions Act 2002 (“**DFIA**”) approved under section 129(1) of the DFIA to carry on Islamic banking business or Islamic financial business.

However, in view of safety concerns of participants attending the IF4BOD programme arising from the COVID-19 pandemic and the implementation of the Movement Control Order (“**MCO**”) since March 2020, BNM had, on 3 July 2020, extended the completion deadline for the programme from end of 2020 to end of 2021 for all existing Directors.

For newly appointed Directors, they are required to complete the IF4BOD Programme within two (2) years of their appointments.

All matters pertaining to Directors’ training requirements are facilitated by the Group Company Secretary’s Office, including but not limited to, monitoring the status of all mandatory training programmes to be completed by the Directors.

As part of this process, an Annual Directors’ Training Calendar encompassing external training programmes, available in the market and/ or recommended by the Board members and/ or in-house training programmes, is developed and tabled at the NRC and the Board for endorsement in the first (1<sup>st</sup>) 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 annual 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 2020 are as listed below.

| Title of Training Programme  | Attended By   |
|--|---|
| 1. The Prohibition of Gharar (Uncertainty) in Islamic Finance - Shariah Adviser of Kenanga Islamic Investors Berhad (“ <b>KIIB</b> ”)                                | Datuk Syed Ahmad Alwee Alsree (“ <b>DSA</b> ”)  |
| 2. Corporate Board Leadership Symposium 2020 - Malaysian Institute of Accountants (“ <b>MIA</b> ”)   | Izlan Izhah (“ <b>II</b> ”), Jeremy Nasrulhaq (“ <b>JN</b> ”), Kanagaraj Lorenz (“ <b>RL</b> ”) |
| 3. Reinventing Cybersecurity with Artificial Intelligence - MIA  | YAM Tan Sri Dato’ Seri Syed Anwar Jamalullail (“ <b>TSAJ</b> ”)                                 |
| 4. The Board Chair: First Among Equals - Institute of Corporate Directors Malaysia (“ <b>ICDM</b> ”)   | II  |
| 5. Digital Banking: Why Does It Matter? - FIDE FORUM   | JN, Norazian Ahmad Tajuddin (“ <b>NT</b> ”), RL   |
| 6. Digitalisation - Review of Competitive Strategies Using AI: A Board’s Perspective - Encik M. Nazri Muhd, ICDM Faculty and President/ CEO, MyFinB, Singapore, ICDM | NT  |

| Title of Training Programme  | Attended By   |
|--|---|
| 7. Digitalisation: Cybersecurity Considerations Amid a Global Pandemic - Mr. Ho Siew Kei, Executive Director, Risk Advisory - Cyber Risk, Deloitte Malaysia hosted by ICDM             | NT  |
| 8. COVID-19 and Current Economic Reality: Implications for Financial Stability - Dr. Andy Xie, FIDE FORUM  | NT, RL  |
| 9. Training on Qawaid Fiqhiyyah (Islamic Legal Maxims): Principle of Intention in Islamic Finance - Shariah Adviser of KIIB  | DSA   |
| 10. Outthink the Competition: Excelling in a Post COVID-19 World - FIDE FORUM  | JN, NT, RL  |
| 11. Initial Coin Offerings and the Regulatory Landscape – Securities Industry Development Corporation (“SIDC”)   | Ismail Harith Merican (“IHM”), RL   |
| 12. Blockchain Applications and How It Can Safeguard Investors’ Interest – SIDC  | IHM, RL   |
| 13. Challenging Times: What Role Must the Board Play? - FIDE FORUM   | JN, RL  |
| 14. Audit Your Anti-Bribery and Corruption Programme Effectively - Institute of Internal Auditors Malaysia (“IIAM”)  | JN  |
| 15. Force Majeure and COVID-19: How are Contractual Relationships Affected and Managed? - Asian School of Business (“ASB”)   | NT  |
| 16. AccTech Conference - MIA   | JN  |
| 17. Risks: A Fresh Look from the Board’s Perspective - FIDE FORUM  | JN, NT, RL  |
| 18. Digital Financial Institution Series: Managing Virtual Banking and Insurance Businesses - FIDE FORUM   | Dato’ Richard Alexander John Curtis (“DRC”), RL                             |
| 19. Training on Umum al-Balwa in Islamic Finance (Shariah Screening Methodology) of Companies Listed as Shariah Counters on Bursa Malaysia Securities Berhad - Shariah Adviser of KIIB | DSA   |
| 20. Banking on Governance, Insuring Sustainability - ASB   | DRC, Luigi Fortunato Ghirardello (“LFG”), Luk Wai Hong, William (“LWH”), JN |
| 21. HR in the 2020s: Culture Sculptor, Risk Manager and More - ASB   | LWH   |
| 22. Digital FI Series: Fidor’s Experience - FIDE FORUM   | LFG, LWH, NT  |
| 23. ICDM PowerTalk #11: Preparing the Board for a Post-COVID World - ICDM  | LFG   |
| 24. Staying Ahead with Data Analytics - ASB  | LWH   |
| 25. In-House Briefing Session on Structured Warrants Business for the Board of Directors of KIBB - Equity Derivatives of KIBB  | TSAJ, II, DSA, DRC, LFG, IHM, LWH, JN, NT, RL                               |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Title of Training Programme  | Attended By                          |
|--|--------------------------------------|
| 26. BNM-FIDE Forum Annual Dialogue with Governor of BNM - FIDE FORUM   | LWH, NT, RL                          |
| 27. CAE Summit - IIAM  | JN                                   |
| 28. Board Effectiveness Focus Group Discussion with Directors - FIDE FORUM   | NT, RL                               |
| 29. Conventional Accounting vs Islamic Accounting - Shariah Adviser of KIIB  | DSA                                  |
| 30. SCxSC Fintech Conference 2020 - SC   | JN                                   |
| 31. CMDP - Module 1 Gatekeepers of Market Participation - SIDC   | TSAJ                                 |
| 32. CMDP - Module 2A<br>Challenges and Regulatory Expectation - What Directors Need to Know (Equities & Futures Broking) - SIDC  | TSAJ                                 |
| 33. CMDP - Module 3<br>Risk Oversight and Compliance - Action Plan for Board of Directors - SIDC   | TSAJ                                 |
| 34. CMDP - Module 4<br>Emerging and Current Regulatory Issues in the Capital Market - SIDC   | TSAJ                                 |
| 35. Climate Action: The Board's Leadership in Greening the Financial Sector - FIDE Forum   | DRC, JN, NT                          |
| 36. Governance Symposium 2020: Driving Governance in the New Normal: The Future Begins Now - MIA in Collaboration with Malaysian Institute of Corporate Governance   | II                                   |
| 37. Anti-Corruption Training - Messrs. Wong & Partners   | TSAJ                                 |
| 38. Green Fintech: Ping An's Journey to Becoming a Top ESG Performing Financial Institution - FIDE FORUM   | JN, NT                               |
| 39. KIBB's In-House Programme on Cyber Risk Awareness - Firmus Sdn Bhd   | TSAJ, DRC, LFG, IHM, LWH, JN, NT, RL |
| 40. Business Foresight Forum 2020 - SIDC   | JN                                   |
| 41. Waqf – Shariah Advisor of KIBB   | DSA                                  |
| 42. Stakeholder Capitalism - A Vital Pandemic Agenda - ICDM  | NT                                   |
| 43. Compliance with Main Market Listing Requirement - Reporting of Financial Statements - Mr. Chee Kai Mun, Director cum Principal Trainer of CKM Advisory Sdn Bhd for Directors of Kenanga Investors Berhad | DSA, NT                              |
| 44. Singapore FinTech Festival 2020 (SFF x Switch 2020)  | DRC, LWH, JN, RL                     |

#### 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 2020 are provided below.

| Title of Training Programme  | Attended By                                 |
|--|---|
| 1. Pricing Policy of Takaful Products - FWD Takaful                        | Dr. Ghazali Jaapar (“DGJ”)                  |
| 2. Takaful Products Development - FWD Takaful                              | DGJ   |
| 3. Cyber Security and Risk Management in Technology                        | Dr. Mohd Fuad Md Sawari (“DFS”)             |
| 4. Takaful Operational Framework Operational Policies                      | DFS   |
| 5. Certified Shariah Adviser Certification: Legal Regulatory Framework     | Dr. Mohammad Firdaus Mohammad Hatta (“DMF”) |
| 6. Certified Shariah Adviser Certification: Introduction to Commercial Law | DMF   |
| 7. Workshop on Registration of Financial Services Industry Terminologies   | DMF   |
| 8. Malaysian Postgraduate Workshop Series                                  | DMF   |

#### 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 and Senior Management needed to operate the Company successfully, taking into consideration all relevant factors including the functions, workload and responsibilities involved, but without excessively overpaying to achieve its goal. 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 2020, 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 2020 |
|--|---------------------------------------|
| Chairman of the Board                        | RM520,000.00 <sup>(1)</sup>           |
| Deputy Chairman of the Board                 | RM390,000.00                          |
| Director                                     | RM270,000.00                          |
| Chairman of AC/ NRC/ GBRC/ GBDITC            | RM40,000.00                           |
| Chairman of Shariah Committee <sup>(2)</sup> | RM71,900.00                           |
| Member of AC/ NRC/ GBRC/ GBDITC              | RM30,000.00                           |
| Member of Shariah Committee <sup>(3)</sup>   | RM45,000.00                           |
|  | RM50,500.00                           |
|  | RM42,500.00                           |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Type of Meeting Allowance                    | Chairman    | Member     |
|--|-------------|------------|
|  | Per Meeting |            |
| Board Meeting                                | RM2,000.00  | RM2,000.00 |
| General Meeting                              | RM2,000.00  | RM2,000.00 |
| AC/ NRC/ GBRC/ GBDITC/ ESS Committee Meeting | RM2,000.00  | RM2,000.00 |
| Shariah Committee                            | RM600.00    | RM500.00   |

### NOTES

- (1) The increase in the Chairman's Annual Director Fee from RM440,000 to RM520,000 was due to the exclusion of Club Membership Fee.
- (2) The total fees of RM71,900.00 comprised the following:
- RM15,500.00 when Dr. Kamaruzaman Noordin was serving as Chairman of the Shariah Committee from 1 January 2020 to 31 March 2020; and
  - RM56,400.00 when Dr. Ghazali Jaapar was serving as Chairman of the Shariah Committee from 1 April 2020 to 31 December 2020.
- (3) The annual fee for the Financial Year Ended 31 December 2020 are based on the number of years served as a Shariah Committee member, as well as, the scope of roles and responsibilities being undertaken.

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

The breakdown of the remuneration of individual Directors which includes fees, other emoluments and benefits-in-kind for the Financial Year Ended 31 December 2020 is set out below.

| Group Level  | Fees <sup>(1)</sup><br>RM | Salaries<br>RM | Other<br>Emoluments<br>RM | Bonus<br>RM | Benefits<br>-in-Kind<br>RM | Total<br>RM         |
|--|---------------------------|----------------|---------------------------|-------------|----------------------------|---------------------|
| YAM Tan Sri Dato' Seri Syed Anwar Jamalullail <sup>(6)</sup> | 261,420.77                | -              | 10,000.00                 | -           | 15,575.00 <sup>(2)</sup>   | 286,995.77          |
| Izlan Izhah <sup>(6)</sup>                                   | 424,535.51                | -              | 48,000.00                 | -           | 21,987.80 <sup>(3)</sup>   | 494,523.31          |
| Datuk Syed Ahmad Alwee Alsee                                 | 510,000.00                | -              | 64,000.00                 | -           | 19,633.40 <sup>(4)</sup>   | 593,633.40          |
| Dato' Richard Alexander John Curtis                          | 330,000.00                | -              | 52,000.00                 | -           | -                          | 382,000.00          |
| Luigi Fortunato Ghirardello                                  | 410,000.00                | -              | 78,000.00                 | -           | -                          | 488,000.00          |
| Ismail Harith Merican  | 300,000.00                | -              | 40,000.00                 | -           | -                          | 340,000.00          |
| Luk Wai Hong, William  | 400,000.00                | -              | 82,000.00                 | -           | -                          | 482,000.00          |
| Jeremy Nasrulhaq   | 370,000.00                | -              | 68,000.00                 | -           | -                          | 438,000.00          |
| Norazian Ahmad Tajuddin                                      | 410,000.00                | -              | 102,000.00                | -           | -                          | 512,000.00          |
| Kanagaraj Lorenz   | 370,000.00                | -              | 66,000.00                 | -           | -                          | 436,000.00          |
| <b>TOTAL</b>   | <b>3,785,956.28</b>       | <b>-</b>       | <b>610,000.00</b>         | <b>-</b>    | <b>57,196.20</b>           | <b>4,453,152.48</b> |

### NOTES

- (1) Subject to the shareholders' approval at the forthcoming AGM.
- (2) Benefits-in-kind for the current Chairman included leave passage, driver, car and other claimable benefits.
- (3) Benefits-in-kind for the previous Chairman included golf club membership, leave passage, driver, car and other claimable benefits.
- (4) Benefits-in-kind for the Deputy Chairman included golf club membership, car and other claimable benefits.
- (5) Appointed as Chairman of KIBB on 1 July 2020. Hence his remuneration has been prorated for the six (6) months period from July 2020 to December 2020.
- (6) Re-designated from Chairman to a Board Member on 1 July 2020. Hence, his remuneration has been prorated accordingly.



| Company Level  | Fees <sup>(1)</sup><br>RM | Salaries<br>RM | Other<br>Emoluments<br>RM | Bonus<br>RM | Benefits<br>-in-Kind<br>RM | Total<br>RM         |
|--|---------------------------|----------------|---------------------------|-------------|----------------------------|---------------------|
| YAM Tan Sri Dato' Seri Syed Anwar Jamalullail <sup>(5)</sup> | 261,420.77                | -              | 10,000.00                 | -           | 15,575.00 <sup>(2)</sup>   | 286,995.77          |
| Izlan Izhah <sup>(6)</sup>                                   | 384,535.51                | -              | 40,000.00                 | -           | 21,987.80 <sup>(3)</sup>   | 446,523.31          |
| Datuk Syed Ahmad Alwee Alsree                                | 420,000.00                | -              | 42,000.00                 | -           | 19,633.40 <sup>(4)</sup>   | 481,633.40          |
| Dato' Richard Alexander John Curtis                          | 330,000.00                | -              | 52,000.00                 | -           | -                          | 382,000.00          |
| Luigi Fortunato Ghirardello                                  | 360,000.00                | -              | 70,000.00                 | -           | -                          | 430,000.00          |
| Ismail Harith Merican  | 300,000.00                | -              | 40,000.00                 | -           | -                          | 340,000.00          |
| Luk Wai Hong, William  | 400,000.00                | -              | 82,000.00                 | -           | -                          | 482,000.00          |
| Jeremy Nasrulhaq   | 370,000.00                | -              | 68,000.00                 | -           | -                          | 438,000.00          |
| Norazian Ahmad Tajuddin                                      | 370,000.00                | -              | 72,000.00                 | -           | -                          | 442,000.00          |
| Kanagaraj Lorenz   | 370,000.00                | -              | 66,000.00                 | -           | -                          | 436,000.00          |
| <b>TOTAL</b>   | <b>3,565,956.28</b>       | <b>-</b>       | <b>542,000.00</b>         | <b>-</b>    | <b>57,196.20</b>           | <b>4,165,152.48</b> |

## NOTES

<sup>(1)</sup> Subject to the shareholders' approval at the forthcoming AGM.

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

<sup>(3)</sup> Benefits-in-kind for the previous Chairman included golf club membership, leave passage, driver, car and other claimable benefits.

<sup>(4)</sup> Benefits-in-kind for the Deputy Chairman included golf club membership, car and other claimable benefits.

<sup>(5)</sup> Appointed as Chairman of KIBB on 1 July 2020. Hence his remuneration has been prorated for the six (6) months period from July 2020 to December 2020.

<sup>(6)</sup> Re-designated from Chairman to a Board Member on 1 July 2020. Hence, his remuneration has been prorated accordingly.

### 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 assessment, feedback from the Board members were obtained in the areas of Board oversight practices and processes, Board composition and structure, Board succession planning, as well as, Board development plan and training needs to further enhance its overall effectiveness.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Independent Professional Advice

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

### Directorships in Other Companies

A Director must not have competing time commitments that may impair his/ her ability to discharge his/ her duties effectively. Directors are required to notify the Board before accepting any new directorship in a public company incorporated in Malaysia and all its subsidiaries incorporated in Malaysia or otherwise. 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 held during the Financial Year Ended 31 December 2020 are provided on page 47 of this Annual Report and Section B of the CG Report which are available on KIBB's website at <https://kenanga.com.my/investor-relations/AGM2021>.

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

The functions and responsibilities of the AC are set out in its Terms of Reference which is available on KIBB's website at <https://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 reviewed by GIA.

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.

An Annual Audit Plan based on the appropriate risk-based methodology has been developed and approved by the AC. On a quarterly basis, internal audit reports and status of internal audit activities including the 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 audit recommendations by Management.

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

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

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

#### 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 held during the Financial Year Ended 31 December 2020 are provided on page 47 of this Annual Report and in Section B of the CG Report which are available on KIBB's website at <https://kenanga.com.my/investor-relations/AGM2021>.

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

The functions and responsibilities of the ESS Committee are set out in its Terms of Reference which is available on KIBB's website at <https://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 risks, the GBDITC also reviews, evaluates and makes appropriate recommendations to the Board for approval, proposals on technology/ digital innovations put forward by Management, in line with KIBB Group's medium and long-term business strategy which includes the digitalisation strategy for the Group.

The functions and responsibilities of the GBDITC are set out in its Terms of Reference which is available on KIBB's website at <https://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) comply with Shariah rules and regulations as reflected in the fatwas, rulings and guidelines issued by Shariah Advisory Council of BNM and the SC.

The composition of the Shariah Committee is in line with Paragraphs 13.1 to 13.5 of BNM's Shariah Governance Policy Document except for the requirement for the Shariah Committee to comprise a minimum of three (3) members. In this regard, as BNM's decision on the appointment(s) of new Shariah Committee members was still pending at that point in time, BNM had allowed KIBB's Skim Perbankan Islam (Islamic Banking Window) to operate with two (2) Shariah Committee members effective from 1 November 2020. However, BNM had, subsequently on 9 April 2021, approved the appointment of an additional Shariah Committee member, namely Dr. Fadillah Mansor. With this, the Shariah Committee composition complies with BNM's requirement of having at least here (3) members.

All of the 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 was approved by BNM. However, he has ceased to be a member of Shariah Committee since 31 October 2020.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

The details of KIBB Group's internal control system and risk management framework are set out in the Statement on Risk Management and Internal Control appearing on page 70 to 73 of 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's reports on the business performance of KIBB, as well as, its major subsidiaries, associate and joint-venture companies and the analysis of the Group's performance in comparison to the positions in the preceding month and year-to-date.

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

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

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

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](http://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 made available on the corporate website includes information relating to inter alia, KIBB and its subsidiaries' corporate profiles, Board, Senior Management, corporate governance related matters such as the Board Charter, as well as, the Terms of Reference of the various Board Committees, financial reports, annual reports and corporate news.

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/AGM2021> 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, Directors' Remuneration, Renewal of Share-Buy Back Authority, as well as, corporate proposal, if any. The External Auditors and advisers also attend the AGM and EGM and are available to answer any queries.

Due to the Coronavirus Disease 2019 ("COVID-19") pandemic situation and the enforcement of the MCO by the Government of Malaysia which restricted movement and mass gathering to curb the spread of COVID-19, KIBB had leveraged on technology to reach out to its shareholders by conducting its Forty-Sixth (46<sup>th</sup>) AGM fully virtual via live webcast and online remote voting using the Remote Participation and Voting Facilities ("RPV Facilities"), the services of which were rendered by KIBB's Share Registrar, Boardroom Share Registrars Sdn Bhd ("Boardroom").

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

In addition to offering the shareholders with the opportunities to participate in the AGM, pose questions and vote remotely via the RPV Facilities, the Company had enabled its first (1<sup>st</sup>) e-Proxy lodgement via Boardroom Smart Investor Portal, a service also rendered by Boardroom. This alternative mode of submitting the Proxy Form via electronic means was a step up to enable more shareholders to exercise their voting rights by appointing a Proxy to attend and vote in their stead.

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

To foster better engagement with the shareholders during the Forty-Sixth (46<sup>th</sup>) AGM, the Company had also arranged for one of its Senior Management personnel to brief the shareholders on live telecast on the Company's financial performance and operations in respect of the Financial Year Ended 31 December 2019 and Business Prospects for 2020 to keep them abreast of the Company's achievements and plans moving forward.

The above virtual platform had enabled the Company to reach out to a wider spectrum of shareholders by giving them the opportunity to exercise their rights as shareholders by participating at the AGM, and voting from wherever location they might be, even from the comfort of their home.

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

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

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

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

#### **ADDITIONAL INFORMATION**

##### **Audit and Non-Audit Fees**

The details of the audit and non-audit fees payable to the External Auditors, Ernst & Young PLT ("EY") and its affiliates, for the Financial Year Ended 31 December 2020 are provided below.

|                                    | <b>Group (RM)</b> | <b>KIBB (RM)</b> |
|------------------------------------|-------------------|------------------|
| Statutory Audit                    | 542,239           | 345,000          |
| Audit/ Assurance Related           | 57,750            | 57,750           |
| Non-Audit Fees – EY Assurance Team | 65,000            | 27,000           |
| <b>Total</b>                       | <b>664,989</b>    | <b>429,750</b>   |

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

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

##### **Material Contracts Involving Interests of Directors, GMD or Major Shareholders**

There were no material contracts entered into by the Company or its subsidiary companies involving the interests of the Directors, the GMD or major shareholders which still subsisted at the end of the Financial Year Ended 31 December 2020.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Utilisation of Proceeds Raised from Corporate Proposals

There was no new fund raising corporate exercise undertaken during the Financial Year Ended 31 December 2020.

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 were being utilised by the Company for working capital requirement.

Details on the outstanding subordinated notes under the aforementioned programme are set out under Note 25 of the Financial Statements section appearing on page 224 of this Annual Report.

### Employees' Share Scheme

After obtaining the shareholders' approval at an EGM held on 25 May 2017, KIBB had, on 21 September 2017, established and implemented the ESS 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 which would be valid for a period of five (5) years from its commencement date. Following the Board's approval on 10 June 2020, the duration of the ESS has

been extended for another five (5) years from 21 September 2022 to 20 September 2027 in accordance with the provisions of the By-Laws of the ESS.

The ESS comprises 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, five (5) offers had been made under the ESOS on 2 January 2018, 31 May 2018, 2 May 2019, 17 June 2019 and 1 July 2020 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 324 to 330 of this Annual Report.

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

For the Period from 21 September 2017 to 31 December 2018

| ESOS <sup>(1)</sup>      | Total      | GMD <sup>(2)</sup>        | Senior Management         | Other Entitled Employees  |
|--------------------------|------------|---------------------------|---------------------------|---------------------------|
| Granted                  | 59,423,000 | 10,000,000 <sup>(3)</sup> | 16,580,000 <sup>(3)</sup> | 32,843,000 <sup>(3)</sup> |
| Exercised                | 194,400    | 0                         | 0                         | 194,400                   |
| Forfeited <sup>(5)</sup> | 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 <sup>(1)</sup>      | Total      | GMD <sup>(2)</sup> | Senior Management      | Other Entitled Employees |
|--------------------------|------------|--------------------|------------------------|--------------------------|
| Granted                  | 6,431,000  | 0                  | 750,000 <sup>(4)</sup> | 5,681,000 <sup>(4)</sup> |
| Exercised                | 0          | 0                  | 0                      | 0                        |
| Forfeited <sup>(5)</sup> | 1,528,000  | 0                  | 0                      | 1,528,000                |
| Cancelled <sup>(6)</sup> | 265,500    | 0                  | 195,000                | 70,500                   |
| Outstanding              | 62,387,100 | 10,000,000         | 17,135,000             | 35,252,100               |

For the Period from 1 January 2020 to 31 December 2020

| ESOS <sup>(1)</sup>      | Total      | GMD <sup>(2)</sup> | Senior Management      | Other Entitled Employees |
|--------------------------|------------|--------------------|------------------------|--------------------------|
| Granted                  | 3,311,000  | 0                  | 0                      | 3,311,000 <sup>(4)</sup> |
| Exercised                | 9,247,100  | 0                  | 1,161,000              | 8,086,100                |
| Forfeited                | 1,731,000  | 0                  | 450,000 <sup>(6)</sup> | 1,281,000 <sup>(6)</sup> |
| Cancelled <sup>(7)</sup> | 952,500    | 0                  | 195,000                | 757,500                  |
| Outstanding              | 53,767,500 | 10,000,000         | 15,329,000             | 28,438,500               |

#### NOTES

<sup>(1)</sup> The ESOS is offered to Eligible Employees.

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

<sup>(3)</sup> 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.

<sup>(4)</sup> The offer to Other Entitled Employees and Senior Management was granted on 2 May 2019, 17 June 2019 and 1 July 2020 respectively.

<sup>(5)</sup> ESOS forfeiture in compliance with Section 92 of the FSA.

<sup>(6)</sup> ESOS forfeiture due to staff resignation.

<sup>(7)</sup> ESOS not released/ vested 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 Eligible Employees under the Scheme shall be determined at the sole and absolute discretion of the ESS Committee after taking into consideration, amongst others, the provisions of the By-Laws of the ESS, MMLR of Bursa Securities or other applicable regulatory requirements prevailing during the option period relating to employees' and/ or directors' share issuance schemes, as well as, the performance, targets, position, annual appraised performance, seniority and length of service of the Eligible Person or such other matters which the ESS Committee may in its sole and absolute discretion deem fit and subject to the following:

- 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
- 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 2020 and since the commencement of the ESS:

- The aggregate maximum allocation is 40% of the Maximum ESS Shares; and
- The actual percentage of the ESS Shares granted to them as at 31 December 2020 was 37.42% of the Maximum ESS Shares.

In respect of Financial Year 2020, the External Auditors, EY had reviewed the allocation of the shares under the ESS made to the Eligible Employees and had reported to the AC at its meeting on 24 February 2021, that in its opinion, the allotment of shares made under the ESS was in compliance with the criteria for allocation of shares which had been disclosed to the Eligible Employees.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 1 April 2021.

**YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL**

Chairman

# ETHICS AND COMPLIANCE STATEMENT

## WHERE WE STAND

Over the years, Kenanga Investment Bank Berhad (“**KIBB**”) and Its Group of Companies (“**Kenanga Group**” or “**the Group**”) have consistently made its stand and position in relation to good corporate governance abundantly clear, in not only what we say, but also in what we do.

Kenanga Group’s commitment to compliance, ethics and integrity continued to be evident in the year 2020 despite the wave of changes the COVID-19 pandemic brought and the many challenges that came with it for most. In this regard, Kenanga Group was well positioned to embrace the transformation necessary in furtherance to its digital strategy. In addition, Kenanga Group’s long-standing emphasis on raising awareness and instilling a culture of compliance complemented these initiatives.

In 2020, as majority of employees shifted to working from home, Kenanga Group continued its commitment to ensuring that its clients and stakeholders were served and engaged while our values of ethics and integrity in our business and operations remain a priority.

## WHAT WE DO AND OUR STRUCTURE

Group Regulatory and Corporate Services (“**GRCS**”) carries out the fundamental role of advocating that the compliance philosophy which is fortified by principles and standards of ethics and integrity is adopted all across Kenanga Group. In the continuous efforts of doing so, GRCS provides support to the various departments, divisions and subsidiaries within Kenanga Group towards ensuring that the business and operations are conducted in line with good corporate governance.

GRCS consists of the following six (6) departments which cohesively functions to ensure the roles and functions of GRCS are executed timely:

- Group Compliance;
- Group Financial Crime Intelligence;
- Group Prudential Supervision and Regulatory Affairs;
- Group Legal;
- Group Company Secretarial; and
- Group Business Ethics and Integrity (“**GBEI**”).

Each department collectively serves to counsel on and steer Kenanga Group’s business and operational entities to adhere to the applicable laws, regulations and guidelines issued by regulators, and policies, procedures and controls adopted internally.

GRCS reports directly to the Board of Directors (“**Board**”) of KIBB considering the significant nature of the role and functions

GRCS performs. This will ensure proper and adequate oversight in relation to the matters GRCS oversees.

## FURTHER DEVELOPING AND ENHANCING THE ETHICS AND INTEGRITY FRAMEWORK

GRCS executed various programs in line with the philosophy of good corporate governance in the interest of Kenanga Group and all its clients and stakeholders. These programs encapsulated diverse areas, emphasising on a holistic and an all-inclusive approach.

As was in the previous years, the endeavours by GRCS in 2020 received the full support of the Board of Directors and the Senior Management. It is evident that both the Board of Directors and Senior Management appreciate and recognise that there should not be any compromise on standards of compliance, ethics and integrity notwithstanding the changes adopted within Kenanga Group to comply with the standard operating procedures in light of COVID-19.

### • Compliance with the Guidelines on Adequate Procedures

Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (“**MACCA**”) was made effective on 1 June 2020 and GRCS, with GBEI taking the lead, continued with the measures that were first initiated in 2019 to ensure Kenanga Group’s compliance with the said provision that imposes ‘corporate liability’ on corrupt acts. One of the fundamental measures that was taken was to assess and engage the various departments, divisions and subsidiaries across Kenanga Group towards complying with requirements as stipulated under Guidelines on Adequate Procedures that was issued pursuant to section 17A(5) of the MACCA (“**Guidelines**”).

In this regard, a total of 86 requirements were adopted internally based on an extensive jurisdictional benchmark and comparative analysis including references to the 2010 UK Bribery Act Adequate Procedures issued by the Transparency International UK and the ISO 37001 Anti-Bribery Management System published by the International Organization for Standardization as guidance for conduct of assessment. These requirements encapsulated a wide range of key areas and included undertaking the necessary initiatives as control measures in relation to the areas that warrant specific attention.

The goal of achieving internal compliant status in respect of all 86 requirements was achieved before section 17A of the MACCA came into effect.



- **Group Gifts, Entertainment and Hospitality Policy**

While the Group Code of Professional Ethics and Conduct for Employees already had certain specific provisions relating to offering and accepting gifts by employees, the introduction of the Group Gifts, Entertainment and Hospitality Policy was in keeping with the best practices and benchmarked standards, as well as, to address a specified matter in the Guidelines.

The Group Gifts, Entertainment and Hospitality Policy provides the necessary guidance on the principles to adopt and sets out the procedural requirements for employees of Kenanga Group as to circumstances when it is permissible or otherwise to offer or accept gifts, entertainment or hospitality.

The issuance of this policy is aimed at ensuring the highest standards of ethics and integrity amongst employees in relation to their conduct concerning the offering or accepting of gifts, entertainment or hospitality to or from third parties and complying with the relevant laws at all times.

- **Group Incoming Non-Commercial Sponsorship Policy**

Kenanga Group also introduced the Group Incoming Non-Commercial Sponsorship Policy to establish and adopt a single, coordinated and transparent approach when employees request or accept sponsorships that are non-commercial in nature for activities or programs organised by Kenanga Group particularly in relation to increasing awareness and encouraging employee engagements.

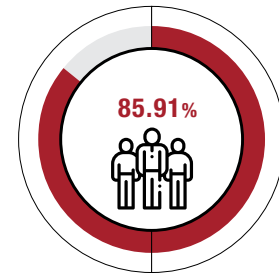
The Group Incoming Non-Commercial Sponsorship Policy sets out the provisions in relation to the principles to take into account, the documentation and parties involved, and the methods of providing acknowledgement for acceptance of any sponsorships. Ultimately, this policy will warrant that all non-commercial sponsorships are managed and dealt with in a fair and open manner.

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

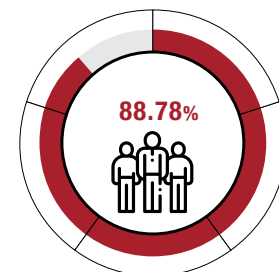
The Survey on Ethics and Integrity Culture at Workplace (“Survey”) was conducted for the second time in 2020 to gauge views and perceptions of the employees on policies and practices related to ethics and integrity in Kenanga Group. A total of 86.13% employees responded to the Survey:

Similar to 2019, for purpose of the Survey, the employees were segregated into three (3) different groups based on their seniority level and each group was requested to respond to a different set of questionnaires. The Survey questionnaires covered three (3) core values where greater emphasis was directed at understanding perception of the employees on the roles and responsibilities undertaken by the Board of Directors and Senior Management.

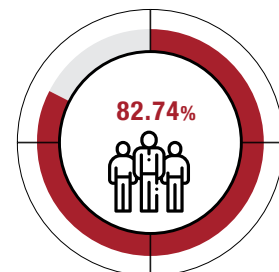
## No. of responses in 2020



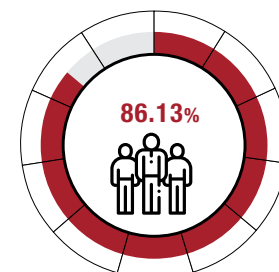
128 / 149  
SVP/Above



459 / 517  
AVP/VP



326 / 394  
Associate/SA



913 / 1,060  
Total



## ETHICS AND COMPLIANCE STATEMENT

| Core Values   | Employee Group   | Employees' Response |        |         |          |                   |
|---|------------------|---------------------|--------|---------|----------|-------------------|
|   |                  | Strongly Agree      | Agree  | Neutral | Disagree | Strongly Disagree |
| <b>TOP LEVEL COMMITMENT:</b><br><br>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    | 29.43%              | 51.30% | 16.15%  | 2.08%    | 1.04%             |
|   | AVP and VP       | 16.65%              | 56.60% | 23.53%  | 1.83%    | 1.39%             |
|   | Associate and SA | 18.35%              | 64.21% | 15.70%  | 1.43%    | 0.31%             |
| <b>PROFESSIONAL ACCOUNTABILITY:</b><br><br>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    | 39.06%              | 51.76% | 7.42%   | 0.98%    | 0.78%             |
|   | AVP and VP       | 17.43%              | 70.59% | 11.00%  | 0.44%    | 0.54%             |
|   | Associate and SA | 15.95%              | 69.63% | 14.11%  | 0.31%    | 0.00%             |
| <b>PROFESSIONAL ACCOUNTABILITY:</b><br><br>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    | 42.19%              | 47.14% | 9.63%   | 1.04%    | 0.00%             |
|   | AVP and VP       | 26.43%              | 63.76% | 8.57%   | 0.51%    | 0.73%             |
|   | Associate and SA | 22.39%              | 64.42% | 12.88%  | 0.31%    | 0.00%             |

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

The results of the Survey again indicated a positive perception of ethics and integrity culture in Kenanga Group. In fact, improvements were noted in the overall response rate and positive responses to the Survey. This implied acknowledgement and appreciation of the employees on the continuous efforts and initiatives undertaken by the Board and Senior Management on ethics and integrity.

Nevertheless, Kenanga Group will continue the efforts towards elevating ethical practices within Kenanga Group furthermore as enforcement of ethics and integrity are now assimilated in the laws and regulations, including section 17A of the MACCA.

## **PRESERVE AND ENHANCE STANDARDS OF ETHICS, INTEGRITY AND COMPLIANCE TOWARDS MANAGING RISKS ASSOCIATED WITH CONDUCT AND CULTURE**

### **• Group Code of Ethics and Conduct for Employees**

Kenanga Group's morals and values are reflected through the behaviour and conduct of its employees. As such, in line with the goals of executing the Ethics Blueprint that was established in December 2018 and the holistic approach to inculcating an ethical culture as envisaged in the Ethics Governance Structure, the Group Code of Ethics and Conduct for Employees (which was formerly titled 'The Group Code of Professional Ethics and Conduct for Employees') was revamped accordingly.

The Group Code of Ethics and Conduct for Employees was extensively revamped to introduce new provisions for clarity and to streamline existing provisions for enhancements and easier comprehension by employees. With the changes made, Kenanga Group continues to advocate the ideals for employees to observe so as to maintain the highest standards of professionalism, integrity and conscientiousness in all dealings, with fellow colleagues, as well as, with external parties.

### **• Group Code of Conduct for Vendors**

The implementation and adoption of the Group Code of Conduct for Vendors that was issued in the first quarter of 2020 was executed throughout the year.

The Group Code of Conduct for Vendors which specifies the expected business conduct and ethical practices of Kenanga Group's vendors and service providers was incorporated or is to be made a fundamental clause in legal agreements signed between Kenanga Group and such parties. In addition, the Group Code of Conduct for Vendors was also made an essential element of Kenanga Group's tender documents in order to provide potential vendors with prior notice on the principals and standards required of them in the performance of their work for Kenanga Group.

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

Fraud, bribery and corruption poses serious threats to organisations and their sustainability, as well as, the growth of the nation at large. This is particularly so for financial institutions such as Kenanga Group which plays an important role in the ecosystem of economic development. In line with Kenanga Group's 'zero tolerance' approach to fraud, bribery and corruption, the Group Anti-Fraud, Bribery and Corruption Policy stipulates the principles and standards for identifying

and preventing fraudulent activities, bribery and corruption, and it is to be complied by the Board of Directors, Senior Management, as well as, employees of Kenanga Group.

Kenanga Group's commitment to preventing fraud, bribery and corruption is further demonstrated by declaring the importance and emphasis on conducting its business with the right values on its publicly accessible website. Kenanga Group conducts all businesses in an honest and ethical manner and pledges to prevent fraud, bribery and corruption within Kenanga Group regardless of its form or manner. In addition, the Group Anti-Fraud, Bribery and Corruption Policy imposes requirements for employees to undertake the necessary due diligence exercise prior to engaging or forming any relationships with an external party.

With the coming into effect of section 17A of the MACCA, Kenanga Group also undertook a timely and extensive review of the Group Anti-Fraud, Bribery and Corruption Policy to incorporate the requirements of new provision pertaining to offences by a commercial organisation.

### **• Anti-Money Laundering and Counter Financing of Terrorism**

Kenanga Group is continuously devoted to enforcing a robust and effective Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions ("AML/CFT/TFS") framework in adherence to all related laws, regulations, guidelines and industry best practices towards ensuring the management of Kenanga Group's financial crime risks to mitigate potential regulatory and reputational risk.

Fundamental reassessment of the approach to managing financial crime risks was conducted in lieu of the pandemic that has hit the entire world resulting in the emergence of new threats and vulnerabilities. These new challenges range from the changing structures of organised crime groups to the explosion in new technology, the increasingly interconnected global economy, rapid evolution of the AML/CFT regulatory landscape and modus operandi coupled with rapidly growing markets and complex business structures.

At the heart of any effective strategy for protecting the business from exposure to financial crime is the implementation of meaningful financial crime policies which act as a clear marker of an organisation's red lines and ethical standards. Without processes and behaviours that are aligned with high-level policies, there is a danger that such policies can be seen as mere window dressing or platitudes.

## ETHICS AND COMPLIANCE STATEMENT

Kenanga Group’s AML/CFT/TFS policy and procedure have incorporated the required practices, control measures, guidance and direction in adherence to all related laws, regulations, guidelines and industry best practices towards ensuring the management of Kenanga Group’s financial crime risks to mitigate potential regulatory and reputational risk. In line with the latest development, AML/CFT/TFS procedure has been further enhanced to effectively communicate the organisation’s expected standards to all relevant stakeholders while addressing the new threats and vulnerabilities, and numerous AML/CFT/TFS programmes have been rolled out to closely monitor the level of AML/ CFT adherence to meet the regulatory expectations. Keeping in pace with the digitalisation era, Kenanga Group also continuously enhances its management information system for timely detection, monitoring and reporting of suspicious activities in accordance with a Risk Based Approach.

- **Whistleblowing**

The importance of having an adequate and secure channel to facilitate both employees and third parties to make reports pertaining to any breach or suspected breach of laws, regulations or internal policies and procedures within Kenanga Group cannot be understated. Through the Group Whistleblowing Policy & Guidance Notes, Kenanga Group assures its stakeholders and general public that a sound and an effective whistleblowing framework is in place.

Specifically, the whistleblowing framework stipulates, among others, the manner reports may be made, the safeguards, such as confidentiality and non-retaliations, that are accorded to persons making bona fide reports and the steps Kenanga Group undertakes towards ensuring that reports received are thoroughly investigated and the appropriate actions are taken.

- **Managing Conflict of Interest**

The workplace is one of the most common places where conflicts of interests may occur and it is important that the employees of Kenanga Group understand the nature and types of conflict of interest that they may come across in carrying out their responsibilities. The Group Conflicts Management Policy provides the principles and standards to observe and emphasises the ethical duty all employees of Kenanga Group have in order to ensure that their direct or indirect personal interests are not inconsistent with or interferes in any way with those of Kenanga Group.

The Group Conflicts Management Policy sets forth the procedures for disclosing such conflicts of interest so that they may be reviewed, approved, managed, and monitored and escalated appropriately. In addition, it also provides common situations of conflicts of interest to enhance the employees understanding and so that they can identify the same if it arises.

- **Chinese Wall and Insider Trading**

Kenanga Group has in place the Group Chinese Wall Policy which is applicable to all employees within the Group that are likely to have access to confidential or material non-public price sensitive information. The Group Chinese Wall Policy establishes relevant guidelines to control the flow of confidential information or material non-public price sensitive information within Kenanga Group, to avoid the risk of possible breach of insider trading provisions, protect client confidentiality, as well as, manage conflict of interest.

Towards this, the Control Room monitors and supervises employee trading to avoid potential violations of the applicable law and regulations on insider trading and accordingly, contributing to overall market integrity.

- **Competing Fairly and Ethically**

Kenanga Group believes that fair competitive practices lead to efficiencies and improvement of quality of products and services. Premised on this, the Group Competition Act Compliance Policy stresses on the importance of applying the principles and rules as provided in the applicable Malaysian competition laws, policies and guidelines.

The Group Competition Act Compliance Policy is integrated to align with Kenanga Group’s businesses and operations, including dealings with any third parties. The Group Competition Act Compliance Policy is also built on ensuring an effective and clear stand against anti-competitive practices to prevent or minimise the risk of competition law infringements from occurring and to help Kenanga Group to promptly detect any infringements that do occur.

- **Common Reporting Standards (“CRS”)**

In year 2020, Kenanga Group had submitted the financial account information of non-resident clients to the Inland Revenue Board of Malaysia (“IRBM”) in August and November 2020 respectively in order to comply with the CRS requirement. The submission involved 77 entities and funds of Kenanga Group registered with the IRBM for CRS purposes.

## INTENSIFYING EMPLOYEE ENGAGEMENT THROUGH TRAINING AND AWARENESS PROGRAMS

Throughout 2020, GRCS continued to communicate, engage and reach out to Kenanga Group's employees in order to ensure that they are updated and fully aware of the latest regulatory changes, as well as, to communicate the initiatives that are rolled out particularly on improving the ethical culture and good corporate governance amidst the pandemic. Various methods were used to execute the programs on training and raising awareness such as video-sharing, quizzes, webinars, as well as, the annual e-tests.

- **4<sup>th</sup> Fraud Awareness Campaign**

As it was in the years prior, Kenanga Group's Fraud Awareness Campaign in 2020 kicked off in October 2020. The campaign culminated with Kenanga Group having its 4<sup>th</sup> Fraud Awareness Week ("FAW") from 16 to 20 November 2020, which was held in conjunction with the International FAW from 15 to 21 November 2020 organised by the Association of Certified Fraud Examiners ("ACFE") of which Kenanga Group has been a corporate alliance member since 2015.

The Fraud Awareness Campaign and FAW is held annually to continuously raise awareness on the detection and prevention of fraud. This was especially important in 2020 as global reports and surveys show that fraudsters often attempt to take advantage of changing trends and use it for opportunities to commit fraud on the less informed.

Taking note of the increased risks of fraud during the COVID-19 pandemic and with the aim of always being a step-ahead, Kenanga Group appropriately chose the 4<sup>th</sup> FAW's theme to be "Ethics & Integrity: Culture for Combating Fraud in the New Normal". All activities for the 4<sup>th</sup> FAW were held virtually employing the use of technology such as video-conferencing platforms and survey administration applications.

Taking the 4<sup>th</sup> FAW digital was in line with the present 'new normal' of physical distancing to safeguard the participants while still ensuring that the objectives of the FAW are achieved. These activities included:

- **FAW Virtual Live Opening Ceremony**

The 4<sup>th</sup> FAW was officiated fully online on 16 November 2020 with a series of speeches by key individuals both from within Kenanga Group and outside including the Chairman of KIBB, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, the President and Chief Executive Officer for the ACFE based in Austin, Texas, Mr. Bruce Dorris, as well as, the Chief Commissioner of the Malaysian Anti-Corruption Commission, Datuk Seri Azam Bin Baki. A total of 498 persons joined the event virtually of which 255 viewers were external parties.

- **FAW Games**

The FAW Games which has always been a much-anticipated event of the FAW was also held online. Despite it being held virtually, the response for the FAW Games 2020 was overwhelming both from internal and external teams and. The FAW Games 2020 had a record 65 teams registering to participate comprising 35 internal teams and 30 external teams. The external teams that participated included teams from regulatory, statutory and professional bodies, as well as, financial institutions and listed companies in Malaysia.

- **Training Programmes**

The Annual Regulatory Seminar ("ARS") was incorporated as one of the events for the FAW. In aligning with the theme of the FAW, as well as, addressing contemporary key issues, the theme of the 5<sup>th</sup> ARS was "Digitalisation and Disruption: Where Do We Go From Here". The training programme sessions were provided by various speakers from within Kenanga Group and covered a wide range of subject matters including regulatory outlook and development, ethics and integrity, cyber security, as well as, regulators' expectations as the COVID-19 pandemic continued. The pre-recorded sessions were accessible online by all employees nationwide through Kenanga Group's learning portal.

- **Thematic Videos and Quizzes**

In keeping with the online and virtual trend of the FAW, videos on nature of fraud, identity theft, as well as, on internet and cyber frauds were shared with all employees and external participants of the FAW Games. This was followed with a quiz on the video that was shared to test understanding and to add an element of interaction, competition and excitement to win prizes. In addition, a special video and quiz just for members of the Senior Management team was also shared to stress on the 'Tone from the Top' message.



## ETHICS AND COMPLIANCE STATEMENT

- Membership in the Malaysian Chapter of the ACFE (“MACFE”)**  
 Kenanga Group continues to encourage and support the growth and development of its employees as it is vital that they are at the forefront when it comes to critical issues concerning anti-fraud and the related measures. In such spirit, Kenanga Group had sponsored the membership of its ACFE members in MACFE.

The MACFE serves as domestic platform for ACFE members to network and build strong professional relationships while fulfilling continuing education criteria as required.

- Enhanced AML/CFT/TFS Reviews**  
 Kenanga Group has rolled out numerous AML/CFT/TFS reviews on the integrity of the screening function, risk scoring methodology, cash threshold reporting, branch practices and system reviews based on the programs to closely monitor the level of adherence in line with the expectations of Bank Negara Malaysia and the Securities Commission Malaysia. Enhancement of processes and monitoring standards are also carried out continuously to be in line with best practices and to be able to better respond to potential money laundering and terrorism financing threats.
- Employee Trading via Explainer Video**  
 Kenanga Group issued the “Know Your 5Ws Requirements on Employee Trading” via a video to all employees of KIBB as an outreach programme to educate and re-enforce the requirements in relation to employees’ trading as stipulated in the Group Chinese Wall Policy.

The key highlights in the Explainer Video were the do’s and don’ts of trading in securities in order to avoid potential violations of the applicable law and regulations on insider trading, as well as, ensuring the integrity of the market.

### MAINTAINING A HIGH LEVEL OF CORPORATE GOVERNANCE

Details on Kenanga Investment Bank Berhad’s corporate governance disclosure are available in the Corporate Governance Overview Statement appearing on pages 41 to 61 of this Annual Report and Corporate Governance Report which is available on KIBB’s website at <https://kenanga.com.my/investor-relations/AGM2021>.

### OUR EMPHASIS IN THE YEAR AHEAD AMIDST THE NEW NORMAL

- Forging Ahead by Leveraging on Technology for Compliance in a Digitalised Landscape**  
 The opportunities that come with digital transformation are numerous. While the focus is often times, on using technology to improve services or to have an edge in market

competitiveness, GRCS has undertaken appropriate measures to meet the compliance imperatives in light of these changes. GRCS constantly keeps updated on the transformations in the compliance landscape arising from digitalisation. Specific focus is given on raising awareness and developing broader skill sets to enhance understanding of the emerging range of Regtech and Fintech platforms. In 2021, we will continue to leverage on technology in the execution of our compliance roles and functions for Kenanga Group.

- Executing Targeted Control Measures to Manage Fraud, Bribery and Corruption Risks**  
 With the introduction of section 17A of the MACCA and the increased emphasis and scrutiny by the regulators on having corporations undertake businesses ethically without fraud, bribery and corruption, one of the key focus of GRCS in 2021 is to execute targeted measures on evaluating and advising departments, divisions and subsidiaries within Kenanga Group on areas which may pose heightened risks due to their nature. In this regard, engagements, guidance and recommendations will be employed to educate and counsel the relevant personnel towards management of risks related to fraud, bribery and corruption.
- Elevating Organisational Culture of Ethics and Integrity and Highlighting Accountability**  
 Planned initiatives will be deployed for employees to appreciate and continue to always do what is “right” in line with the principles of ethics and integrity of Kenanga Group. This is particularly so as employees adapt to the further changes anticipated in a post-pandemic setting. Additionally, as observed in Australia, Singapore, Hong Kong and the United Kingdom, the implementation of enhanced individual accountability regimes by regulators continues. In this regard, GRCS will proactively highlight the significance of taking accountability for actions and conduct in the work that we do in Kenanga Group.
- Manage Threat of Financial Crimes**  
 GRCS has embarked on a project to develop an AML/CFT/TFS Business Wide Risk Assessment to ensure the comprehensiveness of the assessment of money laundering and terrorism and proliferation financing risk profile and effectiveness of risk control measures taking into account key activities, client segments, geographical areas, products and services, transactions and delivery channels, as well as, recent developments in AML/CFT/TFS laws and regulations. More interesting and interactive trainings on AML/CFT/TFS shall also be organised to further enhance the knowledge and awareness of employees on the expected standards to be implemented and the latest AML/CFT/TFS trends.

- **Upskilling Employees through Reinforced Engagements**

Arising from the lessons the COVID-19 pandemic has taught the world and the shared experience gained as everyone moved to working from home and adapting to digitalisation across various sectors and industries, Kenanga Group is committed to leverage and use these opportunities to assist employees to upskill and expand their knowledge. Online training and awareness will also be continuously provided to GRCS' employees to keep them abreast of the diverse regulatory and operational changes. This will be supported by constant and continuous communication and periodic knowledge sharing sessions among the team members.

- **Cyber Security and Data Protection in the Age of the New Normal**

The pace in which businesses moved to offering products and services virtually as a means of adapting to lockdowns and physical distancing has resulted in a lot more personal data and clients' information being transmitted and stored electronically. Kenanga Group has always emphasised the importance of managing the risks arising from cyber threats and protecting personal data. In this regard, GRCS with other relevant parties within Kenanga Group continues to remain agile, innovative and up-to-date in taking the steps necessary to remain operationally resilient while having the adequate measures in place to protect data and deal with threats.

## **FORWARD LOOKING STATEMENT**

With vaccinations rolled out across the globe including in Malaysia, the expectation of life returning to a semblance of normalcy is justified. Nevertheless, Kenanga Group and GRCS aims to leverage on the changes embraced in the year that was in order to continue being at the forefront of digitalisation and at the same time, prioritising its stakeholders' interests and managing regulators' expectations. This will be facilitated with ongoing efforts that highlight Kenanga Group's commitment to principles of ethics, integrity and good governance. Accordingly, the ultimate goal of successfully executing and achieving Kenanga Group's digital strategy roadmap will be one that is both holistic and sustainable.

# 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 Malaysia”), 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 (“MCCG”) 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 Malaysia.

## BOARD RESPONSIBILITY

The Board is committed to maintaining a sound system of internal controls and has instituted a risk management framework, as well as, good corporate governance measures to monitor the effectiveness in safeguarding shareholders’ investments and the assets of Kenanga Investment Bank Berhad and Its Group of Companies (“Kenanga Group” or “the Group”).

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 (“GRM”) and Group Regulatory and 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 line of defence is Group Internal Audit (“GIA”) which provides independent assurance to the Board on the adequacy and effectiveness of system of internal controls, risk management and governance processes.

### 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.

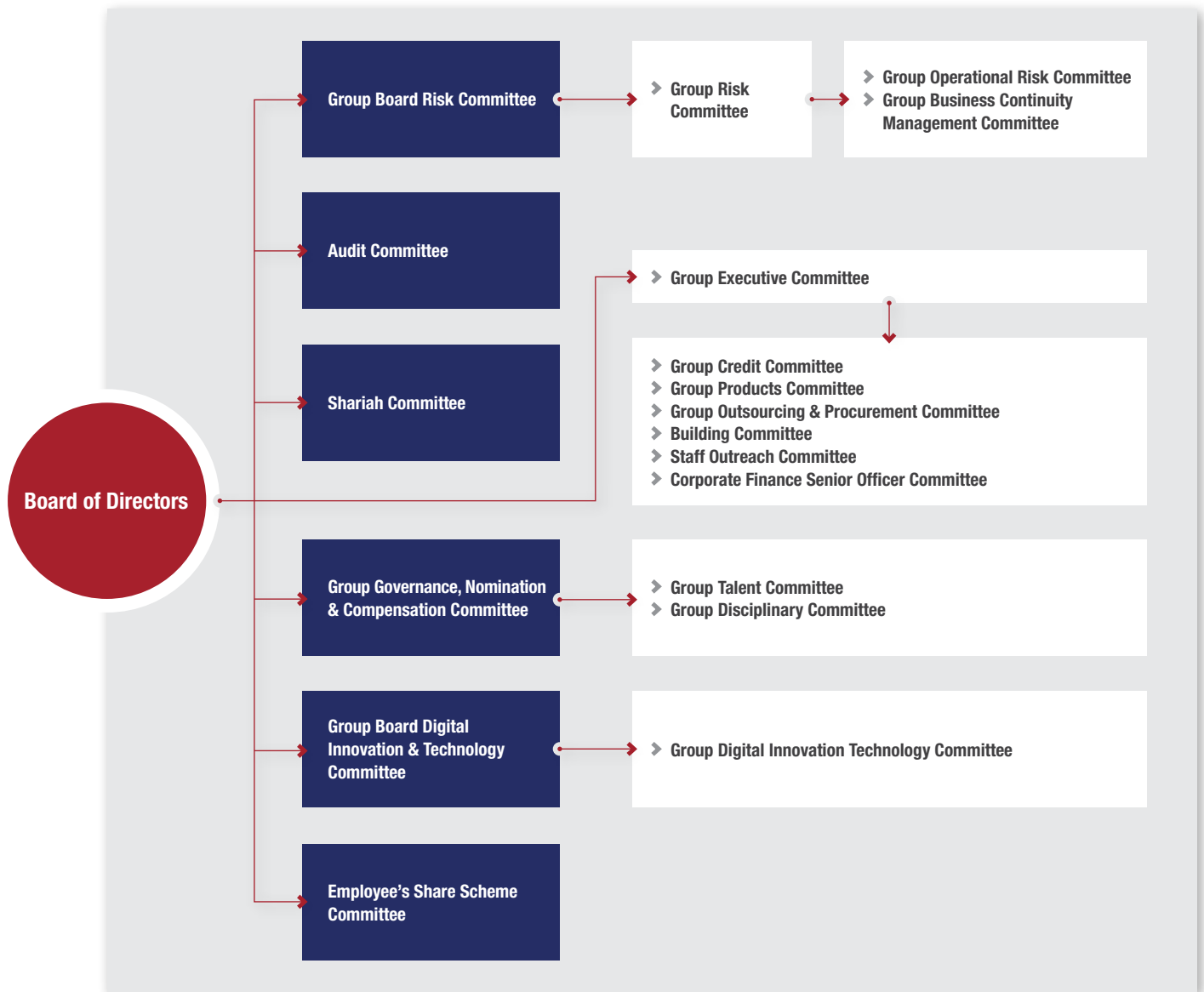
The GBRC is supported by the Group Risk Committee (“GRC”) that provides a forum to address and review the management of credit, operational, market, liquidity, technology and other significant risks to enable effective oversight, accountability and responsibilities for risk taking decisions. Assisting 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 Digital Innovation Technology Committee (Formerly Known As 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 Malaysia, 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.

Board appointed Committees  Management Committees



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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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, GRM 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 management committee.

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

### Annual Business Plans and Budgets

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

### Human Capital Management

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

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

There are regular trainings and updates for employees on requirements/guidelines of BNM, Bursa Malaysia 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 the Group's business. In order to ensure the reliability and resiliency of the business operations to meet the expectations of customers and all stakeholders, and in line with the guidelines of regulators such as BNM's Risk Management in Technology, 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.

### Compliance Function

The Board is unreservedly committed and always strives to adopt the principles and recommendations of the MCCG issued by the SC Malaysia, 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 of 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 five (5) other departments of GRCS undertake functions to review and monitor compliance in their respective areas. In this respect, 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 and has no responsibilities or authority over any of the activities it reviews. GIA's scope of work and activities are guided by the Internal Audit Charter, mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework and relevant regulatory guidelines.

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

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

#### **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 the 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 2020. The main financial risk areas faced by the Group and the guidelines and policies adopted to manage them are provided in detail under Note 50 of the Audited Financial Statements of the Company for the Financial Year Ended 31 December 2020.

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

#### **Review of the Statement by External Auditors**

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

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 1 April 2021.

# AUDIT COMMITTEE REPORT

## 1. COMPOSITION

- 1.1 The Audit Committee (“**AC**”) of Kenanga Investment Bank Berhad (“**KIBB**” or “**the Company**”) presently comprises four (4) members of the Board of Directors (“**Board**”), three (3) of whom are Independent Non-Executive Directors (“**INED**”) and one (1) is a Non-Independent Non-Executive Director (“**NINED**”) as follows:

|  |   |  |  |
|--|---|--|--|
| <p>a. <b>Jeremy Nasrulhaq</b><br/> <i>Chairman, INED</i></p> | <p>b. <b>Luk Wai Hong, William</b><br/> <i>Member, INED</i></p> | <p>c. <b>Kanagaraj Lorenz</b><br/> <i>Member, INED</i></p> | <p>d. <b>Ismail Harith Merican</b><br/> <i>Member, NINED</i></p> |
|--|---|--|--|

### NOTE

*Encik Izlan Izhah ceased to be member of the AC effective from 1 January 2021 upon his retirement as an INED of KIBB.*

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

Two (2) of the AC members, namely Jeremy Nasrulhaq, currently the Chairman of the AC and Kanagaraj Lorenz, are members of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants respectively, in line with the requirements of the MMLR of Bursa Securities. This strengthens the effectiveness of the AC and facilitates the AC’s succession plan in terms of its membership to ensure full compliance with the relevant regulatory requirements.

- 1.3 The effectiveness of the AC as a whole, as well as, its members individually, is assessed annually in accordance with the Board Evaluation Framework based on a set of criteria covering the areas of composition, processes and procedures, interaction with Management, as well as, roles and responsibilities. Based on the assessment conducted in 2020, the 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 [www.kenanga.com.my](http://www.kenanga.com.my).

## 2. AC MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

- 2.1 During the Financial Year Ended 31 December 2020, the AC had convened eight (8) meetings, inclusive of one (1) joint meeting with the Group Board Risk Committee (“**GBRC**”). 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 (“**G CIA**”) 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 G CIA and between the AC and the External Auditors, 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 2020 and 27 October 2020, after the tabling of the Audit Results in respect of the Financial Year Ended 31 December 2019 and the External Auditors’ 2020 Audit Plan respectively.






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

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

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

### 2.5 AC Members' Attendance at Meetings

The details of the AC members' attendance at its meetings held during the Financial Year Ended 31 December 2020 are as stated below.

| Name of Member                              | Number of Meetings  |   |                |
|---|---------------------|---|----------------|
|   | Held <sup>(1)</sup> | Attended  | Percentage (%) |
| Jeremy Nasrulhaq (Chairman)                 | 8                   |   | 100%           |
| Izlan Izhab (Retired w.e.f. 1 January 2021) | 8                   |  | 100%           |
| Luk Wai Hong, William                       | 8                   |  | 100%           |
| Kanagaraj Lorenz                            | 8                   |  | 100%           |
| Ismail Harith Merican                       | 8                   |  | 100%           |

#### NOTE

<sup>(1)</sup> Total number of meetings held was inclusive of one (1) joint meeting between AC and GBRC.

## 3. SUMMARY OF THE AC'S ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 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 2020, reviewed the quarterly financial statements for the quarter ended 31 December 2019, as well as, the annual Audited Financial Statements for the Financial Year Ended 31 December 2019.

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.

## AUDIT COMMITTEE REPORT

- b. The subsequent quarterly financial statements for the quarters ended 31 March 2020, 30 June 2020 and 30 September 2020 were tabled and reviewed by the AC at its quarterly meetings held on 29 April 2020, 22 July 2020 and 27 October 2020 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 27 October 2020, reviewed the basis and assumptions used for the annual assessment for impairment of assets of KIBB Group for the Financial Year Ended 31 December 2020, and recommended the same for the Board's approval, subject to the final assessment to be done for the financial results as at 31 December 2020.
- 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 30 January 2020, reviewed and recommended to the Board for approval, the revision to the Group Accounting Policy to incorporate KIBB Group's latest business developments and to enhance the existing impairment methodologies in accordance with the Malaysian Financial Reporting Standard 9 – Financial Instruments as recommended by the Group Executive Committee. The AC's recommendation was subsequently approved by the Board on 31 January 2020.
- f. The AC had, at its meeting held on 26 February 2020, deliberated on the change of Tax Agent for KIBB and Its Subsidiary Companies for the year of assessments beginning on and after 2019. The final selection was authorised by the Group Managing Director and the GCFOO in line with the Group Procurement Policy.

### 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 2019 was reviewed and deliberated by the AC at its meeting held on 30 January 2020.

During its deliberations, in addition to the relevant disclosures in the Audited Financial Statements, the AC had also considered the recommendations made by the External Auditors towards enhancing internal controls and procedures.

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

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

- c. At its meeting held on 26 February 2020, the AC was subsequently updated by the External Auditors, on the latest status of the statutory audits conducted on KIBB Group. The AC had, at the same meeting, duly deliberated on the 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 2019. 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 allotment of shares which had been disclosed to the Employees and Executive Directors of KIBB and Its Non-Dormant Subsidiaries. The AC had concurred with the External Auditors' opinion.

- d. Pursuant to Section 67(1) of the Financial Services Act 2013 (“**FSA**”), an auditor appointed by a licensed person shall meet the qualification criteria set out in Bank Negara Malaysia (“**BNM**”)’s Policy Document on External Auditor and shall continue to meet the criteria throughout the audit engagement.

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

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

In relation to the audit of the Company’s financial statements for the Financial Year Ended 31 December 2019, 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 2019.

This written assurance by the External Auditors was contained in the External Auditors’ report which was presented to the AC on 30 January 2020.

Based on the assessment conducted, the AC at the same meeting, had concluded that the External Auditors had fulfilled all the qualification set out in BNM’s Policy Document on External Auditor in terms of its performance and independence and had therefore recommended to the Board that the External Auditors be re-appointed as the Company’s External Auditors for the Financial Year Ending 31 December 2020.

- e. At its meeting held on 27 October 2020, the AC reviewed and recommended to the Board for approval, the External Auditors’ 2020 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 2020 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 Interpretations effective for annual period beginning on or after 1 January 2020

| Description   | Effective Date                         |
|---|--|
| 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                         |
| Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)                            | 1 January 2020                         |
| COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases)                                       | 1 June 2020                            |
| Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4: Insurance Contracts) | Effective immediately (17 August 2020) |

## AUDIT COMMITTEE REPORT

- ii. New and amended MFRS issued but not yet effective

| Description   | Effective Date |
|---|----------------|
| Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) | 1 January 2020 |

At the same meeting, the AC had also taken note of the Annual Inspection Report 2019 (“**AIR 2019**”) issued by the Securities Commission Malaysia (“**SC**”)’s Audit Oversight Board (“**AOB**”), as presented by the External Auditors. The AIR 2019 provided insights into the observations arising from the AOB’s inspections at both audit firm and audit engagement levels in 2019.

- f. On 25 January 2021, 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 for the Financial Year Ended 31 December 2020 were RM123,800 or 22.9% and RM168,067 or 31.1% respectively, of the audit fees for the Financial Year Ended 31 December 2019, which was in line with the Group’s Policy on Non-Audit Services by External Auditors.

### 3.3 Internal Audit

- a. At its meeting on 30 January 2020, the AC had reviewed and approved the 2020 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.

Due to the COVID-19 pandemic and the imposition of Movement Control Order by the Government of Malaysia, the AC had deliberated and approved the deferment of certain audit reviews planned for 2020 at its meetings held on 29 April 2020 and 27 October 2020.

Arising from the deferment, the total number of reviews had been revised from forty-seven (47) to forty-one (41).

- b. In 2020, the AC had reviewed and deliberated on a total of forty-one (41) internal audit reports in relation to the audits carried out by GIA, together with the audit recommendations made by GIA and Management’s responses to those recommendations. Where appropriate, the AC had directed Management to rectify and improve 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 2020, GIA also conducted various reviews required by the relevant 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. For the purpose of evaluating the performance of the GCIA, the AC had at its meeting on 30 January 2020, reviewed and deliberated the GCIA’s 2019 Performance Appraisal and the Annual assessment on Fit and Proper, as well as, the 2020 Balanced Scorecard, prior to submission of the same to the Group Governance, Nomination & Compensation Committee (“**GNC**”) (Formerly Known as Group Nomination & Remuneration Committee) for its further recommendation to the Board of KIBB for approval. The AC’s recommendation was subsequently approved by the Board of KIBB on 31 January 2020.



- e. The AC, at its meeting on 29 April 2020, had deliberated the revised Internal Audit Manual and implementation of the Internal Auditor's Annual Declaration Form with the objectives of:
- i. incorporating the revision to the Internal Audit ("IA") procedures subsequent to the implementation of the Audit Management System; and
  - ii. inclusion of new procedures to be in line with the requirement under the International Professional Practices Framework of The Institute of Internal Auditors.
- f. Given the significance of IA function in safeguarding a company against weaknesses in risk management, internal control and with the heightened emphasis placed on the effectiveness of IA function in the Malaysian Code on Corporate Governance, Bursa Securities, together with the Institute of Internal Auditors Malaysia had, in 2019, conducted a thematic review on IA function of forty (40) selected public listed companies ("PLCs").

The review focused on seven (7) criteria of the IA function, namely:

- i. Adoption of a recognised IA framework;
- ii. Independence and objectivity;
- iii. Planning the audit;
- iv. Effectiveness of IA function;
- v. Resource management;
- vi. Communicating audit results; and
- vii. Monitoring progress.

This study revealed a wide gap, especially in five (5) of the aforementioned seven (7) criteria, pertaining to the work of the IA function in meeting the needs of the PLC. The study further highlighted that the AC of the PLCs, being tasked with overseeing the IA function, should consider the following measures to enhance the IA function in terms of competency of personnel, standards deployed in IA and the overall quality of work performed:

- i. adoption of a recognised framework; and
- ii. on-going education for ACs on their roles pertaining to the IA function.

The AC at its meeting on 27 October 2020, had noted that from KIBB's perspective, all the aforementioned seven (7) criteria of the IA function had been adopted. However, based on the key takeaways from the thematic review, the disclosures in KIBB's Annual Report might be further enhanced in terms of the extent of details to be disclosed for transparency purpose.

#### 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.

During the year, at its meeting on 5 June 2020, the AC had deliberated on BNM's 2019 Composite Risk Rating Assessment on KIBB. In its deliberation, the AC not only discussed in detail the findings, areas for enhancement and recommendations made by the regulator, but also on the action plans identified by Management to address those findings and implement the recommendations.

## AUDIT COMMITTEE REPORT

### 3.5 Related Party Transactions

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

### 3.6 Enhancement and Evaluation of Staff's Understanding of KIBB Group's Whistleblowing Framework

KIBB Group had put in place the Whistleblowing Policy and Guidance Notes ("**Whistleblowing Policy**") since January 2015. Apart from providing a comprehensive explanation on whistleblowing, the Whistleblowing Policy also detailed out the framework adopted by KIBB Group, outlined the obligations of the employees and set out the various channels to report any illegal or unethical practices.

As a means to continuously educate, train and engage the employees of KIBB Group and to enhance their understanding on the Whistleblowing Policy, Group Business Ethics and Integrity of Group Regulatory and Corporate Services, had published a video on the Whistleblowing Policy via KIBB's Learning Management System. The video was accompanied by a compulsory quiz aimed at evaluating the employees' understanding of the Whistleblowing Policy as explained in the video.

In this regard, the AC had, at its meeting on 29 April 2020, taken note of the results of the quiz and the findings in relation thereof, which would be used to identify gaps in knowledge and areas for improvement.

### 3.7 Compliance with the Guidelines on the Adequate Procedures Issues Pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009

The AC at its meetings on 29 April 2020 and 5 June 2020 was updated on the status of the assessment on KIBB Group in respect of its compliance with the Guidelines on Adequate Procedures ("**Guidelines**") issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009.

At the said meeting, the AC had observed that overall, as at March 2020, KIBB Group's status of compliance with the aforementioned Guidelines was noted to be satisfactory where, from the total of eighty-six (86) requirements, the Group had complied with seventy (70) requirements (i.e. 81.4%), with the remaining sixteen (16) requirements targeted to be fully complied with by June 2020.

Subsequently, at its meeting on 22 July 2020, the AC was updated that as at end of May 2020, KIBB Group had achieved 100% compliance with the requirements as stipulated in the Guidelines.

### 3.8 Disclosure for Annual Report 2019

Under its TOR, the AC was also tasked to review the accuracy and adequacy of the corporate governance and internal control disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

In this regard, the AC at its meeting on 24 March 2020 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 2019:

- Audit Committee Report;
- Statement on Risk Management and Internal Control;
- Sustainability Statement; and
- Corporate Governance ("**CG**") Overview Statement and CG Report.

The AC's recommendation was subsequently approved by the Board of KIBB on 31 March 2020.

At the same meeting, the AC had also granted its concurrence on the Chairman's Statement and the Group Managing Director's Management Discussion & Analysis.

### 3.9 List of Disciplinary Actions Meted Out on Employees' Misconducts within KIBB Group

The list of disciplinary actions meted out on employees who had committed misconduct within KIBB Group tabled by Head of Group Human Resource, were reviewed and deliberated by the AC at its meetings held on 26 February 2020, 22 July 2020 and 27 October 2020 respectively.

### 3.10 Post Approval Review by Independent Credit Review ("ICR")

The reports on the Post Approval Review conducted on Share Margin Financing and Corporate Loans by the ICR, were reviewed and deliberated by the AC at its meetings held on 30 January 2020 and 29 April 2020 respectively, as required under Paragraph 17.5 of BNM's Policy Document on Credit Risk.\*

\* Paragraph 17.5 of BNM's Policy Document on Credit Risk requires the outcomes of independent credit reviews to be escalated directly to the Board Risk Committee, Board Audit Committee and Senior Management.

### 3.11 Joint Meeting Between the AC and the GBRC

Pursuant to BNM's Policy Document on Risk Governance, the GBRC and the AC were expected to periodically meet to ensure effective exchange of information 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 this regard, a joint meeting between the AC and the GBRC was held on 11 August 2020 as per BNM's requirement aforementioned.

### 3.12 GIA's Succession Plan

The AC had, at its meeting on 26 February 2020, recommended the revised Succession Plan (2019 Review) for GIA to the GNC for its further recommendation to the Board for approval, as recommended by the Group Talent Committee. The same was approved by the Board on 27 February 2020.

## 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 2020 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 2020 amounted to RM4.08 million.
- 4.5 As at 31 December 2020, GIA's headcount was twenty (20).

# SUSTAINABILITY STATEMENT

## ABOUT THIS STATEMENT

As a leading financial services provider, as well as, business partner, employer, value creator and corporate citizen, we are committed to sustainable practices and have embraced the elements of sustainability since the early days of our operations. We recognise that our commitment towards sustainability underpins our overall enterprise growth strategy and shapes how our businesses are run.

We are cognisant of the impact we make and the responsibility we have towards our stakeholders, communities and the environment. As part of our sustainability journey, we endeavour to incorporate stakeholder expectations and industry benchmarks in our decision making and business practices, which will enable us to create shared value for all.

## STATEMENT SCOPE AND REPORTING BOUNDARIES

This Sustainability Statement sets out our Economic, Environmental and Social (“EES”) approach and performance for our Malaysian operations from 1 January 2020 to 31 December 2020. It has been prepared in adherence to the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements on Sustainability Reporting (“Bursa Securities Sustainability Reporting Guide”) and is guided by the Global Reporting Initiative (“GRI”) Standards. We have aligned our sustainability efforts in support of the United Nations (“UN”) Sustainable Development Goals (“SDGs”) and have begun to integrate the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) as recommended by the Bursa Sustainability Reporting Guide in 2018.

## OUR SUSTAINABILITY FOCUS

We continue to evaluate our sustainability practices and aim to solidify our sustainability roadmap through clear action plans. We are currently reviewing our sustainability governance framework which consists of a multidisciplinary membership supported by the Board of Directors (“Board”), which will provide oversight of our ESS commitments and activities as we progress.

## STAKEHOLDER-DRIVEN SUSTAINABILITY

We recognise that stakeholder engagement, assessment and feedback are an integral part of our sustainability strategy and initiatives. To this end, we are continuously improving our stakeholder engagement approach via various communication channels.

### Our Stakeholder Groups

#### Those Whom We Are Accountable To











#### Those Who We Collaborate With



#### Those Whose Lives We Enrich



| Our Commitment  | How We Engage   | Topics of Interest  |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Ensure investors and shareholders are up to date on our business and operations</li> <li>• Incorporate feedback to enhance the value we create</li> <li>• Enhance client experience through innovation and technology</li> </ul> |  <p><b>Investors and Shareholders</b></p> <ul style="list-style-type: none"> <li>• Provide updates and gather feedback through meetings, reports and disclosure</li> </ul>  <p><b>Clients</b></p> <ul style="list-style-type: none"> <li>• Provide products, tools, education and insights through our trading platforms, mass media, events, emails, websites and social channels</li> <li>• Respond to queries, as well as, gather input and feedback via social channels, helpline and email</li> </ul>  | <ul style="list-style-type: none"> <li>• Cyber security and data protection</li> <li>• Portfolio performance</li> <li>• Financial inclusion</li> <li>• Financial literacy</li> <li>• Technology and Innovation</li> <li>• Responsible investing</li> <li>• New products and services</li> <li>• Market outlook</li> </ul> |
| <ul style="list-style-type: none"> <li>• Create a safe and high-performing work environment</li> <li>• Embed our values of ethics and compliance throughout the organisation, to lead and participate in industry fight against fraud</li> </ul>                          |  <p><b>Regulators</b></p> <ul style="list-style-type: none"> <li>• Participate in industry discourse and enforce adherence to regulations and policies</li> </ul>  <p><b>Employees</b></p> <ul style="list-style-type: none"> <li>• Engage through internal policies, meetings, emails, dialogues, training programmes, special events and performance appraisals</li> </ul>  <p><b>Remisiers and Agents</b></p> <ul style="list-style-type: none"> <li>• Engage through policies and procedures, training programmes and special events</li> </ul>  <p><b>Vendors</b></p> <ul style="list-style-type: none"> <li>• Collaborate through meetings, policies and procedures</li> </ul> | <ul style="list-style-type: none"> <li>• Compliance culture</li> <li>• Cyber security and operational resilience</li> <li>• Training and development</li> <li>• Product training</li> <li>• Certifications, examination tutorials</li> <li>• Environmental awareness</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Create shared value for communities in need</li> <li>• Provide skills and knowledge that empower individuals to make decisions on their investments and financial resources</li> </ul>   |  <p><b>Community Partners</b></p> <ul style="list-style-type: none"> <li>• Contribute to various social causes, in particular towards enterprises</li> <li>• Activate employee volunteerism and philanthropy</li> </ul>  <p><b>Public</b></p> <ul style="list-style-type: none"> <li>• Disseminate investing knowledge via roadshows, social media channels and webinars</li> </ul>   | <ul style="list-style-type: none"> <li>• Community empowerment</li> <li>• Financial literacy</li> </ul>   |

# SUSTAINABILITY STATEMENT

## MATERIALITY

We undertook a materiality assessment in 2020 to refine and verify the material topics that are important to both the Group and our stakeholders. We analysed our value chain and measured ourselves against industry benchmarks and market practices to produce an updated set of ten (10) materiality topics which were distributed to our stakeholders. The outcome of this assessment will guide how we prioritise our action plans, as well as, engagement and response to our stakeholders.

### How We Did It

#### 1. Identifying Material Topics:

We created a list of topics relevant to our business. These topics were compiled from a series of inputs:

- Global trends, including the SDGs
- Regulatory focus and industry trends
- Analysis of sustainability indices deemed material to our industry
- Our strategic corporate objectives
- Value chain assessment
- Group risk mapping
- Employee engagement
- Client and customer feedback
- Topics identified in our 2018 materiality review

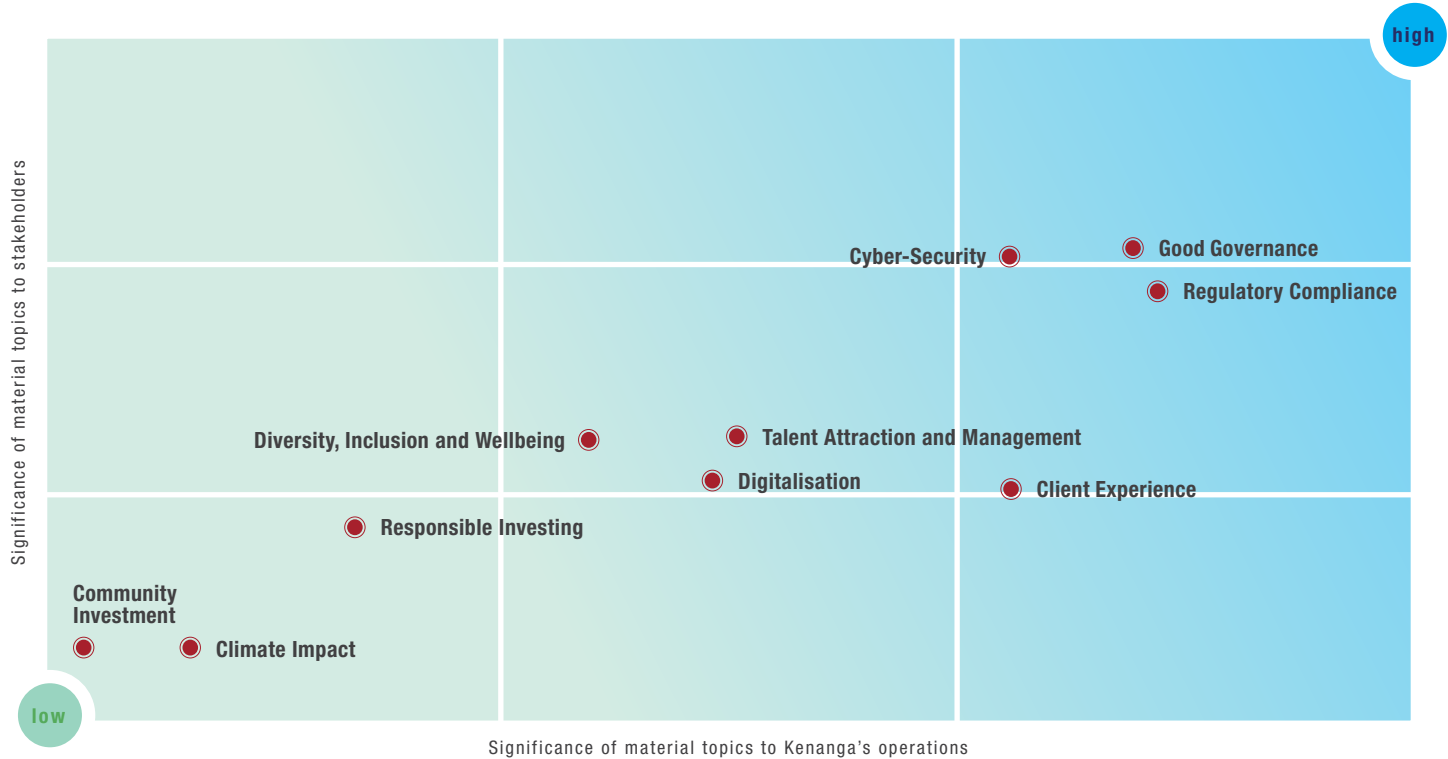
#### 2. Understanding the priorities of our business and our stakeholders:




















We identified our key stakeholder groups — employees, investors, customers, remisers, vendors, media, regulators, as well as, community partners — and distributed an online survey inviting these stakeholders to indicate the level of importance they ascribe to our material topics. From this survey, we received 1,361 usable responses which were analysed to produce a matrix, mapping out overall importance. The matrix and our material topics for 2020 were then reviewed and endorsed by the sustainability working team.

#### 3. Identifying key areas of focus:

The results from our stakeholder materiality survey confirm all topics were deemed important, with responses receiving an average score of 4.1 (82%) - 4.7 (94%) out of a maximum score of 5. Good Governance, Regulatory Compliance and Cyber Security are the three (3) topics deemed most material in 2020.

Our 10 topics have been distributed across the pillars of economy, environment, society and governance. These will serve as our strategic areas of focus as we continue to incorporate sustainable thinking into our business and value chain. Our next materiality assessment will take place in 2022.

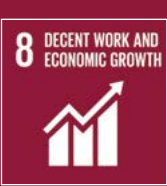




| Aspect  | Material Topic   | Description   | Our Disclosure  |
|---|--|---|---|
| <b>Governance</b><br>      | <b>Good Governance</b><br>                      | Operating transparently, with integrity and accountability in compliance with applicable laws and regulations. Adopting the highest standards of professionalism, honesty and ethics.   | <b>Enhancing Good Governance</b><br><br> Pg 87 to 89     |
|   | <b>Cyber Security</b><br>                       | Implementing robust cyber security solutions to protect corporate and client information and enhance our cyber security posture. Equipping employees with the knowledge and skills to recognise and prevent malicious activity from cyber threat actors.                  |   |
| <b>Economic</b><br>      | <b>Regulatory Compliance</b><br>                | Identifying, implementing and responding to compliance risk across the Group. Cultivating a transparent ethical culture and educating employees to reflect the compliance behaviours of the organisation.   | <b>Safeguarding Our Operations</b><br><br> Pg 90 to 92   |
|   | <b>Client Experience</b><br>                    | Delivering positive client experience through customer service excellence and delivering innovative products and services.  |   |
|   | <b>Digitalisation</b><br>                     | Leveraging technological advancements to develop innovative products and services; enhance and reinforce advisory operations and offer seamless service solutions that meet clients' needs.   | <b>Delivering Value</b><br><br> Pg 92 to 96            |
|   | <b>Responsible Investing</b><br>              | Collaborating with asset owners, regulators, and a wide range of market participants on EES matters and ensuring that this takes place at the heart of the investment process to promote the sustainability agenda.   |   |
| <b>Social</b><br>        | <b>Diversity, Inclusion and Wellbeing</b><br> | Inculcating a diverse and inclusive workplace culture where employee rights, safety, health and wellness are promoted.  | <b>Social Engagement</b><br><br> Pg 97 to 104          |
|   | <b>Talent Attraction and Management</b><br>   | Designing the Group's training and development initiatives to respond to business needs, regulatory requirements, industry standards and people development principles.   |   |
|   | <b>Community Investment</b><br>               | Enhancing financial literacy and inclusion for clients and the community through education. Reaching out to communities in need through targeted social investments and employee volunteerism.  |   |
| <b>Environmental</b><br> | <b>Climate Impact</b><br>                     | Taking ownership of the climate impacts of our operations through monitoring environmental performance, identifying and practising behaviours promoting climate positive outcomes, and raising awareness of climate change and sustainability with internal stakeholders. | <b>Environmental Stewardship</b><br><br> Pg 105 to 106 |

## SUSTAINABILITY STATEMENT

### SUPPORTING THE UN SDGs

Through our ongoing participation in the capital market, we contribute to Malaysia’s economic growth and the wider SDGs. For the purpose of this statement, we have also mapped our material topics to the relevant UN SDGs.

| Goal   | Rationale   | Kenanga’s Focus   | Related Material Topics  |
|--|---|---|--|
|  <p><b>Goal 8: Decent Work and Economic Growth</b></p>          | <p>We contribute to national economic growth through our role as an investment bank and employer.</p>   | <p>Responsible Business Operations &amp; Inclusive Employer</p> | <ul style="list-style-type: none"> <li>&gt; <b>Responsible Investing</b></li> <li>&gt; <b>Client Experience</b></li> <li>&gt; <b>Diversity, Inclusion and Wellbeing</b></li> <li>&gt; <b>Talent Attraction and Management</b></li> </ul> |
|  <p><b>Goal 12: Responsible Consumption and Production</b></p> | <p>We work to integrate environmental, social and governance factors in the investment process, to guide investment decisions and ensure long-term sustainable value to stakeholders.</p> | <p>EES Investment Integration</p>                               | <ul style="list-style-type: none"> <li>&gt; <b>Responsible Investing</b></li> </ul>  |
|  <p><b>Goal 13: Climate Action</b></p>                        | <p>Recognising the challenges posed by climate change, we support a low carbon economy by identifying and managing climate-related risk within our operations.</p>                        | <p>Climate Change Emissions Reduction</p>                       | <ul style="list-style-type: none"> <li>&gt; <b>Climate Impact</b></li> </ul>   |





# GOVERNANCE

Enhancing Good Governance >



## Material Topics:

1.  **GOOD GOVERNANCE**

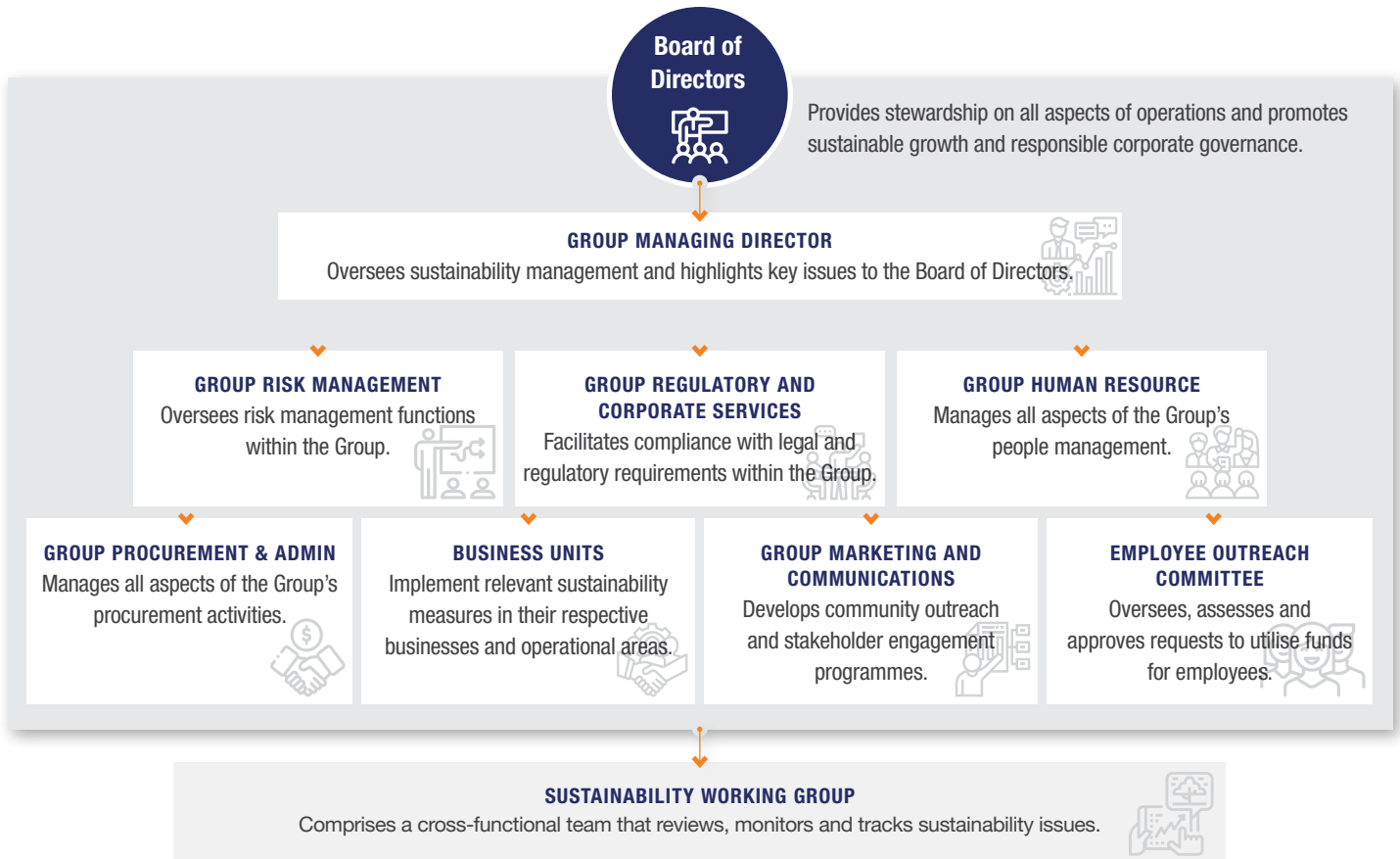
2.  **CYBER SECURITY**

Good governance is the cornerstone of our operations. We forge relationships on the basis of integrity and transparency. Enhanced cyber security efforts are pivotal towards managing risks of the business and maintaining reputation of our brand.

## GOOD GOVERNANCE



The Board, which provides stewardship and oversight on our sustainability journey, is committed to the management of resources and processes relating to sustainability matters and to ensuring that sustainability is instilled across the organisation. As part of our efforts to continuously improve our practices, we are currently reviewing the sustainability governance framework, which will consist of a multidisciplinary membership supported by the Board, to further reinforce oversight of our EES commitments and activities as we progress.



# SUSTAINABILITY STATEMENT

### Managing and Responding to Risks

Our Group Board Risk Committee (“**GBRC**”), supported by our Group Risk Committee (“**GRC**”), reviews and addresses risks to our operations. We recognise our responsibility to understand and manage EES risks related to our business and to translate these insights into meaningful mitigating actions across our operations.

We have set in motion processes to strengthen the integration of EES matters into our risk management practices and will review existing risk management policies against the criteria and methodology for assessing economic, environmental and social risks. This process will follow our internal guidelines on risk analysis and review.

Our incorporation of EES risk will focus on the following areas:

- Enhancing our risk identification capacity through collaborative industry research, as well as, local and global EES concerns;
- Empowering decision making through the development of guidelines and criteria for the assessment, mitigation and management of EES risks; and
- Reinforcing and institutionalising the Group’s EES risk culture and appetite through training and development of our human capital.

### Identifying Climate Risks




In accordance with the updated requirements of the Bursa Securities’ Sustainability Reporting Guide, we are moving to address the recommendations of the TCFD. As part of our initial climate related disclosure, we will undertake preliminary assessments to identify the climate-related risks connected to our operations.

### Managing Our Supply Chain

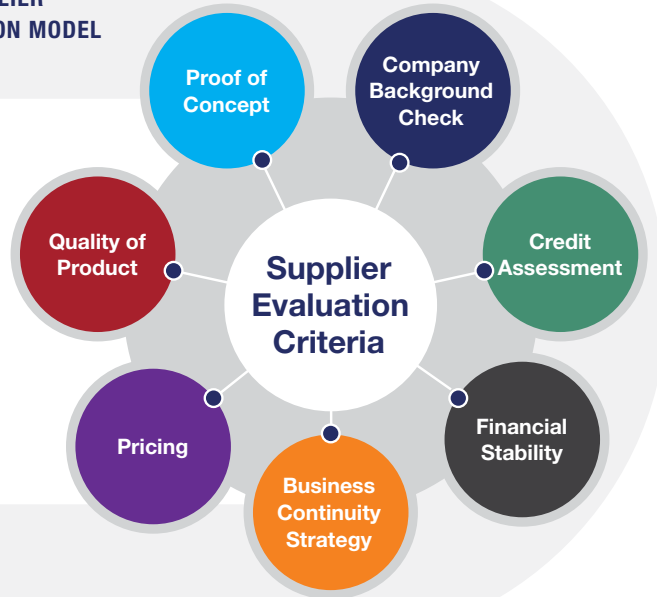
Our vendor partnerships can give rise to potential organisational, financial, legal and reputational risk. We have established responsible procurement policies and processes to clearly set out our expectations.

Our Group Procurement Policy establishes a framework for employees to achieve and maintain high standards of professionalism, transparency, and accountability within the procurement process. Our robust Know Your Vendor Assessment requires vendors to undergo due diligence verification and prompts for the review of risk indicators that culminates into a score that serves as a guide to manage front-end risk.

The Group Code of Conduct for Vendors outlines a set of obligations on business practices and professional conduct expected of all vendors engaging or working with Kenanga Investment Bank Berhad (“**KIBB**”) and Its Group of Companies (“**Kenanga Group**” or “**the Group**”). Regular performance evaluations are conducted and through these checks and balances, we strive to uphold high standards of ethics and integrity in business practices with all contractors, consultants, suppliers, agents and any persons who undertake work for the Group.

| TCFD ELEMENTS                | DISCLOSURES   |
|------------------------------|---|
| <b>GOVERNANCE</b>            | <ul style="list-style-type: none"> <li>• Our Group Managing Director oversees sustainability management and highlights key issues to the Board.</li> <li>• Our Sustainability Working Group manages and oversees sustainability reporting for the Group.</li> </ul> <p> Please refer to pg 41 of this Annual Report for an overview of our Governance structure, and pg 87 of this statement for an overview of our sustainability governance structure.</p> |
| <b>RISK MANAGEMENT</b>       | <ul style="list-style-type: none"> <li>• The GBRC provides oversight on our risk strategies and policies, as well as the incorporation of EES considerations into our risk management practices.</li> </ul> <p> Please refer to pg 56 and 57 of this Annual Report for more details regarding GBRC.</p>  |
| <b>METRICS &amp; TARGETS</b> | <ul style="list-style-type: none"> <li>• We have begun reporting our Scope 2 Greenhouse Gas (“<b>GHG</b>”) emissions from purchased electricity consumption. We will continue to report these metrics to assess the impact of our operations on climate change.</li> </ul> <p> Please refer to pg 105 of this statement for more details regarding our GHG emissions.</p>  |

## OUR SUPPLIER EVALUATION MODEL



## Our Commitment: SAFEGUARDING CLIENT DATA

Our IT Security Policy is aligned to the Personal Data Protection Act 2010 ("PDPA"), as outlined by Bursa Malaysia, Bank Negara Malaysia and the Security Commission Malaysia Guidelines on IT and Cyber Security. For transparency and ease of reference, a Privacy Notice is published on our corporate website which details the parameters in which we use customer data.

The Group's cyber security defence systems operate 24/7. Through the deployment of rigorous testing and protective assessment, our IT team work to detect and resolve potential vulnerabilities – applying measures to secure and protect confidential customer information.

## CYBER SECURITY



As we move into a future shaped by digitalisation and innovation, there is an increasing urgency to step up cyber security measures. As cloud-based hosting and software-as-a-service solutions progressively form the core of our cyber infrastructure, we forge strategic partnerships with leading technology providers to deliver, secure and trusted service for customers.

Within our Group Digital, Technology and Transformation Division, our team of skilled cyber security experts lead the Information Technology Governance & Security ("ITGS") workstream. Mandated to defend against cyber threats and attacks, the team delivers on the Group's cyber security to ensure business continuity and operations.

In 2020, the ITGS team implemented progressive cyber security solutions to further protect corporate information and customer privacy. Key highlights include enhancements to the Group's ability to monitor data movement across the organisation, as well as, deploying tools to detect anomalous data-handling behaviours.

Additionally, we enhanced our cyber resilience through the following actions:

- Invested in new technology to protect customer data against leaks or breaches;
- Introduced a mobile device management tool to manage access to confidential information on our employees' personal mobile phones;
- Implemented additional security measures for our servers to shield from vulnerabilities on a real-time basis; and
- Integrated security solutions for 24/7 monitoring of our endpoints for advanced persistent threats.

### Cyber-Aware Employees

We work to train our employees to stand guard as the first line of defence against potential attacks from cyber threats. Cyber security training is mandatory for all.

### CYBER SECURITY CAPACITY BUILDING IN 2020

Invested in an email phishing simulator that trains employees to identify phishing attacks.

Conducted simulation via emails on employees, with employees achieving a **93% success rate** in identifying phishing emails.

Delivered **4 cyber security training sessions** mandatory for all employees.

Disseminated **33 awareness** notifications, reminding employees to be on alert against SPAM/phishing emails.

## SUSTAINABILITY STATEMENT

# ECONOMIC

Safeguarding Our Operations >



### Material Topics:

#### 1. REGULATORY COMPLIANCE

We recognise that regulatory compliance is the foundation of overall operational integrity. It complements and strengthens internal risk control mechanisms and is a hallmark of the reliability and trust that we strive to foster with our stakeholders. Through consistent training and ongoing communications, we inculcate a strong compliance culture in the organisation that impels employees to uphold high regulatory compliance standards across the Group.

## REGULATORY COMPLIANCE



### **Financial Crime Prevention**

The Group takes a zero-tolerance approach to all forms of financial crime including bribery, fraud, corruption, financing of terrorism, money laundering, proliferation financing and any other illicit activity connected to unethical business practices. Financial crime and associated activities go against our core values and undermine our business and operations.

Reflecting this stance, the Group has a comprehensive strategy in place to prevent, detect, mitigate and scrutinise any illicit financial activities, with measures that hold perpetrators accountable.

We regularly conduct reviews of our control environments and ensure compliance to the Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions (“**AML/CFT/TFS**”) requirements. All business units and subsidiaries are required to perform Semi-Annual Declaratory Self-Assessments to ensure the adherence to the AML/CFT/TFS procedures and employees’ awareness of the AML/CFT/TFS measures.

Below are some of our key policies that work alongside regulatory requirements.

- Customer Due Diligence for Remisiers
- Group Financial Crime Intelligence Operations Manual
- Guidance of Suspicious Transaction Reporting
- Guidance on Suspicious Activity Reporting (in Group AML/CFT/TFS Procedure)
- Kenanga Group’s Risk Scoring Methodology for AML/CFT

### **Managing Good Business Conduct**

Our Group Business Ethics and Integrity Department (“**GBEI**”), established in 2019, is under the purview of Group Regulatory and Corporate Services (“**GRCS**”) which operates as our structured unit, managing ethical business practices and driving initiatives designed to ensure our business practices and operations comply with regulatory requirements. In 2020, GBEI:

- implemented measures to comply with Section 17A Malaysian Anti-Corruption Commission Act 2009 and the T.R.U.S.T principles as per the Guidelines on Adequate Procedures. Actions included aligning our Group Anti-Fraud, Bribery and Corruption Policy to the updated section; and
- introduced key ethical conduct policies including the Group Code of Conduct for Vendors, the Group Gifts, Entertainment and Hospitality Policy and the Group Incoming Non-Commercial Sponsorship Policy.

Moving into 2021, GBEI is in the process of reviewing and enhancing the Group Code of Professional Ethics and Conduct for Employees, the Group Fraud Reporting Policy, the Group Conflict Management Policy and the Group Competition Act Policy.

More information on GBEI’s activities in 2020 can be found in the Ethics and Compliance Statement on pages 62 to 69 of this Annual Report.

**Raising Awareness**

Our Group Prudential Supervision & Regulatory Affairs Department (“GPSRA”) is responsible for ensuring employees are aware of all regulations, guidelines, and laws upheld by the Group. Regulatory issuances are monitored daily and communicated to relevant stakeholders for prompt compliance response. All issuances are compiled and disseminated weekly for the attention of all employees.

Ongoing training and awareness campaigns across the workforce are designed to embed our principles of ethics and integrity so they are reinforced, understood and replicated at all levels. For 2020, we enhanced online training materials containing summaries of pertinent aspects of key ethics and regulatory compliance policies, which were made available to all employees through the Group Human Resources (“GHR”)’s Learning Management System in lieu of face-to-face training.

In 2020, over 80% of our employees participated in our annual e-tests which are aimed at reinforcing the principles of good governance.

**COMPLIANCE TRAINING SUMMARY**



| Focus Area   | Employee Participation (no.) | Employee Training Hours |
|--|------------------------------|-------------------------|
| Anti-Money Laundering/Counter Financing of Terrorism | 1,040                        | 1,736.3                 |
| Anti-Bribery and Corruption                          | 958                          | 960.0                   |
| Anti-Fraud   | 972                          | 1,034.5                 |

**E-TEST SUMMARY**

| Focus Area   | Employee Participation (no.) | Score of 80% and Above (no.) |
|--|------------------------------|------------------------------|
| Anti-Money Laundering/Counter Financing of Terrorism | 1,057                        | 873                          |

**Fraud Awareness Week 2020:**

**ETHICS & INTEGRITY:  
CULTURE FOR  
COMBATING FRAUD  
IN THE NEW NORMAL**



Our Fourth Annual Fraud Awareness Week (“4<sup>th</sup> FAW”) in 2020 was a demonstration of our dedication to deliver employee awareness training on matters relating to fraud, bribery, corruption and governance. Despite the majority of employees working from home, we successfully delivered a virtual event that achieved all objectives.

The interactive activities that took place during 4<sup>th</sup> FAW were delivered digitally in November 2020. As in previous years, Fraud Games were also held for three weeks, with participants tested on their knowledge of fraud, ethics, integrity and governance. A total of 65 teams comprising 35 internal and 30 external teams participated in the events – a reflection of our commitment towards knowledge sharing and the promotion of anti-fraud awareness across the industry.

Recorded video sessions for the 5<sup>th</sup> Annual Regulatory Seminar (“ARS”) were also made available to all employees during the 4<sup>th</sup> FAW period. The theme for the 5<sup>th</sup> ARS was ‘Digitalisation and Disruption: Where Do We Go from Here’.



More information on ethics and integrity training can be found in the Ethics and Compliance Statement on pages 62 to 69 of this Annual Report.

**SUSTAINABILITY STATEMENT**

Fraud Awareness Week 2020 Goes Digital:  
**Q&A WITH THE COORDINATOR OF FAW2020**



**Q:** This is the fourth year that FAW has been organised – how did it compare to previous years, given that it was conducted digitally?

**A:** FAW, since inception in 2017, is designed to raise fraud awareness and highlight the importance of fraud detection and prevention. By taking the 4<sup>th</sup> FAW digital, physical gathering was avoided to safeguard participants from COVID-19, while still delivering its objectives.

**Q:** If there was one piece of information on fraud and cybercrime that is important for Malaysians to understand, what would it be?

**A:** Malaysians have limited understanding of fraud and cybercrimes, as evidenced through disconcertingly high rates of fraudulent cybercrime activity in the media. Individuals would do well to trust their money with reputable and licensed parties and investigate further if something sounds too good to be true.

**Q:** What can Kenanga learn from this digital FAW?

**A:** The strong participation seen in 2020 for the digital FAW illustrates clear recognition of what FAW is about. Organisations within the industry show continued interest, as do regulators, enforcement and professional bodies and other listed companies. This bodes well for fraud awareness across the Malaysian capital market.



**Whistleblowing**

Our Group Whistleblowing Policy & Guidance Notes form one element of a wider set of arrangements we have in place to uphold high standards and prevent wrongdoing. The Group has put in place a Whistleblowing Framework for the reporting of any concerns made in good faith about behaviour, conduct, practice, deeds and/or omissions that might be either unlawful or irregular within the Group. Processes and channels such as dedicated email and secured P.O. Box are in place to ensure reporting can be made without fear of reprisal.

**Delivering Value >**



**Material Topics:**

- 1.  **CLIENT EXPERIENCE**
- 2.  **DIGITALISATION**
- 3.  **RESPONSIBLE INVESTING**

Through quality client experience, focused digitalisation of our operations, forward-facing digital product offerings, and the provision of secure and efficient investing pathways, we aim to deliver value across the spectrum of the investment activities that benefit customers.

**CLIENT EXPERIENCE**



**Responsible Marketing**

High-quality, trusted service is intrinsically linked to positive customer experience and, by extension, our long-term business growth. All information disclosed to potential and existing clients, such as prospectus and information memoranda, comply with requirements set out by Bursa Malaysia, Bank Negara Malaysia, the Financial Services Act (2013), the Consumer Protection Act (1999), the Malaysian Code of Advertising Practice and the Securities Commission Malaysia (“**SC**”). Our Advertisement Policy, which is underpinned by regulatory requirements, ensures our promotional and marketing materials uphold our high standards.

### Client Engagement

We encourage conversation and discourse with all our existing and potential clients, whilst welcoming feedback and input to improve our solutions and service levels. We make available a variety of channels to facilitate two-way communications, including our social media channels, websites and customer helpline, as well as, via branches nationwide.

## ENSURING ACCESS TO OUR SERVICES AMIDST COVID-19



### Digital Engagement

With movement restrictions as a result of the COVID-19 pandemic, we swiftly shifted our engagement to the virtual environment:

- Remisiers and dealers serviced clients remotely via an online platform
- All online trading platforms across the Group operated effectively
- On-site education workshops were converted into webinars
- Launched one-on-one e-coaching sessions
- Participated in e-roadshows
- Leveraged social channels such as Facebook, Instagram, LinkedIn and Telegram to stay in close contact with followers and to communicate trading ideas

### Award-Winning Work

Year on year, we receive numerous accolades, reflecting our commitment towards excellence across the various aspects of our businesses. In 2020 we were accorded the following:

## Awards and Accolades



### Sustainability & CSR Malaysia Award 2020

Company of the Year Award for Environmental Awareness and Sustainability - KIBB

### ACES Awards 2020

Industry Champions of the Year 2020 - KIBB

### MARC Lead Managers League Table Awards 2019

Issued Value Category – Conventional & Islamic (Winner) - KIBB

### Bursa Excellence Awards 2020

- Best Overall Equities Participating Organisation – Champion
- Best Structured Warrant Issuer – Champion
- Best Trading Participant Equity & Financial Derivatives – Champion
- Best Institutional Derivatives Trading Participant – Champion
- Best Retail Equities Participating Organisation – 1<sup>st</sup> Runner Up
- Best Institutional Equities Participating Organisation, Investment Bank – 2<sup>nd</sup> Runner Up
- Best Overall Derivatives Trading Participant – 2<sup>nd</sup> Runner-Up

### The Loyalty & Engagement Awards 2020

Best Use of Gamification (Silver) Campaign: Rescue Raya by Kenanga - KIBB

### Marketing Events Awards 2020

Best Use of Games/Contests (Silver) Campaign: Rescue Raya by Kenanga - KIBB

## SUSTAINABILITY STATEMENT

### Awards and Accolades



#### FSMOne Recommended Unit Trusts Awards 2020-2021

- Core Equity - Malaysia - Kenanga Growth Fund
- Core Equity - Malaysia (Islamic) - Kenanga Syariah Growth Fund
- Balanced - Malaysia - Kenanga Balanced Fund

#### 2020 Best of the Best Awards by Asia Asset Management

- Kenanga Investors Group -
- Malaysia Best Equity Manager
  - Malaysia Best House for Alternatives
  - Malaysia Fund Launch of the Year
  - Malaysia CIO of the Year - Lee Sook Yee

#### Refinitiv Lipper Fund Awards 2020 – Global Islamic Markets

- Malaysia Best Equity Fund over 10 Years - Kenanga Syariah Growth Fund

#### Refinitiv Lipper Fund Awards 2020

- Mixed Asset MYR Flexible (Malaysia Pension) for 3 Years - Kenanga Diversified Fund
- Mixed Asset MYR Flexible (Malaysia Pension) for 5 Years - Kenanga Diversified Fund
- Equity Malaysia (Malaysia Islamic) for 10 Years - Kenanga Syariah Growth Fund
- Best Equity Award (Malaysia Islamic) - Kenanga Investors Berhad
- Best Mixed Assets (Malaysia Pension) - Kenanga Investors Berhad

#### iFast Malaysia Awards 2020

Best Selling PRS 2019 - Kenanga OnePRS Conservative Fund

#### PPA – Growing PRS Together 2019

1<sup>st</sup> Runner-up PRS AUM Growth - Kenanga Investors Berhad

## DIGITALISATION



Digitalisation and innovation remain at the forefront of our priorities. As the industry evolves at record pace, we have responded with speed to refine our products and services by focusing on client needs and expectations, market trends and industry insights.

Our initiatives and programmes are guided by a Digital Roadmap, which sets out our approach to:

1 Digital business ventures

2 Transformation plan of our traditional business operations

3 Strategic collaboration with technology enablers

This Roadmap also covers workflow automation, data analytics and enhanced cyber security.

### Our Digitalisation Priorities

To streamline resources



To accelerate digital implementation



To optimise cost structures





### Digitalising Systems and Operations

The digitalisation of our core operations strengthens business resilience and augments efficiency. Some of the progress made on this front for the year:

- Completed a group-wide assessment in 2020 to identify processes for Robotic Process Automation
- Digitalised seven key forms of Enterprise Workflow Management under the iLeap project which aims to streamline and digitalise tasks for optimal productivity
- Launched a Remisiers' service portal, which advanced to Phase 2 in September. Through this portal, remisiers can access key information, support and submit requests on behalf of clients through the e-request function which is paperless and traceable via audit trails

### Offering Game-Changing Digital Solutions

#### Malaysia's First Stockbroking E-Wallet



In 2020, we joined forces with Merchantrade Asia Sdn Bhd ("**Merchantrade**"), Malaysia's leading fintech and e-money player and the country's largest money services business operator, to develop Malaysia's first stockbroking e-wallet, Kenanga Money.

Kenanga Money marks KIBB's entry into the cashless payment space, enabling clients the freedom to easily transfer funds from their stock trading account into an e-wallet and prepaid card for retail payments, remittance and withdrawals worldwide. Users will also benefit from the innovative multi-currency function which enables them to buy, sell and store up to 20 foreign currencies at any given time, at Merchantrade's competitive exchange rates.



#### Fully Online Trading Experience



Entering its fourth year as Malaysia's fully online stock trading platform, our joint venture Rakuten Trade Sdn Bhd ("**Rakuten Trade**") was buoyed by the hundreds of thousands of traders who piled into the stock market, mirroring trends seen in the U.S. and other major economies. With all its facilities accessible throughout movement restrictions brought about by the pandemic, Rakuten Trade received record high account opening and trades on its platform.

As at 31 December 2020, Rakuten Trade has 166,000 trading accounts and has transacted over RM50 billion worth of stocks since commencement. Rakumargin, a new margin financing platform was rolled out during the year and customers can look forward to more exciting new value-added products and features on the platform in 2021.



#### Digital Financing Solutions for SMEs



From structured lending to Shariah compliant Islamic factoring solutions, we serve our clients through access to capital. We recognise that SMEs often encounter difficulty in obtaining financing and aim to close this credit gap through our offerings.

November 2020 saw Kenanga Capital Islamic Sdn Bhd ("**KCI**") partnering with award-winning digital supply chain financiers, Bay Group Holdings Sdn Bhd ("**CapBay**"), to provide an all-in-one first-to-Malaysia digital factoring solutions platform for SMEs, uniting private and public receivables to offer seamless end-to-end financing.



**Kenanga Capital Islamic Partners CapBay To Digitise First-In-Malaysia Factoring Solution**

As we continue to digitally transform for the benefit of our stakeholders, we remain steadfast in prioritising our resilience towards cyber threats. For more information on our robust internal mechanisms for cyber security, please refer to the Cyber Security section on pg 89.

## SUSTAINABILITY STATEMENT

# RESPONSIBLE INVESTING



> Kenanga Investors Group (Kenanga Investors Berhad and its subsidiary, Kenanga Islamic Investors Berhad) officially become a signatory of the Malaysian Code for Institutional Investors (“the Code”) in 2017.

> **From (R-L):**

**Ismiz Matthew De Alwis (Right)**, Executive Director/Chief Executive Officer, Kenanga Investors Berhad and **Dato’ Wan Kamaruzaman bin Wan Ahmad**, Former Chairman, Institutional Investors Council Malaysia

Our asset management subsidiary, Kenanga Investors Berhad, has been a signatory to the Malaysian Code for Institutional Investors (“Code”) since 2017 and recently became a member of the Institutional Investors Council (“IIC”). We are committed to working with asset owners, regulators and a wide range of market participants to deliver on this step change to stewardship and ESG, ensuring that it takes its place at the heart of the investment process and to promote the sustainability agenda.

In addition to financial considerations, the integration of ESG factors in the investment process is essential to make better informed and holistic investment decisions to ensure long-term sustainable value to stakeholders. We believe that the continuous delivery of consistent performance stems from the premise of an effective stewardship and active ownership approach throughout the investment value chain.

As a responsible investor we want to manage ESG risks and opportunities when investing on behalf of our clients, and have identified certain sectors in which we will not invest above a specified threshold. Consequently, sectorial exclusions (e.g. investments on controversial weapons and defense, severe breaches of the United Nations Global Compact (“UNGC”) principles or companies with poor ESG performance), are applied across all assets.

Going beyond this, we will apply our ESG standards to our responsible investing and ESG-integrated open ended funds in phases, which will also be available to institutional clients on an opt-in basis.

# SOCIAL

## Social Responsibility and Commitment >



### Material Topics:



1. **DIVERSITY, INCLUSION AND WELLBEING**



2. **TALENT ATTRACTION AND MANAGEMENT**



3. **COMMUNITY INVESTMENT**

Our social engagement is centred on our workforce and the community around us. Through listening and understanding their needs and expectations, we aim to support them and to deliver shared value.

## DIVERSITY, INCLUSION AND WELLBEING



We believe that the strength and talent of our workforce contributes directly to the success of our business. We strive to offer a conducive and safe work environment that provides our employees with the platform and opportunities to uncover their potential and advance their careers.

### Supporting Employees Through Unprecedented Times

The safety and wellbeing of our workforce has always been a priority. With COVID-19 impacting operations throughout 2020, our Group Business Continuity Management Committee took swift and proactive measures to protect the safety of our employees while maintaining operational continuity.

Stringent measures were taken throughout our operations to protect our employees from infection, through strict enforcement of standard operating procedures (“SOPs”) as set out by the Ministry of Health, deployment of split operations and deploying 70% of employees to Work From Home (“WFH”).

### EMPLOYEE RELATED INITIATIVES IN RESPONSE TO THE COVID-19 PANDEMIC

#### FINANCIAL ASSISTANCE

Provided financial aid to at-risk employees.



#### SUPPORT FOR EMPLOYEE WELFARE

Provided information and access to the Government Prihatin packages.



#### EMPLOYEE SURVEY

Launched an employee survey ‘Embracing New Normal Under COVID-19 Pandemic’ to gauge employee confidence on our responses to the COVID-19 outbreak.



#### STANDARD OPERATING PROCEDURES

Kept to a rigorous sanitising schedule for Kenanga Tower and all branches nationwide, as well as, enforcing the following:

- On-premise temperature screening
- On-premise visitor declaration
- Mandatory wearing of face masks
- Distribution of sanitiser and face masks



#### MONITORING, TRACKING AND UPDATES

Maintained a daily dashboard detailing our WFH ratio, split operation arrangements, employee movement/travel, quarantine tracking and contact tracing as necessary.

Disseminated regular updates and reminders to employees on COVID-19 developments and SOPs.



#### COVID-TESTING

On-site COVID-19 tests were organised. Almost 300 employees were tested at two sites: Kenanga Tower and Quattro West, ensuring the safety of employees required to work in the office.

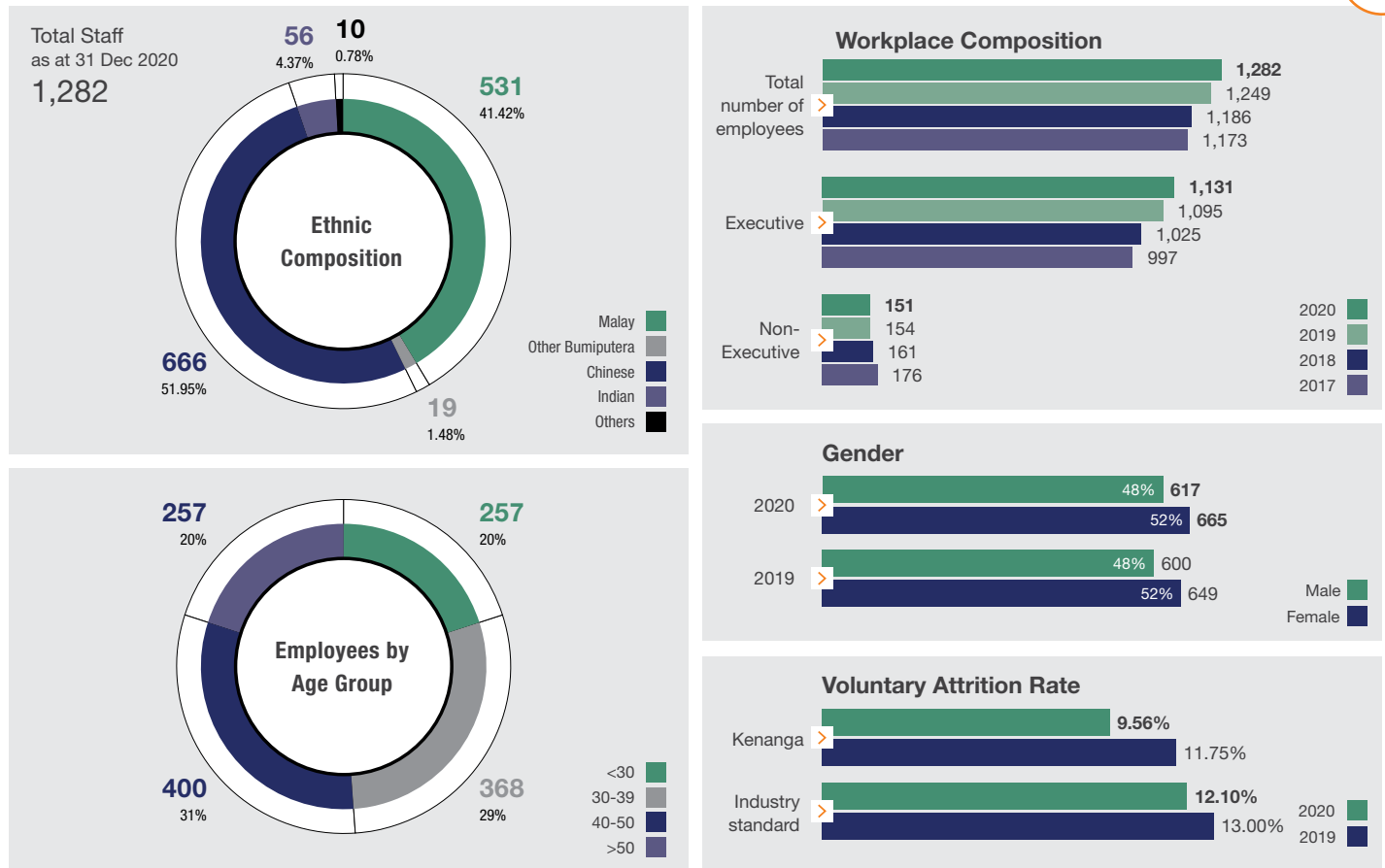


# SUSTAINABILITY STATEMENT

## Focusing on Diversity and Inclusion

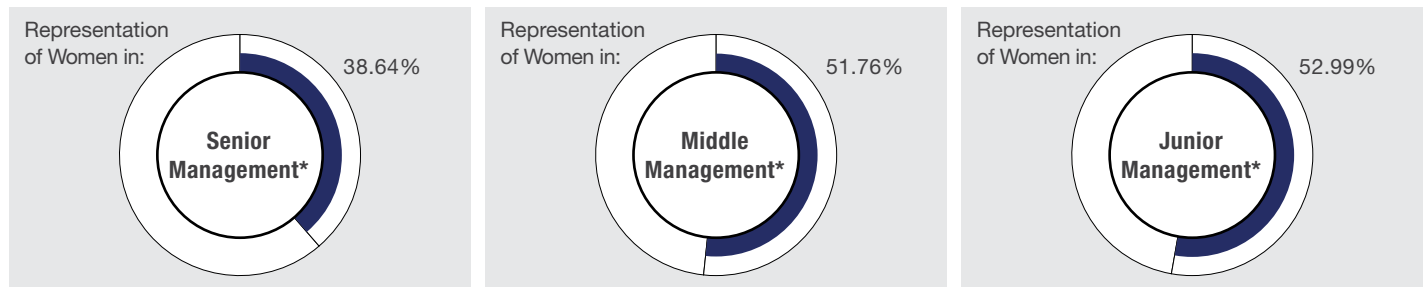
We believe that a diverse and inclusive workforce comprising individuals with different backgrounds, strengths and views, helps uncover new ideas and engenders innovation. We are committed to fostering a positive and thriving work environment where employees, regardless of their circumstances, are valued and treated with respect.

### Our Workplace in Figures



## Empowering Women in the Workforce

Founded in 1973 by YM Tan Sri Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail, the Group, since inception, has embraced equal opportunities. YM Tan Sri, was the first woman to join Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange) in 1964 and was one of the founders of the Association of Stockbroking Companies in Malaysia.



\* Senior Management are employees at the director level and above, Middle Management indicates employees at the Senior Vice President and Assistant Vice President level, while Junior Employees encompass Senior Executives and below.

To encourage women to rise to leadership roles within the Group, we constantly profile women leaders across our organisation. Through the sharing of their experiences and advice, we hope to inspire the next generation within the workforce.



**INTERNATIONAL WOMEN'S DAY AT KENANGA**

2020 saw us celebrate International Women's Day at Kenanga, based on the international theme #EachForEqual. Employees participated in pop-quizzes, interactive games and received mailouts designed to raise awareness on gender equality in the workplace and wider society.

**Fostering Anti-discrimination**

We strive to create a conducive and empowering work culture that values the human rights of our employees. We have a strictly non-discriminatory approach to our hiring, recruitment and redundancy processes. This position is also reflected in our training allocations and remuneration packages. For 2020, there were no grievances or incidents reported related to discrimination.

**Caring for Employee Wellbeing**

The wellbeing and productivity of our workforce directly impacts our business success and competitive advantage. We encourage employees to balance personal needs with professional responsibilities.

**Full-Time Employee Benefits**

|                     |                    |                           |                          |                            |
|---------------------|--------------------|---------------------------|--------------------------|----------------------------|
| Share Option Scheme | Insurance Coverage | Fitness Memberships       | Professional Development | Leave Allocation           |
| Medical Benefits    | Dental and Optical | Private Retirement Scheme | Allowances               | Flexible Work Arrangements |

**TALENT ATTRACTION AND MANAGEMENT**



As we adapt and evolve in pursuit of technological advancement and innovation in a competitive industry, we also work to ensure our workforce is equipped with the right skill sets, knowledge and professional agility required to maintain a trajectory that will allow them to achieve personal growth that is in line with organisational aspirations.

**Nurturing a Future-Ready Workforce**





We are committed to employee growth — providing individuals with training and development to suit their abilities which allows them to succeed in the workplace and prepares them for challenges of the future.

We conduct talent mapping to identify leadership potential in our people, based on distinct qualities such as:

- Ability to drive results
- Capacity to innovate and respond to change
- Sound client focus
- Ethical and risk conscious mindset
- Ability to collaborate and build effective relationships
- Communications skills

## SUSTAINABILITY STATEMENT

Our training and development initiatives are strategically designed based on a four-category approach that focuses on advancing our employees' professional growth whilst also meeting business and regulatory needs.

|  |  |  |  |
|--|--|--|--|
|  <p><b>REGULATORY</b></p> |  <p><b>LEADERSHIP</b></p>   |  <p><b>FUNCTIONAL</b></p>  |  <p><b>PERSONAL EFFECTIVENESS</b></p> |
| <p>Compulsory courses to ensure compliance with regulatory requirements and corporate governance.</p>      | <p>Courses that equip managers with leadership skills and qualities to facilitate the execution of the Group's strategy through building alignment, winning mindsets and developing the capabilities of employees.</p> | <p>Technical and practical courses that sharpen technical skills and competencies, including accredited courses with certifications or professional qualifications warranted by job roles.</p> | <p>Courses that provide tools to enhance personal competencies through self-improvement and maximising resources.</p>    |



**EMBRACING E-LEARNING**

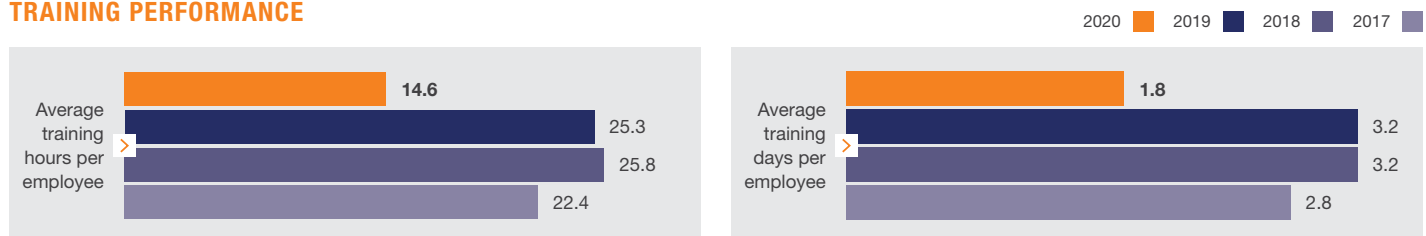
This year saw the expansion of online learning, with over 450 courses offered to our employees via digital platforms. Topics included certification modules, functional learning, leadership, regulatory and personal effectiveness.

Over **7,900** enrolments

**18,250** hours of training achieved

Our performance management system is based on the Balanced Scorecard comprising Key Performance Indicators and annual performance objectives for all employees. To inculcate a high-performance culture, we incentivise our people through annual performance bonuses, sales incentives, as well as, commission plans and an employee share option scheme. We also hold performance improvement sessions to help underperforming employees achieve work expectations. Training opportunities for the year were impacted by the Movement Control Orders imposed due to the COVID-19 pandemic, however, we are proactively working with training providers to establish compact and engaging learning modules that move away from the traditional classroom model to be delivered timely and virtually at the convenience of employees.

### TRAINING PERFORMANCE



**Engaging with Our People**

We constantly promote open two-way conversations with our employees. Employees are encouraged to contribute their views through dialogues, discussions and surveys. With the prevalence of remote working and enforcement of COVID-19 related SOPs during the year, employee conversations, events and meetings moved to the virtual environment via Microsoft TEAMS.



> Board Member, Norazian Ahmad Tajuddin participating at Kenanga's Virtual Family Day 2020 on 19<sup>th</sup> December 2020.

Knowledge sharing, celebrating diversity and culture, as well as, creating a sense of belonging drive our employee engagement initiatives. Operating within the restrictions of the pandemic outbreak, some of the activities carried out in 2020 include:

**#GreenAtWork**  
Educational quizzes and games were rolled out to encourage environmental conservation and awareness

**Celebration of family values and inclusivity**  
Klang Valley employees were sent family-friendly packages and participated in an online Family Day from the safety of their homes. Virtual games, quizzes and treasure hunts were organised



**EMBRACING NEW NORMAL UNDER THE COVID-19 PANDEMIC**

In October 2020, we conducted a voluntary survey to gauge employee sentiment on the work arrangements arising from the COVID-19 Movement Control Order and employee confidence on our overall response to the pandemic outbreak.



**632 responses**

(over 50% response rate) were received, with the following results:

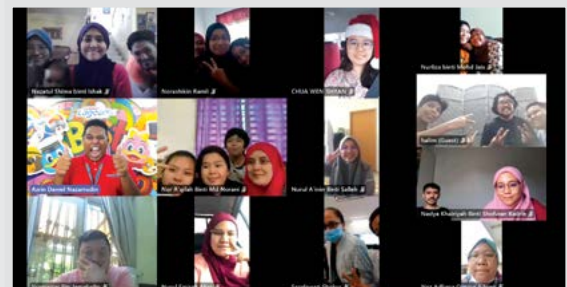
- For those required to work in the office, 92% felt safe.
- Nearly 98% thought responses from Kenanga on the pandemic were timely and effective.
- A total of 98% of respondents believed that the bank has been supportive in terms of health and safety.
- Over 98% believed that communication and management advice relating to the pandemic was regular, clear, and timely.
- Over 80% felt that the quality of communication and interactions with colleagues, superiors, and external parties were maintained, or improved in their work arrangements at the time.

## SUSTAINABILITY STATEMENT



### Celebration of heritage

Founder's Day is held annually to honour the heritage of Kenanga and the achievements of Founder Emeritus & Adviser YM Tan Sri Tengku Noor Zakiah



### Celebration of cultural diversity

Onsite and virtual events were held to celebrate main cultural festivities throughout the year

## Community Investment



### Supporting the Underserved

Kenanga has a long history of social responsibility interventions, ranging from philanthropic donations and outreach programmes to fundraising initiatives. While we continue to participate in these efforts, the core thrust of our community investment activities in recent years has also focused on supporting social enterprises that are working with marginalised communities, particularly people with disabilities.


We offer these organisations continuous support that empowers them to make positive change and maintain a financially sustainable enterprise. Two of our longest standing social enterprise partners are Silent Teddies Bakery and Dialogue Includes All (formerly Dialogue In The Dark). The former is a Kuala Lumpur bakery staffed entirely by hearing-impaired youths, while the latter, spearheaded by disabled activist Stevens Chan, operates a café and an exhibition.

With the COVID-19 pandemic severely disrupting the operations of these social enterprises, we extended direct financial aid to both groups, which was distributed throughout the year, in addition to the regular support we provide via purchases and fundraising activities.

Some of the community support activities in 2020 included:

| AREA                               | INITIATIVES   |
|------------------------------------|---|
| Support for Social Enterprises<br> | <ul style="list-style-type: none"> <li>• Provided financial aid to Silent Teddies Bakery and Dialogue Includes All</li> <li>• Purchased crafts handmade by the Hazara refugee community via our partnership with social enterprise, Life2Life, which were distributed to employees for our Digital Family Day</li> <li>• Purchased gift sets from Dialogue Includes All and baked goods from GOLD 3C Bakers as corporate gifts</li> </ul> |



| AREA  | INITIATIVES  |
|---|--|
| <p>Support for Non-Profit Organisations</p>  | <ul style="list-style-type: none"> <li>• Provided financial aid and participated in a book fundraiser to support the Society for the Severely Mentally Handicapped in Selangor</li> <li>• Contributed wheelchairs to the Tabung Programme Bantuan Kerusi Roda in partnership with Yayasan Malindo Worldwide and Jabatan Kebajikan Malaysia, via Kenanga Investors Berhad</li> <li>• Provided financial contributions to Persatuan Kebajikan Kanak-kanak Terencat Akal (IQ70plus) to help the association with the provision of professional care for children with developmental disorders and disabilities</li> </ul> |

**Promoting Financial Literacy**

According to a survey, one in three\* Malaysians rated themselves as having a low level of confidence about financial management, putting them at risk of poor financial health. As a key player in the financial services sector, we are committed to advancing the financial literacy agenda within the community around us, with the objective of empowering individuals to take charge of their financial wellbeing.

Our financial literacy programmes continued throughout 2020 despite the disruptions from the pandemic, as our teams embraced digital engagement platforms. From webinars aimed at educating novice traders to panel discussions offering technical analysis for seasoned traders, we conducted a total of 149 education outreach sessions throughout the year.



\* Financial Education Network. MALAYSIA National Strategy for Financial Literacy 2019-2023. Retrieved from <https://www.sc.com.my/api/documentms/download.ashx?id=6385977c-bd2c-4612-bda8-9ce6a5961720>

Teams and individuals from across the Group contributed to various industry financial literacy activities throughout 2020. Some highlights include:

|  |  |
|--|--|
| <p>Kenanga Futures Sdn Bhd presented insights on <b>'Digital Urgency For Capital Market Businesses'</b> during the Business Foresight Forum (BFF 2020), held during the <b>SIDC Virtual Conference</b></p>   | <p>Group wide participation at e-booth to educate visitors on investment and trading, introducing them to our offerings during the <b>SIDC Virtual InvestSmart Fest 2020</b></p> |
| <p>Algorithm/Quant Trading Solutions discussed the evolution of the investment landscape and alternative products and services as part of the <b>'What Will 2021 Hold for Malaysia's Wealthtech Industry?'</b> forum, hosted by <b>Fintech Fireside Asia</b></p> | <p>Kenanga Investors Berhad presented insights, training and campaigns during a series of <b>Market Outlook Webinars</b> in partnership with iFast and PhillipCapital</p>        |
| <p>Kenanga Investors Berhad took part in <b>FPAM Financial Literacy Year 2020</b> by championing the financial planning agenda for the event.</p>  | <p>Kenanga Investors Berhad participated in open forum discussions among industry experts during the <b>Association of Financial Advisers' 9th Annual AFA Conference</b></p>     |

## SUSTAINABILITY STATEMENT

|  |  |
|--|--|
| <p>Islamic Markets team participated in the <b>Arshad Ayub Graduate Business School Universiti Teknologi MARA Industry-Faculty Lecture Series</b> to discuss the Islamic Equity Market</p> | <p>Kenanga Investors Berhad participated as a panelist at a webinar event <b>Malaysia Investment Management 2020: A Dynamic and Competitive World by Refinitiv</b>, discussing the future of asset management and sustainable-driven investments</p> |
| <p>Equity Broking team participated in <b>Japan Tobacco International (JTI)</b> “brown-bag” session for their employees entitled Bursa Mastery, which focused on stock trading.</p>        | <p>Kenanga Investors Berhad participated in the <b>Asset Management Trends in Asia by Asia Asset Management</b> webinar, which focused on trends shaping the sector, impact of the ongoing pandemic and the case for ESG investing</p>               |

More generally across our business units, we also continued with our ongoing efforts to support financial literacy within the community through articles in publications, webinars, virtual roadshows, exhibitions and other outreach programmes.

| Business Unit                    | Virtual Forums                             | No. of Sessions |
|----------------------------------|--|-----------------|
| Stockbroking                     | Webinars, Exhibitions                      | 18              |
| Structured Warrants              | Webinars                                   | 15              |
| Investment and Wealth Management | Workshops, exhibitions, seminars, webinars | 98              |
| Futures Broking                  | Webinars & interviews                      | 27              |
| <b>GRAND TOTAL</b>               |  | <b>149</b>      |

# ENVIRONMENTAL

## Environmental Stewardship >



### Material Topics:

#### 1. CLIMATE IMPACT

We support Malaysia’s national emission reduction targets and in a commitment to manage and minimise our climate impact, we are working to conserve natural resources by managing our carbon footprint. Additionally, we promote environmental conservation and awareness amongst employees to enhance understanding of environmental issues and empower them as environmental stewards.

## CLIMATE IMPACT



We are continuously examining our internal operations to identify opportunities to achieve energy efficiencies. Environmental stewardship not only positively impacts the world we live in; it also lowers our operating costs and increases the efficiency of our business.

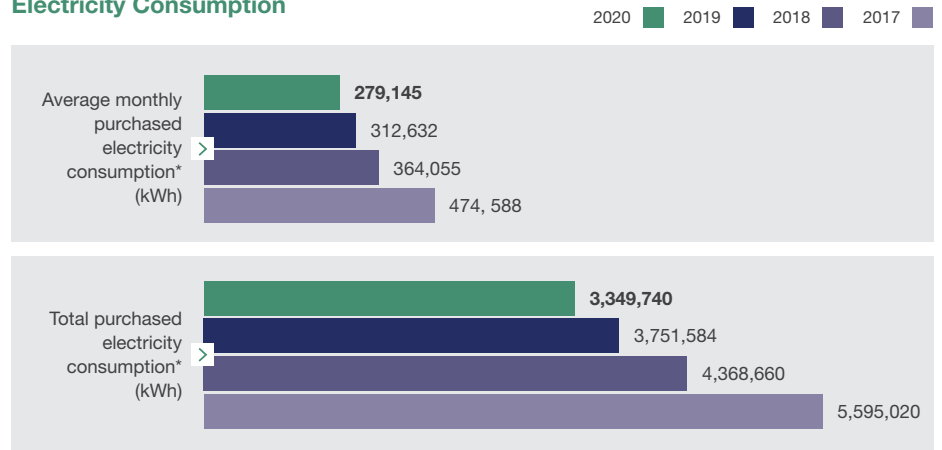
### Using Energy Efficiently

We have embarked on an energy-saving plan to operationalise energy efficiency efforts in Kenanga Tower since we relocated to it in 2017. In 2020 we were able to observe further impacts of this plan, recording a 10.7% or 401,844 kWh reduction in total purchased electricity consumption. We do however acknowledge that the WFH policy in response to COVID-19 is likely to also have contributed to this reduction.

As part of our efforts to improve energy efficiency, we have also invested in an enhanced chiller system in Kenanga Tower, designed to reduce energy usage while maintaining the temperature of the premises. This enhancement is targeted to save up to 53% in electricity costs, while extending the lifespan of our heating, ventilation and air conditioning systems.

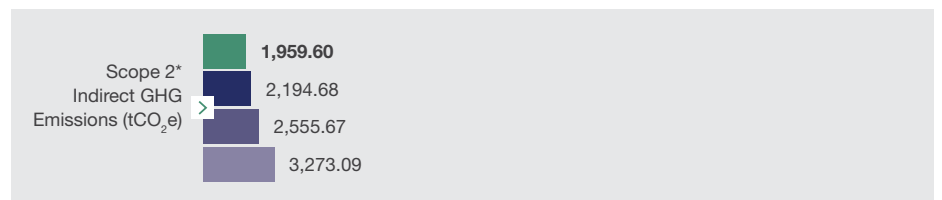
As of 2020, we are in the process of improving our data collection for Scope 3, and in future, we aim to expand this calculation to our GHG emissions.

### Electricity Consumption



\* Data for Kenanga Tower.

### GHG Emissions



\* Our Scope 2 emissions figures are derived from purchased electricity consumption throughout Kenanga Tower, converted using emissions factors for the Peninsular Malaysian grid. Emissions factors were sourced from the Malaysian Green Technology Corporation’s 2017 CDM Electricity Baseline Final Report.

## SUSTAINABILITY STATEMENT

### Water Efficiency

We track our water consumption year-on-year to better understand our water use and to implement initiatives designed to reduce, reuse and recycle. A rainwater harvesting system was installed on the rooftop of Kenanga Tower in 2016 to collect and channel rainwater for sanitary use and for the benefit of all Kenanga Tower tenants. In 2020, our water consumption\* was reduced to 15,946 m<sup>3</sup>, from 18,661 m<sup>3</sup> in 2019. As with the electricity consumption, it is likely correlated with the WFH policy in response to the COVID-19 pandemic.

\* Calculation note: figures for water consumption have been calculated from water bills.

### Managing Waste

We are conscious of the office waste we produce, with paper and e-waste being the two primary areas of focus. We comply with waste management regulatory requirements and have appointed licensed waste disposal contractors to manage and dispose of our solid waste. Paper waste is sorted and channelled for recycling, while computer, media storage, and other e-waste, are routed for proper destruction, repurposing and recycling.

### Promoting Environmental Awareness

The annual #GreenAtWork campaign, introduced in 2017 was aimed at creating awareness and understanding about personal environmental impact amongst our employees. This campaign continued in 2020 despite employees working remotely for the majority of the year, with themes relating to food waste, energy savings at home and zero waste lifestyles.

### Earth Hour 2020

- We supported this international campaign for the 11<sup>th</sup> consecutive year by switching off lighted signs and nonessential lights at our premises nationwide.

### Pop Quiz

- We held 3 pop quizzes (over 200 participants per session) in conjunction with #GreenAtWork, to raise awareness of current environmental issues and to challenge our employees' knowledge on the campaign themes for 2020.

## MOVING INTO 2021

Established in 1973 as one of Malaysia's first stockbroking houses, and with Founder Emeritus & Adviser, YM Tan Sri Tengku Dato' Paduka Noor Zakiah accepted as the first female member to Bursa Malaysia Securities Bhd, Kenanga is familiar with the concept of charting new territory with an eye on the future. As the investment landscape continues to evolve, so too will our sustainability journey.

With regulators increasingly focused on climate-related risk mitigation, and the role of businesses in supporting Malaysia's achievement of the SDGs becoming increasingly urgent, we recognise that creating sustainable shared value for all our stakeholders will become a key component of our strategic outlook.

Practical steps for the coming year include the review of a multi-disciplinary Board-led Sustainability Governance Framework to manage EES matters relevant to our operations; to closer align the Group's priorities to the SDGs to which we will contribute meaningfully; and to adopt an outlook that will set out clear goals to move us further towards integrating sustainability throughout the business.

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## FIVE (5)-YEAR GROUP FINANCIAL SUMMARY

|   | 2020<br>RM'000 | 2019<br>RM'000<br>Restated | 2018<br>RM'000 | 2017<br>RM'000<br>Restated | 2016<br>RM'000 |
|---|----------------|----------------------------|----------------|----------------------------|----------------|
| <b>RESULTS</b>  |                |                            |                |                            |                |
| Operating revenue   | 973,762        | 651,270                    | 669,368        | 648,235                    | 585,317        |
| Profit before taxation continuing operations  | 134,715        | 42,951                     | 28,851         | 40,619                     | 32,537         |
| Profit after taxation for the financial year attributable to equity holders of KIBB | 102,082        | 26,386                     | 11,911         | 24,188                     | 19,720         |
| <b>ASSETS</b>   |                |                            |                |                            |                |
| Total assets  | 6,575,067      | 6,630,774                  | 6,546,528      | 6,508,720                  | 6,069,780      |
| <b>SHAREHOLDERS' FUNDS</b>  |                |                            |                |                            |                |
| Paid-up share capital   | 246,249        | 246,249                    | 246,249        | 246,137                    | 180,637        |
| Shareholders' funds attributable to equity holders of KIBB                          | 999,838        | 904,289                    | 871,006        | 891,466                    | 885,956        |
| <b>FINANCIAL RATIOS</b>   |                |                            |                |                            |                |
| Net return on average' shareholders funds (%)                                       | 10.72          | 2.97                       | 1.35           | 2.72                       | 2.23           |
| Net return on average assets (%)  | 1.55           | 0.40                       | 0.18           | 0.38                       | 0.32           |
| <b>SHARE INFORMATION</b>  |                |                            |                |                            |                |
| Basic earnings per share (sen)  | 14.56          | 3.78                       | 1.67           | 3.35                       | 2.59           |
| Net assets backing per share (RM)   | 1.42           | 1.29                       | 1.25           | 1.23                       | 1.23           |
| Dividend cover (times)  | 1.59           | 1.16                       | 1.55           | 1.12                       | 1.21           |
| Net dividend per share (sen)  | 8.80           | 3.25                       | 1.10           | 3.00                       | 2.25           |

## FIVE (5)-YEAR GROUP FINANCIAL HIGHLIGHTS

### Operating Revenue (RM'000)

|       |         |
|-------|---------|
| 2020  | 973,762 |
| 2019' | 651,270 |
| 2018  | 669,368 |
| 2017' | 648,235 |
| 2016  | 585,317 |

### Profit Before Taxation (RM'000)

|      |         |
|------|---------|
| 2020 | 134,715 |
| 2019 | 42,951  |
| 2018 | 28,851  |
| 2017 | 40,619  |
| 2016 | 32,537  |

### Shareholders' Funds (RM'000)

|      |         |
|------|---------|
| 2020 | 999,838 |
| 2019 | 904,289 |
| 2018 | 871,006 |
| 2017 | 891,466 |
| 2016 | 885,956 |

### Basic Earnings per Share (sen)

|      |       |
|------|-------|
| 2020 | 14.56 |
| 2019 | 3.78  |
| 2018 | 1.67  |
| 2017 | 3.35  |
| 2016 | 2.59  |

\* Restated

# 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 2020.

## 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<br>RM'000 | Bank<br>RM'000 |
|--|-----------------|----------------|
| Profit after taxation and zakat                    | 89,499          | 78,143         |
| Share of results in associates and a joint venture | 12,786          | -              |
| Profit for the financial year                      | 102,285         | 78,143         |
| Attributable to:                                   |                 |                |
| Equity holders of the Bank                         | 102,082         | 78,143         |
| Non-controlling interests                          | 203             | -              |
|  | 102,285         | 78,143         |

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 3.25 sen per ordinary share on 698,687,499 ordinary share in respect of the financial year ended 31 December 2019, which amounted to RM22,707,356 was paid on 15 April 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 is administered by the ESS Committee. The ESS has been extended for another five (5) years from 21 September 2022 to 20 September 2027 in accordance with the provisions of the By-Laws of the ESS.

The aggregate maximum number of the 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 37.42% as at 31 December 2020.

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

## ISSUANCE OF SHARES

There were no new ordinary shares or debentures issued during the financial year.

## BUSINESS REVIEW FOR 2020

The profit before tax ("PBT") of the Group and the Bank for the financial year ended 31 December 2020 ("FYE20") are RM134.7 million and RM106.9 million, compared to PBT of RM43.0 million and RM40.4 million respectively in the previous financial year ("FYE19").

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

### STOCKBROKING

Stockbroking division registered higher PBT of RM86.8 million for FYE20 (FYE19: PBT of RM9.5 million) mainly due to higher net brokerage income and trading and investment income in 2020 on the back of significant increase in Bursa trading volume during the year.

### INVESTMENT BANKING

Investment Banking registered a higher PBT of RM34.0 million for FYE20 (FYE19: PBT of RM24.7 million) mainly due to higher interest income from stronger treasury activities.

### INVESTMENT AND WEALTH MANAGEMENT

Investment and Wealth Management registered a PBT of RM13.6 million (FYE19: PBT of RM5.2 million) mainly due to higher management and performance fee earned.

## DIRECTORS' REPORT

### FUTURES

The futures segment recorded lower loss before tax ("LBT") of RM2.8 million for FYE20 compared to LBT of RM2.9 million for FYE19 mainly due to higher commission income earned during the year.

### MONEY LENDING AND FINANCING

This segment reported a PBT of RM1.9 million for FYE20 compared to PBT of RM0.8 million for FYE19 mainly due to increase in net income from higher lending and factoring activities.

### CAPITAL RATIOS

The Group and the Bank remain on a strong financial footing with total capital ratios of 24.037% (FYE19: 23.184%) and 24.075% (FYE19: 22.725%) 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 2021

The Malaysian economy is expected to recover this year with gross domestic product ("GDP") growth projected to rebound in 2021 (6.1%; 2020 forecast: -5.1%), on the back of an improved global backdrop, underpinned by a wider rollout of coronavirus ("COVID-19") vaccines, a possible gradual reopening of international borders, the rebuilding of global supply chains and further acceleration in demand for advanced technology. Continued expansionary fiscal and monetary measures and a low base effect would also contribute to an improved growth outcome.

Our forecast is subjected to several downside risks including the unabated surge in COVID-19 infections locally and abroad resulting in tightened restriction measures, elevated domestic political uncertainty with the possibility of a snap general election in the first half year of 2021 and potential renewal of US-China trade tensions under the Joe Biden's administration.

While we expect the BNM to maintain the overnight policy rate ("OPR") at 1.75% amid the better economic outlook this year, we note that the decision is highly contingent on the course of the COVID-19 pandemic locally and the degree of tightening actions to curb the spread of the virus in the immediate term. Should things take a turn for the worse, we believe that BNM still has the capacity to cut the OPR by another 25 to 50 basis points.

Fiscal policy stance is expected to remain expansionary as reflected by the record-large spending planned under the Budget 2021, though it is constrained by the high deficit as a result of below-average revenue growth. Nonetheless, given the expected improvement in tax revenue and oil price, we project the fiscal deficit to narrow to 5.6% in 2021 (2020 forecast: 6.3%).

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 stay focussed on our strategic objectives of achieving long term sustainable growth through digitalisation initiatives across the Group.

### 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 RM38,000.

## DIRECTORS

The names of the Directors of the Bank in office since the beginning of the financial year and at the date of this report are:

|  |  |
|--|--|
| Tan Sri Dato' Seri Syed Zainol Anwar Ibni<br>Syed Putra Jamalullail (appointed on 1 July 2020) | (Independent Non-Executive Director/Chairman)            |
| Izlan Bin Izhah*   | (Independent Non-Executive Director)                     |
| 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)                     |

\* On 1 July 2020, Encik Izlan Bin Izhah was re-designated from Chairman to member of the Board of Directors and retired as an Independent Non-Executive Director on 1 January 2021.

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.

On 3 August 2020, one of the Directors, namely Datuk Syed Ahmad Alwee Alsree was appointed as a director of Satria Realty Sdn Bhd, which is the landlord of the premises leased to the Bank.

## 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 of the Bank, are as follows:

| The Bank                            | Number of ordinary shares |          |          |                  |
|-------------------------------------|---------------------------|----------|----------|------------------|
|                                     | At<br>1.1.2020            | Addition | Disposal | At<br>31.12.2020 |
| Direct interest:                    |                           |          |          |                  |
| Luigi Fortunato Ghirardello         | 631,700                   | -        | -        | 631,700          |
| Dato' Richard Alexander John Curtis | 1,100,000                 | -        | -        | 1,100,000        |
| Norazian Binti Ahmad Tajuddin       |                           |          |          |                  |
| Kanagaraj Lorenz                    | 42,000                    | 170,300  | -        | 212,300          |
| Jeremy Bin Nasrulhaq                | -                         | 187,900  | -        | 187,900          |

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares of the Bank or its related corporations during the financial year.

### OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (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.

**OTHER STATUTORY INFORMATION (CONT'D.)**

- (f) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due, other than those arising in the normal course of business as disclosed in Note 42 and Note 43 to the financial statements; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

**COMPLIANCE WITH BANK NEGARA MALAYSIA'S POLICY DOCUMENT ON FINANCIAL REPORTING**

The Directors have taken reasonable steps to ensure that the preparation of the financial statements of the Group and of the Bank are in compliance with the BNM's Policy Document on Financial Reporting.

**SIGNIFICANT AND SUBSEQUENT EVENTS**

There was no significant event during the financial year and subsequent to the financial year ended 31 December 2020 other than the event disclosed in Note 56 to the financial statements.

**AUDITORS AND AUDITORS' REMUNERATION**

The auditors, Messrs. Ernst & Young PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 33 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors on 4 March 2021.

**Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail**  
Kuala Lumpur, Malaysia

**Jeremy Bin Nasrullahq**

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail and Jeremy Bin Nasrulhaq, being two (2) of the Directors of Kenanga Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 124 to 332 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 2020 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 4 March 2021.

**Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail**  
Kuala Lumpur, Malaysia

**Jeremy Bin Nasrulhaq**

# STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Cheong Boon Kak, being the officer primarily responsible for the financial management of Kenanga Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 124 to 332 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 4 March 2021.

**Cheong Boon Kak**  
(MIA No: 10259)

Before me,

# INDEPENDENT AUDITORS' REPORT

to the Members of Kenanga Investment Bank Berhad (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Kenanga Investment Bank Berhad (“the Bank”), which comprise the statements of financial position as at 31 December 2020 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 124 to 332.

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 2020, 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  |
|---|---|
| <i>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss</i>   |   |
| <p>As at 31 December 2020, loans, advances and financing represent RM1,869,249 or 28.4% and RM1,856,996 or 29.72% of the total assets of the Group and of the Bank respectively, and the instruments carried at amortised cost and fair value through other comprehensive income represent 14.64% and 15.41% of the total assets of the Group and of the Bank respectively.</p> <p>MFRS 9 requires the Group and the Bank to account for impairment losses on loans, advances and financing, and investments carried at amortised cost and fair value through other comprehensive income using forward-looking expected credit loss ("ECL") approach.</p> <p>The measurement 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.</p> | <p>Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of the loans, advances and financing and the investments.</p> <p>We assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL.</p> <p>For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's and the Bank's credit risk management practices.</p> <p>For the measurement of ECL, we assessed and tested reasonableness of the Group's and the Bank's ECL models, including model input, model design and model performance and management overlays for significant portfolios. We challenged whether historical experience is representative of current circumstances amid the COVID-19 pandemic environment 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, and the use of management overlays which require substantial judgment involved.</p> |
| <p>Refer to summary of significant accounting policies in Note 3.4(k)(ii), significant accounting judgements, estimates and assumptions in Note 4(iii), the disclosures of loans, advances and financing and investments in Note 9 and 7 to the financial statements.</p>   | <p>We evaluated if changes in modeling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed, tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired.</p>   |



*Key audit matters (cont'd.)*

| Risk area and rationale   | Our response   |
|---|--|
| <p><i>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (cont'd.)</i></p> <p>COVID-19 created new vulnerabilities, unprecedented challenges and future outlook remains highly uncertain. These changes in economic conditions have been reflected in the macroeconomic assumptions supporting the ECL models on a reasonable and supportable basis. In addition, as it is difficult at this time to incorporate the specific effects of COVID-19 the ECL models, the Group and the Bank have applied management overlay adjustments as further detailed in Note 4(iii) to the financial statements.</p>  | <p>In response to COVID-19 pandemic, we included borrowers/customers which are more vulnerable to the pandemic in our risk-based sampling approach to perform loan review procedures. For cases here impairment has been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available.</p> <p>We also assessed whether the financial statement disclosures are adequate and appropriately reflect the Group's and the Bank's exposures to credit risk.</p>  |
| <p><i>Impairment of goodwill</i></p> <p>As at 31 December 2020, the goodwill recognised in the financial statements of the Group and of the Bank are RM240.782 million and RM252.909 million, respectively.</p> <p>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.</p> <p>These involve management judgement and are based on assumptions that are affected by expected future market and economic conditions.</p> <p>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.</p> | <p>Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment.</p> <p>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.</p> <p>We assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, external economic and market data amid the Covid-19 pandemic environment.</p> <p>We assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts.</p> <p>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.</p> |

## 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 (cont'd.)*

#### Valuation of investments in unquoted equity instruments

As at 31 December 2020, the carrying values of the Group's investments in unquoted securities classified as fair value through profit or loss and fair value through other comprehensive income amounted to RM48.5mil and RM1.9mil respectively.

The valuation of unquoted investments is significant to our audit, and the valuation methods involved a range of judgement and estimates which are based on current and future market and economic conditions.

As the fair values of unquoted financial investments cannot be obtained directly from active markets, they are determined using the market and income approach, as well as the adjusted net asset method. Each approach has its own inputs and valuation technique in determining the fair value.

The Group uses a variety of valuation techniques appropriate in the circumstances that include the use of financial models. The inputs to these models are taken from relevant observable inputs where possible, and minimised the use of unobservable inputs. Such inputs include using prices and other relevant information of comparable peer companies, prices of recent transactions involving similar instruments and adjusted net assets amount. Judgements include considerations such as selection of comparable peer companies, growth rates and discount rates.

Refer to summary of accounting policies in Note 3.4(j), significant accounting judgements, estimates and assumptions in Note 4(ii) and the disclosures of fair value of financial instruments in Note 51 to the financial statements.

Our audit procedures include reviewing and evaluating management's rationale for selecting and using the valuation models to assess if the use of such models was appropriate.

We assessed the accuracy and appropriateness of market observable inputs. Our audit procedures also included, among others, understanding management's controls related to the development and calibration of any model used, challenged and assessed the assumptions used, taking into account historical evidence supporting underlying assumptions and comparing internal information against external economic and market data amid the COVID-19 environment.

We also reviewed the adequacy of the Group's disclosures within the financial statements about those key assumptions to which the fair value is most sensitive.

*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.

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.

## 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.)*

- 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, actions taken to eliminate threats or safeguards applied.

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

### OTHER MATTERS

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

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

Kuala Lumpur, Malaysia  
4 March 2021

**Ng Sue Ean**  
03276/07/2022 J  
Chartered Accountant

# 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 2020. 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 2020 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 2019, KIBB SPI has made a zakat payment on its business to two (2) states zakat authorities and the zakat is computed using the profit and loss method. The beneficiaries of the zakat fund were Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan and Lembaga Zakat Selangor; and
- (5) Nothing has come to the Shariah committee's attention that causes the Shariah committee to believe that the operations, business, affairs and activities of KIBB SPI involve any material Shariah non-compliances.

We, the members of the Shariah Committee of KIBB, do hereby confirm that the operations of KIBB SPI for the financial year ended 31 December 2020 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee:

**Dr. Ghazali Jaapar**

Shariah Committee Member:

**Dr. Mohammad Firdaus Mohammad Hatta**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| Group   | Note | 2020<br>RM'000   | 2019<br>RM'000   |
|---|------|------------------|------------------|
| <b>Assets</b>   |      |                  |                  |
| Cash and bank balances  | 5    | 1,644,534        | 2,063,057        |
| Financial assets at fair value through profit or loss               | 6    | 543,539          | 328,680          |
| Debt instruments at fair value through other comprehensive income   | 7(a) | 769,742          | 793,993          |
| Equity instruments at fair value through other comprehensive income | 7(a) | 1,990            | 1,088            |
| Debt instruments at amortised cost                                  | 7(b) | 193,035          | 112,756          |
| Derivative financial assets   | 8    | 95,571           | 65,174           |
| Loans, advances and financing                                       | 9    | 1,869,249        | 2,064,674        |
| Balances due from clients and brokers                               | 10   | 545,057          | 280,357          |
| Other assets  | 11   | 188,289          | 201,785          |
| Statutory deposit with Bank Negara Malaysia                         | 12   | 58,398           | 99,164           |
| Tax recoverable   |      | 44,104           | 24,155           |
| Investments in associates   | 14   | 72,078           | 64,642           |
| Investment in a joint venture                                       | 15   | 24,719           | 15,801           |
| Property, plant and equipment                                       | 16   | 164,930          | 170,450          |
| Intangible assets   | 17   | 322,367          | 317,387          |
| Right-of-use assets   | 18   | 23,182           | 24,656           |
| Deferred tax assets   | 19   | 14,283           | 2,955            |
| <b>Total assets</b>   |      | <b>6,575,067</b> | <b>6,630,774</b> |
| <b>Liabilities</b>  |      |                  |                  |
| Deposits from customers   | 20   | 2,952,385        | 4,065,494        |
| Deposits and placements of banks and other financial institutions   | 21   | 1,066,085        | 650,718          |
| Balances due to clients and brokers                                 | 22   | 720,665          | 537,393          |
| Derivative financial liabilities                                    | 23   | 137,480          | 13,416           |
| Other liabilities   | 24   | 447,295          | 322,952          |
| Borrowings  | 25   | 175,400          | 96,600           |
| Lease liabilities   | 26   | 23,382           | 24,429           |
| Provision for taxation and zakat                                    |      | 47,278           | 14,793           |
| Deferred tax liabilities  | 19   | 156              | 690              |
| <b>Total liabilities</b>  |      | <b>5,570,126</b> | <b>5,726,485</b> |
| <b>Equity</b>   |      |                  |                  |
| Share capital   | 27   | 246,249          | 246,249          |
| Treasury shares   | 27   | (10,458)         | (16,990)         |
| Reserves  | 28   | 764,047          | 675,030          |
| <b>Total equity attributable to equity holders of the Bank</b>      |      | <b>999,838</b>   | <b>904,289</b>   |
| Non-controlling Interests   |      | 5,103            | -                |
| <b>Total equity</b>   |      | <b>1,004,941</b> | <b>904,289</b>   |
| <b>Total liabilities and shareholders' equity</b>                   |      | <b>6,575,067</b> | <b>6,630,774</b> |
| <b>Commitments and contingencies</b>                                | 42   | <b>4,801,020</b> | <b>3,041,684</b> |

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

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| Bank  | Note | 2020<br>RM'000   | 2019<br>RM'000   |
|---|------|------------------|------------------|
| <b>Assets</b>   |      |                  |                  |
| Cash and bank balances  | 5    | 1,378,646        | 1,877,150        |
| Financial assets at fair value through profit or loss               | 6    | 539,931          | 326,560          |
| Debt instruments at fair value through other comprehensive income   | 7(a) | 769,742          | 793,993          |
| Equity instruments at fair value through other comprehensive income | 7(a) | 1,990            | 1,088            |
| Debt instruments at amortised cost                                  | 7(b) | 193,035          | 112,756          |
| Derivative financial assets   | 8    | 95,571           | 65,174           |
| Loans, advances and financing                                       | 9    | 1,856,996        | 2,039,517        |
| Balances due from clients and brokers                               | 10   | 545,057          | 280,357          |
| Other assets  | 11   | 94,712           | 122,564          |
| Statutory deposit with Bank Negara Malaysia                         | 12   | 58,398           | 99,164           |
| Tax recoverable   |      | 33,210           | 20,246           |
| Investments in subsidiaries   | 13   | 70,135           | 70,135           |
| Investment in an associate  | 14   | 56,235           | 56,235           |
| Investment in a joint venture                                       | 15   | 40,000           | 40,000           |
| Property, plant and equipment                                       | 16   | 160,637          | 166,710          |
| Intangible assets   | 17   | 324,394          | 320,712          |
| Right-of-use assets   | 18   | 21,336           | 23,745           |
| Deferred tax assets   | 19   | 8,722            | -                |
| <b>Total assets</b>   |      | <b>6,248,747</b> | <b>6,416,106</b> |
| <b>Liabilities</b>  |      |                  |                  |
| Deposits from customers   | 20   | 3,042,843        | 4,119,352        |
| Deposits and placements of banks and other financial institutions   | 21   | 1,066,085        | 650,718          |
| Balances due to clients and brokers                                 | 22   | 405,191          | 304,880          |
| Derivative financial liabilities                                    | 23   | 137,480          | 13,416           |
| Other liabilities   | 24   | 360,645          | 269,026          |
| Borrowings  | 25   | 152,400          | 66,600           |
| Lease liabilities   | 26   | 21,442           | 23,436           |
| Provision for taxation and zakat                                    |      | 38,650           | 12,052           |
| Deferred tax liabilities  | 19   | -                | 657              |
| <b>Total liabilities</b>  |      | <b>5,224,736</b> | <b>5,460,137</b> |
| <b>Equity</b>   |      |                  |                  |
| Share capital   | 27   | 246,249          | 246,249          |
| Treasury shares   | 27   | (10,458)         | (16,990)         |
| Reserves  | 28   | 788,220          | 726,710          |
| <b>Total equity</b>   |      | <b>1,024,011</b> | <b>955,969</b>   |
| <b>Total liabilities and shareholders' equity</b>                   |      | <b>6,248,747</b> | <b>6,416,106</b> |
| <b>Commitments and contingencies</b>                                | 42   | <b>4,898,674</b> | <b>3,127,341</b> |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 December 2020

|   | Note  | Group            |                              | Bank             |                |
|---|-------|------------------|------------------------------|------------------|----------------|
|   |       | 2020<br>RM'000   | 2019<br>RM'000<br>(Restated) | 2020<br>RM'000   | 2019<br>RM'000 |
| <b>Operating revenue</b>  | 29    | <b>973,762</b>   | 651,270                      | <b>835,533</b>   | 549,955        |
| Interest income   | 30    | <b>218,921</b>   | 244,152                      | <b>211,483</b>   | 236,401        |
| Interest expense  | 31    | <b>(120,507)</b> | (160,171)                    | <b>(128,459)</b> | (162,896)      |
| Net interest income   |       | <b>98,414</b>    | 83,981                       | <b>83,024</b>    | 73,505         |
| Net income from Islamic banking operations  | 52(b) | <b>20,669</b>    | 17,982                       | <b>20,669</b>    | 17,982         |
| Other operating income  | 32    | <b>707,453</b>   | 347,400                      | <b>578,130</b>   | 247,913        |
| Net income  |       | <b>826,536</b>   | 449,363                      | <b>681,823</b>   | 339,400        |
| Other operating expenses  | 33    | <b>(700,163)</b> | (418,187)                    | <b>(571,244)</b> | (315,121)      |
| Operating profit  |       | <b>126,373</b>   | 31,176                       | <b>110,579</b>   | 24,279         |
| Credit loss (expense)/reversal  | 34    | <b>(5,852)</b>   | 15,216                       | <b>(5,049)</b>   | 12,926         |
| Bad debts recovered   | 35    | <b>1,408</b>     | 3,464                        | <b>1,408</b>     | 3,464          |
| Allowance for impairment on investments in subsidiaries   | 13    | -                | -                            | -                | (293)          |
|   |       | <b>121,929</b>   | 49,856                       | <b>106,938</b>   | 40,376         |
| Share of results of associates and a joint venture  | 14,15 | <b>12,786</b>    | (6,905)                      | -                | -              |
| Profit before taxation and zakat  |       | <b>134,715</b>   | 42,951                       | <b>106,938</b>   | 40,376         |
| Taxation and zakat  | 40    | <b>(32,430)</b>  | (16,565)                     | <b>(28,795)</b>  | (14,071)       |
| <b>Profit for the financial year</b>  |       | <b>102,285</b>   | 26,386                       | <b>78,143</b>    | 26,305         |
| <b>Other comprehensive income:</b>  |       |                  |                              |                  |                |
| Items that will not be reclassified subsequently to profit or loss:                                     |       |                  |                              |                  |                |
| Fair value gain/(loss) on equity instruments at fair value through other comprehensive income ("FVOCI") |       |                  |                              |                  |                |
|   |       | <b>902</b>       | (666)                        | <b>902</b>       | (666)          |
| Share of other comprehensive income in associates   |       | <b>4,801</b>     | 5,457                        | -                | -              |
| Income tax related to the above   | 19    | <b>(216)</b>     | 160                          | <b>(216)</b>     | 160            |
| Items that will be reclassified subsequently to profit or loss:   |       |                  |                              |                  |                |
| Foreign exchange differences on consolidation   |       |                  |                              |                  |                |
|   |       | <b>(1,233)</b>   | (994)                        | -                | -              |
| Fair value gain on debt instruments at FVOCI  |       | <b>5,252</b>     | 11,626                       | <b>5,252</b>     | 11,626         |
| Other comprehensive income carried forward:   |       | <b>9,506</b>     | 15,583                       | <b>5,938</b>     | 11,120         |



|   | Note | Group          |                              | Bank           |                |
|---|------|----------------|------------------------------|----------------|----------------|
|   |      | 2020<br>RM'000 | 2019<br>RM'000<br>(Restated) | 2020<br>RM'000 | 2019<br>RM'000 |
| Other comprehensive income brought forward:                           |      | 9,506          | 15,583                       | 5,938          | 11,120         |
| Income tax relating to the components of other comprehensive income   | 19   | (1,187)        | (2,790)                      | (1,187)        | (2,790)        |
| Other comprehensive income for the financial year, net of tax         |      | 8,319          | 12,793                       | 4,751          | 8,330          |
| <b>Total comprehensive income for the financial year, net of tax</b>  |      | <b>110,604</b> | <b>39,179</b>                | <b>82,894</b>  | <b>34,635</b>  |
| <b>Profit for the financial year attributable to:</b>                 |      |                |                              |                |                |
| Equity holders of the Bank  |      | 102,082        | 26,386                       | 78,143         | 26,305         |
| Non-controlling interests   |      | 203            | -                            | -              | -              |
|   |      | <b>102,285</b> | <b>26,386</b>                | <b>78,143</b>  | <b>26,305</b>  |
| <b>Total comprehensive income attributable to:</b>                    |      |                |                              |                |                |
| Equity holders of the Bank  |      | 110,401        | 39,179                       | 82,894         | 34,635         |
| Non-controlling interests   |      | 203            | -                            | -              | -              |
|   |      | <b>110,604</b> | <b>39,179</b>                | <b>82,894</b>  | <b>34,635</b>  |
| <b>Earnings per share attributable to equity holders of the Bank:</b> |      |                |                              |                |                |
| Basic (sen)   | 41   | 14.56          | 3.78                         |                |                |
| Diluted (sen)   | 41   | 14.18          | 3.78                         |                |                |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

| Group  | Non-distributable                |                                  |                                     |                                     |                                   |                              |                                  | Total attributable to equity holders RM'000 |                                   |                                 |
|--|----------------------------------|----------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|------------------------------|----------------------------------|---|-----------------------------------|---------------------------------|
|  | Ordinary shares (Note 27) RM'000 | Capital reserve (Note 28) RM'000 | Fair value reserve (Note 28) RM'000 | Regulatory reserve (Note 28) RM'000 | Exchange reserve (Note 28) RM'000 | ESS reserve (Note 28) RM'000 | Treasury shares (Note 27) RM'000 |   | Retained profits (Note 28) RM'000 | Non-controlling interest RM'000 |
| <b>At 1 January 2020</b>                                       | 246,249                          | 88,938                           | 6,488                               | 25,444                              | 17,789                            | 4,560                        | (16,990)                         | 531,811                                     | -                                 | 904,289                         |
| Net profit for the financial year                              | -                                | -                                | -                                   | -                                   | -                                 | -                            | -                                | 102,082                                     | 203                               | 102,285                         |
| Share of other comprehensive gain of associates                | -                                | -                                | 4,677                               | -                                   | -                                 | -                            | -                                | 124   | -                                 | 4,801                           |
| Other comprehensive income/(loss)                              | -                                | -                                | 4,751                               | -                                   | (1,233)                           | -                            | -                                | -   | -                                 | 3,518                           |
| Total comprehensive income/(loss) for the financial year       | -                                | -                                | 9,428                               | -                                   | (1,233)                           | -                            | -                                | 102,206                                     | 203                               | 110,604                         |
| Share-based payment under ESS scheme                           | -                                | -                                | -                                   | -                                   | -                                 | 2,508                        | -                                | -   | -                                 | 2,508                           |
| Issue of shares pursuant to exercise of ESS (Note 27)          | -                                | -                                | -                                   | -                                   | -                                 | -                            | 6,532                            | (1,185)                                     | -                                 | 5,347                           |
| Transfer from regulatory reserve                               | -                                | -                                | -                                   | (6,783)                             | -                                 | -                            | -                                | 6,783                                       | -                                 | -                               |
| Transfer to retained profits                                   | -                                | -                                | -                                   | -                                   | -                                 | (924)                        | -                                | 924   | -                                 | -                               |
| Dividend paid (Note 45)  | -                                | -                                | -                                   | -                                   | -                                 | -                            | -                                | (22,707)                                    | -                                 | (22,707)                        |
| Shares issued by a subsidiary to a non-controlling shareholder | -                                | -                                | -                                   | -                                   | -                                 | -                            | -                                | -   | 4,900                             | 4,900                           |
| <b>At 31 December 2020</b>                                     | 246,249                          | 88,938                           | 15,916                              | 18,661                              | 16,556                            | 6,144                        | (10,458)                         | 617,832                                     | 5,103                             | 1,004,941                       |

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

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

| Bank  | Non-distributable                      |   |  |   |                                    |  |   | Total equity<br>RM'000 |
|---|--|---|--|---|------------------------------------|--|---|------------------------|
|   | Ordinary shares<br>(Note 27)<br>RM'000 | Regulatory reserve<br>(Note 28)<br>RM'000 | Capital reserve<br>(Note 28)<br>RM'000 | Fair value reserve<br>(Note 28)<br>RM'000 | ESS reserve<br>(Note 28)<br>RM'000 | Treasury shares<br>(Note 27)<br>RM'000 | Retained profits<br>(Note 28)<br>RM'000 |                        |
| <b>At 1 January 2020</b>                              | 246,249                                | 25,444                                    | 153,863                                | 10,505                                    | 4,560                              | (16,990)                               | 532,338                                 | 955,969                |
| Net profit for the financial year                     | -                                      | -   | -                                      | -   | -                                  | -                                      | 78,143                                  | 78,143                 |
| Other comprehensive income                            | -                                      | -   | -                                      | 4,751                                     | -                                  | -                                      | -                                       | 4,751                  |
| Total comprehensive income for the financial year     | -                                      | -   | -                                      | 4,751                                     | -                                  | -                                      | 78,143                                  | 82,894                 |
| Share-based payment under ESS scheme                  | -                                      | -   | -                                      | -   | 2,508                              | -                                      | -                                       | 2,508                  |
| Issue of shares pursuant to exercise of ESS (Note 27) | -                                      | -   | -                                      | -   | -                                  | 6,532                                  | (1,185)                                 | 5,347                  |
| Transfer from regulatory reserve                      | -                                      | (6,783)                                   | -                                      | -   | -                                  | -                                      | 6,783                                   | -                      |
| Transfer to retained profits                          | -                                      | -   | -                                      | -   | (924)                              | -                                      | 924                                     | -                      |
| Dividend paid (Note 45)                               | -                                      | -   | -                                      | -   | -                                  | -                                      | (22,707)                                | (22,707)               |
| <b>At 31 December 2020</b>                            | <b>246,249</b>                         | <b>18,661</b>                             | <b>153,863</b>                         | <b>15,256</b>                             | <b>6,144</b>                       | <b>(10,458)</b>                        | <b>594,296</b>                          | <b>1,024,011</b>       |
| <b>At 1 January 2019</b>                              | 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)                |
| <b>At 31 December 2019</b>                            | <b>246,249</b>                         | <b>25,444</b>                             | <b>153,863</b>                         | <b>10,505</b>                             | <b>4,560</b>                       | <b>(16,990)</b>                        | <b>532,338</b>                          | <b>955,969</b>         |

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

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

|   | Note  | Group            |                | Bank             |                |
|---|-------|------------------|----------------|------------------|----------------|
|   |       | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| <b>Cash flows from operating activities</b>   |       |                  |                |                  |                |
| Profit before taxation and zakat  |       | <b>134,715</b>   | 42,951         | <b>106,938</b>   | 40,376         |
| Adjustments for:  |       |                  |                |                  |                |
| Depreciation of property, plant and equipment   | 33    | <b>11,781</b>    | 10,724         | <b>10,958</b>    | 10,046         |
| Amortisation of intangible assets - software licence  | 33    | <b>5,101</b>     | 4,305          | <b>4,259</b>     | 4,030          |
| Amortisation of right-of-use assets   | 33    | <b>8,449</b>     | 9,769          | <b>7,337</b>     | 8,864          |
| Lease interest expenses   | 31    | <b>1,331</b>     | 1,236          | <b>1,218</b>     | 1,177          |
| ESS expenses  | 33    | <b>2,343</b>     | 1,733          | <b>2,343</b>     | 1,733          |
| Credit loss expense/(reversal)  | 34    | <b>5,852</b>     | (15,216)       | <b>5,049</b>     | (12,926)       |
| Allowance for impairment on investments in subsidiary   | 13    | -                | -              | -                | 293            |
| Property, plant and equipment written off   | 33    | <b>1</b>         | 37             | <b>1</b>         | 37             |
| Intangible assets written off   | 33    | <b>3</b>         | -              | <b>3</b>         | -              |
| Bad debts written off   | 35    | <b>53</b>        | 266            | <b>53</b>        | 266            |
| Gross dividend income from investments  | 32(b) | <b>(4,040)</b>   | (1,384)        | <b>(3,934)</b>   | (1,243)        |
| Gain on disposal of property, plant and equipment   | 32(c) | <b>(24)</b>      | (23)           | <b>(24)</b>      | (23)           |
| Net gain from sale of financial assets at fair value through profit or loss and derivatives             |       | <b>(219,109)</b> | (56,878)       | <b>(218,749)</b> | (56,878)       |
| Net gain from sale of financial instruments at FVOCI  |       | <b>(11,217)</b>  | (12,072)       | <b>(11,217)</b>  | (12,072)       |
| Unrealised loss on revaluation of financial assets at fair value through profit or loss and derivatives | 32(b) | <b>76,392</b>    | 17,326         | <b>77,874</b>    | 19,758         |
| Share of results of associates and a joint venture  |       | <b>(12,786)</b>  | 6,905          | -                | -              |
| Operating (loss)/gain before working capital changes  |       | <b>(1,155)</b>   | 9,679          | <b>(17,891)</b>  | 3,438          |

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

|   | Note | Group              |                | Bank               |                |
|---|------|--------------------|----------------|--------------------|----------------|
|   |      | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| <b>Cash flows from operating activities (cont'd.)</b>             |      |                    |                |                    |                |
| Decrease/(increase) in operating assets:                          |      |                    |                |                    |                |
| Loans, advances and financing                                     |      | <b>191,339</b>     | (46,069)       | <b>179,163</b>     | (50,677)       |
| Other assets  |      | <b>11,889</b>      | (19,960)       | <b>26,320</b>      | (39,075)       |
| Statutory deposit with Bank Negara Malaysia                       |      | <b>40,766</b>      | 17,455         | <b>40,766</b>      | 17,455         |
| Balances due from clients and brokers                             |      | <b>(264,580)</b>   | 16,764         | <b>(264,580)</b>   | 16,764         |
| Trust monies and deposits   | 5    | <b>(135,840)</b>   | 30,590         | <b>(62,321)</b>    | 2,343          |
| Increase/(decrease) in operating liabilities:                     |      |                    |                |                    |                |
| Other liabilities   |      | <b>124,509</b>     | (4,596)        | <b>91,784</b>      | 9,531          |
| Balances due to clients and brokers                               |      | <b>183,272</b>     | 55,461         | <b>100,311</b>     | 83,797         |
| Deposits from customers   |      | <b>(1,113,109)</b> | (496,610)      | <b>(1,076,509)</b> | (494,436)      |
| Deposits and placements of banks and other financial institutions |      | <b>415,367</b>     | 555,702        | <b>415,367</b>     | 555,702        |
| Obligations on securities sold under repurchase agreements        |      | -                  | (83,067)       | -                  | (83,067)       |
| Cash (used in)/generated from operations                          |      | <b>(547,542)</b>   | 35,349         | <b>(567,590)</b>   | 21,775         |
| Taxation and zakat paid   |      | <b>(33,159)</b>    | (11,473)       | <b>(25,943)</b>    | (14,421)       |
| Rental/lease payment (Interest)                                   | 26   | <b>(1,331)</b>     | (1,236)        | <b>(1,218)</b>     | (1,177)        |
| Net cash (used in)/generated from operating activities            |      | <b>(582,032)</b>   | 22,640         | <b>(594,751)</b>   | 6,177          |

|  | Note  | Group            |                  | Bank             |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2020<br>RM'000   | 2019<br>RM'000   | 2020<br>RM'000   | 2019<br>RM'000   |
| <b>Cash flows from investing activities</b>  |       |                  |                  |                  |                  |
| Net cash outflow on acquisition of a subsidiary  |       | -                | (25,383)         | -                | -                |
| Dividend income from investments   | 32(b) | 4,040            | 1,384            | 3,934            | 1,243            |
| Purchase of property, plant and equipment  | 16    | (8,332)          | (9,143)          | (6,956)          | (8,344)          |
| Purchase of intangible assets  | 17    | (8,014)          | (4,701)          | (5,874)          | (4,651)          |
| Proceeds from disposal of property, plant and equipment and intangible assets            |       | 24               | 23               | 24               | 23               |
| Additional investment in a joint venture   | 15    | -                | (10,000)         | -                | (10,000)         |
| Net (purchase)/sale of securities  |       | (18,151)         | 806,475          | (18,505)         | 805,515          |
| Net cash (used in)/generated from investing activities                                   |       | (30,433)         | 758,655          | (27,377)         | 783,786          |
| <b>Cash flows from financing activities</b>  |       |                  |                  |                  |                  |
| Dividend paid  | 45    | (22,707)         | (7,686)          | (22,707)         | (7,686)          |
| Rental/lease payments (principal)  |       | (8,023)          | (8,341)          | (6,922)          | (7,519)          |
| Net drawdown/(repayment) of borrowings   |       | 78,800           | (22,700)         | 85,800           | (11,200)         |
| Proceeds from exercise of ESS  |       | 5,132            | -                | 5,132            | -                |
| Buy-back of shares   | 27    | -                | (182)            | -                | (182)            |
| Proceed from new issuance of a subsidiary's share to a non-controlling shareholder       |       | 4,900            | -                | -                | -                |
| Net cash generated from/(used in) financing activities                                   |       | 58,102           | (38,909)         | 61,303           | (26,587)         |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                              |       | <b>(554,363)</b> | <b>742,386</b>   | <b>(560,825)</b> | <b>763,376</b>   |
| <b>Effect of exchange rate differences</b>   |       | <b>-</b>         | <b>1</b>         | <b>-</b>         | <b>-</b>         |
| <b>Cash and cash equivalents at beginning of financial year</b>                          |       | <b>1,838,760</b> | <b>1,096,373</b> | <b>1,816,949</b> | <b>1,053,573</b> |
| <b>Cash and cash equivalents at end of financial year</b>                                | 5     | <b>1,284,397</b> | <b>1,838,760</b> | <b>1,256,124</b> | <b>1,816,949</b> |
| Cash and cash equivalents comprise the followings (Note 5):                              |       |                  |                  |                  |                  |
| Cash and balances with banks   |       | 1,614,205        | 1,990,155        | 1,378,646        | 1,777,150        |
| Deposits and placements with banks and other financial institutions                      |       | 30,329           | 72,902           | -                | 100,000          |
| Less: Monies and short-term deposits held in trust on behalf of dealers' representatives |       | (122,522)        | (60,201)         | (122,522)        | (60,201)         |
| Less: Segregated funds from customers  |       | (237,615)        | (164,096)        | -                | -                |
|  |       | 1,284,397        | 1,838,760        | 1,256,124        | 1,816,949        |

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 1. CORPORATE INFORMATION

The Bank is principally engaged in the investment banking business, provision of stockbroking and related financial services.

The Bank is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur.

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 4 March 2021.

## 2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT

### 2.1 New and amended Malaysian Financial Reporting Standards (“MFRSs”) adopted

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended MFRSs, which became effective for the Group and the Bank during the current financial year:

Revised Conceptual Framework for Financial Reporting  
 Amendments to MFRS 3: *Definition of a Business*  
 Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*  
 Amendments to MFRS 101 and MFRS 108: *Definition of Material*  
 Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)  
 COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases)  
 Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4: Insurance Contracts)

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:

### 2.2 Revised Policy Documents on Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks (Capital Components)

On 5 February 2020, BNM issued revised Policy documents on Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (Capital Components) which came into effect immediately and shall be applied prospectively. The revised Policy documents apply to financial institutions in Malaysia which covers licensed banks, licensed Islamic banks, licensed investment banks, licensed banks carrying on Islamic banking business and financial holding companies. The revised Policy documents superseded Policy documents issued by BNM previously, namely Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) dated 2 February 2018.

The revised Policy documents were updated to include additional capital buffer requirements on the Higher Loss Absorbency requirements for financial institution that is designated as a domestic systemically important banks.

The application of the revised Policy documents do not have any significant impact to the financial statements of the Group and of the Bank.



## 2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

### 2.3 Transitional arrangements for regulatory capital treatment of accounting provisions

On 9 December 2020, BNM issued revised Policy documents on Capital Adequacy Framework (Capital Components) which came into effect immediately and shall be applied prospectively, subject to the transitional arrangements if elected by the financial institution. The revised Policy documents apply to financial institutions in Malaysia which covers licensed banks, licensed investment banks and financial holding companies. The revised Policy documents superseded Policy documents issued by BNM previously, namely Capital Adequacy Framework (Capital Components) dated 5 February 2020.

The Bank has elected to apply the transitional arrangements for regulatory capital treatment of accounting provisions. The impact of the application of the revised Policy documents do not have any significant impact to the financial statements of the Group and of the Bank other than the impacts disclosed in Note 47(ii).

### 2.4 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by BNM

On 25 March 2020, BNM had announced that banking institutions will offer an automatic deferment of all loans/financing repayment for six months to all individual and small-medium enterprise (“SME”). Banks will also facilitate requests by corporations to defer or restructure their loans/financing repayments to support viable corporations to preserve jobs and resume economic activities when conditions improve.

The automatic moratorium applies to ringgit-denominated loans or financing that are not in arrears exceeding 90 days as of 1 April 2020. In the absence of other factors relevant to the assessment, the moratorium does not automatically result in stage transfer under MFRS 9. The financial impact of the moratorium is reflected at the interest/profit income of the Group and the Bank.

To further support lending/financing activities, banking institutions are allowed to draw down on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%. The implementation of the Net Stable Funding Ratio (“NSFR”) will continue to be effective on 1 July 2020, but with a lower ratio of 80%.

Banks is expected to restore their buffer to the minimum regulatory requirements and comply with a 100% NSFR ratio from 30 September 2021.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

#### 2.4 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by BNM (cont'd.)

The economic sectors that are most affected by COVID-19 and their exposure as at 2020 is disclosed as below:

| Group                    | Loans, advances and financing           |                |                                |                |                 |                |
|--------------------------|---|----------------|--------------------------------|----------------|-----------------|----------------|
|                          | Net of impairment<br>(on-balance sheet) |                | Undrawn<br>(off-balance sheet) |                | Total exposures |                |
|                          | 2020<br>RM'000                          | 2019<br>RM'000 | 2020<br>RM'000                 | 2019<br>RM'000 | 2020<br>RM'000  | 2019<br>RM'000 |
| <b>Sectors</b>           |   |                |                                |                |                 |                |
| Oil and gas              | 28,230                                  | 58,182         | 4,408                          | 500            | 32,638          | 58,682         |
| Hotels and tourism       | -                                       | 13,545         | 30,000                         | -              | 30,000          | 13,545         |
| Retail food and non-food | 84,343                                  | 58,554         | 7,530                          | 5,503          | 91,873          | 64,057         |
| Construction             | 82,474                                  | 110,677        | 32,257                         | 30,567         | 114,731         | 141,244        |
| Property development     | 66,387                                  | 79,366         | 18,355                         | 84,230         | 84,742          | 163,596        |
|                          | <b>261,434</b>                          | <b>320,324</b> | <b>92,550</b>                  | <b>120,800</b> | <b>353,984</b>  | <b>441,124</b> |

| Bank                     | Loans, advances and financing           |                |                                |                |                 |                |
|--------------------------|---|----------------|--------------------------------|----------------|-----------------|----------------|
|                          | Net of impairment<br>(on-balance sheet) |                | Undrawn<br>(off-balance sheet) |                | Total exposures |                |
|                          | 2020<br>RM'000                          | 2019<br>RM'000 | 2020<br>RM'000                 | 2019<br>RM'000 | 2020<br>RM'000  | 2019<br>RM'000 |
| <b>Sectors</b>           |   |                |                                |                |                 |                |
| Oil and gas              | 25,697                                  | 58,182         | 4,408                          | 500            | 30,105          | 58,682         |
| Hotels and tourism       |   |                | 30,000                         |                |                 |                |
| Retail food and non-food | 66,664                                  | 53,268         | 7,530                          | 5,503          | 74,194          | 58,771         |
| Construction             | 71,698                                  | 80,632         | 32,257                         | 30,567         | 103,955         | 111,199        |
| Property development     | 51,212                                  | 48,888         | 18,355                         | 84,230         | 69,567          | 133,118        |
|                          | <b>215,271</b>                          | <b>240,970</b> | <b>92,550</b>                  | <b>120,800</b> | <b>307,821</b>  | <b>361,770</b> |

## 2. CHANGES IN ACCOUNTING POLICIES AND REGULATORY REQUIREMENT (CONT'D.)

### 2.4 Measures to assist individuals, SMEs and corporates affected by COVID-19 announced by BNM (cont'd.)

| Group and Bank           | Financial investments<br>- bonds and sukuk<br>(on-balance sheet) |                |
|--------------------------|--|----------------|
|                          | 2020<br>RM'000   | 2019<br>RM'000 |
| <b>Sectors</b>           |  |                |
| Oil and gas              | 62,383   | 87,802         |
| Hotels and tourism       | 10,944   | 12,662         |
| Retail food and non-food | 5,121  | 10,157         |
|                          | <b>78,448</b>  | 110,621        |

### 2.5 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<br>annual periods<br>beginning on<br>or after |
|---|---|
| Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)                               | 1 January 2021  |
| Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)                 | 1 January 2022  |
| Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets) | 1 January 2022  |
| Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)  | 1 January 2022  |
| Annual improvements to MFRS Standards 2018-2020   | 1 January 2022  |
| MFRS 17: Insurance Contracts  | 1 January 2023  |
| Amendments to MFRS 17: <i>Insurance Contracts</i>   | 1 January 2023  |
| Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)               | 1 January 2023  |
| Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>    | To be announced<br>by MASB                                  |

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES

#### 3.1 Basis of preparation

The financial statements of the Group and of the Bank have been prepared on a historical cost basis unless otherwise indicated.

#### 3.2 Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”), and the requirements of the Companies Act, 2016 in Malaysia.

#### 3.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Bank’s functional currency and all values are rounded to the nearest thousand (“RM’000”), unless otherwise stated.

#### 3.4 Summary of significant accounting policies

##### (a) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as at the reporting date.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank and consistent accounting policies are applied for like transactions and events in similar circumstances.

The Bank controls an investee if and only if the Bank has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (a) Basis of consolidation (cont'd.)

When the Bank has less than a majority of the voting rights of an investee, the Bank considers the following in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Bank, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date of acquisition, being the date of which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between:

- (i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) The previous carrying amount of the assets and liabilities of the subsidiary and any differences is recognised in profit or loss. The subsidiary's cumulative gain and loss which have been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment in an associate or a joint venture.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (a) Basis of consolidation (cont'd.)

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed to income statement and disclosed under administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree on previous acquisition date is remeasured to fair value at the later stage's acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net assets of the subsidiary acquired. The accounting policy for goodwill is set out in Note 3.4(e)(i).

For business combinations involving entities or businesses under common control, the Group applies the merger (or common control) accounting, whereby no assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. No new goodwill arises in merger accounting.

The acquirer incorporates the acquired entity's results and balance sheet prospectively from the date on which the business combination between entities under common control occurred. Prior financial period's numbers are restated to reflect as if these entities have been under common control since the beginning of the earliest financial period presented in the financial statements.

Merger accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in reorganisation reserve.

##### (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.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (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.

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.



### 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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (f) Financial instruments – initial recognition (cont'd.)

###### (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.

###### (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.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (g) Financial assets and liabilities

##### (i) Due from banks, loans and advances to customers, financial investments at amortised cost

The Group and the Bank measure amounts due from banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below.

##### (1) Business model assessment

The Group and the Bank determine their business model at the level that best reflects how they manage groups of financial assets to achieve their business objective.

The Group's and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key entity's management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group's and the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward, unless it has been determined that there has been a change in the original business model.

## NOTES TO THE FINANCIAL STATEMENTS

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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

The Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. For the SPPI assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

##### (ii) Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the 'underlying');
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors; and
- It is settled at a future date.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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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.)

##### (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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (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.

##### (b) Derecognition other than for substantial modification - Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group and the Bank also derecognise the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition as follows:

- The Group and the Bank have transferred their contractual rights to receive cash flows from the financial asset; or
- They retain the rights to the cash flows, but have assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement.



### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (i) Derecognition of financial assets and liabilities (cont'd.)

##### (b) Derecognition other than for substantial modification - Financial assets (cont'd.)

Pass-through arrangements are transactions whereby the Group and the Bank retain the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group and the Bank have no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group and the Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group and the Bank have to remit any cash flows it collect on behalf of the eventual recipients without material delay. In addition, the Group and the Bank are not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group and the Bank have transferred substantially all the risks and rewards of the asset; or
- The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Bank consider control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group and the Bank have neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's and the Bank's continuing involvement, in which case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group and the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group and the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (i) Derecognition of financial assets and liabilities (cont'd.)

##### (c) Derecognition other than for substantial modification - Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

##### (j) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group and the Bank use valuation techniques that are appropriate in the circumstances for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 51.

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes from Bloomberg.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (k) Impairment of financial assets

##### (i) Overview of the ECL principles

Under MFRS 9, the Group's and the Bank's loan and receivable impairment method is based on a forward-looking ECL approach. The Group and the Bank have been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under MFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the financial instruments (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL") as outlined in Note 3.4(k)(ii).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group and the Bank have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 50(a).

##### General approach

The Group and the Bank group their loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans or assets are first recognised, the Group and the Bank recognise an allowance based on 12mECLs. Stage 1 loans or assets also include facilities where the credit risk has improved and the loan or the assets has been reclassified from Stage 2.
- Stage 2: When a loan or an asset has shown a significant increase in credit risk ("SICR") since origination, the Group and the Bank record an allowance for the LTECLs. Stage 2 loans or assets also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans or assets which considered credit-impaired (as outlined in Note 50(a)). The Group and the Bank record an allowance for the LTECLs.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (k) Impairment of financial assets (cont'd.)

##### (i) Overview of the ECL principles (cont'd.)

###### General approach (cont'd.)

- POCL assets are financial assets that are credit impaired on initial recognition. POCL 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*.

##### (ii) The calculation of ECLs

The Group and the Bank calculate ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at original EIR. A cash shortfall is the difference between the cash flows that are due to the Group and the Bank in accordance with the contract and the cash flows that the Group and the Bank expect to receive.

The key elements of the ECL calculations are outlined as follows:

- **PD** The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 50(a).

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (k) Impairment of financial assets (cont'd.)

##### (ii) The calculation of ECLs (cont'd.)

The key elements of the ECL calculations are outlined as follows: (cont'd.)

- **EAD** The Exposure at Default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 50(a).
- **LGD** The Loss Given Default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 50(a).

When estimating the ECLs, the Group and the Bank consider three scenarios (a base case, an upside or a downside). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group and the Bank have the legal right to call it earlier, or when the asset is revolving in nature, as further explained in Note 50(a).

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculate the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities (PD) are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- **Stage 2:** When a loan or an asset has shown a SICR since origination, the Group and the Bank record an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PD and LGD are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (k) Impairment of financial assets (cont'd.)

##### (ii) The calculation of ECLs (cont'd.)

The mechanics of the ECL method are summarised below (cont'd.):

- **Stage 3:** For loans or assets considered credit-impaired, the Group and the Bank recognise the 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.

##### (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.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (k) Impairment of financial assets (cont'd.)

##### (v) Forward looking information

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 is such that collateral, unless repossessed, is not recorded on the Group’s and the Bank’s statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a monthly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group and the Bank use active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as real estate valuers, or based on housing price indices.

##### (vii) Collateral repossessed

The Group’s and the Bank’s policy are to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group’s and the Bank’s policy.

In its normal course of business, the Group and the Bank do not physically repossess properties or other assets in their retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

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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.)

###### (viii) Write-offs

Financial assets are written off either partially or in their entirety only when the Group and the Bank have stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

###### (ix) 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.

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.



### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (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).

Depreciation are not made on freehold land because it has indefinite useful life and capital work-in-progress as these assets are not ready for use. Depreciation of other property, plant and equipment is provided for on a straight-line-basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

|                            |               |
|----------------------------|---------------|
| Building                   | 2%            |
| Motor vehicles             | 20% to 25%    |
| Computer equipment         | 10% to 33.33% |
| Plant and office equipment | 10% to 33.33% |
| Furniture and fittings     | 5% to 20%     |
| Renovations                | 10% to 20%    |

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (p) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### (i) Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 18 and are subject to impairment in line with the Bank's policy as described in Note 3.4(l).

##### (ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (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.

##### (s) Income recognition

##### (i) The effective interest rate method

Interest income is recorded using the effective interest rate method for all financial instruments measured at amortised cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under MFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group and the Bank recognise interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the income statement.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (s) Income recognition

##### (ii) Interest and similar income

The Group and the Bank calculate interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired (as set out in Note 3.4 (k)(i)) and is, therefore, regarded as 'Stage 3', the Group and the Bank calculate interest income by applying the effective interest rate to the net amortised cost of the financial asset.

For POCI financial assets (as set out in Note 3.4(k)(iv)), the Group and the Bank calculate interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income and net gains or losses on financial assets at FVTPL, respectively.

##### (iii) Fee and other income

Brokerage fees are recognised on contract date upon execution of trade on behalf of clients computed based on a pre-determined percentage of the contract value.

Loan arrangement fees and commissions, management and participation fees, underwriting fees and placement fees are recognised as income when all conditions precedent are fulfilled.

Custodian fees, guarantee fees and fund management fees are recognised as income based on time apportionment basis.

Corporate advisory fees are recognised as income on the completion of each stage of the assignment.

Rollover fee is recognised upon the rollover of specific contracts under share margin financing.

Gain or loss on disposal of investments is recognised upon the transfer of risks and rewards of ownership.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

(s) **Income recognition (cont'd.)**

(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.

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.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (u) Foreign currency (cont'd.)

##### (ii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rates of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

##### (v) Income taxes

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### (ii) Zakat

This represents business zakat payable by the Group and the Bank in compliance with Shariah principles and as approved by the Group's and the Bank's Shariah Committee.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (v) Income taxes

##### (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, except:

- 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.



### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (v) Income taxes (cont'd.)

##### (iii) Deferred tax (cont'd.)

Deferred tax assets 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.

##### (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).

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (w) Employee benefits (cont'd.)

##### (iii) Kenanga's Group Employees' share scheme ("ESS") (cont'd.)

###### Equity-settled transactions

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.

##### (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.

### 3. ACCOUNTING POLICIES (CONT'D.)

#### 3.4 Summary of significant accounting policies (cont'd.)

##### (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 judgements, estimates and assumptions that affect the application of accounting policies and reported amount of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's and the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

- (i) The Group and the Bank determine whether goodwill and other intangible assets are impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill and other intangible assets are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More detailed disclosures on the assessment of impairment of goodwill and other intangible assets are disclosed in Note 17.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

- (ii) The fair value of financial assets at fair value through profit or loss (Note 6), financial investments measured at FVOCI and at amortised cost (Note 7), derivative financial assets (Note 8) and derivative financial liabilities (Note 23) are derived from quoted and observable market prices. However, if the financial instruments are not traded in an active market, fair value may be established by using a valuation technique which includes but is not limited to using recent arm's length market transactions between knowledgeable, willing parties, and reference to the current fair value of another instrument that is substantially the same. The Group and the Bank use acceptable valuation technique which involves making assumptions based on market conditions and other factors as of the reporting date.
- (iii) The measurement of impairment losses under MFRS 9 on financial assets subject to impairment assessment requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Under MFRS 9, the Group's and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's internal credit rating model, which assigns PDs to the individual grades;
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a 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.

#### Overlays and adjustments for ECL amidst COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2020.

These overlay adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

#### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

- (iii) The measurement of impairment losses under MFRS 9 on financial assets subject to impairment assessment requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. (cont'd.)

##### Overlays and adjustments for ECL amidst COVID-19 environment (cont'd.)

The customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays were generally made at portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 in 2021. Total overlays for ECL inclusive of the macro-economic adjustments maintained by the Group as at 31 December 2020 are RM3.2 million (2019: nil).

The scenarios applied in management overlay in estimating the reported ECL arising from COVID-19 uncertainties are set out in the table as follow:

| Scenarios  | Additional ECL<br>RM'000 |
|--|--------------------------|
| 1 Assigned higher LGD for exposures under moratorium     | 2,250                    |
| 2 Drop in counterparty ratings                           | 395                      |
| 3 Stressed security cover for exposures under moratorium | 557                      |
| Total  | 3,202                    |

- (iv) The Group and the Bank estimate the useful lives of property, plant and equipment and software based on factors such as the expected level of usage due to physical wear and tear, future technological developments and legal or other limits on the use of the relevant assets. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment, and software would increase the recorded depreciation and decrease their carrying value. The total carrying amounts of property, plant and equipment, and software are disclosed in Notes 16 and 17 respectively.
- (v) Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As at financial year end, the total carrying value of unutilised tax losses and unabsorbed capital allowances are disclosed in Note 19.

## NOTES TO THE FINANCIAL STATEMENTS

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### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

- (vi) The Group and the Bank assess whether there is any indication that investments in subsidiaries and investments in associates may be impaired at each reporting date.

If indicators are present, these assets are subject to impairment review. The impairment review comprises comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgements made by management in the process of applying the Group's and the Bank's accounting policies in respect of investments in subsidiaries and investments in an associate are as follows:

- The Bank determines whether its investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investments and deteriorating financial performance of the investments due to observed changes and fundamentals.
- Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flows and realisable net asset value.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the reporting date may have a significant risk of causing material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Investments in subsidiaries and associates of the Group are disclosed in Notes 13 and 14 respectively.

### 5. CASH AND BANK BALANCES

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Cash and balances with banks and other financial institutions                                 | 535,551          | 408,089        | 370,909          | 291,599        |
| Money at call and deposit placements  | 1,108,983        | 1,654,968      | 1,007,737        | 1,585,551      |
|   | <b>1,644,534</b> | 2,063,057      | <b>1,378,646</b> | 1,877,150      |
| Included in cash and bank balances are:   |                  |                |                  |                |
| Cash and cash equivalents   | 1,284,397        | 1,838,760      | 1,256,124        | 1,816,949      |
| Monies held in trust on behalf of dealer's representatives and segregated funds for customers | 360,137          | 224,297        | 122,522          | 60,201         |
|   | <b>1,644,534</b> | 2,063,057      | <b>1,378,646</b> | 1,877,150      |

Monies held in trust on behalf of clients of RM1,257,682,000 (2019: RM623,581,000) 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           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At fair value</b>                         |                |                |                |                |
| <b>Quoted securities:</b>                    |                |                |                |                |
| Shares and fund in Malaysia                  | 351,645        | 193,566        | 351,645        | 193,566        |
| <b>Unquoted securities:</b>                  |                |                |                |                |
| Shares and funds in Malaysia                 | 152,061        | 135,114        | 148,453        | 132,994        |
| <b>Unquoted debt securities in Malaysia:</b> |                |                |                |                |
| Islamic Corporate Sukuk                      | 39,833         | -              | 39,833         | -              |
|  | <b>543,539</b> | <b>328,680</b> | <b>539,931</b> | <b>326,560</b> |

## 7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>(a) Financial instruments at Fair Value Through Other Comprehensive Income (“FVOCI”):</b> |                |                |
| <b>Debt instruments:</b>   |                |                |
| Malaysian Government Securities  | 20,496         | 30,550         |
| Malaysian Government Investment Certificates   | 119,119        | 72,649         |
| Islamic Negotiable Instruments of Deposits   | 149,943        | 59,550         |
| Islamic Corporate Sukuk  | 305,664        | 458,204        |
| Corporate Bonds  | 174,520        | 173,040        |
|  | <b>769,742</b> | <b>793,993</b> |
| <b>Equity instruments:</b>   |                |                |
| Unquoted Shares in Malaysia  | 1,990          | 1,088          |
| <b>Total financial instruments at FVOCI</b>  | <b>771,732</b> | <b>795,081</b> |

**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 rating system are explained in Note 50(a).

## NOTES TO THE FINANCIAL STATEMENTS

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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.)

| Group and Bank<br>Internal rating grade | 2020              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Investment grade                        | 769,742           | -                 | -                 | 769,742         |

| Group and Bank<br>Internal rating grade | 2019              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Investment grade                        | 793,993           | -                 | -                 | 793,993         |

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

| Group and Bank   | 2020              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | 793,993           | -                 | -                 | 793,993         |
| New assets originated or purchased                       | 2,122,915         | -                 | -                 | 2,122,915       |
| Assets derecognised or matured<br>(excluding write-offs) | (2,177,782)       | -                 | -                 | (2,177,782)     |
| Change in fair value                                     | 30,616            | -                 | -                 | 30,616          |
| As at 31 December  | 769,742           | -                 | -                 | 769,742         |

| Group and Bank   | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>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<br>(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         |



## 7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

### (a) Financial instruments at FVOCI (cont'd.):

#### Impairment losses on financial instruments subject to impairment assessment (cont'd.)

#### Debt instruments at FVOCI (cont'd.)

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

| ECL allowances   | 2020              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | 36                | -                 | -                 | 36              |
| New assets originated or purchased                       | 77                | -                 | -                 | 77              |
| Assets derecognised or matured<br>(excluding write-offs) | (49)              | -                 | -                 | (49)            |
| Impact of re-measurement of ECL                          | 9                 | -                 | -                 | 9               |
| Changes in model assumption and methodology              | 313               | -                 | -                 | 313             |
| As at 31 December  | 386               | -                 | -                 | 386             |

| ECL allowances   | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | 225               | -                 | -                 | 225             |
| New assets originated or purchased                       | 18                | -                 | -                 | 18              |
| Assets derecognised or matured<br>(excluding write-offs) | (181)             | -                 | -                 | (181)           |
| Impact of re-measurement of ECL                          | 9                 | -                 | -                 | 9               |
| Changes in model assumption and methodology              | (26)              | -                 | -                 | (26)            |
| As at 31 December  | 36                | -                 | -                 | 36              |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)

#### (b) Financial instruments at amortised cost:

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Debt instruments:                                    |                |                |
| Malaysian Government Investment Certificates         | 9,909          | 9,892          |
| Corporate Bonds                                      | 20,021         | 20,030         |
| Islamic Corporate Sukuk                              | 163,210        | 83,172         |
|  | 193,140        | 113,094        |
| Less: Allowance for ECL                              | (105)          | (338)          |
| <b>Total financial instruments at amortised cost</b> | <b>193,035</b> | <b>112,756</b> |

#### Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's and the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's and the Bank's internal grading system are explained in Note 50(a).

| Group and Bank<br>Internal rating grade | 2020              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Investment grade                        | 193,140           | -                 | -                 | 193,140         |

| Group and Bank<br>Internal rating grade | 2019              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Investment grade                        | 100,094           | -                 | -                 | 100,094         |
| Non investment grade                    |                   | 13,000            |                   | 13,000          |
|   | 100,094           | 13,000            |                   | 113,094         |

## 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<br>Gross carrying amount                  | 2020              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | 100,094           | 13,000            | -                 | 113,094         |
| New assets originated or purchased                       | 617,625           | -                 | -                 | 617,625         |
| Assets derecognised or matured<br>(excluding write-offs) | (534,237)         | (13,000)          | -                 | (547,237)       |
| Change in fair value                                     | 9,658             | -                 | -                 | 9,658           |
| As at 31 December  | 193,140           | -                 | -                 | 193,140         |

| Group and Bank<br>Gross carrying amount                  | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | 100,116           | 22,000            | -                 | 122,116         |
| Assets derecognised or matured<br>(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<br>ECL allowances                         | 2020              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | -                 | 338               | -                 | 338             |
| New assets originated or purchased                       | 73                | -                 | -                 | 73              |
| Assets derecognised or matured<br>(excluding write-offs) | -                 | (178)             | -                 | (178)           |
| Impact of net re-measurement of ECL                      | (17)              | (160)             | -                 | (177)           |
| Changes in model assumption or methodology               | 49                | -                 | -                 | 49              |
| As at 31 December  | 105               | -                 | -                 | 105             |

**NOTES TO THE FINANCIAL STATEMENTS**

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**7. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVTPL (CONT'D.)****(b) Financial instruments at amortised cost (cont'd.):**

An analysis of changes in the gross carrying amount and the corresponding ECLs is as follows (cont'd.):

| Group and Bank<br>ECL allowances                         | 2019              |                   |                   | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 |                 |
| As at 1 January  | -                 | 860               | -                 | 860             |
| Assets derecognised or matured<br>(excluding write-offs) | -                 | (156)             | -                 | (156)           |
| Impact of net re-measurement of ECL                      | -                 | (366)             | -                 | (366)           |
| As at 31 December  | -                 | 338               | -                 | 338             |

**8. DERIVATIVE FINANCIAL ASSETS**

|                                    | Group and Bank |                |
|------------------------------------|----------------|----------------|
|                                    | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At fair value</b>               |                |                |
| Dual currency investment - Options | -              | 11             |
| Index futures                      | 135            | -              |
| Equity related contracts - Options | 53,343         | 58,659         |
| Equity related contracts - Swap    | 2,014          | 3,602          |
| Equity related contracts - Forward | 40,079         | 2,902          |
|                                    | <b>95,571</b>  | <b>65,174</b>  |
| <b>Contract/Notional amount</b>    |                |                |
| Dual currency investment - Options | 3,655          | 4,509          |
| Index futures                      | 2,688          | -              |
| Equity related contracts - Options | 47,685         | 66,528         |
| Equity related contracts - Swap    | 31,216         | 52,340         |
| Equity related contracts - Forward | 57,354         | 77,667         |
|                                    | <b>142,598</b> | <b>201,044</b> |

The contractual or underlying notional amounts of derivative financial assets held at fair value through profit or loss reflect the value of transactions outstanding as at reporting date, and do not represent amounts at risk.

## 9. LOANS, ADVANCES AND FINANCING

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At amortised cost</b>                     |                |                |                |                |
| Term loans                                   | 587,793        | 665,323        | 640,369        | 722,404        |
| Share margin financing                       | 1,209,024      | 1,320,106      | 1,209,024      | 1,320,106      |
| Other lending and factoring receivables      | 85,636         | 97,317         | -              | -              |
| Advances to group employees                  | 181            | 17             | 181            | 17             |
| Subordinated term loan*                      | -              | -              | 20,418         | 15,417         |
| Gross loans, advances and financing          | 1,882,634      | 2,082,763      | 1,869,992      | 2,057,944      |
| Less: Allowance for ECL                      |                |                |                |                |
| - Stage 1 - 12-month ECL                     | (3,112)        | (1,312)        | (3,387)        | (2,366)        |
| - Stage 2 - Lifetime ECL not credit impaired | (2,356)        | -              | (2,356)        | -              |
| - Stage 3 - Lifetime ECL credit impaired     | (7,917)        | (16,777)       | (7,253)        | (16,061)       |
| Net loans, advances and financing            | 1,869,249      | 2,064,674      | 1,856,996      | 2,039,517      |

\* 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 5.55% per annum (2019: 6.30%) and is repayable by November 2026.

(i) Gross loans, advances and financing analysed by type of customer are as follows:

|                               | Group          |                | Bank           |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Domestic business enterprises |                |                |                |                |
| - Small and medium            | 237,848        | 256,545        | 180,851        | 208,259        |
| - Others                      | 591,343        | 744,067        | 664,336        | 816,565        |
| Individuals                   | 1,034,745      | 1,052,269      | 1,006,107      | 1,003,238      |
| Foreign enterprises           | 18,698         | 29,882         | 18,698         | 29,882         |
|                               | 1,882,634      | 2,082,763      | 1,869,992      | 2,057,944      |

## NOTES TO THE FINANCIAL STATEMENTS

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## 9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ii) Gross loans, advances and financing analysed by geographical distribution are as follows:

|                  | Group            |                | Bank             |                |
|------------------|------------------|----------------|------------------|----------------|
|                  | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| In Malaysia      | 1,863,352        | 2,040,133      | 1,850,710        | 2,015,314      |
| Outside Malaysia | 19,282           | 42,630         | 19,282           | 42,630         |
|                  | <b>1,882,634</b> | 2,082,763      | <b>1,869,992</b> | 2,057,944      |

(iii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

|                          | Group            |                | Bank             |                |
|--------------------------|------------------|----------------|------------------|----------------|
|                          | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Fixed rate               |                  |                |                  |                |
| - Other fixed rate loans | 1,294,660        | 1,417,423      | 1,209,024        | 1,320,105      |
| Variable rate            |                  |                |                  |                |
| - Other variable rates   | 576,614          | 646,871        | 649,608          | 719,370        |
| - Base lending rate plus | 11,179           | 18,452         | 11,179           | 18,452         |
| Interest free            | 181              | 17             | 181              | 17             |
|                          | <b>1,882,634</b> | 2,082,763      | <b>1,869,992</b> | 2,057,944      |

(iv) Gross loans, advances and financing analysed by economic purpose are as follows:

|                        | Group            |                | Bank             |                |
|------------------------|------------------|----------------|------------------|----------------|
|                        | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Purchase of securities | 1,488,572        | 1,639,548      | 1,488,572        | 1,638,853      |
| Working capital        | 220,193          | 195,864        | 236,142          | 221,271        |
| Others                 | 173,869          | 247,351        | 145,278          | 197,820        |
|                        | <b>1,882,634</b> | 2,082,763      | <b>1,869,992</b> | 2,057,944      |

(v) Gross loans, advances and financing analysed by residual contractual maturity are as follows:

|                    | Group            |                | Bank             |                |
|--------------------|------------------|----------------|------------------|----------------|
|                    | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Within one year    | 1,543,716        | 1,657,891      | 1,540,048        | 1,686,370      |
| More than one year | 338,918          | 424,872        | 329,944          | 371,574        |
|                    | <b>1,882,634</b> | 2,082,763      | <b>1,869,992</b> | 2,057,944      |

## 9. LOANS, ADVANCES AND FINANCING (CONT'D.)

### 9.1 Movements in impaired loans, advances and financing ("Impaired LAF")

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| At beginning of the financial year  | 48,880         | 59,068         | 48,160         | 58,283         |
| Impaired during the financial year  | 13,374         | 32,032         | 12,563         | 32,032         |
| Amount written off against allowance for ECL                                  | (9,005)        | -              | (9,005)        | -              |
| Amount recovered during the financial year                                    | (11,955)       | (42,220)       | (11,088)       | (42,155)       |
| At end of the financial year  | 41,294         | 48,880         | 40,630         | 48,160         |
| Less: Allowance for ECL   | (7,917)        | (16,777)       | (7,253)        | (16,061)       |
| <b>Net impaired LAF</b>   | <b>33,917</b>  | <b>32,103</b>  | <b>33,377</b>  | <b>32,099</b>  |
| Net impaired LAF as a % of gross loans, advances and financing less allowance | 1.79%          | 1.55%          | 1.80%          | 1.57%          |

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>9.1.1 Impaired LAF by geographical distribution</b> |                |                |                |                |
| Outside Malaysia                                       | 3,306          | 12,759         | 3,306          | 12,759         |
| Malaysia   | 37,988         | 36,121         | 37,324         | 35,401         |
| Gross impaired LAF                                     | 41,294         | 48,880         | 40,630         | 48,160         |
| <b>9.1.2 Impaired LAF by purpose</b>                   |                |                |                |                |
| Working capital  | 664            | 720            | -              | -              |
| Purchase of securities                                 | 40,630         | 48,160         | 40,630         | 48,160         |
|  | 41,294         | 48,880         | 40,630         | 48,160         |

## 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:

##### (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 rating system are explained in Note 50(a).

| Group<br>Internal rating grade | 2020              |                   |                   |                 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                    |                   |                   |                   |                 |
| Strong                         | -                 | -                 | -                 | -               |
| Satisfactory                   | 451,490           | -                 | -                 | 451,490         |
| Substandard                    | 48,395            | 87,908            | -                 | 136,303         |
| Total                          | 499,885           | 87,908            | -                 | 587,793         |

| Group<br>Internal rating grade | 2019              |                   |                   |                 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                    |                   |                   |                   |                 |
| Strong                         | 3,840             | -                 | -                 | 3,840           |
| Satisfactory                   | 426,008           | 36,347            | -                 | 462,355         |
| Substandard                    | 192,681           | 6,447             | -                 | 665,323         |
| Total                          | 622,529           | 42,794            | -                 | 665,323         |

| Bank<br>Internal rating grade | 2020              |                   |                   |                 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------|
|                               | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                   |                   |                   |                   |                 |
| Strong                        | -                 | -                 | -                 | -               |
| Satisfactory                  | 524,484           | -                 | -                 | 524,484         |
| Substandard                   | 48,395            | 87,908            | -                 | 136,303         |
| Total                         | 572,879           | 87,908            | -                 | 660,787         |



## 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<br>Internal rating grade | 2019              |                   |                   | Total<br>RM'000 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------|
|                               | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 |                 |
| Performing:                   |                   |                   |                   |                 |
| Strong                        | 3,840             | -                 | -                 | 3,840           |
| Satisfactory                  | 498,506           | 36,347            | -                 | 534,853         |
| Substandard                   | 192,681           | 6,447             | -                 | 199,128         |
| <b>Total</b>                  | <b>695,027</b>    | <b>42,794</b>     | <b>-</b>          | <b>737,821</b>  |

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to term loan is as follows:

| Group<br>Gross carrying amount                          | 2020              |                   |                   | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 |                 |
| As at 1 January   | 622,529           | 42,794            | -                 | 665,323         |
| New assets originated or purchased                      | 199,589           | 4,151             | -                 | 203,740         |
| Assets derecognised or repaid<br>(excluding write-offs) | (272,135)         | (8,947)           | -                 | (281,082)       |
| Transfers of stages                                     | (50,029)          | 50,029            | -                 | -               |
| Modification of contractual cash flow of<br>assets      | (70)              | (118)             | -                 | (188)           |
| <b>As at 31 December</b>                                | <b>499,884</b>    | <b>87,909</b>     | <b>-</b>          | <b>587,793</b>  |

| Group<br>Gross carrying amount                          | 2019              |                   |                   | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>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<br>(excluding write-offs) | (261,264)         | (1,713)           | -                 | (262,977)       |
| Transfers of stages                                     | (36,347)          | 36,347            | -                 | -               |
| <b>As at 31 December</b>                                | <b>622,529</b>    | <b>42,794</b>     | <b>-</b>          | <b>665,323</b>  |

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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.):

| Bank  | 2020              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Gross carrying amount</b>                            |                   |                   |                   |                 |
| As at 1 January   | 695,027           | 42,794            | -                 | 737,821         |
| New assets originated or purchased                      | 239,427           | 4,151             | -                 | 243,578         |
| Assets derecognised or repaid<br>(excluding write-offs) | (311,477)         | (8,947)           | -                 | (320,424)       |
| Transfers of stages                                     | (50,029)          | 50,029            | -                 | -               |
| Modification of contractual cash flow of<br>assets      | (70)              | (118)             | -                 | (188)           |
| As at 31 December                                       | 572,878           | 87,909            | -                 | 660,787         |

| Bank  | 2019              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Gross carrying amount</b>                            |                   |                   |                   |                 |
| 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<br>(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         |

## 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   | 2020    |         |         |        |
|---|---------|---------|---------|--------|
|   | Stage 1 | Stage 2 | Stage 3 | Total  |
| ECL allowances  | RM'000  | RM'000  | RM'000  | RM'000 |
| As at 1 January   | 1,183   | -       | -       | 1,183  |
| New assets originated or purchased                      | 330     | -       | -       | 330    |
| Assets derecognised or repaid<br>(excluding write-offs) | (578)   | -       | -       | (578)  |
| Impact of net measurement                               | (716)   | -       | -       | (716)  |
| Changes in model assumption or<br>methodology           | 2,840   | -       | -       | 2,840  |
| As at 31 December                                       | 3,059   | -       | -       | 3,059  |

| Group   | 2019    |         |         |        |
|---|---------|---------|---------|--------|
|   | Stage 1 | Stage 2 | Stage 3 | Total  |
| ECL allowances  | RM'000  | RM'000  | RM'000  | RM'000 |
| As at 1 January   | 815     | -       | -       | 815    |
| New assets originated or purchased                      | 919     | -       | -       | 919    |
| Assets derecognised or repaid<br>(excluding write-offs) | (473)   | -       | -       | (473)  |
| Transfers of stages                                     | (78)    | -       | -       | (78)   |
| As at 31 December                                       | 1,183   | -       | -       | 1,183  |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 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<br>ECL allowances                                  | 2020              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January   | 2,111             | -                 | -                 | 2,111           |
| New assets originated or purchased                      | 838               | -                 | -                 | 838             |
| Assets derecognised or repaid<br>(excluding write-offs) | (702)             | -                 | -                 | (702)           |
| Impact of net measurement                               | (1,775)           | -                 | -                 | (1,775)         |
| Changes in model assumption or<br>methodology           | 2,840             | -                 | -                 | 2,840           |
| As at 31 December                                       | 3,312             | -                 | -                 | 3,312           |

| Bank<br>ECL allowances                                  | 2019              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January   | 1,201             | -                 | -                 | 1,201           |
| New assets originated or purchased                      | 1,473             | -                 | -                 | 1,473           |
| Assets derecognised or repaid<br>(excluding write-offs) | (514)             | -                 | -                 | (514)           |
| Impact of net measurement                               | (49)              | -                 | -                 | (49)            |
| As at 31 December                                       | 2,111             | -                 | -                 | 2,111           |

## 9. LOANS, ADVANCES AND FINANCING (CONT'D.)

### 9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

#### (b) Share margin financing

| Group and Bank<br>Internal rating grade | 2020              |                   |                   |                  |
|---|-------------------|-------------------|-------------------|------------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000  |
| Performing:                             |                   |                   |                   |                  |
| Strong                                  | 441,427           | 18                | -                 | 441,445          |
| Satisfactory                            | 596,955           | 28,426            | -                 | 625,381          |
| Substandard                             | 68,282            | 203               | -                 | 68,485           |
| Non-performing:                         |                   |                   |                   |                  |
| Default                                 | -                 | -                 | 40,630            | 40,630           |
| Non-rated                               | 33,083            | -                 | -                 | 33,083           |
| <b>Total</b>                            | <b>1,139,747</b>  | <b>28,647</b>     | <b>40,630</b>     | <b>1,209,024</b> |

| Group and Bank<br>Internal rating grade | 2019              |                   |                   |                  |
|---|-------------------|-------------------|-------------------|------------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000  |
| Performing:                             |                   |                   |                   |                  |
| Strong                                  | 365,224           | -                 | -                 | 365,224          |
| Satisfactory                            | 748,858           | -                 | -                 | 748,858          |
| Substandard                             | 108,784           | -                 | -                 | 108,784          |
| Non-performing:                         |                   |                   |                   |                  |
| Default                                 | -                 | -                 | 48,160            | 48,160           |
| Non-rated                               | 49,080            | -                 | -                 | 49,080           |
| <b>Total</b>                            | <b>1,271,946</b>  | <b>-</b>          | <b>48,160</b>     | <b>1,320,106</b> |

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<br>Gross carrying amount                 | 2020              |                   |                   |                  |
|---|-------------------|-------------------|-------------------|------------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000  |
| As at 1 January   | 1,271,945         | -                 | 48,161            | 1,320,106        |
| New assets originated or purchased                      | 1,084,996         | 1,226             | 2,686             | 1,088,908        |
| Assets derecognised or repaid<br>(excluding write-offs) | (1,128,952)       | (13,078)          | (11,259)          | (1,153,289)      |
| Transfers of stages                                     | (50,120)          | 40,243            | 9,877             | -                |
| Amount written off                                      | -                 | -                 | (9,005)           | (9,005)          |
| Impact of remeasurement                                 | (38,122)          | 256               | 170               | (37,696)         |
| <b>As at 31 December</b>                                | <b>1,139,747</b>  | <b>28,647</b>     | <b>40,630</b>     | <b>1,209,024</b> |

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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

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  | 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                      | 785,662   | 228      | 289      | 786,179   |
| Assets derecognised or repaid<br>(excluding write-offs) | (818,875) | (6,956)  | (41,985) | (867,816) |
| Transfers of stages                                     | (8,008)   | (23,735) | 31,743   | -         |
| Impact of net measurement                               | (17,750)  | 46       | (170)    | (17,874)  |
| As at 31 December                                       | 1,271,945 | -        | 48,161   | 1,320,106 |

| Group and Bank  | 2020    |         |         |         |
|---|---------|---------|---------|---------|
|   | Stage 1 | Stage 2 | Stage 3 | Total   |
| ECL allowances  | RM'000  | RM'000  | RM'000  | RM'000  |
| As at 1 January   | -       | -       | 16,061  | 16,061  |
| New assets originated or purchased                      | -       | -       | 1,530   | 1,530   |
| Transfers of stages                                     | -       | 2,356   | (2,356) | -       |
| Assets derecognised or repaid<br>(excluding write-offs) | -       | -       | (4,668) | (4,668) |
| Net remeasurement of allowance                          | -       | -       | 5,691   | 5,691   |
| Amount written off                                      | -       | -       | (9,005) | (9,005) |
| As at 31 December                                       | -       | 2,356   | 7,253   | 9,609   |

| Group and Bank  | 2019    |         |          |          |
|---|---------|---------|----------|----------|
|   | Stage 1 | Stage 2 | Stage 3  | Total    |
| ECL allowances  | RM'000  | RM'000  | RM'000   | RM'000   |
| As at 1 January   | -       | 8,847   | 21,253   | 30,100   |
| New assets originated or purchased                      | -       | -       | 243      | 243      |
| Transfers of stages                                     | -       | (8,847) | 8,847    | -        |
| Assets derecognised or repaid<br>(excluding write-offs) | -       | -       | (37,652) | (37,652) |
| Net remeasurement of allowance                          | -       | -       | 23,370   | 23,370   |
| As at 31 December                                       | -       | -       | 16,061   | 16,061   |

## 9. LOANS, ADVANCES AND FINANCING (CONT'D.)

### 9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

#### (c) Other lending and factoring receivables and advances to group employees

##### Other lending and factoring receivables

| Group<br>Internal rating grade | 2020              |                   |                   |                 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                    |                   |                   |                   |                 |
| Strong                         | 41,779            | -                 | -                 | 41,779          |
| Satisfactory                   | 43,193            | -                 | -                 | 43,193          |
| Substandard                    | -                 | -                 | -                 | -               |
| Non-performing:                |                   |                   |                   |                 |
| Individually impaired          | -                 | -                 | 664               | 664             |
| <b>Total</b>                   | <b>84,972</b>     | <b>-</b>          | <b>664</b>        | <b>85,636</b>   |

| Group<br>Internal rating grade | 2019              |                   |                   |                 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                    |                   |                   |                   |                 |
| Strong                         | 26,598            | -                 | -                 | 26,598          |
| Satisfactory                   | 67,855            | -                 | -                 | 67,855          |
| Substandard                    | 2,148             | -                 | -                 | 2,148           |
| Non-performing:                |                   |                   |                   |                 |
| Individually impaired          | -                 | -                 | 716               | 716             |
| <b>Total</b>                   | <b>96,601</b>     | <b>-</b>          | <b>716</b>        | <b>97,317</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

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### 9. LOANS, ADVANCES AND FINANCING (CONT'D.)

#### 9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

##### (c) Other lending and factoring receivables and advances to group employees (cont'd.)

##### Other lending and factoring receivables (cont'd.)

##### Group

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other financing is as follows:

|   | 2020              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Gross carrying amount</b>                            |                   |                   |                   |                 |
| As at 1 January   | 96,601            | -                 | 716               | 97,317          |
| New assets originated or purchased                      | 121,663           | -                 | 811               | 122,474         |
| Assets derecognised or repaid<br>(excluding write-offs) | (133,292)         | -                 | (863)             | (134,155)       |
| As at 31 December                                       | 84,972            | -                 | 664               | 85,636          |

|   | 2019              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Gross carrying amount</b>                            |                   |                   |                   |                 |
| As at 1 January   | 61,954            | -                 | 781               | 62,735          |
| New assets originated or purchased                      | 127,921           | -                 | -                 | 127,921         |
| Assets derecognised or repaid<br>(excluding write-offs) | (93,274)          | -                 | (65)              | (93,339)        |
| As at 31 December                                       | 96,601            | -                 | 716               | 97,317          |

|   | 2020              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>ECL allowances</b>                                   |                   |                   |                   |                 |
| As at 1 January   | -                 | -                 | 716               | 716             |
| New assets originated or purchased                      | 53                | -                 | -                 | 53              |
| Assets derecognised or repaid<br>(excluding write-offs) | -                 | -                 | (52)              | (52)            |
| As at 31 December                                       | 53                | -                 | 664               | 717             |



## 9. LOANS, ADVANCES AND FINANCING (CONT'D.)

### 9.2 Impairment allowance for loans, advances and financing are as follows (cont'd.):

#### (c) Other lending and factoring receivables and advances to group employees (cont'd.)

##### Other lending and factoring receivables (cont'd.)

##### Group

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other financing is as follows: (cont'd.)

| ECL allowances  | 2019              |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January   | 23                | -                 | 781               | 804             |
| Assets derecognised or repaid<br>(excluding write-offs) | (23)              | -                 | (65)              | (88)            |
| As at 31 December                                       | -                 | -                 | 716               | 716             |

##### Advances to group employees

|                       | Group and Bank |                |
|-----------------------|----------------|----------------|
|                       | 2020<br>RM'000 | 2019<br>RM'000 |
| Gross carrying amount | 181            | 17             |

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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

| Group<br>Internal rating grade | 2020              |                   |                   |                 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                    |                   |                   |                   |                 |
| Strong                         | -                 | -                 | -                 | -               |
| Satisfactory                   | 151,400           | -                 | -                 | 151,400         |
| Substandard                    | 7,500             | -                 | -                 | 7,500           |
| Total                          | 158,900           | -                 | -                 | 158,900         |

| Group<br>Internal rating grade | 2019              |                   |                   |                 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                    |                   |                   |                   |                 |
| Strong                         | 76,174            | -                 | -                 | 76,174          |
| Satisfactory                   | 23,665            | -                 | -                 | 23,665          |
| Substandard                    | 361               | -                 | -                 | 361             |
| Total                          | 100,200           | -                 | -                 | 100,200         |

| Bank<br>Internal rating grade | 2020              |                   |                   |                 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------|
|                               | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                   |                   |                   |                   |                 |
| Strong                        | -                 | -                 | -                 | -               |
| Satisfactory                  | 218,900           | -                 | -                 | 218,900         |
| Substandard                   | 7,500             | -                 | -                 | 7,500           |
| Total                         | 226,400           | -                 | -                 | 226,400         |

| Bank<br>Internal rating grade | 2019              |                   |                   |                 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------|
|                               | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| Performing:                   |                   |                   |                   |                 |
| Strong                        | 76,174            | -                 | -                 | 76,174          |
| Satisfactory                  | 91,665            | -                 | -                 | 91,665          |
| Substandard                   | 361               | -                 | -                 | 361             |
| Total                         | 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:

| Group  | 2020              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Outstanding exposure</b>  |                   |                   |                   |                 |
| As at 1 January  | 100,200           | -                 | -                 | 100,200         |
| New exposures  | 329,995           | -                 | -                 | 329,995         |
| Exposures derecognised or matured/lapsed<br>(excluding write-offs) | (271,295)         | -                 | -                 | (271,295)       |
| As at 31 December  | 158,900           | -                 | -                 | 158,900         |

| Group  | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Outstanding exposure</b>  |                   |                   |                   |                 |
| As at 1 January  | 123,405           | -                 | -                 | 123,405         |
| New exposures  | 240,557           | -                 | -                 | (263,762)       |
| Exposures derecognised or matured/lapsed<br>(excluding write-offs) | (263,762)         | -                 | -                 | (263,762)       |
| As at 31 December  | 100,200           | -                 | -                 | 100,200         |

| Bank   | 2020              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Outstanding exposure</b>  |                   |                   |                   |                 |
| As at 1 January  | 168,200           | -                 | -                 | 168,200         |
| New exposures  | 364,495           | -                 | -                 | 364,495         |
| Exposures derecognised or matured/lapsed<br>(excluding write-offs) | (306,295)         | -                 | -                 | (306,295)       |
| As at 31 December  | 226,400           | -                 | -                 | 226,400         |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 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              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Outstanding exposure</b>  |                   |                   |                   |                 |
| As at 1 January  | 230,405           | -                 | -                 | 230,405         |
| New exposures  | 240,557           | -                 | -                 | 240,557         |
| Exposures derecognised or matured/lapsed<br>(excluding write-offs) | (302,762)         | -                 | -                 | (302,762)       |
| As at 31 December  | 168,200           | -                 | -                 | 168,200         |

| Group                       | 2020              |                   |                   |                 |
|-----------------------------|-------------------|-------------------|-------------------|-----------------|
|                             | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>ECL allowances</b>       |                   |                   |                   |                 |
| As at 1 January             | 129               | -                 | -                 | 129             |
| Impact of net remeasurement | (129)             | -                 | -                 | (129)           |
| As at 31 December           | -                 | -                 | -                 | -               |

| Group  | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>ECL allowances</b>                                      |                   |                   |                   |                 |
| As at 1 January  | 60                | -                 | -                 | 60              |
| New exposures  | 26                | -                 | -                 | 26              |
| Exposures derecognised or repaid<br>(excluding write-offs) | (16)              | -                 | -                 | (16)            |
| Impact of net remeasurement                                | 59                | -                 | -                 | 59              |
| As at 31 December  | 129               | -                 | -                 | 129             |

## 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<br>ECL allowances                                     | 2020              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | 255               | -                 | -                 | 255             |
| Exposures derecognised or repaid<br>(excluding write-offs) | (25)              | -                 | -                 | (25)            |
| Impact of net remeasurement                                | (155)             | -                 | -                 | (155)           |
| As at 31 December  | 75                | -                 | -                 | 75              |

| Bank<br>ECL allowances                                     | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January  | 201               | -                 | -                 | 201             |
| New exposures  | 26                | -                 | -                 | 26              |
| Exposures derecognised or repaid<br>(excluding write-offs) | (41)              | -                 | -                 | (41)            |
| Impact of net remeasurement                                | 69                | -                 | -                 | 69              |
| As at 31 December  | 255               | -                 | -                 | 255             |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 9. LOANS, ADVANCES AND FINANCING (CONT'D.)

#### 9.3 COVID-19 customer relief and support measures

As at 31 December 2020

| Group and Bank   | Individual        |                   | Corporate         |                   | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 1<br>RM'000 | Stage 2<br>RM'000 |                 |
| Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted | 30,785            | 30,785            | 136,783           | 88,038            | 224,821         |
| Matured and repaying according to revised schedules  | 30,785            | 30,785            | 134,777           | 88,038            | 222,815         |
| Extended   | -                 | -                 | 2,006             | -                 | 2,006           |
| <i>As a percentage of total:</i>   |                   |                   |                   |                   |                 |
| Matured and repaying according to revised schedules  | 100%              | 100%              | 98.5%             | 100%              | 99.1%           |
| Extended   | 0%                | 0%                | 1.5%              | 0%                | 0.9%            |
|  | 100%              | 100%              | 100%              | 100%              | 100%            |

### 10. BALANCES DUE FROM CLIENTS AND BROKERS

|                                       | Group and Bank |                |
|---------------------------------------|----------------|----------------|
|                                       | 2020<br>RM'000 | 2019<br>RM'000 |
| Balances due from clients and brokers | 551,280        | 294,014        |
| Less: Allowance for ECL               | (6,223)        | (13,657)       |
|                                       | 545,057        | 280,357        |

## 10. BALANCES DUE FROM CLIENTS AND BROKERS

### 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:

|  | Non-Credit Impaired RM'000 | Credit Impaired RM'000 | Total RM'000 |
|--|----------------------------|------------------------|--------------|
| <b>2020</b>  |                            |                        |              |
| <b><u>ECL allowances</u></b>                         |                            |                        |              |
| As at 1 January                                      | 1,516                      | 12,141                 | 13,657       |
| New assets originated or purchased                   | 248                        | 762                    | 1,010        |
| Assets derecognised or repaid (excluding write-offs) | (211)                      | (919)                  | (1,130)      |
| Written off  | -                          | (7,314)                | (7,314)      |
| As at 31 December                                    | 1,553                      | 4,670                  | 6,223        |
| <b>2019</b>  |                            |                        |              |
| <b><u>ECL allowances</u></b>                         |                            |                        |              |
| As at 1 January                                      | 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                                    | 1,516                      | 12,141                 | 13,657       |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 11. OTHER ASSETS

|  | Note | Group          |                | Bank           |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Assets segregated for customers        | (a)  | 101,629        | 86,376         | -              | -              |
| Interest/income receivable             |      | 11,041         | 11,641         | 10,906         | 11,401         |
| Amounts due from subsidiary companies  | (b)  | -              | -              | 30,359         | 30,599         |
| Amounts due from related parties       | (c)  | 127            | 33             | 127            | 33             |
| Prepayments and deposits               |      | 19,420         | 19,378         | 16,152         | 17,771         |
| Other debtors                          | (d)  | 62,220         | 39,166         | 43,544         | 17,873         |
| Treasury trade receivables             |      | -              | 49,842         | -              | 49,842         |
|  |      | <b>194,437</b> | 206,436        | <b>101,088</b> | 127,519        |
| Allowance for ECL                      |      |                |                |                |                |
| - Other debtors                        | 11.1 | (6,148)        | (4,651)        | (6,150)        | (4,651)        |
| - Amount due from subsidiary companies | 11.2 | -              | -              | (226)          | (304)          |
|  |      | <b>188,289</b> | 201,785        | <b>94,712</b>  | 122,564        |

## 11.1 ECL allowance for other assets are as follows:

| Group<br>ECL allowances                              | 2020                             |                              |                 |
|--|----------------------------------|------------------------------|-----------------|
|  | Non-Credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>RM'000 |
| As at 1 January                                      | 180                              | 4,471                        | 4,651           |
| New assets originated or purchased                   | 1,513                            | 1,050                        | 2,563           |
| Assets derecognised or repaid (excluding write-offs) | -                                | (1,290)                      | (1,290)         |
| Written off  | -                                | (57)                         | (57)            |
| Transfer of stages                                   | (1,548)                          | 1,548                        | -               |
| Impact of net remeasurement                          | -                                | 281                          | 281             |
| As at 31 December                                    | <b>145</b>                       | <b>6,003</b>                 | <b>6,148</b>    |



## 11. OTHER ASSETS (CONT'D.)

### 11.1 ECL allowance for other assets are as follows (cont'd.):

| Group<br>ECL allowances                              | 2019                             |                              |                 |
|--|----------------------------------|------------------------------|-----------------|
|  | Non-Credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>RM'000 |
| As at 1 January                                      | 259                              | 4,597                        | 4,856           |
| New assets originated or purchased                   | 1,207                            | 1                            | 1,208           |
| Assets derecognised or repaid (excluding write-offs) | -                                | (2,325)                      | (2,325)         |
| Written off  | (9)                              | (179)                        | (188)           |
| Transfer of stages                                   | (1,277)                          | 1,277                        | -               |
| Impact of net remeasurement                          | -                                | 1,100                        | 1,100           |
| As at 31 December                                    | 180                              | 4,471                        | 4,651           |

| Bank<br>ECL allowances                               | 2020                             |                              |                 |
|--|----------------------------------|------------------------------|-----------------|
|  | Non-Credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>RM'000 |
| As at 1 January                                      | 180                              | 4,471                        | 4,651           |
| New assets originated or purchased                   | 1,514                            | 1,051                        | 2,565           |
| Assets derecognised or repaid (excluding write-offs) | -                                | (1,290)                      | (1,290)         |
| Written off  | -                                | (57)                         | (57)            |
| Transfer of stages                                   | (1,548)                          | 1,548                        | -               |
| Impact of net remeasurement                          | -                                | 281                          | 281             |
| As at 31 December                                    | 146                              | 6,004                        | 6,150           |

## NOTES TO THE FINANCIAL STATEMENTS

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### 11. OTHER ASSETS (CONT'D.)

#### 11.1 ECL allowance for other assets are as follows (cont'd.):

| Bank<br>ECL allowances                               | 2019                                 |                              |                 |
|--|--------------------------------------|------------------------------|-----------------|
|  | Non-<br>Credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>RM'000 |
| As at 1 January                                      | 259                                  | 3,226                        | 3,485           |
| New assets originated or purchased                   | 1,207                                | 1                            | 1,208           |
| Assets derecognised or repaid (excluding write-offs) | -                                    | (954)                        | (954)           |
| Written off  | (9)                                  | (179)                        | (188)           |
| Transfer of stages                                   | (1,277)                              | 1,277                        | -               |
| Impact of net remeasurement                          | -                                    | 1,100                        | 1,100           |
| As at 31 December                                    | 180                                  | 4,471                        | 6,150           |

#### 11.2 ECL allowance for amount due from subsidiaries are as follows:

| Bank<br>ECL allowances             | 2020              |                   |                   |                 |
|------------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                    | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January                    | 304               | -                 | -                 | 304             |
| New assets originated or purchased | 4                 | -                 | -                 | 4               |
| Impact of net remeasurement        | (82)              | -                 | -                 | (82)            |
| As at 31 December                  | 226               | -                 | -                 | 226             |

| Bank<br>ECL allowances             | 2019              |                   |                   |                 |
|------------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                    | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| As at 1 January                    | -                 | -                 | -                 | -               |
| New assets originated or purchased | 304               | -                 | -                 | 304             |
| As at 31 December                  | 304               | -                 | -                 | 304             |

**11. OTHER ASSETS (CONT'D.)****(a) Assets segregated for customers**

These represent margin deposits paid by a subsidiary company to Bursa Malaysia Derivatives Clearing Berhad.

**(b) Amounts due from subsidiary companies**

Included in the amount due from subsidiary companies is the term loan given to a subsidiary company, Kenanga Investors Berhad. The loan is unsecured and bears interest of 1.0% per annum above cost of funds. The tenure for the loan is 6 years from 5 July 2019.

**(c) Amounts due from related parties**

Amounts due from all related parties 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 (2019: 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           |                |
|------------------------------------|----------------|----------------|
|                                    | 2020<br>RM'000 | 2019<br>RM'000 |
| Unquoted shares:                   |                |                |
| At beginning of the financial year | 70,135         | 70,428         |
| Less: Impairment losses            | -              | (293)          |
| At end of the financial year       | 70,135         | 70,135         |

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiary companies are as follows:

| Name  | Principal activities   | Effective equity interest |           |
|---|--|---------------------------|-----------|
|   |  | 2020<br>%                 | 2019<br>% |
| <u>Local subsidiary companies</u>                           |  |                           |           |
| Kenanga Futures Sdn Bhd                                     | Futures broker   | 100                       | 100       |
| Kenanga Nominees (Asing) Sdn Bhd                            | Provision of nominee services  | 100                       | 100       |
| Kenanga Nominees (Tempatan) Sdn Bhd                         | Provision of nominee services  | 100                       | 100       |
| Kenanga Private Equity Sdn Bhd                              | Private equity management  | 100                       | 100       |
| ECML Berhad   | Dealings in securities and derivatives, and provision of corporate finance and other advisory services | 100                       | 100       |
| 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       |
| Kenanga Investors Berhad                                    | Promotion and management of collective investment schemes and management of investment funds           | 100                       | 100       |
| The subsidiary companies of Kenanga Investors Berhad are:   |  |                           |           |
| Kenanga Islamic Investors Berhad                            | Management of Islamic collective investment schemes and Islamic investment funds                       | 100                       | 100       |

### 13. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

| Name   | Principal activities   | Effective equity interest |           |
|--|--|---------------------------|-----------|
|  |  | 2020<br>%                 | 2019<br>% |
| <u>Local subsidiary companies (cont'd.)</u>                |  |                           |           |
| The subsidiaries of Kenanga Investors Berhad are: (cont'd) |  |                           |           |
| Libra Invest Berhad  | Management of unit trust funds and the provision of fund management services   | 100                       | 100       |
| KUT Nominees (Tempatan) Sdn Bhd                            | Provision of nominee services  | 100                       | 100       |
| KUT Nominees (Asing) Sdn Bhd                               | Provision of nominee services  | 100                       | 100       |
| Kenanga Funds Berhad                                       | Promotion and management of unit trust funds and the management of investment funds  | 100                       | 100       |
| Kenanga Capital Sdn Bhd                                    | Licensed money lender  | 100                       | 100       |
| The subsidiary company of Kenanga Capital Sdn Bhd is:      |  |                           |           |
| Kenanga Capital Islamic Sdn Bhd                            | Islamic factoring and leasing  | 51                        | 100       |
| <u>Overseas subsidiary company</u>                         |  |                           |           |
| 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.

## NOTES TO THE FINANCIAL STATEMENTS

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## 14. INVESTMENTS IN ASSOCIATES

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Unquoted shares at cost                                   | 88,644         | 88,644         | 68,435         | 68,435         |
| Share of post acquisition losses                          | (14,068)       | (18,061)       | -              | -              |
| Share of changes in other comprehensive income/<br>(loss) | 660            | (4,017)        | -              | -              |
| Dividends received  | (102)          | (102)          | -              | -              |
| Foreign exchange differences                              | 16,554         | 17,788         | -              | -              |
|   | <b>91,688</b>  | 84,252         | <b>68,435</b>  | 68,435         |
| Less: Accumulated impairment losses                       | (19,610)       | (19,610)       | (12,200)       | (12,200)       |
|   | <b>72,078</b>  | 64,642         | <b>56,235</b>  | 56,235         |
| Represented by:   |                |                |                |                |
| Share of net tangible assets                              | <b>72,078</b>  | 64,642         |                |                |

## (a) Details of the associates are as follows:

| Name   | Place of incorporation  | Principal activities  | Effective equity interest |           |
|--|-------------------------|---|---------------------------|-----------|
|  |                         |   | 2020<br>%                 | 2019<br>% |
| Kenanga Investment Corporation Ltd <sup>*</sup>                  | Sri Lanka               | Investment banking related activities   | 45.0                      | 45.0      |
| Al Wasatah Al Maliah Company <sup>*</sup><br>("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 <sup>^</sup>  | Vietnam                 | Securities, brokerage depository and advisory business  | 49.0                      | 49.0      |

\* Audited by firms other than Messrs. Ernst & Young PLT

<sup>^</sup> 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.

#### 14. INVESTMENTS IN ASSOCIATES (CONT'D.)

##### (b) Summarised financial information of the material associate is as follows:

The summarised financial information represents the amounts in the MFRS financial statements of the material associate and not the Group's share of those amounts.

##### (i) Summarised statement of financial position

|                          | Wasatah Capital |                |
|--------------------------|-----------------|----------------|
|                          | 2020<br>RM'000  | 2019<br>RM'000 |
| Current assets           | 81,164          | 80,447         |
| Non-current assets       | 158,950         | 127,573        |
| <b>Total assets</b>      | <b>240,113</b>  | 208,020        |
| Current liabilities      | 13,976          | 5,520          |
| Non-current liabilities  | 3,343           | 3,015          |
| <b>Total liabilities</b> | <b>17,318</b>   | 8,535          |
| <b>Net assets*</b>       | <b>222,795</b>  | 199,485        |

\* The net assets are net of zakat expenses which are not shared by non-Saudi shareholders in accordance with the regulations of Zakat department of Zakat & Income Tax as applicable in the Kingdom of Saudi Arabia. Therefore, the net assets will not represent the Group's and the Bank's share of net assets in Wasatah Capital as disclosed in Note 14(b)(iii) below. The difference will be the total zakat expenses that were fully borne by the Saudi shareholders.

##### (ii) Summarised statement of profit or loss and other comprehensive income

|                                   | Wasatah Capital |                |
|-----------------------------------|-----------------|----------------|
|                                   | 2020<br>RM'000  | 2019<br>RM'000 |
| Revenue                           | 33,832          | 14,820         |
| Profit before taxation            | 16,149          | 1,119          |
| Tax (expense)/credit              | (5,534)         | 1,314          |
| Other comprehensive income        | 16,225          | 18,966         |
| <b>Total comprehensive income</b> | <b>26,839</b>   | 21,399         |

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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 |                |
|--|-----------------|----------------|
|  | 2020<br>RM'000  | 2019<br>RM'000 |
| Net assets at 1 January                                | 233,293         | 218,234        |
| Profit before taxation                                 | 16,149          | 1,119          |
| Other comprehensive income                             | 16,225          | 18,966         |
| Movement of foreign exchange reserve                   | (4,068)         | (3,333)        |
| Audit adjustments:                                     |                 |                |
| - Loss before taxation                                 | -               | (1,163)        |
| - Other comprehensive loss                             | -               | (12,937)       |
| - Retained profits                                     | -               | 12,407         |
| Net assets at 31 December                              | 261,598         | 233,293        |
| Interest in Wasatah Capital                            | 29.60%          | 29.60%         |
| Share of net assets at 31 December                     | 77,433          | 69,055         |
| Accumulated Group's share of tax expense               | (1,631)         | (670)          |
| Accumulated impairment losses                          | (4,549)         | (4,549)        |
| Carrying value of the Group's interest in Wasatah      | 71,253          | 63,836         |
| Carrying value of other associates                     | 775             | 806            |
| Total carrying value of Group's interest in associates | 72,028          | 64,642         |

(c) Aggregate information of associates that are not individually material

|  | 2020<br>RM'000 | 2019<br>RM'000 |
|--|----------------|----------------|
| The Group's share of results in associates, representing share of total comprehensive loss | 50             | 70             |



## 15. INVESTMENT IN A JOINT VENTURE COMPANY

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Unquoted shares  |                |                |                |                |
| At beginning of the financial year                         | 40,000         | 30,000         | 40,000         | 30,000         |
| Add: Subscription of new shares in a joint venture company | -              | 10,000         | -              | 10,000         |
|  | 40,000         | 40,000         | 40,000         | 40,000         |
| Cumulative share of results                                | (15,281)       | (24,199)       | -              | -              |
| At the end of financial year                               | 24,719         | 15,801         | 40,000         | 40,000         |

(a) The summarised income and expenses of the joint venture company are as follows:

|                              | Group          |                |
|------------------------------|----------------|----------------|
|                              | 2020<br>RM'000 | 2019<br>RM'000 |
| Revenue                      | 56,501         | 6,292          |
| Profit/(Loss) after taxation | 17,616         | (16,478)       |

(b) The summarised assets and liabilities of the joint venture company are as follows:

|                   | Group          |                |
|-------------------|----------------|----------------|
|                   | 2020<br>RM'000 | 2019<br>RM'000 |
| Total assets      | 648,321        | 182,247        |
| Total liabilities | 598,882        | 150,645        |

(c) Details of the joint venture company held by the Bank are as follows:

| Name                  | Percentage (%) of equity held |      | Principal activities  |
|-----------------------|-------------------------------|------|---|
|                       | 2020                          | 2019 |   |
| Rakuten Trade Sdn Bhd | 50                            | 50   | Dealing in securities restricted to listed securities and investment advice |

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### 16. PROPERTY, PLANT AND EQUIPMENT

| Group  | Freehold land<br>RM'000 | Building<br>RM'000 | Motor vehicles<br>RM'000 | Computer hardware<br>RM'000 | Office equipment<br>RM'000 | Furniture and fittings<br>RM'000 | Renovations<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|--|-------------------------|--------------------|--------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------|------------------------------------|-----------------|
| <b>2020</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| <b>Cost</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2020                                    | 81,910                  | 46,830             | 5,928                    | 30,581                      | 27,255                     | 45,592                           | 32,259                | 2,562                              | 272,917         |
| Additions  | -                       | -                  | 1,042                    | 3,466                       | 278                        | 149                              | 891                   | 2,506                              | 8,332           |
| Reclassification                                     | -                       | -                  | -                        | 191                         | 126                        | 154                              | 548                   | (3,089)                            | (2,070)         |
| Disposals/write-off                                  | -                       | -                  | (162)                    | (5,187)                     | (28)                       | (18,035)                         | (5)                   | -                                  | (23,417)        |
| At 31 December 2020                                  | 81,910                  | 46,830             | 6,808                    | 29,051                      | 27,631                     | 27,860                           | 33,693                | 1,979                              | 255,762         |
| <b>Accumulated depreciation</b>                      |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2020                                    | -                       | 3,500              | 5,618                    | 21,963                      | 14,258                     | 37,172                           | 19,956                | -                                  | 102,467         |
| Depreciation charge for the financial year (Note 33) | -                       | 937                | 210                      | 4,272                       | 2,122                      | 1,514                            | 2,726                 | -                                  | 11,781          |
| Disposals/write-off                                  | -                       | -                  | (162)                    | (5,187)                     | (28)                       | (18,035)                         | (4)                   | -                                  | (23,416)        |
| At 31 December 2020                                  | -                       | 4,437              | 5,666                    | 21,048                      | 16,352                     | 20,651                           | 22,678                | -                                  | 90,832          |
| <b>Net carrying amount</b>                           |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 31 December 2020                                  | 81,910                  | 42,393             | 1,142                    | 8,003                       | 11,279                     | 7,209                            | 11,015                | 1,979                              | 164,930         |

## 16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group  | Freehold land<br>RM'000 | Building<br>RM'000 | Motor vehicles<br>RM'000 | Computer hardware<br>RM'000 | Office equipment<br>RM'000 | Furniture and fittings<br>RM'000 | Renovations<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|--|-------------------------|--------------------|--------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------|------------------------------------|-----------------|
| <b>2019</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| <b>Cost</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2019                                    | 81,910                  | 46,830             | 5,983                    | 59,397                      | 26,840                     | 45,382                           | 31,539                | 1,257                              | 299,138         |
| Transfer <sup>*</sup>                                | -                       | -                  | -                        | (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         |
| <b>Accumulated depreciation</b>                      |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2019                                    | -                       | 2,564              | 5,477                    | 39,331                      | 12,263                     | 35,927                           | 17,254                | -                                  | 112,816         |
| Transfer <sup>*</sup>                                | -                       | -                  | -                        | (19,534)                    | -                          | -                                | -                     | -                                  | (19,534)        |
| Acquisition of subsidiary                            | -                       | -                  | 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         |
| <b>Net carrying amount</b>                           |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 31 December 2019                                  | 81,910                  | 44,266             | 506                      | 8,618                       | 12,997                     | 8,420                            | 12,303                | 2,562                              | 170,450         |

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### 16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Bank   | Freehold land<br>RM'000 | Building<br>RM'000 | Motor vehicles<br>RM'000 | Computer hardware<br>RM'000 | Office equipment<br>RM'000 | Furniture and fittings<br>RM'000 | Renovations<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|--|-------------------------|--------------------|--------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------|------------------------------------|-----------------|
| <b>2020</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| <b>Cost</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2020                                    | 81,910                  | 46,830             | 5,733                    | 27,855                      | 26,080                     | 43,085                           | 28,864                | 2,443                              | 262,800         |
| Additions  | -                       | -                  | 1,043                    | 3,064                       | 245                        | 140                              | 858                   | 1,606                              | 6,956           |
| Reclassification                                     | -                       | -                  | -                        | -                           | -                          | -                                | -                     | (2,070)                            | (2,070)         |
| Disposals/write-off                                  | -                       | -                  | (162)                    | (5,187)                     | (28)                       | (18,035)                         | (5)                   | -                                  | (23,417)        |
| At 31 December 2020                                  | 81,910                  | 46,830             | 6,614                    | 25,732                      | 26,297                     | 25,190                           | 29,717                | 1,979                              | 244,269         |
| <b>Accumulated depreciation</b>                      |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2020                                    | -                       | 3,500              | 5,424                    | 19,539                      | 13,542                     | 35,542                           | 18,543                | -                                  | 96,090          |
| Depreciation charge for the financial year (Note 33) | -                       | 937                | 210                      | 4,020                       | 2,022                      | 1,345                            | 2,424                 | -                                  | 10,958          |
| Disposals/write-off                                  | -                       | -                  | (162)                    | (5,187)                     | (28)                       | (18,035)                         | (4)                   | -                                  | (23,416)        |
| At 31 December 2020                                  | -                       | 4,437              | 5,472                    | 18,372                      | 15,536                     | 18,852                           | 20,963                | -                                  | 83,632          |
| <b>Net carrying amount</b>                           |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 31 December 2020                                  | 81,910                  | 42,393             | 1,142                    | 7,360                       | 10,761                     | 6,338                            | 8,754                 | 1,979                              | 160,637         |

## 16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Bank   | Freehold land<br>RM'000 | Building<br>RM'000 | Motor vehicles<br>RM'000 | Computer hardware<br>RM'000 | Office equipment<br>RM'000 | Furniture and fittings<br>RM'000 | Renovations<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|--|-------------------------|--------------------|--------------------------|-----------------------------|----------------------------|----------------------------------|-----------------------|------------------------------------|-----------------|
| <b>2019</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| <b>Cost</b>  |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2019                                    | 81,910                  | 46,830             | 5,803                    | 57,670                      | 25,898                     | 43,826                           | 28,605                | 939                                | 291,481         |
| Transfer <sup>*</sup>                                | -                       | -                  | -                        | (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         |
| <b>Accumulated depreciation</b>                      |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 1 January 2019                                    | -                       | 2,563              | 5,299                    | 37,921                      | 11,628                     | 34,904                           | 16,035                | -                                  | 108,350         |
| Transfer <sup>*</sup>                                | -                       | -                  | -                        | (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          |
| <b>Net carrying amount</b>                           |                         |                    |                          |                             |                            |                                  |                       |                                    |                 |
| At 31 December 2019                                  | 81,910                  | 43,330             | 309                      | 8,316                       | 12,538                     | 7,543                            | 10,321                | 2,443                              | 166,710         |

\* Computer hardware, computer software and office equipment were categorised as plant and office equipment prior to 2019. 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          |                | Bank           |                |
|---|-----|----------------|----------------|----------------|----------------|
|   |     | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Total intangible assets                             |     |                |                |                |                |
| Goodwill  | (a) | 240,782        | 243,754        | 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) | 21,975         | 16,548         | 18,985         | 15,303         |
| Trading and clearing rights for derivatives broking | (e) | 416            | 416            | -              | -              |
| Client relationships                                | (f) | 2,525          | -              | -              | -              |
|   |     | <b>322,367</b> | 317,387        | <b>324,394</b> | 320,712        |
| <b>(a) Goodwill</b>                                 |     |                |                |                |                |
| <b>Cost</b>   |     |                |                |                |                |
| At beginning of the financial year                  |     | 279,521        | 244,521        | 288,676        | 288,676        |
| Acquisition of subsidiary                           |     | -              | 35,000         | -              | -              |
| Reclassified  |     | (2,972)        | -              | -              | -              |
| At end of the financial year                        |     | <b>276,549</b> | 279,521        | <b>288,676</b> | 288,676        |
| <b>Accumulated impairment loss/ amortisation</b>    |     |                |                |                |                |
| At beginning/end of the financial year              |     | <b>35,767</b>  | 35,767         | <b>35,767</b>  | 35,767         |
| <b>Net carrying amount</b>                          |     | <b>240,782</b> | 243,754        | <b>252,909</b> | 252,909        |
| <b>(b) Merchant banking licence</b>                 |     |                |                |                |                |
| <b>Cost</b>   |     |                |                |                |                |
| At beginning/end of the financial year              |     | <b>52,500</b>  | 52,500         | <b>52,500</b>  | 52,500         |
| <b>(c) Fund management contracts</b>                |     |                |                |                |                |
| <b>Cost</b>   |     |                |                |                |                |
| At beginning/end of the financial year              |     | <b>4,169</b>   | 4,169          | -              | -              |

## 17. INTANGIBLE ASSETS (CONT'D.)

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>(d) Computer software</b>                                   |                |                |                |                |
| <b>Cost</b>  |                |                |                |                |
| At beginning of the financial year                             | 46,454         | 4,880          | 41,148         | 2,281          |
| Transfer from property, plant and equipment                    | 2,070          | 34,216         | 2,070          | 34,216         |
| Acquisition of subsidiary                                      | -              | 2,657          | -              | -              |
| Additions  | 8,014          | 4,701          | 5,874          | 4,651          |
| Disposals/write-off  | (1,430)        | -              | (1,430)        | -              |
| At end of the financial year                                   | 55,108         | 46,454         | 47,662         | 41,148         |
| <b>Accumulated amortisation</b>                                |                |                |                |                |
| At beginning of the financial year                             | 29,906         | 4,497          | 25,845         | 2,281          |
| Transfer from property, plant and equipment                    | -              | 19,534         | -              | 19,534         |
| Acquisition of subsidiary                                      | -              | 1,570          | -              | -              |
| Amortisation (Note 33)   | 4,654          | 4,305          | 4,259          | 4,030          |
| Disposals/write-off  | (1,427)        | -              | (1,427)        | -              |
| At end of the financial year                                   | 33,133         | 29,906         | 28,677         | 25,845         |
| <b>Net carrying amount</b>                                     | <b>21,975</b>  | <b>16,548</b>  | <b>18,985</b>  | <b>15,303</b>  |
| <b>(e) Trading and clearing rights for derivatives broking</b> |                |                |                |                |
| <b>Cost</b>  |                |                |                |                |
| At beginning/end of the financial year                         | 416            | 416            | -              | -              |
| <b>(f) Client relationships</b>                                |                |                |                |                |
| At beginning of the financial year                             | -              | -              | -              | -              |
| Reclassified*  | 2,972          | -              | -              | -              |
| Amortisation   | (447)          | -              | -              | -              |
| At end of the financial year                                   | 2,525          | -              | -              | -              |

\* In the prior year, the Group acquired 100% equity interest in Libra Invest Berhad ("Libra Invest"). Provisional amounts of assets and liabilities recognised in the prior year are as follows:

|                    | 2019<br>RM'000 |
|--------------------|----------------|
| Net assets         | 15,616         |
| Provision goodwill | 35,000         |
| Consideration paid | 50,616         |

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### 17. INTANGIBLE ASSETS (CONT'D.)

#### (f) Client relationships (cont'd.)

The Group had performed a fair valuation of the material tangible assets identified, tangible assets acquired and liabilities assumed within Libra Invest, for purpose of a purchase price allocation (“PPA”) in accordance with MFRS 3 Business combinations. The PPA was completed during the current financial year. Certain amounts have been reclassified based on the results of the PPA in the current year’s statement of financial position as follows:

|                        | Group          |                            |                |
|------------------------|----------------|----------------------------|----------------|
|                        | 2019<br>RM'000 | Reclassification<br>RM'000 | 2020<br>RM'000 |
| Goodwill               | 35,000         | (2,972)                    | <b>32,028</b>  |
| Customer relationships | -              | 2,972                      | <b>2,972</b>   |

#### (g) Impairment test on intangible assets

The intangible assets consist of:

##### Goodwill

Goodwill has been allocated to the following CGUs:

|                       | Group          |                |
|-----------------------|----------------|----------------|
|                       | 2020<br>RM'000 | 2019<br>RM'000 |
| Stockbroking          | <b>147,459</b> | 147,459        |
| Investment banking    | <b>55,651</b>  | 55,651         |
| Investment management | <b>40,197</b>  | 40,644         |
|                       | <b>243,307</b> | 243,754        |

##### Merchant banking licence

- Merchant banking licence which is allocated to the Bank’s stockbroking and investment banking CGUs represents contribution to BNM for a licence to carry on merchant banking business to transform the Bank from a Universal Broker into an Investment Bank.

##### Fund management contracts

- Intangible asset relating to fund management contracts arising from the acquisition of one of the Bank’s subsidiary operations is allocated to the unit trust and asset management (investment management) CGU.



## 17. INTANGIBLE ASSETS (CONT'D.)

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

#### 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 9.00% (2019: 7.06%) per annum.

### **(h) Sensitivity to changes in assumptions**

Management believes that a reasonably possible change in any of the above key assumptions would not cause, in overall basis, the recoverable amounts of the intangible assets to be lower than the carrying values of the CGUs.

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## 18. RIGHT-OF-USE ASSETS

| Group   | Building<br>RM'000 | Equipment<br>RM'000 | Total<br>RM'000 |
|---|--------------------|---------------------|-----------------|
| <b>2020</b>                                   |                    |                     |                 |
| <b>Cost</b>                                   |                    |                     |                 |
| At 1 January 2020                             | 34,153             | 290                 | 34,443          |
| Additions                                     | 10,370             | -                   | 10,370          |
| Derecognition                                 | (11,356)           | -                   | (11,356)        |
| At 31 December 2020                           | 33,167             | 290                 | 33,457          |
| <b>Accumulated amortisation</b>               |                    |                     |                 |
| At 1 January 2020                             | 9,577              | 210                 | 9,787           |
| Amortisation for the financial year (Note 33) | 8,369              | 80                  | 8,449           |
| Derecognition                                 | (7,961)            | -                   | (7,961)         |
| At 31 December 2020                           | 9,985              | 290                 | 10,275          |
| <b>Net carrying amount</b>                    |                    |                     |                 |
| At 31 December 2020                           | 23,182             | -                   | 23,182          |
| <b>2019</b>                                   |                    |                     |                 |
| <b>Cost</b>                                   |                    |                     |                 |
| At 1 January 2019                             | 24,445             | 290                 | 24,735          |
| Acquisition of subsidiary                     | 73                 | -                   | 73              |
| Additions                                     | 9,664              | -                   | 9,664           |
| Derecognition                                 | (29)               | -                   | (29)            |
| At 31 December 2019                           | 34,153             | 290                 | 34,443          |
| <b>Accumulated amortisation</b>               |                    |                     |                 |
| At 1 January 2019                             | -                  | -                   | -               |
| Acquisition of 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           |
| <b>Net carrying amount</b>                    |                    |                     |                 |
| At 31 December 2019                           | 24,576             | 80                  | 24,656          |

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

| Bank  | Building       |                |
|---|----------------|----------------|
|   | RM'000<br>2020 | RM'000<br>2019 |
| <b>Cost</b>                                   |                |                |
| At 1 January                                  | 32,609         | 23,843         |
| Additions                                     | 6,578          | 8,795          |
| Derecognition                                 | (8,323)        | (29)           |
| At 31 December                                | 30,864         | 32,609         |
| <b>Accumulated depreciation</b>               |                |                |
| At 1 January                                  | 8,864          | -              |
| Amortisation for the financial year (Note 33) | 7,337          | 8,893          |
| Derecognition                                 | (6,673)        | (29)           |
| At 31 December                                | 9,528          | 8,864          |
| <b>Net carrying amount</b>                    |                |                |
| At 31 December                                | 21,336         | 23,745         |

## 19. DEFERRED TAXATION

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| At 1 January                             | 2,265          | 6,532          | (657)          | 3,666          |
| Acquisition of a subsidiary              | -              | (133)          | -              | -              |
| Recognised in profit or loss (Note 40)   | 13,265         | (1,504)        | 10,782         | (1,693)        |
| Recognised in other comprehensive income | (1,403)        | (2,630)        | (1,403)        | (2,630)        |
| At end of the financial year             | 14,127         | 2,265          | 8,722          | (657)          |
| Deferred tax assets                      | 14,283         | 2,955          | 8,722          | -              |
| Deferred tax liabilities                 | (156)          | (690)          | -              | (657)          |
|  | 14,127         | 2,265          | 8,722          | (657)          |

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## 19. DEFERRED TAXATION (CONT'D.)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

|                          | Group          |                | Bank           |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Deferred tax assets      | 30,051         | 17,290         | 24,288         | 14,159         |
| Deferred tax liabilities | (15,924)       | (15,025)       | (15,566)       | (14,816)       |
|                          | 14,127         | 2,265          | 8,722          | (657)          |

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<br>reserve<br>RM'000 | Excess of<br>capital<br>allowances<br>over<br>depreciation<br>RM'000 | Right-of-use<br>asset<br>RM'000 | Total<br>RM'000 |
|--|---------------------------------|--|---------------------------------|-----------------|
| At 1 January 2020                        | (3,317)                         | (6,009)  | (5,699)                         | (15,025)        |
| Recognised in profit or loss             | -                               | (74)   | 578                             | 504             |
| Recognised in other comprehensive income | (1,403)                         | -  | -                               | (1,403)         |
| At 31 December 2020                      | (4,720)                         | (6,083)  | (5,121)                         | (15,924)        |
| At 1 January 2019                        | -                               | (6,454)  | -                               | (6,454)         |
| Acquisition of a subsidiary              | -                               | (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)        |

## Deferred tax assets of the Group:

|                              | Fair value<br>reserve<br>RM'000 | Impairment<br>allowance<br>and<br>provisions<br>RM'000 | Unabsorbed<br>capital<br>allowances<br>and tax<br>losses<br>RM'000 | Lease<br>liabilities<br>RM'000 | Total<br>RM'000 |
|------------------------------|---------------------------------|--|--|--------------------------------|-----------------|
| At 1 January 2020            | 152                             | 10,306   | 1,207  | 5,625                          | 17,290          |
| Recognised in profit or loss | -                               | 14,301   | (1,061)  | (479)                          | 12,761          |
| At 31 December 2020          | 152                             | 24,607   | 146  | 5,146                          | 30,051          |

**19. DEFERRED TAXATION (CONT'D.)**

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

**Deferred tax assets of the Group:**

|  | Fair value<br>reserve<br>RM'000 | Impairment<br>allowance<br>and<br>provisions<br>RM'000 | Unabsorbed<br>capital<br>allowances<br>and tax<br>losses<br>RM'000 | Lease<br>liabilities<br>RM'000 | Total<br>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          |

**Deferred tax liabilities of the Bank:**

|  | Fair value<br>reserve<br>RM'000 | Excess of<br>capital<br>allowances<br>over<br>depreciation<br>RM'000 | Right-of-<br>use<br>assets<br>RM'000 | Total<br>RM'000 |
|--|---------------------------------|--|--------------------------------------|-----------------|
| At 1 January 2020                        | (3,317)                         | (5,800)  | (5,699)                              | (14,816)        |
| Recognised in profit or loss             | -                               | 75   | 578                                  | 653             |
| Recognised in other comprehensive income | (1,403)                         | -  | -                                    | (1,403)         |
| At 31 December 2020                      | (4,720)                         | (5,725)  | (5,121)                              | (15,566)        |
| 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)        |

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### 19. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

#### Deferred tax assets of the Bank:

|  | Fair value<br>reserve<br>RM'000 | Impairment<br>allowance<br>and<br>provisions<br>RM'000 | Lease<br>liabilities<br>RM'000 | Total<br>RM'000 |
|--|---------------------------------|--|--------------------------------|-----------------|
| At 1 January 2020                        | -                               | 8,534  | 5,625                          | 14,159          |
| Recognised in profit or loss             | -                               | 10,608   | (479)                          | 10,129          |
| At 31 December 2020                      | -                               | 19,142   | 5,146                          | 24,288          |
| 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          |

Deferred tax assets have not been recognised in respect of the following items:

|   | Group          |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| Unutilised tax losses carried forward         | 6,177          | 3,772          |
| Unutilised capital allowances carried forward | 2,000          | 1,761          |
|   | 8,177          | 7,411          |

On 27 December 2018, the Finance Act 2018 was gazetted and section 10 of the Finance Act 2018 made amendments to Section 44 of Income Tax Act 1967 ("ITA"). Effective year of assessment ("YA") 2019, the ability to carry forward the unabsorbed losses and unutilised allowances is restricted to a maximum period of seven (7) consecutive years.

**20. DEPOSITS FROM CUSTOMERS**

|  | Group            |                | Bank             |                |
|--|------------------|----------------|------------------|----------------|
|  | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Fixed term deposits  | <b>2,340,932</b> | 3,282,087      | <b>2,354,086</b> | 3,312,129      |
| Short term money deposits  | <b>518,102</b>   | 657,880        | <b>595,406</b>   | 681,696        |
| Negotiable instruments of deposits                                   | <b>52,303</b>    | 54,160         | <b>52,303</b>    | 54,160         |
| Call money deposits  | <b>41,048</b>    | 71,367         | <b>41,048</b>    | 71,367         |
|  | <b>2,952,385</b> | 4,065,494      | <b>3,042,843</b> | 4,119,352      |
| (i) The maturity structure is as follows:                            |                  |                |                  |                |
| Due within six months  | <b>2,128,347</b> | 2,911,025      | <b>2,216,065</b> | 2,964,883      |
| Six months to one year   | <b>590,017</b>   | 727,267        | <b>592,757</b>   | 727,267        |
| More than one year   | <b>234,021</b>   | 427,202        | <b>234,021</b>   | 427,202        |
|  | <b>2,952,385</b> | 4,065,494      | <b>3,042,843</b> | 4,119,352      |
| (ii) The deposits are sourced from the following types of customers: |                  |                |                  |                |
| Government and statutory bodies                                      | <b>829,560</b>   | 786,494        | <b>829,560</b>   | 786,494        |
| Individuals  | <b>84,730</b>    | 124,805        | <b>84,730</b>    | 124,805        |
| Business enterprises   | <b>872,878</b>   | 776,876        | <b>872,878</b>   | 776,876        |
| Non-bank financial institutions                                      | <b>1,054,701</b> | 2,265,852      | <b>1,054,701</b> | 2,265,852      |
| Subsidiaries and related companies                                   | <b>110,516</b>   | 111,467        | <b>200,974</b>   | 165,325        |
|  | <b>2,952,385</b> | 4,065,494      | <b>3,042,843</b> | 4,119,352      |

**21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

|                              | Group and Bank   |                |
|------------------------------|------------------|----------------|
|                              | 2020<br>RM'000   | 2019<br>RM'000 |
| Licensed banks               | <b>100,000</b>   | -              |
| Licensed investment banks    | <b>50,000</b>    | 50,000         |
| Other financial institutions | <b>732,667</b>   | 600,718        |
| Bank Negara Malaysia         | <b>183,418</b>   | -              |
|                              | <b>1,066,085</b> | 650,718        |

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### 22. BALANCES DUE TO CLIENTS AND BROKERS

|                                     | Group          |                | Bank           |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Balances due to clients and brokers | 720,665        | 537,393        | 405,191        | 304,880        |

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 (2019: 1 to 2 trading days) term.

### 23. DERIVATIVE FINANCIAL LIABILITIES

|                                    | Group and Bank |                |
|------------------------------------|----------------|----------------|
|                                    | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At fair value</b>               |                |                |
| Dual currency investment - Options | 6              | 14             |
| Equity related contracts - Options | 135,291        | 13,402         |
| Equity related contract - Swaps    | 2,095          | -              |
| Equity related contract - Forward  | 88             | -              |
|                                    | 137,480        | 13,416         |
| <b>Contract/notional amount</b>    |                |                |
| Dual currency investment - Options | 3,655          | 4,509          |
| Equity related contracts - Options | 451,950        | 72,413         |
| Equity related contract - Swaps    | 19,467         | -              |
| Equity related contract - Forward  | 3,200          | -              |
|                                    | 478,272        | 76,922         |

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.



## 24. OTHER LIABILITIES

|                                    | Note | Group          |                | Bank           |                |
|------------------------------------|------|----------------|----------------|----------------|----------------|
|                                    |      | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Interest/income payable            |      | 17,275         | 35,878         | 16,544         | 35,375         |
| Retention for contra losses        |      | 17             | 17             | 17             | 17             |
| Structured products                |      | 15,583         | 5,399          | 15,583         | 5,399          |
| Treasury trade payables            |      | -              | 49,842         | -              | 49,842         |
| Accruals and provisions            | (i)  | 141,510        | 70,989         | 62,383         | 35,484         |
| Amount held in trust on behalf of: |      |                |                |                |                |
| - Dealer's representatives         |      | 122,522        | 60,201         | 122,522        | 60,201         |
| Securities borrowing and lending   |      | 1,657          | 3,040          | 1,657          | 3,040          |
| Deposits and other creditors       |      | 144,691        | 84,975         | 141,927        | 79,400         |
| Amount due to trustee              |      | 4,040          | 12,611         | -              | -              |
| Amount due to subsidiaries         |      | -              | -              | 12             | 268            |
|                                    |      | <b>447,295</b> | <b>322,952</b> | <b>360,645</b> | <b>269,026</b> |

(i) Included in accruals and provisions, the movements in the provisions are as follows:

|                     | Group          |                | Bank           |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| As at 1 January     | 18,624         | 17,163         | 14,804         | 12,932         |
| Provision made, net | 52,306         | 16,320         | 41,633         | 11,681         |
| Utilisation         | (19,045)       | (14,859)       | (13,734)       | (9,809)        |
| As at 31 December   | <b>51,885</b>  | <b>18,624</b>  | <b>42,703</b>  | <b>14,804</b>  |

The nature of the provisions made above are for provision for annual leave, bonus, potential liabilities and directors' fee.

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## 25. BORROWINGS

|                              | Note | Group          |                | Bank           |                |
|------------------------------|------|----------------|----------------|----------------|----------------|
|                              |      | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Short term borrowings</b> |      |                |                |                |                |
| Secured:                     |      |                |                |                |                |
| Revolving bank loan          | (a)  | 30,400         | 41,600         | 30,400         | 41,600         |
| Unsecured:                   |      |                |                |                |                |
| Revolving bank loans         | (b)  | 23,000         | 30,000         | -              | -              |
| Subordinated notes           | (c)  | 122,000        | 25,000         | 122,000        | 25,000         |
|                              |      | <b>175,400</b> | <b>96,600</b>  | <b>152,400</b> | <b>66,600</b>  |

- (a) The revolving bank loan amounting to RM30.4 million (2019: RM41.6 million) bears interest of 0.5% (2019: 0.5%) per annum above cost of funds. The loan is secured by a first party legal charge over Kenanga Tower, the corporate office building of Kenanga Investment Bank Berhad. The tenure for the loan is 7 years from 24 May 2016.
- (b) The revolving bank loans bear interest of 1.50% to 2.00% over cost of funds (2019: 1.50% to 2.00% over cost of funds) plus cost of maintaining statutory reserve and liquidity requirements and are payable on maturity of the loans. The maximum tenure for the loans is 3 months (2019: 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 2020 are as follows:

| Issue date        | Tranches | RM'000         | Rate (p.a.) | Tenure                      |
|-------------------|----------|----------------|-------------|-----------------------------|
| 20 April 2017     | 1        | 5,000          | 6.25%       | } (non-callable<br>5 years) |
| 29 January 2018   | 2        | 10,000         | 6.60%       |                             |
| 18 September 2018 | 3        | 10,000         | 6.40%       |                             |
| 20 March 2020     | 4        | 50,000         | 5.25%       |                             |
| 28 August 2020    | 5        | 47,000         | 4.40%       |                             |
|                   |          | <b>122,000</b> |             |                             |

**26. LEASE LIABILITIES**

|                       | Group          |                | Bank           |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| As at 1 January       | 24,429         | 23,047         | 23,436         | 22,157         |
| Additions             | 6,976          | 9,751          | 4,928          | 7,167          |
| Accretion of interest | 1,331          | 1,236          | 1,218          | 1,177          |
| Payments              | (9,354)        | (9,576)        | (8,140)        | (7,036)        |
| Derecognition         | -              | (29)           | -              | (29)           |
| As at 31 December     | 23,382         | 24,429         | 21,442         | 23,436         |

The maturity analysis of lease liabilities are disclosed as below:

|                            | Group      |            | Bank       |            |
|----------------------------|------------|------------|------------|------------|
|                            | 2020<br>RM | 2019<br>RM | 2020<br>RM | 2019<br>RM |
| Within 1 year              | 5,248      | 16,961     | 5,048      | 16,727     |
| Between one and five years | 18,134     | 7,468      | 16,394     | 6,709      |
|                            | 23,382     | 24,429     | 21,442     | 23,436     |

**27. SHARE CAPITAL**

|                          | Group and Bank            |              |                |                |
|--------------------------|---------------------------|--------------|----------------|----------------|
|                          | Number of Ordinary Shares |              | Amount         |                |
|                          | 2020<br>'000              | 2019<br>'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Issued and fully paid:   |                           |              |                |                |
| Ordinary shares          |                           |              |                |                |
| At 1 January/31 December | 722,741                   | 722,741      | 246,249        | 246,249        |

**Treasury shares**

|  | Group and Bank            |              |                |                |
|--|---------------------------|--------------|----------------|----------------|
|  | Number of Ordinary Shares |              | Amount         |                |
|  | 2020<br>'000              | 2019<br>'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| At 1 January                               | 24,054                    | 23,744       | 16,990         | 16,808         |
| Share buy back                             | -                         | 310          | -              | 182            |
| Transfer to staff pursuant to ESS exercise | (9,247)                   | -            | (6,532)        | -              |
| At 31 December                             | 14,807                    | 24,054       | 10,458         | 16,990         |

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### 27. SHARE CAPITAL (CONT'D.)

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 11 June 2020, had approved its plan to purchase its own shares up to 10% of existing total issued and paid-up share capital.

During the financial year, the Bank did not buy back any ordinary shares (2019: 310,000 at an average price of RM0.5786) from the open market. The earlier share buy-back transactions undertaken in financial year ended 2019 were financed by internally generated funds. As at 31 December 2020, the total number of shares bought was 14,806,800 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 14,806,800 treasury shares) as at 31 December 2020 was RM235,790,270 (2019: RM229,258,908) comprising 707,934,599 (2019: 698,687,499) shares.

### 28. RESERVES

|                           | Note | Group          |                | Bank           |                |
|---------------------------|------|----------------|----------------|----------------|----------------|
|                           |      | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Non-distributable:</b> |      |                |                |                |                |
| Capital reserve           |      | <b>88,938</b>  | 88,938         | <b>153,863</b> | 153,863        |
| Fair value reserve        | (a)  | <b>15,916</b>  | 6,488          | <b>15,256</b>  | 10,505         |
| Exchange reserve          | (b)  | <b>16,556</b>  | 17,789         | -              | -              |
| Regulatory reserve        | (c)  | <b>18,661</b>  | 25,444         | <b>18,661</b>  | 25,444         |
| ESS reserve               |      | <b>6,144</b>   | 4,560          | <b>6,144</b>   | 4,560          |
|                           |      | <b>146,215</b> | 143,219        | <b>193,924</b> | 194,372        |
| <b>Distributable:</b>     |      |                |                |                |                |
| Retained profits          |      | <b>617,832</b> | 531,811        | <b>594,296</b> | 532,338        |
|                           |      | <b>764,047</b> | 675,030        | <b>788,220</b> | 726,710        |

The nature and purpose of each category of reserves are as follows:

- Fair value reserve is in respect of unrealised fair value gains and losses on financial investments at FVOCI, net of tax.
- The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of the associated companies.
- 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.

## 30. INTEREST INCOME

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Loans, advances and financing                                     |                |                |                |                |
| - Interest income other than from recoveries from impaired loans* | 125,777        | 137,948        | 121,520        | 134,035        |
| - Interest income from recoveries from impaired loans             | 918            | -              | 918            | -              |
| Money at call and deposit placements with financial institutions  | 45,627         | 50,794         | 42,429         | 46,971         |
| Financial investments measured at FVOCI                           | 23,325         | 35,857         | 23,325         | 35,857         |
| Financial investments at amortised cost                           | 4,860          | 4,159          | 4,860          | 4,159          |
| Others  | 18,414         | 15,394         | 18,431         | 15,379         |
|   | <b>218,921</b> | 244,152        | <b>211,483</b> | 236,401        |

\* Included net modification loss relating to COVID-19 relief measures of the Group and of the Bank of RM188,323 in the current financial year.

## 31. INTEREST EXPENSE

|   | Group          |                            | Bank           |                |
|---|----------------|----------------------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000<br>Restated | 2020<br>RM'000 | 2019<br>RM'000 |
| Deposits from customers   | 108,829        | 146,408                    | 110,438        | 148,309        |
| Deposits and placements from banks and other financial institutions | 1,901          | 4,701                      | 1,901          | 4,701          |
| Borrowings  | 7,178          | 5,848                      | 5,560          | 3,630          |
| Lease interest expense  | 1,335          | 1,236                      | 1,218          | 1,177          |
| Others  | 1,264          | 1,978                      | 9,342          | 5,079          |
|   | <b>120,507</b> | 160,171                    | <b>128,459</b> | 162,896        |

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### 32. OTHER OPERATING INCOME

|   | Group          |                            | Bank           |                |
|---|----------------|----------------------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000<br>Restated | 2020<br>RM'000 | 2019<br>RM'000 |
| (a) Fee income:   |                |                            |                |                |
| Brokerage fees  | 372,166        | 144,900                    | 372,167        | 144,900        |
| Corporate advisory fees   | 5,942          | 12,671                     | 6,059          | 12,788         |
| Processing fees on loans advances<br>and financing  | 3,199          | 4,021                      | 2,320          | 3,335          |
| Underwriting commission   | 3,254          | 1,241                      | 3,254          | 1,241          |
| Placement fees  | 13,551         | 9,002                      | 10,949         | 8,100          |
| Commissions   | 10,754         | 6,890                      | -              | -              |
| Management fee income   | 100,605        | 82,755                     | 1,123          | 1,445          |
| Other fee income  | 20,694         | 14,653                     | 5,955          | 6,902          |
| Other   | 2,501          | 1,679                      | 1,255          | 582            |
|   | 532,666        | 277,812                    | 403,082        | 179,293        |
| (b) Investment and trading income:  |                |                            |                |                |
| Net gain from sale of financial assets at fair value<br>through profit or loss and derivatives                | 217,667        | 55,590                     | 217,307        | 55,590         |
| Unrealised loss on revaluation of financial<br>assets at fair value through profit or loss and<br>derivatives | (76,392)       | (17,264)                   | (77,874)       | (19,696)       |
| Net gain from sale of financial investments at<br>FVOCI   | 9,243          | 10,827                     | 9,243          | 10,827         |
| Gross dividend income from:   |                |                            |                |                |
| - Financial assets at fair value through profit or<br>loss  | 3,746          | 1,064                      | 3,640          | 923            |
| - Financial investments at FVOCI  | 294            | 320                        | 294            | 320            |
| Interest income from financial assets at FVTPL  | 1,827          | 2,137                      | 1,827          | 2,137          |
|   | 156,385        | 52,674                     | 154,437        | 50,101         |

**32. OTHER OPERATING INCOME (CONT'D.)**

|   | Group          |                            | Bank           |                |
|---|----------------|----------------------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000<br>Restated | 2020<br>RM'000 | 2019<br>RM'000 |
| (c) Other income:                                 |                |                            |                |                |
| Foreign exchange gain, net                        | 9,306          | 6,800                      | 9,196          | 6,825          |
| Gain on disposal of property, plant and equipment | 24             | 23                         | 24             | 23             |
| Other operating income                            | 1,454          | 1,004                      | 2,157          | 1,474          |
| Other non-operating income                        |                |                            |                |                |
| - Rental income                                   | 2,687          | 2,828                      | 4,529          | 4,658          |
| - Others  | 4,931          | 6,259                      | 4,705          | 5,539          |
|   | 18,402         | 16,914                     | 20,611         | 18,519         |
| Total other operating income                      | 707,453        | 347,400                    | 578,130        | 247,913        |

**33. OTHER OPERATING EXPENSES**

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Personnel costs   |                |                |                |                |
| - Salaries, allowances and bonuses                        | 180,489        | 143,504        | 142,270        | 111,093        |
| - EPF   | 18,784         | 18,006         | 14,991         | 14,309         |
| - ESS   | 2,515          | 1,972          | 2,343          | 1,733          |
| - Others  | 29,652         | 21,621         | 16,556         | 12,936         |
|   | 231,440        | 185,103        | 176,160        | 140,071        |
| Establishment costs                                       |                |                |                |                |
| - Depreciation of property, plant and equipment (Note 16) | 11,781         | 10,724         | 10,958         | 10,046         |
| - Amortisation of intangible assets (Note 17(d))          | 5,101          | 4,305          | 4,259          | 4,030          |
| - Amortisation of right-of-use assets (Note 18)           | 8,449          | 9,769          | 7,337          | 8,864          |
| - Rental of premises:                                     |                |                |                |                |
| - Current year  | 415            | 730            | 275            | 463            |
| - Over accrual in prior year                              | -              | (1,617)        | -              | (1,617)        |
| - Rental of equipment                                     | 604            | 469            | 360            | 306            |
| - Repairs and maintenance                                 | 6,069          | 5,691          | 4,086          | 3,879          |
| - Information technology expenses                         | 14,776         | 12,630         | 14,669         | 12,537         |
| - Others  | 7,010          | 6,653          | 3,361          | 3,624          |
|   | 54,205         | 49,354         | 45,305         | 42,132         |

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### 33. OTHER OPERATING EXPENSES (CONT'D.)

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Marketing expenses  |                |                |                |                |
| - Promotion and advertisement                               | 12,548         | 10,587         | 2,943          | 4,591          |
| - Travel and entertainment                                  | 4,160          | 4,600          | 1,383          | 2,687          |
| - Others  | 930            | 759            | 847            | 637            |
|   | <b>17,638</b>  | 15,946         | <b>5,173</b>   | 7,915          |
| Administration and general expenses                         |                |                |                |                |
| - Communication expenses                                    | 4,482          | 5,210          | 3,764          | 4,462          |
| - Regulatory charges  | 36,056         | 21,760         | 34,160         | 19,563         |
| - Printing and stationery                                   | 1,552          | 1,502          | 1,046          | 973            |
| - Administrative expenses                                   | 16,249         | 13,415         | 14,546         | 11,470         |
| - Professional fees and legal fees                          | 4,236          | 4,741          | 3,782          | 4,189          |
| - Fees and brokerage  | 334,305        | 121,156        | 287,308        | 84,346         |
|   | <b>396,880</b> | 167,784        | <b>344,606</b> | 125,003        |
| Total other operating expenses                              | <b>700,163</b> | 418,187        | <b>571,244</b> | 315,121        |
| Included in the other operating expenses are the following: |                |                |                |                |
| Auditors' remuneration                                      |                |                |                |                |
| - Statutory audit   | 542            | 523            | 345            | 335            |
| - Assurance related   | 58             | 60             | 58             | 60             |
| - Other services  | 65             | 208            | 27             | 81             |
| Directors' remuneration (Note 39)                           | 4,453          | 4,178          | 4,165          | 3,916          |
| Property, plant and equipment written off (Note 16)         | 1              | 37             | 1              | 37             |
| Intangible assets written off (Note 17)                     | 3              | -              | 3              | -              |



### 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:

| 2020  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Debts instruments at FVOCI (Note 7(a))          | (350)             | -                 | -                 | (350)           |
| Debts instruments at amortised cost (Note 7(b)) | (105)             | 338               | -                 | 233             |
| Loans, advances and financing (Note 9.2)        | (1,929)           | -                 | (2,501)           | (4,430)         |
| Loan commitments (Note 9.2(d))                  | 129               | -                 | -                 | 129             |
| Credit loss (expenses)/reversal                 | (2,255)           | 338               | (2,501)           | (4,418)         |

| 2019  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>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 (expenses)/reversal                      | (225)             | 522               | 14,104            | 14,401          |

(b) Movement in ECLs on other financial assets:

| 2020  | Non-Credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>RM'000 |
|---|----------------------------------|------------------------------|-----------------|
| Balances due from clients and brokers (Note 10.1) | (37)                             | 157                          | 120             |
| Other debtors (Note 11.1)                         | (1,513)                          | (41)                         | (1,554)         |
| Credit loss (expenses)/reversal                   | (1,550)                          | 116                          | (1,434)         |

| 2019  | Non-Credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>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             |

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### 34. CREDIT LOSS REVERSAL/(EXPENSES) (CONT'D.)

#### Bank

(a) Movement in ECLs on debt instruments, loan commitments and loans, advances and financing:

| 2020  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Debts instruments at FVOCI (Note 7(a))          | (350)             | -                 | -                 | (350)           |
| Debts instruments at amortised cost (Note 7(b)) | (105)             | 338               | -                 | 233             |
| Loans, advances and financing (Note 9.2)        | (1,201)           | -                 | (2,553)           | (3,754)         |
| Loan commitments (Note 9.2(d))                  | 180               | -                 | -                 | 180             |
| Amount due from subsidiaries                    | 78                | -                 | -                 | 78              |
| Credit loss (expenses)/reversal                 | (1,398)           | 338               | (2,553)           | (3,613)         |

| 2019  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>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 reversal/(expenses)                 | (1,079)           | 522               | 14,039            | 13,482          |

(b) Movement in ECLs on other financial assets:

| 2020  | Non-Credit<br>Impaired<br>RM'000 | Credit-<br>Impaired<br>RM'000 | Total<br>RM'000 |
|---|----------------------------------|-------------------------------|-----------------|
| Balances due from clients and brokers (Note 10.1) | (37)                             | 157                           | 120             |
| Other debtors (Note 11.1)                         | (1,514)                          | (42)                          | (1,556)         |
| Credit loss (expenses)/reversal                   | (1,551)                          | 115                           | (1,436)         |

| 2019  | Non-Credit<br>Impaired<br>RM'000 | Credit-<br>Impaired<br>RM'000 | Total<br>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)           |

**35. BAD DEBTS RECOVERED/(WRITTEN OFF)**

|                                       | Group and Bank |                |
|---------------------------------------|----------------|----------------|
|                                       | 2020<br>RM'000 | 2019<br>RM'000 |
| Loans, advances and financing         | 1,316          | 3,534          |
| Balances due from clients and brokers | 145            | 196            |
| Other debtors                         | (53)           | (266)          |
|                                       | 1,408          | 3,464          |

**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           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Transactions</b>                               |                |                |                |                |
| <b>Income earned:</b>                             |                |                |                |                |
| Brokerage fees:                                   |                |                |                |                |
| - Key management personnel                        | 19             | -              | 19             | -              |
| - Related company                                 | 7,308          | 895            | 7,308          | 895            |
| Corporate advisory fees:                          |                |                |                |                |
| - Subsidiaries                                    | -              | -              | 117            | 117            |
| Processing fees on loans, advances and financing: |                |                |                |                |
| - Subsidiaries                                    | -              | -              | 423            | 250            |
| Management fee income:                            |                |                |                |                |
| - Subsidiary                                      | -              | -              | 86             | 92             |
| Other income:                                     |                |                |                |                |
| - Subsidiary                                      | -              | -              | 87             | 216            |
| - Related company                                 | 265            | 302            | 265            | 302            |
| Interest on loans, advances and financing:        |                |                |                |                |
| - Subsidiaries                                    | -              | -              | 6,195          | 4,146          |

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### 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

|                                       | Group          |                | Bank           |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Transactions (cont'd.)</b>         |                |                |                |                |
| <b>Income earned (cont'd.):</b>       |                |                |                |                |
| Group support services charged:       |                |                |                |                |
| - Subsidiaries                        | -              | -              | 5,995          | 5,221          |
| - Related company                     | -              | -              | 84             | -              |
| Rental of premises:                   |                |                |                |                |
| - Subsidiaries                        | -              | -              | 1,724          | 1,944          |
| - Related company                     | 348            | 348            | 348            | 348            |
| Referral and cost sharing fees:       |                |                |                |                |
| - Subsidiary                          | -              | -              | 575            | 267            |
| <b>Expenditure incurred:</b>          |                |                |                |                |
| Interest on deposits and placements:  |                |                |                |                |
| - Subsidiaries                        | -              | -              | 1,609          | 1,901          |
| - Key management personnel            | 15             | 21             | 15             | 21             |
| - Other related company               | 2,982          | 2,882          | 2,982          | 2,882          |
| - Other related party                 | 177            | 1,135          | 177            | 1,135          |
| Interest on debt securities products: |                |                |                |                |
| - Subsidiary                          | -              | -              | 7,906          | 3,101          |
| Staff training cost:                  |                |                |                |                |
| - Subsidiaries                        | -              | -              | 137            | 147            |
| Direct placement cost                 |                |                |                |                |
| - Subsidiary                          | -              | -              | 2,385          | 902            |
| Management fees expenses              |                |                |                |                |
| - Subsidiary                          | -              | -              | 15             | -              |
| Performance fees expenses             |                |                |                |                |
| - Subsidiary                          | -              | -              | 306            | -              |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Transactions (cont'd.)</b>                        |                |                |                |                |
| <b>Expenditure incurred (cont'd.):</b>               |                |                |                |                |
| Incentive fees - management fees income              |                |                |                |                |
| - Subsidiary   | -              | -              | 7,454          | 4,194          |
| Incentive fees - agent (Kenwealth)                   |                |                |                |                |
| - Subsidiary   | -              | -              | 1,802          | 2,785          |
| Service charge:                                      |                |                |                |                |
| - Subsidiary   | -              | -              | 963            | 1,790          |
| Rental of premises                                   |                |                |                |                |
| - Other related party                                | 973            | 973            | 973            | 973            |
| <b>Balances</b>                                      |                |                |                |                |
| Amount due from:                                     |                |                |                |                |
| Loans, advances and financing:                       |                |                |                |                |
| - Subsidiaries                                       | -              | -              | 72,500         | 72,000         |
| Commitment receivable:                               |                |                |                |                |
| - Subsidiaries                                       | -              | -              | 10             | 17             |
| Amount due to:                                       |                |                |                |                |
| Deposits and placements:                             |                |                |                |                |
| - Subsidiaries (Note 20)                             | -              | -              | 90,458         | 53,859         |
| - Related company (Note 20)                          | 54,816         | 51,466         | 54,816         | 51,466         |
| - Other related party                                | 263,500        | 33,000         | 263,500        | 33,000         |
| - Key management personnel                           | 226            | 190            | 226            | 190            |
| Balances due to clients and brokers:                 |                |                |                |                |
| - Key management personnel                           | 227            | 323            | 227            | 323            |
| Interest receivable on loan, advances and financing: |                |                |                |                |
| - Subsidiaries                                       | -              | -              | 494            | 499            |

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## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

|                                | Group          |                | Bank           |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Transactions (cont'd.)</b>  |                |                |                |                |
| <b>Balances (cont'd.):</b>     |                |                |                |                |
| Interest payable on deposits:  |                |                |                |                |
| - Subsidiaries                 | -              | -              | 144            | 106            |
| - Related company              | 218            | 151            | 218            | 151            |
| - Other related party          | -              | 17             | -              | 17             |
| Deposit for Index trading      |                |                |                |                |
| - Subsidiaries                 | -              | -              | 5,314          | 548            |
| Deposit for rental of premises |                |                |                |                |
| - Other related party          | 243            | 243            | 243            | 243            |

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                      |
| Cahaya Mata Sarawak Berhad | Holding company of a substantial shareholder of the Bank |
| Satria Realty Sdn Bhd      | Common director  |

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 |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Outstanding credit exposures with connected parties              | 179,181        | 171,387        |
| Percentage of outstanding credit exposures to connected parties: |                |                |
| - as a proportion of total credit exposures                      | 4.89%          | 5.06%          |
| - which is impaired or in default                                | -              | -              |

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties issued on 16 July 2014, which will be effective from 1 January 2008.

Based on these guidelines, connected parties refer to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

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### 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           |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Group Managing Director         |                |                |                |                |
| - Short term employee benefits  | 2,733          | 2,246          | 2,733          | 2,246          |
| - Post-employment benefits: EPF | 424            | 345            | 424            | 345            |
| Senior Management               |                |                |                |                |
| - Short term employee benefits  | 15,338         | 14,287         | 11,804         | 10,659         |
| - Post-employment benefits: EPF | 2,361          | 2,180          | 1,832          | 1,629          |
|                                 | 20,856         | 19,058         | 16,793         | 14,879         |

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.

### 39. DIRECTORS' REMUNERATION

Remuneration in aggregate for Directors for the financial year is as follows:

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Directors of the Bank:</b>                     |                |                |                |                |
| Non-executive directors' remuneration:            |                |                |                |                |
| - Fees  | 3,786          | 3,479          | 3,566          | 3,265          |
| - Other remuneration, including meeting allowance | 610            | 596            | 542            | 548            |
| Total directors' remuneration                     | 4,396          | 4,075          | 4,108          | 3,813          |
| Estimated money value of benefits-in-kind         | 57             | 103            | 57             | 103            |
| Total for directors of the Bank (Note 33)         | 4,453          | 4,178          | 4,165          | 3,916          |



**39. DIRECTORS' REMUNERATION (CONT'D.)**

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

|   | Remuneration received from the Group |                              |                                |                          |
|---|--------------------------------------|------------------------------|--------------------------------|--------------------------|
|   | Fees<br>RM'000                       | Other<br>emolument<br>RM'000 | Benefits-<br>in-kind<br>RM'000 | Group<br>Total<br>RM'000 |
| <b>31 December 2020</b>   |                                      |                              |                                |                          |
| <b>Non-Executive Directors:</b>                                     |                                      |                              |                                |                          |
| Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra<br>Jamalullail | 261                                  | 10                           | 15                             | 286                      |
| Izlan Bin Izhab   | 425                                  | 48                           | 22                             | 495                      |
| Datuk Syed Ahmad Alwee Alsree                                       | 510                                  | 64                           | 20                             | 594                      |
| Dato' Richard Alexander John Curtis                                 | 330                                  | 52                           | -                              | 382                      |
| Luigi Fortunato Ghirardello   | 410                                  | 78                           | -                              | 488                      |
| Ismail Harith Merican   | 300                                  | 40                           | -                              | 340                      |
| Luk Wai Hong, William   | 400                                  | 82                           | -                              | 482                      |
| Jeremy Bin Nasrulhaq  | 370                                  | 68                           | -                              | 438                      |
| Norazian Binti Ahmad Tajuddin                                       | 410                                  | 102                          | -                              | 512                      |
| Kanagaraj Lorenz  | 370                                  | 66                           | -                              | 436                      |
| <b>Total Directors' remuneration</b>                                | <b>3,786</b>                         | <b>610</b>                   | <b>57</b>                      | <b>4,453</b>             |
| <b>31 December 2019</b>   |                                      |                              |                                |                          |
| <b>Non-Executive Directors:</b>                                     |                                      |                              |                                |                          |
| 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                      |
| <b>Total Directors' remuneration</b>                                | <b>3,479</b>                         | <b>596</b>                   | <b>103</b>                     | <b>4,178</b>             |

## NOTES TO THE FINANCIAL STATEMENTS

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## 40. TAXATION AND ZAKAT

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Current income tax:   |                |                |                |                |
| Tax expense for the financial year                            | 44,536         | 14,345         | 38,220         | 11,695         |
| Under provision in prior years                                | 714            | 343            | 927            | 326            |
|   | 45,250         | 14,688         | 39,147         | 12,021         |
| Deferred tax (Note 19):                                       |                |                |                |                |
| Relating to origination and reversal of temporary differences | (11,293)       | 75             | (10,761)       | 265            |
| (Under)/Over provision of deferred tax assets in prior years  | (1,972)        | 1,429          | (21)           | 1,428          |
|   | (13,265)       | 1,504          | (10,782)       | 1,693          |
| Zakat   | 445            | 373            | 430            | 357            |
| Total income tax expense                                      | 32,430         | 16,565         | 28,795         | 14,071         |

Domestic income tax is calculated at the statutory tax rate of 24% (2019: 24%) on the estimated chargeable profit for the financial year.

A reconciliation of taxation applicable to profit before taxation at the statutory income tax rate to taxation at the effective tax rate of the Group and of the Bank is as follows:

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Profit before taxation and zakat  | 134,715        | 42,951         | 106,938        | 40,376         |
| Taxation at Malaysian statutory income tax rate of 24% (2019: 24%)                | 32,332         | 10,308         | 25,665         | 9,690          |
| Effect of income not subject to tax   | (2,837)        | (688)          | (944)          | (405)          |
| Effect of expenses not deductible for tax purposes                                | 3,111          | 2,549          | 2,738          | 2,675          |
| Loss not deductible for tax purposes  | -              | 1,818          | -              | -              |
| Utilisation of previously unrecognised tax loss and unabsorbed capital allowances | -              | (110)          | -              | -              |

**40. TAXATION AND ZAKAT (CONT'D.)**

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Deferred tax asset not recognised on unutilised business losses    | 577            | 525            | -              | -              |
| Deferred tax asset not recognised on unabsorbed capital allowances | 60             | 18             | -              | -              |
| Over provision of deferred tax assets in prior years               | (1,972)        | 1,429          | (21)           | 1,428          |
| Under provision of income tax expense in prior years               | 714            | 343            | 927            | 326            |
| Tax expense for the year   | 31,985         | 16,192         | 28,365         | 13,714         |
| Zakat  | 445            | 373            | 430            | 357            |
| Tax expense and zakat for the financial year                       | 32,430         | 16,565         | 28,795         | 14,071         |

**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   |         |
|--|---------|---------|
|  | 2020    | 2019    |
| Profit for the financial year attributable to equity holders of the Bank (RM'000)    | 102,082 | 26,386  |
| Weighted average number of ordinary shares in issue excluding treasury shares ('000) | 701,345 | 698,702 |
| Effects of dilution ('000)   | 18,342  | -       |
| Adjusted weighted average number of ordinary shares in issue ('000)                  | 719,818 | 698,702 |
| Earnings per share (sen)   |         |         |
| - basic  | 14.56   | 3.78    |
| - fully diluted  | 14.18   | 3.78    |

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                                  |                                       |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|  | 2020<br>Principal<br>amount<br>RM'000 | 2019<br>Principal<br>amount<br>RM'000 | 2020<br>Principal<br>amount<br>RM'000 | 2019<br>Principal<br>amount<br>RM'000 |
| Commitments to extend credit with maturity of less than 1 year:  |                                       |                                       |                                       |                                       |
| - share margin financing   | 2,534,315                             | 1,892,577                             | 2,534,315                             | 1,892,577                             |
| - foreign exchange related contracts                             | 58,554                                | 30,356                                | 58,554                                | 30,356                                |
| - equity exchange related contracts                              | 158,546                               | 108,435                               | 158,546                               | 108,435                               |
| Commitments to extend credit with maturity of more than 1 year:  |                                       |                                       |                                       |                                       |
| - equity exchange related contracts                              | 520                                   | 520                                   | 520                                   | 520                                   |
| Other commitments with an original maturity of less than 1 year: |                                       |                                       |                                       |                                       |
| - corporate loans  | 60,050                                | 23,742                                | 107,550                               | 66,742                                |
| Other commitments with an original maturity of more than 1 year: |                                       |                                       |                                       |                                       |
| - corporate loans  | 98,851                                | 76,458                                | 118,851                               | 101,458                               |
| - others   | 5,500                                 | -                                     | -                                     | -                                     |
| Monies held in trust on behalf of client (Note 5)                | 1,257,682                             | 623,581                               | 1,257,682                             | 623,581                               |
| Securities borrowing and lending                                 | 1,544                                 | 2,705                                 | 1,544                                 | 2,705                                 |
| Derivative financial assets (Note 8):                            |                                       |                                       |                                       |                                       |
| - dual currency investment - options                             | 3,655                                 | 4,509                                 | 3,655                                 | 4,509                                 |
| - equity related contracts - options                             | 47,685                                | 66,528                                | 47,685                                | 66,528                                |
| - equity related contracts - swap                                | 31,216                                | 52,340                                | 31,216                                | 52,340                                |
| - equity related contracts - forward                             | 57,354                                | 77,667                                | 57,354                                | 77,667                                |
| - index futures  | 2,688                                 | -                                     | 2,688                                 | -                                     |
| Derivative financial liabilities (Note 23):                      |                                       |                                       |                                       |                                       |
| - dual currency investment - options                             | 3,655                                 | 4,509                                 | 3,655                                 | 4,509                                 |
| - equity related contracts - options                             | 451,950                               | 72,413                                | 451,950                               | 72,413                                |
| - equity related contracts - swaps                               | 19,467                                | -                                     | 19,467                                | -                                     |
| - equity related contracts - forward                             | 3,200                                 | -                                     | 3,200                                 | -                                     |
| Capital commitment:  |                                       |                                       |                                       |                                       |
| - Authorised and contracted for                                  | 4,588                                 | 5,344                                 | 4,261                                 | 5,147                                 |
| Investment in equity funds                                       | -                                     | -                                     | 35,981                                | 17,854                                |
|  | <b>4,801,020</b>                      | <b>3,041,684</b>                      | <b>4,898,674</b>                      | <b>3,127,341</b>                      |

### 43. CONTINGENT LIABILITIES

#### Group and Bank

|   | 2020<br>RM'000 | 2019<br>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 8 February 2021 and the trial dates are from 11 to 13 August 2021. | <b>3,600</b>   | 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 5 February 2021 and the trial dates are from 18 to 21 May 2021.  | <b>16,000</b>  | 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

A summary of the sub-lease receipts expected to be received under non-cancellable sublease are as follows:

|                                    | Group          |                | Bank           |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Future minimum sub lease receipts: |                |                |                |                |
| Subsidiaries                       | -              | -              | 3,007          | 2,945          |
| External parties                   | 3,827          | 4,458          | 3,827          | 4,458          |
|                                    | 3,827          | 4,458          | 6,834          | 7,403          |

### 45. DIVIDEND

During the financial year, an interim single tier dividend of 3.25 sen (2019 final single tier dividend: 1.10 sen) per ordinary share on 698,687,499 ordinary shares (2019: 698,687,499 ordinary shares) in respect of the financial year ended 31 December 2019, which amounted to RM22,707,356 (2019: RM7,685,562) was paid on 15 April 2020 (2019: paid on 19 April 2019).

#### 46. OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

| Group   | Gross amounts of recognised financial asset/liability<br>RM'000 | Gross amounts of recognised financial asset/liability set off in the statements of financial position<br>RM'000 | Net amounts of recognised financial assets presented in the statements of financial position<br>RM'000 | Related accounts not set off in the statements of financial position |                                    | Net amount<br>RM'000 |
|---|---|---|--|--|------------------------------------|----------------------|
|   |   |   |  | Financial instruments<br>RM'000                                      | Cash collateral received<br>RM'000 |                      |
| <b>2020</b>                                     |   |   |  |  |                                    |                      |
| Balances due from clients and brokers (Note 10) | 1,558,667   | (1,013,610)   | 545,057  | 3,035,964  | 345,232                            | -                    |
| Balances due to clients and brokers (Note 22)   | 2,139,467   | (1,418,802)   | 720,665  | -  | -                                  | 720,665              |
| <b>2019</b>                                     |   |   |  |  |                                    |                      |
| 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              |
| <b>Bank</b>                                     |   |   |  |  |                                    |                      |
| <b>2020</b>                                     |   |   |  |  |                                    |                      |
| Balances due from clients and brokers (Note 10) | 1,558,667   | (1,013,610)   | 545,057  | 3,035,964  | 345,232                            | -                    |
| Balances due to clients and brokers (Note 22)   | 1,823,993   | (1,418,802)   | 405,191  | -  | -                                  | 405,191              |
| <b>2019</b>                                     |   |   |  |  |                                    |                      |
| 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              |

## NOTES TO THE FINANCIAL STATEMENTS

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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. 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           |         |
|----------------------|----------------|---------|----------------|---------|
|                      | 2020           | 2019    | 2020           | 2019    |
| CET 1 capital ratio  | <b>19.093%</b> | 21.309% | <b>18.797%</b> | 20.730% |
| Tier 1 capital ratio | <b>19.093%</b> | 21.309% | <b>18.797%</b> | 20.730% |
| Total capital ratio  | <b>24.037%</b> | 23.184% | <b>24.075%</b> | 22.725% |



## 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           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>CET 1 capital/Tier 1 capital</b>                       |                |                |                |                |
| Paid-up share capital                                     | 246,249        | 246,249        | 246,249        | 246,249        |
| Retained profits  | 617,832        | 531,811        | 594,296        | 532,338        |
| Other reserves  | 146,215        | 143,219        | 193,924        | 194,372        |
| Less: Goodwill  | (240,782)      | (243,754)      | (252,909)      | (252,909)      |
| 55% of cumulative gains on financial investments at FVOCI | (8,754)        | (3,568)        | (8,391)        | (5,777)        |
| Deferred tax assets                                       | (14,283)       | (2,955)        | (8,722)        | -              |
| Other intangibles   | (81,585)       | (73,633)       | (71,485)       | (67,803)       |
| Regulatory reserve  | (18,661)       | (25,444)       | (18,661)       | (25,444)       |
| Treasury shares   | (10,458)       | (16,990)       | (10,458)       | (16,990)       |
| Other CET 1 regulatory adjustments specified by BNM       | 4,275          | -              | 3,419          | -              |
| Deduction in excess of Tier 2 <sup>*</sup>                | (96,798)       | (80,442)       | (166,170)      | (166,170)      |
| <b>Total CET 1/Tier 1 capital</b>                         | <b>543,250</b> | <b>474,493</b> | <b>501,092</b> | <b>437,866</b> |
| <b>Tier 2 Capital</b>                                     |                |                |                |                |
| Subordinated obligations capital                          | 122,000        | 25,000         | 122,000        | 25,000         |
| Collective allowance and regulatory reserve               | 18,657         | 16,752         | 18,702         | 17,151         |
| <b>Total Tier 2 capital</b>                               | <b>140,657</b> | <b>41,752</b>  | <b>140,702</b> | <b>42,151</b>  |
| <b>Total Capital</b>                                      | <b>683,907</b> | <b>516,245</b> | <b>641,794</b> | <b>480,017</b> |

\* 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:

|                                   | 2020               |                             | 2019               |                             |
|-----------------------------------|--------------------|-----------------------------|--------------------|-----------------------------|
|                                   | Notional<br>RM'000 | Risk-<br>weighted<br>RM'000 | Notional<br>RM'000 | Risk-<br>weighted<br>RM'000 |
| <b>Group</b>                      |                    |                             |                    |                             |
| Credit risk                       | 5,615,290          | 1,492,582                   | 5,116,298          | 1,340,143                   |
| Market risk                       | -                  | 646,327                     | -                  | 219,406                     |
| Operational risk                  | -                  | 704,075                     | -                  | 604,853                     |
| Large exposure risk               | -                  | 2,250                       | -                  | 62,367                      |
| <b>Total Risk Weighted Assets</b> | <b>5,615,290</b>   | <b>2,845,234</b>            | <b>5,116,298</b>   | <b>2,226,769</b>            |
| <b>Bank</b>                       |                    |                             |                    |                             |
| Credit risk                       | 5,306,982          | 1,496,190                   | 4,919,418          | 1,372,091                   |
| Market risk                       | -                  | 632,053                     | -                  | 204,614                     |
| Operational risk                  | -                  | 535,355                     | -                  | 473,201                     |
| Large exposure risk               | -                  | 2,250                       | -                  | 62,367                      |
| <b>Total Risk Weighted Assets</b> | <b>5,306,982</b>   | <b>2,665,848</b>            | <b>4,919,418</b>   | <b>2,112,273</b>            |

## (ii) Transitional arrangements for regulatory capital treatment of accounting provisions

The Bank has elected to apply the transitional arrangements for regulatory capital treatment of accounting provisions for four financial years beginning on 1 January 2020 and apply the transitional arrangements with 31 December 2020 as the first reporting period.

Under the transitional arrangements, the Bank is allowed to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures ("Stage 1 and Stage 2 provisions") to CET1 Capital.

**47. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONT'D.)****Capital adequacy (cont'd.)****(ii) Transitional arrangements for regulatory capital treatment of accounting provisions (cont'd.)**

The capital adequacy ratios of the Group and Bank are as follows:

**As at 31 December 2020**

|   | <b>Group</b>   | <b>Bank</b>    |
|---|----------------|----------------|
| <b>With transitional arrangement</b>    |                |                |
| CET 1 capital ratio                     | <b>19.093%</b> | <b>18.797%</b> |
| Tier 1 capital ratio                    | <b>19.093%</b> | <b>18.797%</b> |
| Total capital ratio                     | <b>24.037%</b> | <b>24.075%</b> |
| <b>Without transitional arrangement</b> |                |                |
| CET 1 capital ratio                     | <b>18.943%</b> | <b>18.668%</b> |
| Tier 1 capital ratio                    | <b>18.943%</b> | <b>18.668%</b> |
| Total capital ratio                     | <b>23.887%</b> | <b>23.946%</b> |

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### 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  | 2020                      |                      | 2019                      |                      |
|--|---------------------------|----------------------|---------------------------|----------------------|
|  | Carrying amount<br>RM'000 | Fair value<br>RM'000 | Carrying amount<br>RM'000 | Fair value<br>RM'000 |
| <b>Financial assets</b>  |                           |                      |                           |                      |
| Cash and bank balances   | 1,644,534                 | 1,644,534            | 2,063,057                 | 2,063,057            |
| Financial assets at fair value through profit or loss                  | 543,539                   | 543,539              | 328,680                   | 328,680              |
| Financial investments at fair value through other comprehensive income | 771,732                   | 771,732              | 795,081                   | 795,081              |
| Financial investments at amortised cost                                | 193,035                   | 202,215              | 112,756                   | 117,673              |
| Derivative financial assets  | 95,571                    | 95,571               | 65,174                    | 65,174               |
| Loans, advances and financing  | 1,869,249                 | 1,867,339            | 2,064,674                 | 2,064,990            |
| Balances due from clients and brokers                                  | 545,057                   | 545,057              | 280,357                   | 280,357              |
| Other assets, excluding prepayments and deposits                       | 168,868                   | 168,868              | 182,407                   | 182,407              |
| Statutory deposit with Bank Negara Malaysia                            | 58,398                    | 58,398               | 99,164                    | 99,164               |
| <b>Financial liabilities</b>   |                           |                      |                           |                      |
| Deposits from customers  | 2,952,385                 | 2,914,302            | 4,065,494                 | 4,065,494            |
| Deposits and placements of banks and other financial institutions      | 1,066,085                 | 1,066,085            | 650,718                   | 650,718              |
| Balances due to clients and brokers                                    | 720,665                   | 720,665              | 537,393                   | 537,393              |
| Derivative financial liabilities                                       | 137,480                   | 137,480              | 13,416                    | 13,416               |
| Other liabilities, excluding deposits                                  | 307,765                   | 307,765              | 283,739                   | 283,739              |
| Borrowings   | 175,400                   | 154,413              | 96,600                    | 92,144               |

**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   | 2020                      |                      | 2019                      |                      |
|--|---------------------------|----------------------|---------------------------|----------------------|
|  | Carrying amount<br>RM'000 | Fair value<br>RM'000 | Carrying amount<br>RM'000 | Fair value<br>RM'000 |
| <b>Financial assets</b>  |                           |                      |                           |                      |
| Cash and bank balances   | 1,378,646                 | 1,378,646            | 1,877,150                 | 1,877,150            |
| Financial assets at fair value through profit or loss                  | 539,931                   | 539,931              | 326,560                   | 326,560              |
| Financial investments at fair value through other comprehensive income | 771,732                   | 771,732              | 795,081                   | 795,081              |
| Financial investments at amortised cost                                | 193,035                   | 202,215              | 112,756                   | 112,756              |
| Derivative financial assets  | 95,571                    | 95,571               | 65,174                    | 65,174               |
| Loans, advances and financing  | 1,856,996                 | 1,857,022            | 2,039,517                 | 2,040,578            |
| Balances due from clients and brokers                                  | 545,057                   | 545,057              | 280,357                   | 280,357              |
| Other assets, excluding prepayments and deposits                       | 78,560                    | 78,560               | 104,793                   | 104,793              |
| Statutory deposit with Bank Negara Malaysia                            | 58,398                    | 58,398               | 99,164                    | 99,164               |
| <b>Financial liabilities</b>   |                           |                      |                           |                      |
| Deposits from customers  | 3,042,843                 | 3,004,760            | 4,119,352                 | 4,119,352            |
| Deposits and placements of banks and other financial institutions      | 1,066,085                 | 1,066,085            | 650,718                   | 650,718              |
| Balances due to clients and brokers                                    | 405,191                   | 405,191              | 304,880                   | 304,880              |
| Derivative financial liabilities                                       | 137,480                   | 137,480              | 13,416                    | 13,416               |
| Other liabilities, excluding deposits                                  | 222,148                   | 222,148              | 233,633                   | 233,633              |
| Borrowings   | 152,400                   | 131,421              | 66,600                    | 62,148               |

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### 48. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

**(i) Financial assets/liabilities for which fair value approximates carrying value**

The carrying amounts of financial assets and financial liabilities that have a short-term maturity and deposits/accounts without a specific maturity, approximate fair values.

**(ii) Financial assets at FVTPL, FVOCI and AC**

The fair values are estimated based on quoted or observable market prices at the reporting date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the reporting date.

**(iii) Derivatives**

Fair values are estimated based on quoted or observable market prices at the reporting date.

Options are using Black-Scholes model and Swaps are using discounted cash flow. These valuation techniques incorporates various market and observable assumptions including market rate volatility.

**(iv) Loans, advances and financing**

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans 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.

#### 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 are estimated based on expected future cash flows discounted at applicable variable rates offered for borrowings.

#### 49. SEGMENTAL REPORTING

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure. The Group is organised into six major operating divisions. The division form the basis of which the Group reports its segment information.

- (i) Investment banking - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in securities and investment related services;
- (iii) 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.

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## 49. SEGMENTAL REPORTING (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments:

| 2020   | Investment banking<br>RM'000 | Stockbroking<br>RM'000 | Futures broking<br>RM'000 | Money lending and financing<br>RM'000 | Investment and wealth management<br>RM'000 | Corporate and Others<br>RM'000 | Eliminations/consolidation adjustments<br>RM'000 | Total<br>RM'000 |
|--|------------------------------|------------------------|---------------------------|---------------------------------------|--|--------------------------------|--|-----------------|
| <b>Revenue</b>                                   |                              |                        |                           |                                       |  |                                |  |                 |
| External sales                                   | 231,680                      | 590,705                | 13,915                    | 12,125                                | 118,622                                    | 6,715                          | -  | 973,762         |
| - Interest income                                | 173,948                      | 61,078                 | 3,161                     | 10,453                                | 23   | 8,232                          | -  | 256,895         |
| - Fee income                                     | 25,051                       | 385,249                | 10,754                    | 1,672                                 | 117,664                                    | 493                            | -  | 540,883         |
| - Trading and investment income                  | 28,021                       | 139,437                | -                         | -                                     | 105  | (1,996)                        | -  | 165,567         |
| - Other operating income                         | 4,660                        | 4,941                  | -                         | -                                     | 830  | (14)                           | -  | 10,417          |
| Inter segment sales                              | 1,344                        | 625                    | 670                       | 95                                    | 10,977                                     | 1,457                          | (15,168)   | -               |
| <b>Total revenue</b>                             | <b>233,024</b>               | <b>591,330</b>         | <b>14,585</b>             | <b>12,220</b>                         | <b>129,599</b>                             | <b>8,172</b>                   | <b>(15,168)</b>                                  | <b>973,762</b>  |
| <b>Result</b>                                    |                              |                        |                           |                                       |  |                                |  |                 |
| Net income                                       | 91,538                       | 577,477                | 13,558                    | 7,112                                 | 129,020                                    | 10,006                         | (2,175)  | 826,536         |
| Other operating expenses                         | (59,227)                     | (488,836)              | (16,355)                  | (5,251)                               | (115,455)                                  | (19,354)                       | 4,315  | (700,163)       |
| Credit loss reversal/ (expense)                  | 1,707                        | (2,431)                | -                         | (1)                                   | -  | (4,324)                        | (803)  | (5,852)         |
| Bad debt (written off)/recovered                 | (53)                         | 570                    | -                         | -                                     | -  | 891                            | -  | 1,408           |
| Share of results in associates and joint venture | -                            | -                      | -                         | -                                     | -  | 12,786                         | -  | 12,786          |
| Profit/(loss) before taxation and zakat          | 33,965                       | 86,780                 | (2,797)                   | 1,860                                 | 13,565                                     | 5                              | 1,337  | 134,715         |
| Taxation and zakat                               |                              |                        |                           |                                       |  |                                |  | (32,430)        |
| <b>Net profit for the financial year</b>         |                              |                        |                           |                                       |  |                                |  | <b>102,285</b>  |



## 49. SEGMENTAL REPORTING (CONT'D.)

| 2020 (cont'd.)  | Investment banking<br>RM'000 | Stockbroking<br>RM'000 | Futures broking<br>RM'000 | Money lending and financing<br>RM'000 | Investment and wealth management<br>RM'000 | Corporate and Others<br>RM'000 | Eliminations/consolidation adjustments<br>RM'000 | Total<br>RM'000 |
|---|------------------------------|------------------------|---------------------------|---------------------------------------|--|--------------------------------|--|-----------------|
| <b>Other information</b>  |                              |                        |                           |                                       |  |                                |  |                 |
| Net interest and finance income   | 37,701                       | 44,754                 | 2,815                     | 4,923                                 | (767)                                      | 4,103                          | 8,258  | 101,787         |
| Depreciation and amortisation   | 823                          | 12,165                 | 523                       | 195                                   | 3,516                                      | 9,566                          | (1,457)  | 25,331          |
| Non cash items  |                              |                        |                           |                                       |  |                                |  |                 |
| - Unrealised (losses)/gains on revaluation of financial assets at fair value through profit or loss and derivatives | 2,208                        | (77,066)               | -                         | -                                     | -  | (3,016)                        | 1,482  | (76,392)        |

| 2020  | Investment banking and stockbroking<br>RM'000 | Futures broking<br>RM'000 | Money lending and financing<br>RM'000 | Investment and wealth management<br>RM'000 | Corporate and Others<br>RM'000 | Eliminations/consolidation adjustments<br>RM'000 | Total<br>RM'000 |
|---|---|---------------------------|---------------------------------------|--|--------------------------------|--|-----------------|
| <b>Assets</b>   |   |                           |                                       |  |                                |  |                 |
| Investments in associates                                       | -   | -                         | -                                     | -  | 72,078                         | -  | 72,078          |
| Investment in a joint venture                                   | -   | -                         | -                                     | -  | 24,719                         | -  | 24,719          |
| Addition to property, plant and equipment and intangible assets | 12,470  | 293                       | 474                                   | 3,109                                      | -                              | -  | 16,346          |
| Segment assets  | 6,248,747                                     | 362,379                   | 101,720                               | 190,559                                    | 15,812                         | (344,150)  | 6,575,067       |
| <b>Liabilities</b>  |   |                           |                                       |  |                                |  |                 |
| Segment liabilities   | 5,224,736                                     | 344,129                   | 82,897                                | 123,973                                    | 1,848                          | (207,457)  | 5,570,126       |

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### 49. SEGMENTAL REPORTING (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by operating segments (cont'd.):

| 2019  | Investment banking<br>RM'000 | Stockbroking<br>RM'000 | Futures broking<br>RM'000 | Money lending and financing<br>RM'000 | Investment and wealth management<br>RM'000 | Corporate and Others<br>RM'000 | Eliminations/consolidation adjustments<br>RM'000 | Total<br>RM'000 |
|---|------------------------------|------------------------|---------------------------|---------------------------------------|--|--------------------------------|--|-----------------|
| <b>Revenue</b>  |                              |                        |                           |                                       |  |                                |  |                 |
| External sales  | 276,469                      | 248,348                | 10,669                    | 9,345                                 | 97,289                                     | 9,150                          | -  | 651,270         |
| - Interest income   | 216,191                      | 55,828                 | 3,779                     | 8,060                                 | 3,355                                      | 10,685                         | -  | 297,898         |
| - Fee income  | 26,196                       | 154,690                | 6,890                     | 1,285                                 | 93,008                                     | 430                            | -  | 282,499         |
| - 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                        | 267                    | 1,073                     | -                                     | 3,611                                      | 747                            | (7,248)  | -               |
| <b>Total revenue</b>  | <b>278,019</b>               | <b>248,615</b>         | <b>11,742</b>             | <b>9,345</b>                          | <b>100,900</b>                             | <b>9,897</b>                   | <b>(7,248)</b>                                   | <b>651,270</b>  |
| <b>Result</b>   |                              |                        |                           |                                       |  |                                |  |                 |
| Net income  | 84,082                       | 236,601                | 10,836                    | 5,366                                 | 100,976                                    | 12,420                         | (918)  | 449,363         |
| Other operating expenses  | (57,659)                     | (242,206)              | (13,751)                  | (4,621)                               | (95,811)                                   | (7,567)                        | 3,428  | (418,187)       |
| Credit loss (expense)/income  | (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              | -                            | -                      | -                         | -                                     | -  | (6,905)                        | -  | (6,905)         |
| Profit/(loss) before taxation and zakat                                 | 24,721                       | 9,514                  | (2,915)                   | 833                                   | 5,165                                      | 1,998                          | 3,635  | 42,951          |
| Taxation and zakat  |                              |                        |                           |                                       |  |                                |  | (16,565)        |
| <b>Net profit for the financial year</b>                                |                              |                        |                           |                                       |  |                                |  | <b>26,386</b>   |

## 49. SEGMENTAL REPORTING (CONT'D.)

| 2019 (cont'd.)  | Investment banking<br>RM'000 | Stockbroking<br>RM'000 | Futures broking<br>RM'000 | Money lending and financing<br>RM'000 | Investment and wealth management<br>RM'000 | Corporate and Others<br>RM'000 | Eliminations/consolidation adjustments<br>RM'000 | Total<br>RM'000 |
|---|------------------------------|------------------------|---------------------------|---------------------------------------|--|--------------------------------|--|-----------------|
| <b>Other information</b>  |                              |                        |                           |                                       |  |                                |  |                 |
| 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<br>RM'000 | Futures broking<br>RM'000 | Money lending and financing<br>RM'000 | Investment and wealth management<br>RM'000 | Corporate and Others<br>RM'000 | Eliminations/consolidation adjustments<br>RM'000 | Total<br>RM'000 |
|---|---|---------------------------|---------------------------------------|--|--------------------------------|--|-----------------|
| <b>Assets</b>   |   |                           |                                       |  |                                |  |                 |
| Investments in associate  | -   | -                         | -                                     | -  | 64,642                         | -  | 64,642          |
| Investment in a joint venture                                   | -   | -                         | -                                     | -  | 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       |
| <b>Liabilities</b>  |   |                           |                                       |  |                                |  |                 |
| Segment liabilities   | 5,460,137                                     | 250,708                   | 91,621                                | 86,359                                     | 1,656                          | (163,996)  | 5,726,485       |

## NOTES TO THE FINANCIAL STATEMENTS

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### 49. SEGMENTAL REPORTING (CONT'D.)

#### Notes

**A** Additions to non-current assets consist of:

|   | 2020<br>RM'000 | 2019<br>RM'000 |
|---|----------------|----------------|
| Property, plant and equipment                   |                |                |
| - Additions during the financial year (Note 16) | 8,331          | 9,143          |
| Intangible assets                               |                |                |
| - Additions during the financial year (Note 17) | 8,014          | 39,701         |
|   | <b>16,345</b>  | 48,844         |

**B** The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

|   | 2020<br>RM'000   | 2019<br>RM'000 |
|---|------------------|----------------|
| Investments in subsidiaries                   | (94,942)         | (94,942)       |
| Investments in associates and a joint venture | (181)            | (16,536)       |
| Intangible assets                             | (40,095)         | (40,095)       |
| Inter-segment assets                          | (208,932)        | (166,759)      |
|   | <b>(344,150)</b> | (318,332)      |

**C** The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

|                                     | 2020<br>RM'000   | 2019<br>RM'000 |
|-------------------------------------|------------------|----------------|
| Deposits accepted from subsidiaries | (90,457)         | (53,859)       |
| Inter-segment liabilities           | (117,000)        | (110,137)      |
|                                     | <b>(207,457)</b> | (163,996)      |

## 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.

#### 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-stages approach which is intended to reflect the deterioration in credit quality of a financial instrument.

## NOTES TO THE FINANCIAL STATEMENTS

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### 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

#### (a) Credit risk (cont'd.)

##### Impairment assessment (cont'd.)

##### General approach

- 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 instruments that have objective evidence of impairment at the reporting date.

##### Low Credit Risk

The Group and the Bank shall adopt practical expedients for its applicable portfolios as detailed in the table below:

| Practical Expedient         | Low Credit Risk  |
|-----------------------------|--|
| <b>Applicable portfolio</b> | Government and quasi-government bonds, commercial paper, interbank deposit placement/lending.  |
| <b>Criteria</b>             | <ul style="list-style-type: none"> <li>• the financial instrument has a low risk of default;</li> <li>• the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and</li> <li>• 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.</li> </ul> |
| <b>Measurement</b>          | 12-month ECL   |
| <b>Methodology</b>          | 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.

## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (a) Credit risk (cont'd.)

#### Impairment assessment (cont'd.)

##### General approach (cont'd.)

##### Measurement of ECL by General Approach:

##### Stage 1

- For financial instruments in stage 1, the Group and the Bank are required to recognise 12 month ECL. For financial instruments that are deemed as low credit risk, 12 month ECL is recognised.

##### Stage 2

- When a financial instrument transfers to stage 2, the Group and the Bank are required to recognise lifetime ECL.

##### Stage 3

- For financial instruments in stage 3, the Group and the Bank will continue to recognise lifetime ECL but based on specific provision approach.

The expected credit loss under general approach can be written in the formula below:

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

##### Key Components of ECL Measurement

##### *Probability of Default (PD)*

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on internal credit risk rating model, comprising both quantitative and qualitative factors. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

The Bank adopted external PD published by local rating agency i.e. Malaysia Rating Corporate Berhad (MARC) as proxy, following adequate assessment and analysis on the suitability of data application i.e. rating mapping exercise due to lack of sufficient size and history.

##### *Loss Given Default (LGD)*

The rating mapping exercise involves the process whereby the Group's and the Bank's existing Internal Credit Risk Rating ("ICRR") is being mapped against MARC rating for the same counterparty. The Group and the Bank assess the definition of each ICRR rating band and makes reference to the definition of MARC rating band. Overall, both the rating models have the same rating band i.e. AAA, AA, A, BBB, BB, B, C & D with BBB as the lowest investment grade 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 Group and Bank would expect to receive, taking into account cash flows from any collateral.

## NOTES TO THE FINANCIAL STATEMENTS

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### 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

#### (a) Credit risk (cont'd.)

##### Impairment assessment (cont'd.)

##### General approach (cont'd.)

##### Key Components of ECL Measurement (cont'd.)

##### *Exposure at Default (EAD)*

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

##### Simplified approach

The Group and the Bank shall adopt two practical expedients for their applicable portfolios as detailed in the table below:

| Practical Expedient         | Provision Matrix   |
|-----------------------------|--|
| <b>Applicable portfolio</b> | Trade receivables, contract assets and lease receivables; balances due to clients and brokers;   |
| <b>Criteria</b>             | <ul style="list-style-type: none"> <li>Contract assets without significant financing component</li> <li>Trade receivables without a significant financing component</li> </ul> |
| <b>Measurement</b>          | Lifetime ECL   |
| <b>Methodology</b>          | 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.



## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (a) Credit risk (cont'd.)

#### Impairment assessment (cont'd.)

#### Significant increase in credit risk ("SICR")

SICR is defined as a significant change in the estimated default risk over the remaining expected life of the financial instrument. A SICR event triggers the measurement of loss allowance at an amount equal to lifetime expected credit losses instead of the 12-month expected credit losses estimate.

The indicators for SICR are established to facilitate the staging assessment (from stage 1 to 2) for portfolios that apply the general approach in the measurement of ECL. An asset moves from 12-month ECL (stage 1) to lifetime ECL (stage 2) when there is a significant deterioration in credit quality after initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group and Bank take into account qualitative and quantitative reasonable and supportable forward looking information.

An asset classified under stage 2 can potentially be transferred to stage 3 if the credit quality further deteriorates. It is also possible that an asset classified under stage 1 experiences drastic credit deterioration and requires to be directly transferred to stage 3. Accordingly, different stage transfer criteria/triggers are established to satisfy the mentioned staging assessment.

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all the above portfolios. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Group Risk Management.

#### Grouping financial assets measured on a collective basis

Asset classes where the Bank calculates ECL on a collective basis include:

- Debt instruments at fair value through other comprehensive income
- Debt instruments at 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

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 loan and financing these are:

- Product type (corporate loan, factoring and share margin)
- Internal credit rating
- Exposure value
- Collateral type
- Borrower's industry

For balance due from clients and broker and other receivables these are:

- Exposure value
- Collateral type

##### Forward-looking and probability-weighted

To determine unbiased probability-weighted amount of ECL which considers range of possible outcomes and use of information about economic conditions, the Group and the Bank use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group and the Bank apply probabilities to the forecast scenarios. The Group and the Bank have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data to estimate the relationships between macro-economic variables and credit risk and credit losses. These are being reviewed and monitored for appropriateness on a quarterly basis.

##### ***Pearson's Correlation Test***

Pearson's Correlation model is used to test the linkage between each possible macroeconomic indicators and credit risk. The Group and the Bank will then select the relevant macroeconomic indicator(s) that show significant correlation (P-value) to default rate and has the most dynamic impact to credit risk.

##### ***Multiple-scenario Analysis***

The Group and the Bank generate a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group and the Bank then use these forecasts, which are probability-weighted, to adjust their estimates of PDs.

The scenarios by state of economy namely, "Booming", "Normal" and "Downside" were used as defined in below table:

| State of Economy | GDP Growth Rate (annual) | KLCI Index (point) |
|------------------|--------------------------|--------------------|
| Downturn (D)     | <4.0%                    | <1,700             |
| Normal (N)       | 4.0%-6.0%                | -1,700-1,900       |
| Booming (B)      | >6.0%                    | >1,900             |

## 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 2020 are set out below.

| Economic Factor | Scenario | 2020 | 2021 | 2022 |
|-----------------|----------|------|------|------|
| GDP Growth Rate | 1        | B    | B    | B    |
|                 | 2        | N    | N    | N    |
|                 | 3        | D    | D    | D    |
| KLCI Index      | 1        | D    | N    | B    |
|                 | 2        | D    | N    | N    |
|                 | 3        | D    | D    | 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        | B    | B    | B    |
|                 | 2        | B    | B    | B    |
|                 | 3        | D    | D    | N    |

The weightings assigned to each state of economy as at 31 December 2020 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 2019 were as follows:

|  | State of Economy |   | Weighting |
|--|------------------|---|-----------|
|  | All portfolios   | B | 10%       |
|  |                  | N | 60%       |
|  |                  | D | 30%       |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 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 the results to address limitations in the core modelling approach - will require particular attention in the governance process.

Therefore, the use of expert judgement shall be applied as and when necessary and shall be governed by the following:

- I. All expert judgements need to be properly documented and backed by reasonable and supportable information that is available without undue cost or effort.
- II. Any expert judgement including new proposal, changes or updates, is required to be endorsed in accordance with the governance process as stipulated in this Framework.
- III. The Group and the Bank intend to apply expert judgement including but not limited to below areas:
  - a. Definition of macroeconomic scenario and its probability for ECL measurement;
  - b. Assumptions made during modelling process in relation to 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 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 2020

| 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 |
|--|----------------------------|---|--|---|--------------------|--|------------------------------|------------------|---------------|--------------|
| <b>Financial assets</b>                          |                            |   |  |   |                    |  |                              |                  |               |              |
| Cash and bank balances                           | -                          | -                                       | -                                      | -   | -                  | -  | 1,644,534                    | -                | -             | 1,644,534    |
| Statutory deposit with Bank Negara Malaysia      | -                          | -                                       | -                                      | -   | -                  | -  | 58,398                       | -                | -             | 58,398       |
| Balances due from clients and brokers            | -                          | -                                       | -                                      | -   | -                  | -  | -                            | 345,093          | 199,964       | 545,057      |
| Financial assets at FVTPL                        | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Islamic Corporate Sukuk                          | -                          | -                                       | 39,833                                 | -   | -                  | -  | -                            | -                | -             | 39,833       |
| Unquoted shares and unit trust funds in Malaysia | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | 152,061       | 152,061      |
| Derivative financial assets                      | -                          | -                                       | -                                      | -   | 27,500             | 65   | -                            | 26,015           | 41,991        | 95,571       |
| Net loans, advances and financing                | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Term loans                                       | -                          | -                                       | -                                      | 66,664  | 24,323             | -  | -                            | 30,519           | 364,027       | 485,533      |
| Islamic term loans                               | -                          | -                                       | -                                      | -   | -                  | -  | -                            | 44,206           | 54,995        | 99,201       |
| Share margin financing                           | -                          | 8,994                                   | -                                      | -   | 26,889             | -  | -                            | 909,527          | 239,712       | 1,185,122    |
| Islamic share margin financing                   | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Others   | -                          | -                                       | 2,533                                  | 17,679  | 15,175             | 5,488  | 4,584                        | 28,818           | 10,823        | 85,100       |
| Financial investments at FVOCI                   | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Malaysian Government Securities                  | -                          | -                                       | -                                      | -   | -                  | -  | 20,496                       | -                | -             | 20,496       |
| Malaysian Government Investment Certificates     | -                          | -                                       | -                                      | -   | -                  | -  | 119,119                      | -                | -             | 119,119      |
| Islamic Negotiable Instruments of Deposits       | -                          | -                                       | -                                      | -   | -                  | -  | 149,943                      | -                | -             | 149,943      |
| Corporate Bonds                                  | -                          | -                                       | 16,314                                 | 41,609  | 69,969             | -  | 46,628                       | -                | -             | 174,520      |
| Islamic Corporate Sukuk                          | -                          | -                                       | 71,325                                 | -   | 5,121              | 31,033                                       | 171,437                      | -                | 26,748        | 305,664      |
| Unquoted equities                                | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | 1,990         | 1,990        |
| Financial investments at AC                      | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Corporate Bonds                                  | -                          | -                                       | -                                      | -   | -                  | -  | 20,021                       | -                | -             | 20,021       |
| Malaysian Government Investment Certificates     | -                          | -                                       | -                                      | -   | -                  | -  | 9,909                        | -                | -             | 9,909        |
| Islamic Corporate Sukuk                          | -                          | -                                       | -                                      | 10,895  | -                  | -  | 152,210                      | -                | -             | 163,105      |
| Other assets, excluding prepayments and deposits | -                          | 8,994                                   | 130,005                                | 136,847   | 168,977            | 36,586                                       | 2,397,279                    | 1,398,471        | 1,261,180     | 5,538,339    |

## NOTES TO THE FINANCIAL STATEMENTS

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## 50. Financial risk management (cont'd.)

## (a) Credit risk (cont'd.)

Industry analysis as at 31 December 2019

| Group   | Primary agriculture<br>RM'000 | Manufacturing<br>(incl. agri-based)<br>RM'000 | Electricity,<br>gas & water<br>supply<br>RM'000 | Wholesale<br>& retail<br>trade, and<br>hotel &<br>restaurant<br>RM'000 | Real estate<br>RM'000 | Transport,<br>storage and<br>communications<br>RM'000 | Finance<br>and<br>insurance<br>RM'000 | Household<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|-------------------------------|---|---|--|-----------------------|---|---------------------------------------|---------------------|------------------|-----------------|
| <b>Financial assets</b>                             |                               |   |   |  |                       |   |                                       |                     |                  |                 |
| Cash and bank balances                              | -                             | -   | -   | -  | -                     | -   | 2,063,057                             | -                   | -                | 2,063,057       |
| Statutory deposit with Bank<br>Negara Malaysia      | -                             | -   | -   | -  | -                     | -   | 99,164                                | -                   | -                | 99,164          |
| Balances due from clients and<br>brokers            | -                             | -   | -   | -  | -                     | -   | -                                     | 154,600             | 125,757          | 280,357         |
| Financial assets at FVTPL                           |                               |   |   |  |                       |   |                                       |                     |                  |                 |
| Unquoted shares and unit<br>trust funds in Malaysia | -                             | -   | -   | -  | -                     | -   | -                                     | -                   | 135,114          | 135,114         |
| Derivative financial assets                         | -                             | -   | -   | -  | 30,263                | 65  | -                                     | 31,870              | 2,976            | 65,174          |
| Net loans, advances and<br>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<br>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<br>Securities                  | -                             | -   | -   | -  | -                     | -   | 30,550                                | -                   | -                | 30,550          |
| Malaysian Government<br>Investment Certificates     | -                             | -   | -   | -  | -                     | -   | 72,649                                | -                   | -                | 72,649          |
| Islamic Negotiable<br>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<br>Investment Certificates     | -                             | -   | -   | -  | -                     | -   | 9,892                                 | -                   | -                | 9,892           |
| Islamic Corporate Sukuk                             | -                             | -   | -   | 12,662   | -                     | -   | 70,172                                | -                   | -                | 82,834          |
| Other assets, excluding<br>prepayments and deposits | -                             | -   | -   | -  | -                     | -   | -                                     | -                   | 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 2020

| 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 |
|--|----------------------------|---|--|---|--------------------|--|------------------------------|------------------|---------------|--------------|
| <b>Financial assets</b>                          |                            |   |  |   |                    |  |                              |                  |               |              |
| Cash and bank balances                           | -                          | -                                       | -                                      | -   | -                  | -  | 1,378,646                    | -                | -             | 1,378,646    |
| Statutory deposit with Bank Negara Malaysia      | -                          | -                                       | -                                      | -   | -                  | -  | 58,398                       | -                | -             | 58,398       |
| Balances due from clients and brokers            | -                          | -                                       | -                                      | -   | -                  | -  | -                            | 345,093          | 199,964       | 545,057      |
| Financial assets at FVTPL                        | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Islamic Corporate Sukuk                          | -                          | -                                       | 39,833                                 | -   | -                  | -  | -                            | -                | -             | 39,833       |
| Unquoted shares and unit trust funds in Malaysia | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | 148,453       | 148,453      |
| Derivative financial assets                      | -                          | -                                       | -                                      | -   | 27,500             | 65   | -                            | 26,015           | 41,991        | 95,571       |
| Net loans, advances and financing                | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Term loans                                       | -                          | -                                       | -                                      | 66,664  | 24,323             | -  | 52,477                       | 30,519           | 384,216       | 558,199      |
| Islamic term loans                               | -                          | -                                       | -                                      | -   | -                  | -  | -                            | 44,206           | 54,995        | 99,201       |
| Share margin financing                           | -                          | 8,994                                   | -                                      | -   | 26,889             | -  | -                            | 909,527          | 239,712       | 1,185,122    |
| Islamic share margin financing                   | -                          | -                                       | -                                      | -   | -                  | -  | -                            | 14,293           | -             | 14,293       |
| Others   | -                          | -                                       | -                                      | -   | -                  | -  | -                            | 181              | -             | 181          |
| Financial investments at FVOCI                   | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Malaysian Government Securities                  | -                          | -                                       | -                                      | -   | -                  | -  | 20,496                       | -                | -             | 20,496       |
| Malaysian Government Investment Certificates     | -                          | -                                       | -                                      | -   | -                  | -  | 119,119                      | -                | -             | 119,119      |
| Islamic Negotiable Instruments of Deposits       | -                          | -                                       | -                                      | -   | -                  | -  | 149,943                      | -                | -             | 149,943      |
| Corporate Bonds                                  | -                          | -                                       | 16,314                                 | 41,609  | 69,969             | -  | 46,628                       | -                | -             | 174,520      |
| Islamic Corporate Sukuk                          | -                          | -                                       | 71,325                                 | -   | 5,121              | 31,033                                       | 171,437                      | -                | 26,748        | 305,664      |
| Unquoted equities                                | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | 1,990         | 1,990        |
| Financial investments at AC                      | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| Corporate Bonds                                  | -                          | -                                       | -                                      | -   | -                  | -  | 20,021                       | -                | -             | 20,021       |
| Malaysian Government Investment Certificates     | -                          | -                                       | -                                      | -   | -                  | -  | 9,909                        | -                | -             | 9,909        |
| Islamic Corporate Sukuk                          | -                          | -                                       | -                                      | 10,895  | -                  | -  | 152,210                      | -                | -             | 163,105      |
| Other assets, excluding prepayments and deposits | -                          | 8,994                                   | 127,472                                | 119,168   | 153,802            | 31,098                                       | 2,179,284                    | 1,369,834        | 1,176,629     | 5,166,281    |
|  | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | 78,560        | -            |

## NOTES TO THE FINANCIAL STATEMENTS

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## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (a) Credit risk (cont'd.)

Industry analysis as at 31 December 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 |
|--|----------------------------|---|--|---|--------------------|--|------------------------------|------------------|---------------|--------------|
| <b>Financial assets</b>                          |                            |   |  |   |                    |  |                              |                  |               |              |
| 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                        |                            |   |  |   |                    |  |                              |                  |               |              |
| Islamic Corporate Sukuk                          | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | -             | -            |
| 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                      | -                | 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, excluding prepayments and deposits | -                          | -                                       | -                                      | -   | -                  | -  | -                            | -                | 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.)

#### 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       | AA1                 | AA              |  | Strong capacity to meet its financial obligations. The entity is resilient against adverse changes in circumstances, economic conditions and/or operating environments.  |
| 3       | AA2                 |                 |  |  |
| 4       | AA3                 |                 |  |  |
| 5       | A1                  | A               |  | Adequate capacity to meet its financial obligations. The entity is more susceptible to adverse changes in circumstances, economic and/or operating environments.   |
| 6       | A2                  |                 |  |  |
| 7       | A3                  |                 |  |  |
| 8       | BBB1                | BBB             |  | Moderate capacity to meet its financial obligations. The entity is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.  |
| 9       | BBB2                |                 |  |  |
| 10      | BBB3                |                 |  |  |
| 11      | BB1                 | BB              | Weak capacity to meet its financial obligations. The entity is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.   |  |
| 12      | BB2                 |                 |  |  |
| 13      | BB3                 |                 |  |  |
| 14      | B1                  | B               | Very weak capacity to meet its financial obligations. The entity has a limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.   |  |
| 15      | B2                  |                 |  |  |
| 16      | B2                  |                 |  |  |
| 17      | C1                  | C               | High likelihood of defaulting on its financial obligations. The entity is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations. |  |
| 18      | C2                  |                 |  |  |
| 19      | C3                  |                 |  |  |
| 20      | D                   | D               | Default  | Currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the entity that could 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           | 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.  |

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## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (a) Credit risk (cont'd.)

## (ii) Credit quality by class of financial assets (cont'd.)

| Group   | Neither past due nor impaired                    |   |                                       |                                   |                   |   |  | Total<br>RM'000  |
|---|--|---|---------------------------------------|-----------------------------------|-------------------|---|--|------------------|
|   | Strong<br>credit<br>profile<br>Stage 1<br>RM'000 | Satisfactory<br>risk<br>Stage 1<br>RM'000 | Sub-<br>standard<br>Stage 1<br>RM'000 | Non<br>rated<br>Stage 1<br>RM'000 | Stage 2<br>RM'000 | Default/<br>impaired<br>Stage 3<br>RM'000 | ECL on<br>individually<br>impaired<br>RM'000 |                  |
| <b>31 December 2020</b>                             |  |   |                                       |                                   |                   |   |  |                  |
| Cash and bank balances                              | 1,644,534  | -   | -                                     | -                                 | -                 | -   | -  | 1,644,534        |
| Statutory deposit with Bank Negara<br>Malaysia      | 58,398   | -   | -                                     | -                                 | -                 | -   | -  | 58,398           |
| Financial assets at FVTPL                           |  |   |                                       |                                   |                   |   |  |                  |
| Islamic Corporate Sukuk                             | 39,833   | -   | -                                     | -                                 | -                 | -   | -  | 39,833           |
| Unquoted shares and unit<br>trust funds in Malaysia | 152,061  | -   | -                                     | -                                 | -                 | -   | -  | 152,061          |
| Net loans, advances and financing                   |  |   |                                       |                                   |                   |   |  |                  |
| Term loans  | -  | 377,436                                   | 22,594                                | -                                 | 87,909            | -   | (2,406)                                      | 485,533          |
| Islamic term loans                                  | -  | 74,053                                    | 25,801                                | -                                 | -                 | -   | (653)  | 99,201           |
| Share margin financing                              | 429,763  | 596,804                                   | 65,804                                | 33,083                            | 28,647            | 40,630                                    | (2,356)                                      | 1,185,122        |
| Islamic share margin<br>financing                   | 11,664   | 151                                       | 2,478                                 | -                                 | -                 | -   | -  | 14,293           |
| Others  | 41,779   | 43,193                                    | -                                     | 181                               | -                 | 664                                       | (664)  | 85,100           |
| Financial investments at FVOCI                      |  |   |                                       |                                   |                   |   |  |                  |
| Debt instruments:                                   |  |   |                                       |                                   |                   |   |  |                  |
| Malaysian Government Securities                     | 20,496   | -   | -                                     | -                                 | -                 | -   | -  | 20,496           |
| Malaysian Government<br>Investment Certificates     | 119,119  | -   | -                                     | -                                 | -                 | -   | -  | 119,119          |
| Islamic Corporate Sukuk                             | 305,664  | -   | -                                     | -                                 | -                 | -   | -  | 305,664          |
| Corporate bonds                                     | 174,520  | -   | -                                     | -                                 | -                 | -   | -  | 174,520          |
| Islamic Negotiable Instruments<br>of Deposits       | 149,943  | -   | -                                     | -                                 | -                 | -   | -  | 149,943          |
| Equity instrument:                                  |  |   |                                       |                                   |                   |   |  |                  |
| Unquoted equities                                   | -  | -   | -                                     | 1,990                             | -                 | -   | -  | 1,990            |
| Financial investments at AC                         |  |   |                                       |                                   |                   |   |  |                  |
| Corporate Bonds                                     | 20,021   | -   | -                                     | -                                 | -                 | -   | -  | 20,021           |
| Malaysian Government Investment<br>Certificates     | 9,909  | -   | -                                     | -                                 | -                 | -   | -  | 9,909            |
| Islamic Corporate Sukuk                             | 152,210  | 10,895                                    | -                                     | -                                 | -                 | -   | -  | 163,105          |
| Derivative financial assets                         | -  | -   | -                                     | 95,571                            | -                 | -   | -  | 95,571           |
| Balances due from clients and brokers               | 512,602  | -   | -                                     | -                                 | 25,060            | 13,618                                    | (4,670)                                      | 545,057          |
| Other assets, excluding prepayments<br>and deposits | 164,673  | -   | -                                     | -                                 | 858               | 9,488                                     | (6,004)                                      | 168,869          |
| <b>Total</b>  | <b>4,007,189</b>                                 | <b>1,102,532</b>                          | <b>116,677</b>                        | <b>130,825</b>                    | <b>142,474</b>    | <b>64,400</b>                             | <b>(7,167)</b>                               | <b>5,538,339</b> |

## 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        |                                  |  |                          |                |                                  |                 | ECL on collectively impaired RM'000 | ECL on individually impaired RM'000 | Total RM'000 |
|--|--------------------------------------|----------------------------------|--|--------------------------|----------------|----------------------------------|-----------------|-------------------------------------|-------------------------------------|--------------|
|  | Strong credit profile Stage 1 RM'000 | Satisfactory risk Stage 1 RM'000 | Sub-standard <sup>1</sup> Stage 1 RM'000 | Non rated Stage 1 RM'000 | Stage 2 RM'000 | Default/ impaired Stage 3 RM'000 | Stage 1 RM'000  |                                     |                                     |              |
| <b>31 December 2019</b>                          |                                      |                                  |  |                          |                |                                  |                 |                                     |                                     |              |
| 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      |
| Negotiable Instruments of Deposits               | -                                    | -                                | -  | -                        | -              | -                                | -               | -                                   | -                                   | -            |
| 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, excluding prepayments and deposits | 178,971                              | -                                | -  | -                        | -              | 8,087                            | (4,471)         | (180)                               | -                                   | 182,407      |
| <b>Total</b>                                     | <b>4,036,870</b>                     | <b>1,242,720</b>                 | <b>303,613</b>                           | <b>132,359</b>           | <b>42,794</b>  | <b>76,163</b>                    | <b>(33,389)</b> | <b>(3,346)</b>                      | <b>5,797,784</b>                    |              |

\* 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.)

## (ii) Credit quality by class of financial assets (cont'd.)

| Bank   | Neither past due nor impaired                    |   |  |                                   |                   |   |  | Total<br>RM'000 |
|--|--|---|--|-----------------------------------|-------------------|---|--|-----------------|
|  | Strong<br>credit<br>profile<br>Stage 1<br>RM'000 | Satisfactory<br>risk<br>Stage 1<br>RM'000 | Sub-<br>standard <sup>1</sup><br>Stage 1<br>RM'000 | Non<br>rated<br>Stage 1<br>RM'000 | Stage 2<br>RM'000 | Default/<br>impaired<br>Stage 3<br>RM'000 | ECL on<br>individually<br>impaired<br>RM'000 |                 |
| <b>31 December 2020</b>                          |  |   |  |                                   |                   |   |  |                 |
| Cash and bank balances                           | 1,378,646  | -   | -  | -                                 | -                 | -   | -  | -               |
| Statutory deposit with Bank Negara Malaysia      | 58,398   | -   | -  | -                                 | -                 | -   | -  | -               |
| Financial assets at FVTPL                        |  |   |  |                                   |                   |   |  |                 |
| Islamic Corporate Sukuk                          | 39,833   | -   | -  | -                                 | -                 | -   | -  | -               |
| Unquoted shares and unit trust funds in Malaysia | 148,453  | -   | -  | -                                 | -                 | -   | -  | -               |
| Net loans, advances and financing                |  |   |  |                                   |                   |   |  |                 |
| Term loans                                       | -  | 450,432                                   | 22,593   | -                                 | 87,908            | -   | (2,734)                                      | -               |
| Islamic term loans                               | -  | 74,053                                    | 25,801   | -                                 | -                 | -   | (653)  | -               |
| Share margin financing                           | 429,763  | 596,804                                   | 65,804   | 33,083                            | 28,647            | 40,630                                    | (7,253)                                      | (2,356)         |
| Islamic share margin financing                   | 11,664   | 151                                       | 2,478  | -                                 | -                 | -   | -  | -               |
| Others   | -  | -   | -  | 181                               | -                 | -   | -  | -               |
| Financial investments at FVOCI                   |  |   |  |                                   |                   |   |  |                 |
| Debt instruments:                                |  |   |  |                                   |                   |   |  |                 |
| Malaysian Government Securities                  | 20,496   | -   | -  | -                                 | -                 | -   | -  | -               |
| Malaysian Government Investment Certificates     | 119,119  | -   | -  | -                                 | -                 | -   | -  | -               |
| Islamic Corporate Sukuk                          | 305,664  | -   | -  | -                                 | -                 | -   | -  | -               |
| Corporate Bonds                                  | 174,520  | -   | -  | -                                 | -                 | -   | -  | -               |
| Islamic Negotiable Instruments of Deposits       | 149,943  | -   | -  | -                                 | -                 | -   | -  | -               |
| Equity instrument:                               |  |   |  |                                   |                   |   |  |                 |
| Unquoted equities                                | -  | -   | -  | 1,990                             | -                 | -   | -  | -               |
| Financial investments at AC                      |  |   |  |                                   |                   |   |  |                 |
| Corporate Bonds                                  | 20,021   | -   | -  | -                                 | -                 | -   | -  | -               |
| Malaysian Government Investment Certificates     | 9,909  | -   | -  | -                                 | -                 | -   | -  | -               |
| Islamic Corporate Sukuk                          | 152,210  | 10,895                                    | -  | -                                 | -                 | -   | -  | -               |
| Derivative financial assets                      | -  | -   | -  | 95,571                            | -                 | -   | -  | -               |
| Balances due from clients and brokers            | 512,602  | -   | -  | -                                 | 25,060            | 13,618                                    | (4,670)                                      | (1,553)         |
| Other assets, excluding prepayments and deposits | 74,591   | -   | -  | -                                 | 858               | 9,487                                     | (6,004)                                      | (372)           |
| <b>Total</b>                                     | <b>3,605,832</b>                                 | <b>1,132,335</b>                          | <b>116,676</b>                                     | <b>130,825</b>                    | <b>142,473</b>    | <b>63,735</b>                             | <b>(17,927)</b>                              | <b>(7,668)</b>  |

\* 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        |                                  |                             |                          |                |                                  |                                     | Total<br>RM'000  |
|--|--------------------------------------|----------------------------------|-----------------------------|--------------------------|----------------|----------------------------------|-------------------------------------|------------------|
|  | Strong credit profile Stage 1 RM'000 | Satisfactory risk Stage 1 RM'000 | Sub-standard Stage 1 RM'000 | Non rated Stage 1 RM'000 | Stage 2 RM'000 | Default/ impaired Stage 3 RM'000 | ECL on individually impaired RM'000 |                  |
| <b>31 December 2019</b>                          |                                      |                                  |                             |                          |                |                                  |                                     |                  |
| 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          |
| Negotiable Instruments of Deposits               | -                                    | -                                | -                           | -                        | -              | -                                | -                                   | -                |
| 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)                            | 280,357          |
| Other assets, excluding prepayments and deposits | 101,661                              | -                                | -                           | -                        | -              | 8,087                            | (4,471)                             | 104,793          |
| <b>Total</b>                                     | <b>3,744,935</b>                     | <b>1,247,364</b>                 | <b>301,464</b>              | <b>132,359</b>           | <b>42,794</b>  | <b>75,447</b>                    | <b>(4,704)</b>                      | <b>5,506,986</b> |

\* Majority of the sub-standard rating profile credits are from share margin and 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<br>Total<br>2020<br>RM'000 | Bank<br>Total<br>2020<br>RM'000 |
|------------------------|----------------------------------|---------------------------------|
| <b>Strong</b>          |                                  |                                 |
| AAA                    | 3,324,553                        | 2,956,621                       |
| AA                     | 706,874                          | 673,225                         |
| <b>Satisfactory</b>    |                                  |                                 |
| A                      | 860,673                          | 837,720                         |
| BBB                    | 265,989                          | 318,466                         |
| <b>Substandard</b>     |                                  |                                 |
| BB                     | 97,874                           | 97,873                          |
| B                      | 105,091                          | 105,091                         |
| C                      | 652                              | 652                             |
| <b>Default</b>         |                                  |                                 |
| D                      | 45,808                           | 45,808                          |
| <b>Non-rated</b>       | 130,825                          | 130,825                         |
|                        | <b>5,538,339</b>                 | <b>5,166,281</b>                |

| Internal credit rating | Group<br>Total<br>2019<br>RM'000 | Bank<br>Total<br>2019<br>RM'000 |
|------------------------|----------------------------------|---------------------------------|
| <b>Strong</b>          |                                  |                                 |
| AAA                    | 3,441,713                        | 3,168,682                       |
| AA                     | 593,326                          | 574,119                         |
| <b>Satisfactory</b>    |                                  |                                 |
| A                      | 1,100,081                        | 1,047,360                       |
| BBB                    | 177,809                          | 234,119                         |
| <b>Substandard</b>     |                                  |                                 |
| BB                     | 201,277                          | 199,128                         |
| B                      | 108,594                          | 108,594                         |
| C                      | 189                              | 189                             |
| <b>Default</b>         |                                  |                                 |
| D                      | 42,774                           | 42,774                          |
| <b>Non-rated</b>       | 132,021                          | 132,021                         |
|                        | <b>5,797,784</b>                 | <b>5,506,986</b>                |



## 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<br>1 month<br>RM'000 | 1 to 12<br>months<br>RM'000 | >12<br>months<br>RM'000 | Total<br>RM'000 |
|------------------------|--------------------------------|-----------------------------|-------------------------|-----------------|
| <b>Group</b>           |                                |                             |                         |                 |
| <b>2020</b>            |                                |                             |                         |                 |
| Share margin financing | -                              | 4,202                       | 8,004                   | 12,206          |
| Corporate loans        | 86,911                         | -                           | -                       | 86,911          |
| Other assets           | -                              | -                           | 80                      | 80              |
| <b>Total</b>           | <b>86,911</b>                  | <b>4,202</b>                | <b>8,084</b>            | <b>99,197</b>   |
| <b>2019</b>            |                                |                             |                         |                 |
| Share margin financing | -                              | 949                         | 4,832                   | 5,781           |
| Corporate loans        | 36,347                         | 6,447                       | -                       | 42,794          |
| Other assets           | 7                              | -                           | 77                      | 84              |
| <b>Total</b>           | <b>36,354</b>                  | <b>7,396</b>                | <b>4,909</b>            | <b>48,659</b>   |
| <b>Bank</b>            |                                |                             |                         |                 |
| <b>2020</b>            |                                |                             |                         |                 |
| Share margin financing | -                              | 4,202                       | 8,004                   | 12,206          |
| Corporate loans        | 86,911                         | -                           | -                       | 86,911          |
| Other assets           | -                              | -                           | 80                      | 80              |
| <b>Total</b>           | <b>86,911</b>                  | <b>4,202</b>                | <b>8,084</b>            | <b>99,197</b>   |
| <b>2019</b>            |                                |                             |                         |                 |
| Share margin financing | -                              | 949                         | 4,832                   | 5,781           |
| Corporate loans        | 36,347                         | 6,447                       | -                       | 42,794          |
| Other assets           | 7                              | -                           | 77                      | 84              |
| <b>Total</b>           | <b>-</b>                       | <b>7,396</b>                | <b>4,909</b>            | <b>48,659</b>   |

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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<br>RM'000 | Real estate<br>RM'000 | Other<br>RM'000 | Total value<br>of collateral<br>RM'000 | Credit<br>exposure<br>RM'000 | Unsecured<br>portion of<br>credit<br>exposure<br>RM'000 |
|---------------------------------------|-------------------------------|-----------------------|-----------------|--|------------------------------|---|
| <b>Group</b>                          |                               |                       |                 |  |                              |   |
| <b>2020</b>                           |                               |                       |                 |  |                              |   |
| Loans, advances and financing         |                               |                       |                 |  |                              |   |
| Share margin financing                | 13,276                        | 8,214                 | -               | 21,490                                 | 28,743                       | 7,253   |
| Others                                | -                             | -                     | -               | -                                      | 664                          | 664   |
| Balances due from clients and brokers | -                             | -                     | -               | -                                      | 4,670                        | 4,670   |
| Other assets                          | -                             | -                     | 3,483           | 3,483                                  | 9,487                        | 6,004   |
|                                       | <b>13,276</b>                 | <b>8,214</b>          | <b>3,483</b>    | <b>24,973</b>                          | <b>43,564</b>                | <b>18,591</b>   |
| <b>2019</b>                           |                               |                       |                 |  |                              |   |
| Loans, advances and financing         |                               |                       |                 |  |                              |   |
| Share margin financing                | 18,105                        | 8,214                 | 2,937           | 29,256                                 | 45,317                       | 16,061  |
| Others                                | -                             | -                     | -               | -                                      | 716                          | 716   |
| Balances due from clients and brokers | -                             | -                     | -               | -                                      | 12,141                       | 12,141  |
| Other assets                          | -                             | -                     | 3,616           | 3,616                                  | 8,087                        | 4,471   |
|                                       | <b>18,105</b>                 | <b>8,214</b>          | <b>6,553</b>    | <b>32,872</b>                          | <b>66,261</b>                | <b>33,389</b>   |

## 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<br>RM'000 | Real estate<br>RM'000 | Other<br>RM'000 | Total value<br>of collateral<br>RM'000 | Credit<br>exposure<br>RM'000 | Unsecured<br>portion of<br>credit<br>exposure<br>RM'000 |
|---------------------------------------|-------------------------------|-----------------------|-----------------|--|------------------------------|---|
| <b>Bank</b>                           |                               |                       |                 |  |                              |   |
| <b>2020</b>                           |                               |                       |                 |  |                              |   |
| Loans, advances and financing         |                               |                       |                 |  |                              |   |
| Share margin financing                | 13,276                        | 8,214                 | -               | 21,490                                 | 28,743                       | 7,253   |
| Balances due from clients and brokers | -                             | -                     | -               | -                                      | 4,670                        | 4,670   |
| Other assets                          | -                             | -                     | 3,483           | 3,483                                  | 9,487                        | 6,004   |
|                                       | <b>13,276</b>                 | <b>8,214</b>          | <b>3,483</b>    | <b>24,973</b>                          | <b>42,900</b>                | <b>17,927</b>   |
| <b>2019</b>                           |                               |                       |                 |  |                              |   |
| 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   |
|                                       | <b>18,105</b>                 | <b>8,214</b>          | <b>6,553</b>    | <b>32,872</b>                          | <b>65,545</b>                | <b>32,673</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

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### 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

#### (b) Market risk

Market risk is the risk of loss arising from changes in prices of equity instruments and other financial instruments in the markets in which the Group and the Bank operate. The Group and the Bank also engage in bond proprietary trading to generate revenue in anticipation of changes in prices that may occur in the debt capital market.

The Group and the Bank manage the risk of unfavourable price changes by cautious reviews of investments and collaterals held with continuous monitoring of their performance and risk profiles by qualified personnel.

#### (i) Interest rate risk

In macro terms, interest rate risk refers to the overall sensitivity of the Group's and 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 2020   | 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 % |
|--|----------------------|--------------------|---------------------|-------------------|---------------------|-------------------------------|---------------------|------------------|---------------------------|
| <b>Assets</b>  |                      |                    |                     |                   |                     |                               |                     |                  |                           |
| Cash and bank balances   | 1,078,654            | 30,329             | -                   | -                 | -                   | 535,551                       | -                   | 1,644,534        | 2.19                      |
| Financial assets at FVTPL  | -                    | -                  | -                   | -                 | -                   | -                             | 543,539             | 543,539          | 4.40                      |
| Financial instruments at FVOCI                                   | 154,946              | -                  | 106,312             | 311,851           | 196,633             | 1,990                         | -                   | 771,732          | 3.93                      |
| Financial instruments at AC                                      | -                    | 25,954             | -                   | 156,333           | 10,748              | -                             | -                   | 193,035          | 4.49                      |
| Derivative financial assets                                      | -                    | -                  | -                   | -                 | -                   | 95,571                        | -                   | 95,571           |                           |
| Loans, advances and financing                                    | 1,773,071            | 18,407             | 48,198              | 29,392            | -                   | 181                           | -                   | 1,869,249        | 7.10                      |
| Balances due from clients and brokers                            | -                    | -                  | -                   | -                 | -                   | 545,057                       | -                   | 545,057          |                           |
| Other assets   | 101,629              | -                  | -                   | -                 | -                   | 86,660                        | -                   | 188,289          |                           |
| Other non interest sensitive balances                            | -                    | -                  | -                   | -                 | -                   | 724,061                       | -                   | 724,061          |                           |
| <b>Total assets</b>  | <b>3,108,300</b>     | <b>74,690</b>      | <b>154,510</b>      | <b>497,576</b>    | <b>207,381</b>      | <b>1,989,071</b>              | <b>543,539</b>      | <b>6,575,067</b> |                           |
| <b>Liabilities</b>   |                      |                    |                     |                   |                     |                               |                     |                  |                           |
| Deposits from customers  | 1,476,333            | 487,992            | 888,060             | 100,000           | -                   | -                             | -                   | 2,952,385        | 2.22                      |
| Deposits and placement of banks and other financial institutions | 762,796              | 123,289            | 180,000             | -                 | -                   | -                             | -                   | 1,066,085        | 2.22                      |
| Borrowings   | 53,400               | -                  | -                   | -                 | 122,000             | -                             | -                   | 175,400          | 4.73                      |
| Derivative financial liabilities                                 | -                    | -                  | -                   | -                 | -                   | 137,480                       | -                   | 137,480          |                           |
| Balances due to clients and brokers                              | -                    | -                  | -                   | -                 | -                   | 720,665                       | -                   | 720,665          |                           |
| Other liabilities-structured product                             | 4,055                | -                  | 11,528              | -                 | -                   | -                             | -                   | 15,583           | 19.20                     |
| Other non interest sensitive balances                            | -                    | -                  | -                   | -                 | -                   | 502,528                       | -                   | 502,528          |                           |
| <b>Total liabilities</b>   | <b>2,296,584</b>     | <b>611,281</b>     | <b>1,079,588</b>    | <b>100,000</b>    | <b>122,000</b>      | <b>1,360,673</b>              | <b>-</b>            | <b>5,570,126</b> |                           |
| Equity   | -                    | -                  | -                   | -                 | -                   | 1,004,941                     | -                   | 1,004,941        |                           |
| <b>Total liabilities and shareholders' equity</b>                | <b>2,296,584</b>     | <b>611,281</b>     | <b>1,079,588</b>    | <b>100,000</b>    | <b>122,000</b>      | <b>2,365,614</b>              | <b>-</b>            | <b>6,575,067</b> |                           |
| On-balance sheet interest sensitivity gap                        | 811,716              | (536,591)          | (925,078)           | 397,576           | 85,381              | (376,544)                     | 543,539             | -                |                           |
| Cumulative interest sensitivity gap                              | 811,716              | 275,125            | (649,953)           | (252,377)         | (166,996)           | (543,540)                     | -                   | -                |                           |

## 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<br>2019  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-5<br>years<br>RM'000 | Over<br>5 years<br>RM'000 | Non<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000  | Effective<br>interest<br>rate<br>% |
|--|----------------------------|--------------------------|---------------------------|-------------------------|---------------------------|--|---------------------------|------------------|------------------------------------|
| <b>Assets</b>  |                            |                          |                           |                         |                           |  |                           |                  |                                    |
| 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<br>brokers                               | -                          | -                        | -                         | -                       | -                         | 280,357                                | -                         | 280,357          |                                    |
| Other assets   | 86,376                     | -                        | -                         | -                       | -                         | 115,409                                | -                         | 201,785          |                                    |
| Other non interest sensitive<br>balances                               | -                          | -                        | -                         | -                       | -                         | 719,210                                | -                         | 719,210          |                                    |
| <b>Total assets</b>  | <b>3,485,782</b>           | <b>301,371</b>           | <b>157,929</b>            | <b>576,933</b>          | <b>190,735</b>            | <b>1,589,344</b>                       | <b>328,680</b>            | <b>6,630,774</b> |                                    |
| <b>Liabilities</b>   |                            |                          |                           |                         |                           |  |                           |                  |                                    |
| Deposits from customers  | 2,263,216                  | 943,772                  | 658,506                   | 200,000                 | -                         | -                                      | -                         | 4,065,494        | 3.59                               |
| Deposits and placement of<br>banks and other financial<br>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<br>brokers                                 | -                          | -                        | -                         | -                       | -                         | 537,393                                | -                         | 537,393          |                                    |
| Other liabilities-structured<br>product                                | 5,399                      | -                        | -                         | -                       | -                         | -                                      | -                         | 5,399            | 12.25                              |
| Other non interest sensitive<br>balances                               | -                          | -                        | -                         | -                       | -                         | 357,465                                | -                         | 357,465          |                                    |
| <b>Total liabilities</b>   | <b>2,646,733</b>           | <b>1,287,972</b>         | <b>658,506</b>            | <b>200,000</b>          | <b>25,000</b>             | <b>908,274</b>                         | <b>-</b>                  | <b>5,726,485</b> |                                    |
| Equity   | -                          | -                        | -                         | -                       | -                         | 904,289                                | -                         | 904,289          |                                    |
| <b>Total liabilities and<br/>shareholders' equity</b>                  | <b>2,646,733</b>           | <b>1,287,972</b>         | <b>658,506</b>            | <b>200,000</b>          | <b>25,000</b>             | <b>1,812,563</b>                       | <b>-</b>                  | <b>6,630,774</b> |                                    |
| On-balance sheet interest<br>sensitivity gap                           | 839,049                    | (986,601)                | (500,577)                 | 376,933                 | 165,735                   | (223,219)                              | 328,680                   | -                |                                    |
| Cumulative interest sensitivity<br>gap                                 | 839,049                    | (147,552)                | (648,129)                 | (271,196)               | (105,461)                 | (328,680)                              | -                         | -                |                                    |

## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (b) Market risk (cont'd.)

## (i) Interest rate risk (cont'd.)

| Bank<br>2020   | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-5<br>years<br>RM'000 | Over<br>5 years<br>RM'000 | Non<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000  | Effective<br>interest<br>rate<br>% |
|--|----------------------------|--------------------------|---------------------------|-------------------------|---------------------------|--|---------------------------|------------------|------------------------------------|
| <b>Assets</b>  |                            |                          |                           |                         |                           |  |                           |                  |                                    |
| Cash and bank balances   | 1,007,737                  | -                        | -                         | -                       | -                         | 370,909                                | -                         | 1,378,646        | 2.19                               |
| Financial assets at FVTPL  | -                          | -                        | -                         | -                       | -                         | -                                      | 539,931                   | 539,931          | 4.40                               |
| Financial instruments at FVOCI   | 154,946                    | -                        | 106,312                   | 311,851                 | 196,633                   | 1,990                                  | -                         | 771,732          | 3.93                               |
| Financial instruments at AC  | -                          | 25,954                   | -                         | 156,333                 | 10,748                    | -                                      | -                         | 193,035          | 4.49                               |
| Derivative financial assets  | -                          | -                        | -                         | -                       | -                         | 95,571                                 | -                         | 95,571           |                                    |
| Loans, advances and financing  | 1,845,738                  | 11,077                   | -                         | -                       | -                         | 181                                    | -                         | 1,856,996        | 7.10                               |
| Balances due from clients and<br>brokers                               | -                          | -                        | -                         | -                       | -                         | 545,057                                | -                         | 545,057          |                                    |
| Other assets   | -                          | -                        | -                         | -                       | 29,774                    | 64,938                                 | -                         | 94,712           |                                    |
| Other non interest sensitive<br>balances                               | -                          | -                        | -                         | -                       | -                         | 773,067                                | -                         | 773,067          |                                    |
| <b>Total assets</b>  | <b>3,008,421</b>           | <b>37,031</b>            | <b>106,312</b>            | <b>468,184</b>          | <b>237,155</b>            | <b>1,851,713</b>                       | <b>539,931</b>            | <b>6,248,747</b> |                                    |
| <b>Liabilities</b>   |                            |                          |                           |                         |                           |  |                           |                  |                                    |
| Deposits from customers  | 1,557,155                  | 496,228                  | 889,460                   | 100,000                 | -                         | -                                      | -                         | 3,042,843        | 2.20                               |
| Deposits and placement of<br>banks and other financial<br>institutions | 762,796                    | 123,289                  | 180,000                   | -                       | -                         | -                                      | -                         | 1,066,085        | 2.20                               |
| Borrowings   | 30,400                     | -                        | -                         | -                       | 122,000                   | -                                      | -                         | 152,400          | 4.69                               |
| Derivative financial liabilities                                       | -                          | -                        | -                         | -                       | -                         | 137,480                                | -                         | 137,480          |                                    |
| Balances due to clients and<br>brokers                                 | -                          | -                        | -                         | -                       | -                         | 405,191                                | -                         | 405,191          |                                    |
| Other liabilities-structured<br>product                                | 4,055                      | -                        | 11,528                    | -                       | -                         | -                                      | -                         | 15,583           | 19.20                              |
| Other non interest sensitive<br>balances                               | -                          | -                        | -                         | -                       | -                         | 405,154                                | -                         | 405,154          |                                    |
| <b>Total liabilities</b>   | <b>2,354,406</b>           | <b>619,517</b>           | <b>1,080,988</b>          | <b>100,000</b>          | <b>122,000</b>            | <b>947,825</b>                         | <b>-</b>                  | <b>5,224,736</b> |                                    |
| Equity   | -                          | -                        | -                         | -                       | -                         | 1,024,011                              | -                         | 1,024,011        |                                    |
| <b>Total liabilities and<br/>shareholders' equity</b>                  | <b>2,354,406</b>           | <b>619,517</b>           | <b>1,080,988</b>          | <b>100,000</b>          | <b>122,000</b>            | <b>1,971,836</b>                       | <b>-</b>                  | <b>6,248,747</b> |                                    |
| On-balance sheet interest<br>sensitivity gap                           | 654,015                    | (582,486)                | (974,676)                 | 368,184                 | 115,155                   | (120,123)                              | 539,931                   | -                |                                    |
| Cumulative interest sensitivity<br>gap                                 | 654,015                    | 71,529                   | (903,147)                 | (534,963)               | (419,808)                 | (539,931)                              | -                         | -                |                                    |

## 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.)

| 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 % |
|--|----------------------|--------------------|---------------------|-------------------|---------------------|-------------------------------|---------------------|------------------|---------------------------|
| <b>Assets</b>  |                      |                    |                     |                   |                     |                               |                     |                  |                           |
| 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          |                           |
| <b>Total assets</b>  | <b>3,454,341</b>     | <b>242,922</b>     | <b>135,583</b>      | <b>508,219</b>    | <b>220,431</b>      | <b>1,528,050</b>              | <b>326,560</b>      | <b>6,416,106</b> |                           |
| <b>Liabilities</b>   |                      |                    |                     |                   |                     |                               |                     |                  |                           |
| 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          |                           |
| Other liabilities-structured product                             | 5,399                | -                  | -                   | -                 | -                   | -                             | -                   | 5,399            | 12.25                     |
| Other non interest sensitive balances                            | -                    | -                  | -                   | -                 | -                   | 299,772                       | -                   | 299,772          |                           |
| <b>Total liabilities</b>   | <b>2,649,549</b>     | <b>1,309,014</b>   | <b>658,506</b>      | <b>200,000</b>    | <b>25,000</b>       | <b>618,068</b>                | <b>-</b>            | <b>5,460,137</b> |                           |
| Equity   | -                    | -                  | -                   | -                 | -                   | 955,969                       | -                   | 955,969          |                           |
| <b>Total liabilities and shareholders' equity</b>                | <b>2,649,549</b>     | <b>1,309,014</b>   | <b>658,506</b>      | <b>200,000</b>    | <b>25,000</b>       | <b>1,574,037</b>              | <b>-</b>            | <b>6,416,106</b> |                           |
| 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)                     | -                   | -                |                           |



## 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 2020 | Impact on profit or loss 2020<br>RM'000 | Impact on equity* 2020<br>RM'000 | Change in interest rates 2019 | Impact on profit or loss 2019<br>RM'000 | Impact on equity 2019<br>RM'000 |
|-------------------------------|---|----------------------------------|-------------------------------|---|---------------------------------|
| +100                          | (1,943)                                 | (12,424)                         | +100                          | (3,553)                                 | (18,240)                        |
| -100                          | 1,943                                   | 12,424                           | -100                          | 3,553                                   | 18,240                          |

\* exclude tax impact

#### (ii) Foreign currency exchange risk

Foreign currency risk is the risk of financial loss due to adverse movements in foreign exchange rates.

The Group and the Bank are exposed to currency risk primarily through trading activities that are governed by the Foreign Exchange Proprietary Trading Policy.

##### Currency rate sensitivity analysis

The following table shows the impact of a 5% movement of MYR, ceteris paribus, on the Group's profit/loss:

| Currency* | Changes in foreign exchange Rates | Impact on profit or loss 2020<br>RM'000 | Impact on equity 2020<br>RM'000 | Changes in foreign exchange Rates | Impact on profit or loss 2019<br>RM'000 | Impact on equity 2019<br>RM'000 |
|-----------|-----------------------------------|---|---------------------------------|-----------------------------------|---|---------------------------------|
| AUD       | 5%                                | 4                                       | -                               | 5%                                | 63                                      | -                               |
| CHF       | 5%                                | 1                                       | -                               | 5%                                | (8)                                     | -                               |
| CNY       | 5%                                | 2                                       | -                               | 5%                                | (3)                                     | -                               |
| EUR       | 5%                                | (18)                                    | -                               | 5%                                | 22                                      | -                               |
| GBP       | 5%                                | 4                                       | -                               | 5%                                | 82                                      | -                               |
| HKD       | 5%                                | 7                                       | -                               | 5%                                | 45                                      | -                               |
| IDR       | 5%                                | 0.17                                    | -                               | 5%                                | 0.06                                    | -                               |

## NOTES TO THE FINANCIAL STATEMENTS

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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 (cont'd.)

| Currency* | Changes in foreign exchange rates | Impact on profit or loss 2020 RM'000 | Impact on equity 2020 RM'000 | Changes in foreign exchange rates | Impact on profit or loss 2019 RM'000 | Impact on equity 2019 RM'000 |
|-----------|-----------------------------------|--------------------------------------|------------------------------|-----------------------------------|--------------------------------------|------------------------------|
| JPY       | 5%                                | (123)                                | -                            | 5%                                | (102)                                | -                            |
| NZD       | 5%                                | 2                                    | -                            | 5%                                | 11                                   | -                            |
| PHP       | 5%                                | 2                                    | -                            | 5%                                | 0.44                                 | -                            |
| SGD       | 5%                                | 78                                   | -                            | 5%                                | 450                                  | -                            |
| THB       | 5%                                | 2                                    | -                            | 5%                                | 3                                    | -                            |
| USD       | 5%                                | (360)                                | -                            | 5%                                | 182                                  | -                            |

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 impact of a 5% price movement on this position:

| Currency* | Changes in foreign exchange rates | Impact on profit or loss 2020 RM'000 | Impact on equity 2020 RM'000 | Changes in foreign exchange rates | Impact on profit or loss 2019 RM'000 | Impact on equity 2019 RM'000 |
|-----------|-----------------------------------|--------------------------------------|------------------------------|-----------------------------------|--------------------------------------|------------------------------|
| SAR       | 5%                                | -                                    | (3,563)                      | 5%                                | -                                    | (3,192)                      |

\* Foreign currency is denoted in the table below:

| Currency | Abbreviation      | Currency | Abbreviation     | Currency | Abbreviation        |
|----------|-------------------|----------|------------------|----------|---------------------|
| AUD      | Australian Dollar | EUR      | Euro             | IDR      | Indonesian Rupiah   |
| CHF      | Swiss Franc       | GBP      | British pound    | JPY      | Japanese Yen        |
| CNY      | Chinese Yuan      | HKD      | Hong Kong Dollar | NZD      | New Zealand Dollar  |
| PHP      | Philippine Peso   | THB      | Thai Baht        | SAR      | Saudi Arabian Riyal |
| SGD      | Singapore Dollar  | USD      | US Dollar        |          |                     |

## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (b) Market risk (cont'd.)

#### (iii) Equity price sensitivity analysis

Equity price risk is the risk of financial loss arising from adverse changes in prices of equities and equity derivatives.

The following table demonstrates the impact of a +/- 30% change in equity prices across the board on the Group's profit or loss and equity.

| Change in equity price<br>2020 | Impact on profit or loss<br>2020<br>RM'000 | Impact on equity<br>2020<br>RM'000 | Change in equity price<br>2019 | Impact on profit or loss<br>2019<br>RM'000 | Impact on equity<br>2019<br>RM'000 |
|--------------------------------|--|------------------------------------|--------------------------------|--|------------------------------------|
| +30%                           | 16,932                                     | -                                  | +30%                           | 47,992                                     | -                                  |
| -30%                           | (37,245)                                   | -                                  | -30%                           | (57,164)                                   | -                                  |

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. The impact of a +/- 30% change in equity prices on the Group arising from these investments are shown as follows:

| Change in equity price<br>2020 | Impact on profit or loss<br>2020<br>RM'000 | Impact on equity<br>2020<br>RM'000 | Change in equity price<br>2019 | Impact on profit or loss<br>2019<br>RM'000 | Impact on equity<br>2019<br>RM'000 |
|--------------------------------|--|------------------------------------|--------------------------------|--|------------------------------------|
| +30%                           | -  | 12,197                             | +30%                           | -  | 7,369                              |
| -30%                           | -  | (12,197)                           | -30%                           | -  | (7,369)                            |

## NOTES TO THE FINANCIAL STATEMENTS

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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 issued by BNM, internal policies and management oversight by Group Risk Committee. A Contingency Funding Plan has been formulated covering across the policies, procedures, roles and responsibilities, funding strategies and notwithstanding, the deployment of such in a liquidity event.

The Group and the Bank actively manage their operating cash flows and the availability of funding so as to ensure that all funding needs are being met. As part of its overall prudent liquidity management, the Group and the Bank maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements in addition to maintaining available banking facilities, to meet any immediate operating cash flow requirements.

In accordance with BNM's Liquidity Coverage Ratio guideline, the Group and the Bank maintain a portfolio of highly marketable and diverse assets which are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group and the Bank maintain a statutory deposit with BNM equal to 2.0% of net eligible liabilities.

#### (i) Analysis of assets and liabilities by remaining contractual maturities

The table below summarises the contractual maturity profile of the Group's assets and liabilities as at 31 December 2020. The contractual maturity profile often may not reflect the actual behavioural patterns.

| Group<br>2020                         | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|---------------------------------------|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Assets</b>                         |                        |                            |                             |                             |                              |                      |                                       |                  |
| Cash and bank balances                | 535,551                | 1,078,654                  | 30,329                      | -                           | -                            | -                    | -                                     | 1,644,534        |
| Financial assets at FVTPL             | -                      | -                          | -                           | -                           | -                            | 39,833               | 503,706                               | 543,539          |
| Financial instruments at FVOCI        | -                      | 154,946                    | -                           | 10,908                      | 95,404                       | 508,484              | 1,990                                 | 771,732          |
| Financial instruments at AC           | -                      | -                          | 18,030                      | -                           | -                            | 175,005              | -                                     | 193,035          |
| Derivative financial assets           | -                      | 29,440                     | -                           | 1,882                       | 64,049                       | 65                   | 135                                   | 95,571           |
| Loans, advances and financing         | 231,055                | 1,199,415                  | 7,330                       | 45,671                      | 53,954                       | 331,643              | 181                                   | 1,869,249        |
| Balances due from clients and brokers | -                      | 545,057                    | -                           | -                           | -                            | -                    | -                                     | 545,057          |
| Other assets                          | 15,286                 | 108,566                    | 3,367                       | 1,822                       | -                            | -                    | 59,248                                | 188,289          |
| Others                                | -                      | 1,713                      | 1,272                       | 1,888                       | 3,715                        | 14,595               | 700,877                               | 724,060          |
| <b>Total assets</b>                   | <b>781,892</b>         | <b>3,117,791</b>           | <b>60,328</b>               | <b>62,171</b>               | <b>217,122</b>               | <b>1,069,625</b>     | <b>1,266,137</b>                      | <b>6,575,066</b> |

## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

| Group<br>2020   | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|---|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Liabilities</b>  |                        |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers   | 41,048                 | 1,435,285                  | 487,992                     | 669,960                     | 218,100                      | 100,000              | -                                     | 2,952,385        |
| Deposits and placements<br>of banks and other<br>financial institutions | -                      | 762,796                    | 123,289                     | 180,000                     | -                            | -                    | -                                     | 1,066,085        |
| Derivative financial<br>liabilities                                     | -                      | 10,503                     | 34,955                      | 59,233                      | 32,789                       | -                    | -                                     | 137,480          |
| Balances due to clients and<br>brokers                                  | -                      | 720,665                    | -                           | -                           | -                            | -                    | -                                     | 720,665          |
| Borrowings  | -                      | 23,000                     | 2,800                       | 2,800                       | 5,600                        | 141,200              | -                                     | 175,400          |
| Other liabilities balances  | 600                    | 135,370                    | 7,994                       | 9,894                       | 10,596                       | 56,388               | 297,269                               | 518,111          |
| <b>Total liabilities</b>  | <b>41,648</b>          | <b>3,087,619</b>           | <b>657,030</b>              | <b>921,887</b>              | <b>267,085</b>               | <b>297,588</b>       | <b>297,269</b>                        | <b>5,570,126</b> |
| <b>Net maturity mismatch</b>  | <b>740,244</b>         | <b>30,172</b>              | <b>(596,702)</b>            | <b>(859,716)</b>            | <b>(49,963)</b>              | <b>772,037</b>       | <b>968,868</b>                        | <b>1,004,940</b> |

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

|  | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|--|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| Miscellaneous<br>commitments- monies<br>held in trust on behalf of<br>client | 1,257,682              | -                          | -                           | -                           | -                            | -                    | -                                     | 1,257,682        |
| <b>Total commitments and<br/>guarantees</b>                                  | <b>1,257,682</b>       | <b>-</b>                   | <b>-</b>                    | <b>-</b>                    | <b>-</b>                     | <b>-</b>             | <b>-</b>                              | <b>1,257,682</b> |

## NOTES TO THE FINANCIAL STATEMENTS

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## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (i) Analysis of assets and liabilities by remaining contractual maturities

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<br>2019   | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|---|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Assets</b>   |                        |                            |                             |                             |                              |                      |                                       |                  |
| 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<br>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<br>financing  | 314,868                | 1,247,734                  | 5,541                       | 8,753                       | 63,614                       | 424,147              | 17                                    | 2,064,674        |
| Balances due from clients<br>and brokers                                | -                      | 280,357                    | -                           | -                           | -                            | -                    | -                                     | 280,357          |
| Other assets  | 3,717                  | 95,008                     | 52,686                      | 1,927                       | -                            | -                    | 48,447                                | 201,785          |
| Others  | -                      | 495                        | 1,420                       | 2,093                       | 4,024                        | 16,624               | 694,554                               | 719,210          |
| <b>Total assets</b>   | <b>726,674</b>         | <b>3,105,580</b>           | <b>339,767</b>              | <b>18,097</b>               | <b>228,080</b>               | <b>1,139,790</b>     | <b>1,072,786</b>                      | <b>6,630,774</b> |
| <b>Liabilities</b>  |                        |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers   | 71,367                 | 2,191,849                  | 943,772                     | 548,270                     | 110,236                      | 200,000              | -                                     | 4,065,494        |
| Deposits and placements<br>of banks and other<br>financial institutions | -                      | 310,518                    | 340,200                     | -                           | -                            | -                    | -                                     | 650,718          |
| Derivative financial<br>liabilities                                     | -                      | 57                         | 1,911                       | 1,765                       | 9,683                        | -                    | -                                     | 13,416           |
| Balances due to clients and<br>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          |
| <b>Total liabilities</b>  | <b>71,780</b>          | <b>3,141,919</b>           | <b>1,359,959</b>            | <b>563,156</b>              | <b>130,481</b>               | <b>286,787</b>       | <b>172,403</b>                        | <b>5,726,485</b> |
| <b>Net maturity mismatch</b>  | <b>654,894</b>         | <b>(36,339)</b>            | <b>(1,020,192)</b>          | <b>(545,059)</b>            | <b>97,599</b>                | <b>853,003</b>       | <b>900,383</b>                        | <b>904,289</b>   |

## 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 shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

|  | On demand<br>RM'000 | Up to 1 month<br>RM'000 | >1 to 3 months<br>RM'000 | >3 to 6 months<br>RM'000 | >6 to 12 months<br>RM'000 | >1 year<br>RM'000 | Non specific maturity<br>RM'000 | Total<br>RM'000 |
|--|---------------------|-------------------------|--------------------------|--------------------------|---------------------------|-------------------|---------------------------------|-----------------|
| Miscellaneous commitments-monies held in trust on behalf of client | 623,581             | -                       | -                        | -                        | -                         | -                 | -                               | 623,581         |
| <b>Total commitments and guarantees</b>                            | <b>623,581</b>      | <b>-</b>                | <b>-</b>                 | <b>-</b>                 | <b>-</b>                  | <b>-</b>          | <b>-</b>                        | <b>623,581</b>  |

The table below summarises the contractual maturity profile of the Bank's assets and liabilities as at 31 December 2020. The contractual maturity profile often may not reflect the actual behavioural patterns.

| Bank 2020                             | On demand<br>RM'000 | Up to 1 month<br>RM'000 | >1 to 3 months<br>RM'000 | >3 to 6 months<br>RM'000 | >6 to 12 months<br>RM'000 | >1 year<br>RM'000 | Non specific maturity<br>RM'000 | Total<br>RM'000  |
|---------------------------------------|---------------------|-------------------------|--------------------------|--------------------------|---------------------------|-------------------|---------------------------------|------------------|
| <b>Assets</b>                         |                     |                         |                          |                          |                           |                   |                                 |                  |
| Cash and bank balances                | 370,909             | 1,007,737               | -                        | -                        | -                         | -                 | -                               | 1,378,646        |
| Financial assets at FVTPL             | -                   | -                       | -                        | -                        | -                         | 39,833            | 500,098                         | 539,931          |
| Financial instruments at FVOCI        | -                   | 154,946                 | -                        | 10,908                   | 95,404                    | 508,484           | 1,990                           | 771,732          |
| Financial instruments at AC           | -                   | -                       | 18,030                   | -                        | -                         | 175,005           | -                               | 193,035          |
| Derivative financial assets           | -                   | 29,440                  | -                        | 1,882                    | 64,049                    | 65                | 135                             | 95,571           |
| Loans, advances and financing         | 283,532             | 1,199,415               | -                        | -                        | 51,428                    | 322,440           | 181                             | 1,856,996        |
| Balances due from clients and brokers | -                   | 545,057                 | -                        | -                        | -                         | -                 | -                               | 545,057          |
| Other assets                          | 15,645              | 6,802                   | 3,367                    | 1,822                    | -                         | 29,774            | 37,302                          | 94,712           |
| Others                                | -                   | 1,634                   | 1,136                    | 1,704                    | 3,407                     | 13,455            | 751,731                         | 773,067          |
| <b>Total assets</b>                   | <b>670,086</b>      | <b>2,945,031</b>        | <b>22,533</b>            | <b>16,316</b>            | <b>214,288</b>            | <b>1,089,056</b>  | <b>1,291,437</b>                | <b>6,248,747</b> |

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## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

| Bank<br>2020  | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|---|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Liabilities</b>  |                        |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers   | 41,048                 | 1,516,107                  | 496,228                     | 671,360                     | 218,100                      | 100,000              | -                                     | 3,042,843        |
| Deposits and placements<br>of banks and other<br>financial institutions | -                      | 762,796                    | 123,289                     | 180,000                     | -                            | -                    | -                                     | 1,066,085        |
| Derivative financial<br>liabilities                                     | -                      | 10,503                     | 34,955                      | 59,233                      | 32,789                       | -                    | -                                     | 137,480          |
| Balances due to clients<br>and brokers                                  | -                      | 405,191                    | -                           | -                           | -                            | -                    | -                                     | 405,191          |
| Borrowings  | -                      | -                          | 2,800                       | 2,800                       | 5,600                        | 141,200              | -                                     | 152,400          |
| Other liabilities balances  | 600                    | 134,562                    | 7,862                       | 9,714                       | 10,290                       | 55,144               | 202,565                               | 420,737          |
| <b>Total liabilities</b>  | <b>41,648</b>          | <b>2,829,159</b>           | <b>665,134</b>              | <b>923,107</b>              | <b>266,779</b>               | <b>296,344</b>       | <b>202,565</b>                        | <b>5,224,736</b> |
| <b>Net maturity mismatch</b>  | <b>628,438</b>         | <b>115,872</b>             | <b>(642,601)</b>            | <b>(906,791)</b>            | <b>(52,491)</b>              | <b>792,712</b>       | <b>1,088,872</b>                      | <b>1,024,011</b> |

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

|   | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|---|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| Miscellaneous<br>commitments-monies<br>held in trust on behalf of<br>client | 1,257,682              | -                          | -                           | -                           | -                            | -                    | -                                     | 1,257,682        |
| <b>Total commitments and<br/>guarantees</b>                                 | <b>1,257,682</b>       | <b>-</b>                   | <b>-</b>                    | <b>-</b>                    | <b>-</b>                     | <b>-</b>             | <b>-</b>                              | <b>1,257,682</b> |



## 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<br>2019  | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|---|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Assets</b>   |                        |                            |                             |                             |                              |                      |                                       |                  |
| 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<br>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<br>financing  | 314,868                | 1,304,044                  | -                           | -                           | 50,021                       | 370,567              | 17                                    | 2,039,517        |
| Balances due from clients<br>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          |
| <b>Total assets</b>   | <b>610,784</b>         | <b>3,058,682</b>           | <b>281,153</b>              | <b>9,134</b>                | <b>214,175</b>               | <b>1,115,765</b>     | <b>1,126,413</b>                      | <b>6,416,106</b> |
| <b>Liabilities</b>  |                        |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers   | 71,367                 | 2,220,665                  | 968,814                     | 548,270                     | 110,236                      | 200,000              | -                                     | 4,119,352        |
| Deposits and placements<br>of banks and other<br>financial institutions | -                      | 310,518                    | 340,200                     | -                           | -                            | -                    | -                                     | 650,718          |
| Obligations on securities<br>sold under repurchase<br>agreements        | -                      | -                          | -                           | -                           | -                            | -                    | -                                     | -                |
| Derivative financial<br>liabilities                                     | -                      | 57                         | 1,911                       | 1,765                       | 9,683                        | -                    | -                                     | 13,416           |
| Balances due to clients and<br>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          |
| <b>Total liabilities</b>  | <b>71,780</b>          | <b>2,911,609</b>           | <b>1,380,841</b>            | <b>562,899</b>              | <b>130,163</b>               | <b>286,638</b>       | <b>116,207</b>                        | <b>5,460,137</b> |
| <b>Net maturity mismatch</b>  | <b>539,004</b>         | <b>147,073</b>             | <b>(1,099,688)</b>          | <b>(553,765)</b>            | <b>84,012</b>                | <b>829,127</b>       | <b>1,010,206</b>                      | <b>955,969</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

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### 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

#### (c) Liquidity risk (cont'd.)

##### (i) Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

|  | On demand<br>RM'000 | Up to 1 month<br>RM'000 | >1 to 3 months<br>RM'000 | >3 to 6 months<br>RM'000 | >6 to 12 months<br>RM'000 | >1 year<br>RM'000 | Non specific maturity<br>RM'000 | Total<br>RM'000 |
|--|---------------------|-------------------------|--------------------------|--------------------------|---------------------------|-------------------|---------------------------------|-----------------|
| Miscellaneous commitments-monies held in trust on behalf of client | 623,581             | -                       | -                        | -                        | -                         | -                 | -                               | 623,581         |
| <b>Total commitments and guarantees</b>                            | 623,581             | -                       | -                        | -                        | -                         | -                 | -                               | 623,581         |

##### (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<br>2020   | Up to 1 month<br>RM'000 | >1 to 3 months<br>RM'000 | >3 to 6 months<br>RM'000 | >6 to 12 months<br>RM'000 | >1 year<br>RM'000 | Non specific maturity<br>RM'000 | Total<br>RM'000  |
|---|-------------------------|--------------------------|--------------------------|---------------------------|-------------------|---------------------------------|------------------|
| <b>Financial liabilities</b>                                      |                         |                          |                          |                           |                   |                                 |                  |
| Deposits from customers   | 1,479,708               | 507,212                  | 698,312                  | 218,501                   | 144,604           | -                               | 3,048,337        |
| Deposits and placements of banks and other financial institutions | 764,727                 | 124,463                  | 181,829                  | -                         | -                 | -                               | 1,071,019        |
| Derivative financial liabilities                                  | 10,503                  | 34,955                   | 59,233                   | 32,789                    | -                 | -                               | 137,480          |
| Balances due to clients and brokers                               | 720,665                 | -                        | -                        | -                         | -                 | -                               | 720,665          |
| Borrowings  | 23,112                  | 2,818                    | 2,818                    | 5,637                     | 204,432           | -                               | 238,817          |
| Other liabilities balances  | 135,970                 | 7,994                    | 9,894                    | 10,596                    | 56,388            | 297,269                         | 518,111          |
| <b>Total undiscounted financial liabilities</b>                   | <b>3,134,685</b>        | <b>677,442</b>           | <b>952,086</b>           | <b>267,523</b>            | <b>405,424</b>    | <b>297,269</b>                  | <b>5,734,429</b> |

## 50. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (c) Liquidity risk (cont'd.)

#### (ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

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<br>2019  | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|--|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Financial liabilities</b>   |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers  | 2,329,083                  | 1,031,809                   | 577,606                     | 133,138                      | 261,504              | -                                     | 4,333,140        |
| Deposits and placements of banks and<br>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          |
| <b>Total undiscounted financial liabilities</b>                      | <b>3,280,935</b>           | <b>1,450,756</b>            | <b>592,521</b>              | <b>153,442</b>               | <b>364,740</b>       | <b>172,403</b>                        | <b>6,014,797</b> |

| Bank<br>2020   | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|--|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Financial liabilities</b>   |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers  | 1,560,611                  | 515,458                     | 699,712                     | 218,501                      | 144,604              | -                                     | 3,138,886        |
| Deposits and placements of banks and<br>other financial institutions | 764,727                    | 124,463                     | 181,829                     | -                            | -                    | -                                     | 1,071,019        |
| Derivative financial liabilities                                     | 10,503                     | 34,955                      | 59,233                      | 32,789                       | -                    | -                                     | 137,480          |
| Balance due to clients and brokers                                   | 405,191                    | -                           | -                           | -                            | -                    | -                                     | 405,191          |
| Borrowings   | -                          | 2,818                       | 2,818                       | 5,637                        | 204,432              | -                                     | 215,705          |
| Other liabilities balances   | 135,162                    | 7,862                       | 9,714                       | 10,290                       | 55,144               | 202,565                               | 420,737          |
| <b>Total undiscounted financial liabilities</b>                      | <b>2,876,194</b>           | <b>685,556</b>              | <b>953,306</b>              | <b>267,217</b>               | <b>404,180</b>       | <b>202,565</b>                        | <b>5,389,018</b> |

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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<br>2019   | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|--|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Financial liabilities</b>   |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers  | 2,300,230                  | 1,006,768                   | 577,606                     | 133,138                      | 261,504              | -                                     | 4,279,246        |
| Deposits and placements of banks and<br>other financial institutions | 311,762                    | 342,878                     | -                           | -                            | -                    | -                                     | 654,640          |
| 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               | -                                     | 83,166           |
| Other liabilities balances   | 75,902                     | 67,116                      | 10,064                      | 4,644                        | 31,238               | 116,207                               | 305,171          |
| <b>Total undiscounted financial liabilities</b>                      | <b>2,992,831</b>           | <b>1,421,502</b>            | <b>592,264</b>              | <b>153,124</b>               | <b>364,591</b>       | <b>116,207</b>                        | <b>5,640,519</b> |

#### (d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or resulting from external events.

Operational risk is managed through an effective operational risk management framework which include development of policies, processes and procedures for managing operational risk in the Group, independent review of the risk management function by internal audit and oversight by the management and Board of Directors.

The operational risk management processes include identifying and assessing operational risks of the Group and operational risk loss data collection to track the factual information which can assist the organisation and business and support units to effectively understand where their real risks exist, identify control weaknesses, underlying causes and introduce controls to strengthen the weaknesses.

Any actual, near-miss or potential losses from any operational risk loss events are to be reported to Management.

## 51. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value measurement

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - quoted (unadjusted) market prices in active for identical assets or liabilities.

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

| Group<br>2020  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000  |
|--|-------------------|-------------------|-------------------|------------------|
| <b>Financial assets measured at fair value</b>                   |                   |                   |                   |                  |
| Financial assets at FVTPL  |                   |                   |                   |                  |
| - Debt securities  | -                 | 138,057           | -                 | 138,057          |
| - Equity securities  | 351,645           | 5,384             | 48,453            | 405,482          |
| Financial investments at FVOCI                                   |                   |                   |                   |                  |
| - Debt securities  | -                 | 769,742           | -                 | 769,742          |
| - Equity securities  | -                 | -                 | 1,990             | 1,990            |
| Derivative financial assets                                      | 135               | 95,436            | -                 | 95,571           |
| <b>Financial assets for which fair values are disclosed</b>      |                   |                   |                   |                  |
| Financial investments at AC                                      | -                 | 202,215           | -                 | 202,215          |
| Loans, advances and financing                                    | -                 | -                 | 1,867,339         | 1,867,339        |
|  | <b>351,780</b>    | <b>1,210,834</b>  | <b>1,917,782</b>  | <b>3,480,396</b> |
| <b>Financial liability measured at fair value</b>                |                   |                   |                   |                  |
| Derivative financial liabilities                                 | 131,241           | 6,239             | -                 | 137,480          |
| <b>Financial liabilities for which fair values are disclosed</b> |                   |                   |                   |                  |
| Borrowings   | -                 | 154,413           | -                 | 154,413          |
|  | <b>131,241</b>    | <b>160,652</b>    | <b>-</b>          | <b>291,893</b>   |

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### 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

#### Fair value measurement (cont'd.)

| Group<br>2019  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets measured at fair value</b>                   |                   |                   |                   |                 |
| 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          |
| <b>Financial assets for which fair values are disclosed</b>      |                   |                   |                   |                 |
| 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       |
| <b>Financial liability measured at fair value</b>                |                   |                   |                   |                 |
| Derivative financial liabilities                                 | 13,395            | 21                | -                 | 13,416          |
| <b>Financial liabilities for which fair values are disclosed</b> |                   |                   |                   |                 |
| Borrowings   | -                 | 92,144            | -                 | 92,144          |
|  | 13,395            | 92,165            | -                 | 105,560         |

## 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

## Fair value measurement (cont'd.)

| Bank<br>2020   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets measured at fair value</b>                   |                   |                   |                   |                 |
| Financial assets at FVTPL  |                   |                   |                   |                 |
| - Debt securities  | -                 | 139,833           | -                 | 139,833         |
| - Equity securities  | 351,645           | -                 | 48,453            | 400,098         |
| Financial investments at FVOCI                                   |                   |                   |                   |                 |
| - Debt securities  | -                 | 769,742           | -                 | 769,742         |
| - Equity securities  | -                 | -                 | 1,990             | 1,990           |
| Derivative financial assets                                      | 135               | 95,436            | -                 | 95,571          |
| <b>Financial assets for which fair values are disclosed</b>      |                   |                   |                   |                 |
| Financial investments at AC                                      | -                 | 202,215           | -                 | 202,215         |
| Loans, advances and financing                                    | -                 | -                 | 1,857,022         | 1,857,022       |
|  | 351,780           | 1,207,226         | 1,907,465         | 3,466,471       |
| <b>Financial liability measured at fair value</b>                |                   |                   |                   |                 |
| Derivative financial liabilities                                 | 131,241           | 6,239             | -                 | 137,480         |
| <b>Financial liabilities for which fair values are disclosed</b> |                   |                   |                   |                 |
| Borrowings   | -                 | 131,421           | -                 | 131,421         |
|  | 131,241           | 137,660           | -                 | 268,901         |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

#### Fair value measurement (cont'd.)

| Bank<br>2019   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets measured at fair value</b>                   |                   |                   |                   |                 |
| 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          |
| <b>Financial assets for which fair values are disclosed</b>      |                   |                   |                   |                 |
| 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       |
| <b>Financial liability measured at fair value</b>                |                   |                   |                   |                 |
| Derivative financial liabilities                                 | 13,395            | 21                | -                 | 13,416          |
| <b>Financial liabilities for which fair values are disclosed</b> |                   |                   |                   |                 |
| Borrowings   | -                 | 62,148            | -                 | 62,148          |
|  | 13,395            | 62,169            | -                 | 75,564          |



## 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<br>RM'000 | Equity securities at FVOCI<br>RM'000 |
| <b>2020</b>  |                                      |                                      |
| Balance at the beginning of the financial year       | 28,994                               | 1,088                                |
| Acquisition of investments during the financial year | 22,475                               | -                                    |
| Revaluation (loss)/gain during the financial year    | (3,016)                              | 902                                  |
| Balance at the end of the financial year             | 48,453                               | 1,990                                |
| <b>2019</b>  |                                      |                                      |
| 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                                |

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**52. OPERATIONS OF ISLAMIC BANKING**

The Islamic banking operations of the Bank are as follows:

**(a) Statements of financial position as at 31 December 2020**

|  | Note    | Group and Bank |                  |
|--|---------|----------------|------------------|
|  |         | 2020<br>RM'000 | 2019<br>RM'000   |
| <b>Assets</b>  |         |                |                  |
| Cash and bank balances                                     | (e)     | 452,323        | 982,933          |
| Financial assets at FVTPL                                  | (f)     | 100,000        | 100,000          |
| Financial investments at FVOCI                             | (g)(i)  | 228,701        | 157,374          |
| Financial investments at AC                                | (g)(ii) | 66,822         | 30,087           |
| Financing and advances                                     | (h)     | 113,928        | 169,155          |
| Balances due from clients and brokers                      |         | 1,459          | 410              |
| Other assets   | (i)     | 3,941          | 4,692            |
| Property, plant and equipment                              |         | 26             | 28               |
| Intangible assets  |         | 2              | 12               |
| <b>Total assets</b>  |         | <b>967,202</b> | <b>1,444,691</b> |
| <b>Liabilities</b>   |         |                |                  |
| Deposits from customers                                    | (j)     | 665,493        | 1,174,263        |
| Balances due to clients and brokers                        |         | 4,409          | 2,670            |
| Other liabilities  | (k)     | 112,951        | 98,311           |
| Deferred tax liabilities                                   |         | 1,613          | 1,121            |
| Provision for taxation and zakat                           |         | 4,342          | 3,822            |
| <b>Total liabilities</b>                                   |         | <b>788,808</b> | <b>1,280,187</b> |
| <b>Islamic banking capital funds</b>                       |         |                |                  |
| Islamic banking funds                                      |         | 120,000        | 120,000          |
| Reserves   |         | 58,394         | 44,504           |
| <b>Total Islamic banking capital funds</b>                 |         | <b>178,394</b> | <b>164,504</b>   |
| <b>Total liabilities and Islamic banking capital funds</b> |         | <b>967,202</b> | <b>1,444,691</b> |

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

## (b) Statements of profit or loss and other comprehensive income

For the financial year ended 31 December 2020

|  | Note | Group and Bank |                |
|--|------|----------------|----------------|
|  |      | 2020<br>RM'000 | 2019<br>RM'000 |
| Income derived from investment of depositors' funds                        | (l)  | 46,905         | 60,810         |
| Income derived from investment of shareholders' funds                      | (m)  | 8,404          | 8,096          |
| Credit loss reversal/(expense)   |      | 374            | (680)          |
| <b>Total attributable income</b>   |      | <b>55,683</b>  | 68,226         |
| Profit distributed to the depositors                                       | (n)  | (32,759)       | (48,668)       |
| <b>Net Income</b>  |      | <b>22,924</b>  | 19,558         |
| Finance cost   |      | (1,881)        | (2,256)        |
| Personnel expenses   | (o)  | (749)          | (747)          |
| Other overhead expenses  | (o)  | (3,585)        | (2,719)        |
| <b>Profit before taxation and zakat</b>                                    |      | <b>16,709</b>  | 13,836         |
| Taxation and zakat   |      | (4,342)        | (3,822)        |
| <b>Profit for the financial year</b>                                       |      | <b>12,367</b>  | 10,014         |
| <b>Other comprehensive income</b>  |      |                |                |
| Items that will be reclassified subsequently to profit or loss:            |      |                |                |
| Fair value gain on debt instruments at FVOCI                               |      | 2,011          | 4,461          |
| Income tax related to the above items                                      |      | (492)          | (1,029)        |
| <b>Total other comprehensive income for the financial year, net of tax</b> |      | <b>13,886</b>  | 13,446         |

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 |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| Income derived from investment of depositors' funds   | 46,905         | 60,810         |
| Income derived from investment of shareholders' funds   | 8,404          | 8,096          |
| <b>Total income before impairment allowances and overhead expenses</b>  | <b>55,309</b>  | 68,906         |
| Profit distributed to depositors  | (32,759)       | (48,668)       |
| Finance cost  | (1,881)        | (2,256)        |
| <b>Income from Islamic Banking Window operations reported in the statements of profit or loss of the Group and the Bank</b> | <b>20,669</b>  | 17,982         |

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

#### (c) Statements of cash flows

For the financial year ended 31 December 2020

|   | Group and Bank   |                |
|---|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 |
| <b>Cash flows from operating activities</b>   |                  |                |
| Profit before taxation and zakat  | 16,709           | 13,836         |
| Adjustments for:  |                  |                |
| Depreciation of plant and equipment (Note 52(o)(ii))                                    | 8                | 6              |
| Amortisation of intangible assets (Note 52(o)(ii))                                      | 10               | 43             |
| Credit loss (reversal)/expense  | (374)            | 680            |
| Realised gain from sale of financial assets at FVTPL                                    | (1,442)          | (1,288)        |
| Realised gain from sale of financial investments at FVOCI (Note 52(l))                  | (1,974)          | (1,245)        |
| Unrealised loss on revaluation of financial assets at fair value through profit or loss | -                | 62             |
| Operating profit before working capital changes   | 12,937           | 12,094         |
| <b>Changes in operating assets:</b>   |                  |                |
| Financing and advances  | 55,653           | 4,111          |
| Balances due from clients and brokers   | (1,050)          | 519            |
| Other assets  | 756              | 21,745         |
| <b>Changes in operating liabilities:</b>  |                  |                |
| Deposits from customers   | (508,770)        | (100,495)      |
| Balances due to clients and brokers   | 1,739            | 958            |
| Other liabilities   | 11,179           | (19,720)       |
| Cash used in operating activities   | (427,556)        | (80,788)       |
| Taxation and zakat paid   | (357)            | (340)          |
| Net cash used in operating activities   | (427,913)        | (81,128)       |
| <b>Cash flows from investing activities</b>   |                  |                |
| Purchase of plant and equipment   | (6)              | -              |
| Net purchase of securities  | (102,691)        | 643,917        |
| Net cash flows (used in)/generated from investing activities                            | (102,697)        | 643,917        |
| <b>Net change in cash and cash equivalents</b>  | <b>(530,610)</b> | <b>562,789</b> |
| <b>Cash and cash equivalents at beginning of the financial year</b>                     | <b>982,933</b>   | <b>420,144</b> |
| <b>Cash and cash equivalents at end of the financial year</b>                           | <b>452,323</b>   | <b>982,933</b> |

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

## (d) Statements of changes in Islamic banking funds

For the financial year ended 31 December 2020

| Group and Bank   | Non-distributable                    |                                 |                                 |                          |                               | Distributable                 |         | Total<br>RM'000 |
|--|--------------------------------------|---------------------------------|---------------------------------|--------------------------|-------------------------------|-------------------------------|---------|-----------------|
|  | Islamic<br>banking<br>fund<br>RM'000 | Fair value<br>reserve<br>RM'000 | Regulatory<br>reserve<br>RM'000 | ESS<br>reserve<br>RM'000 | Capital<br>reserve*<br>RM'000 | Retained<br>profits<br>RM'000 |         |                 |
| <b>At 1 January 2020</b>                                   | 120,000                              | 3,517                           | 2,503                           | 15                       | 5,248                         | 33,221                        | 164,504 |                 |
| Profit for the<br>financial year                           | -                                    | -                               | -                               | -                        | -                             | 12,367                        | 12,367  |                 |
| Other<br>comprehensive<br>income for the<br>financial year | -                                    | 1,519                           | -                               | -                        | -                             | -                             | 1,519   |                 |
| Share based<br>payment under<br>ESS                        | -                                    | -                               | -                               | 4                        | -                             | -                             | 4       |                 |
| Transfer from<br>regulatory reserve                        | -                                    | -                               | (61)                            | -                        | -                             | 61                            | -       |                 |
| <b>At 31 December<br/>2020</b>                             | 120,000                              | 5,036                           | 2,442                           | 19                       | 5,248                         | 45,649                        | 178,394 |                 |
| <b>At 1 January 2019</b>                                   | 120,000                              | 85                              | 3,335                           | 9                        | 5,248                         | 22,375                        | 151,052 |                 |
| Profit for the<br>financial year                           | -                                    | -                               | -                               | -                        | -                             | 10,014                        | 10,014  |                 |
| Other<br>comprehensive<br>income for the<br>financial year | -                                    | 3,432                           | -                               | -                        | -                             | -                             | 3,432   |                 |
| Issuance of shares<br>pursuant to ESOS                     | -                                    | -                               | -                               | 6                        | -                             | -                             | 6       |                 |
| Transfer from<br>regulatory reserve                        | -                                    | -                               | (832)                           | -                        | -                             | 832                           | -       |                 |
| <b>At 31 December<br/>2019</b>                             | 120,000                              | 3,517                           | 2,503                           | 15                       | 5,248                         | 33,221                        | 164,504 |                 |

\* Capital reserve arose from the merger adjustment to reflect the capital restructuring as a result of the group internal reorganisation exercise.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (e) Cash and bank balances

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Current account with BNM and banks         | 30,323         | 22,933         |
| Money at call and deposit placements with: |                |                |
| Licensed banks                             | 172,000        | 140,000        |
| Domestic non-bank financial institutions   | 50,000         | 470,000        |
| Bank Negara Malaysia                       | 200,000        | 350,000        |
|  | <b>452,323</b> | <b>982,933</b> |

#### (f) Financial assets at FVTPL

|   | Group and Bank |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At fair value</b>                    |                |                |
| <b>Unquoted securities in Malaysia:</b> |                |                |
| Funds                                   | 100,000        | 100,000        |

#### (g) Financial investments other than those measured at FVTPL

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>(i) Financial investments at Fair Value through Other Comprehensive Income ("FVOCI"):</b> |                |                |
| <b>Money market instruments:</b>   |                |                |
| Malaysian Government Investment Certificates   | 42,088         | 41,373         |
| Negotiable Instruments of Deposits   | 99,974         | -              |
|  | <b>142,062</b> | <b>41,373</b>  |
| <b>Debt instruments:</b>   |                |                |
| Corporate Sukuk  | 86,639         | 116,001        |
| <b>Total financial investments at FVOCI</b>  | <b>228,701</b> | <b>157,374</b> |

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

## (g) Financial investment other than those measured at FVTPL (cont'd.)

|   | Group and Bank |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>(ii) Financial investments at amortised cost:</b>                  |                |                |
| <b>Debt instruments:</b>  |                |                |
| Corporate Sukuk   | 66,878         | 30,087         |
| Less: Allowance for ECL   | (56)           | -              |
| <b>Total financial investments at amortised cost</b>                  | <b>66,822</b>  | <b>30,087</b>  |
| <b>Total financial investments other than those measured at FVTPL</b> | <b>295,523</b> | <b>187,461</b> |

## (iii) Impairment losses on financial investments subject to impairment assessment

**AC**

An analysis of changes in the ECLs is, as follows:

| Movement in ECLs                    | Group and Bank<br>2020 |                 |
|-------------------------------------|------------------------|-----------------|
|                                     | RM'000<br>Stage 1      | RM'000<br>Total |
| As at 1 January 2020                | -                      | -               |
| New assets originated or purchased  | 73                     | 73              |
| Impact of net re-measurement of ECL | (17)                   | (17)            |
| As at 31 December 2020              | 56                     | 56              |

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (h) Financing and advances at AC

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Commodity Murabahah term financing         |                |                |
| - Shariah contract - others                | 29,501         | 96,457         |
| Commodity Murabahah revolving credit       |                |                |
| - Shariah contract - others                | 70,353         | 66,319         |
| Commodity Murabahah share margin financing |                |                |
| - Shariah contract - others                | 14,293         | 7,024          |
| Gross financing and advances               | 114,147        | 169,800        |
| Less: Allowance for ECL                    | (219)          | (645)          |
| Net financing and advances                 | 113,928        | 169,155        |

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| (i) Gross financing and advances analysed by type of customer are as follows:              |                |                |
| Domestic business enterprises  | 55,648         | 142,719        |
| Individuals  | 58,499         | 27,081         |
|  | 114,147        | 169,800        |
| (ii) Gross financing and advances analysed by geographical distribution are as follows:    |                |                |
| In Malaysia  | 114,147        | 169,800        |
| (iii) Gross financing and advances analysed by profit rate sensitivity are as follows:     |                |                |
| Fixed rate   | 14,293         | 7,024          |
| Variable rate- Cost plus   | 99,854         | 162,776        |
|  | 114,147        | 169,800        |
| (iv) Gross financing and advances analysed by economic purpose are as follows:             |                |                |
| Purchase of securities   | 40,096         | 40,829         |
| Working capital  | 70,351         | 45,707         |
| Others   | 3,700          | 83,264         |
|  | 114,147        | 169,800        |
| (v) Gross financing and advances analysed by residual contractual maturity are as follows: |                |                |
| Within one year  | 110,445        | 73,343         |
| More than one year   | 3,702          | 96,457         |
|  | 114,147        | 169,800        |



**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      |                 |
|--|-------------------|-----------------|
|  | 2020              |                 |
| <b>ECL allowances</b>                                | Stage 1<br>RM'000 | Total<br>RM'000 |
| As at 1 January                                      | 645               | 645             |
| New assets originated                                | 322               | 322             |
| Assets derecognised or repaid (excluding write-offs) | (521)             | (521)           |
| Net remeasurement of allowance                       | (227)             | (227)           |
| As at 31 December                                    | 219               | 219             |

|  | 2019              |                 |
|--|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Total<br>RM'000 |
| <b>ECL allowances</b>                                |                   |                 |
| As at 1 January                                      | -                 | -               |
| New assets originated                                | 709               | 709             |
| Assets derecognised or repaid (excluding write-offs) | (83)              | (83)            |
| Net remeasurement of allowance                       | 19                | 19              |
| As at 31 December                                    | 645               | 645             |

**(i) Other assets**

|                    | Group and Bank |                |
|--------------------|----------------|----------------|
|                    | 2020<br>RM'000 | 2019<br>RM'000 |
| Income receivables | 3,893          | 4,651          |
| Prepayment         | 15             | 1              |
| Other receivables  | 88             | 100            |
| Less: ECL          | (55)           | (60)           |
|                    | 3,941          | 4,692          |

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (i) Other assets (cont'd.)

(i) Impairment allowance for other receivables:

|  | 2020                             |                              |                 |
|--|----------------------------------|------------------------------|-----------------|
|  | Non-credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>RM'000 |
| <b>ECL allowances</b>                                |                                  |                              |                 |
| As at 1 January                                      | 2                                | 58                           | 60              |
| New assets originated                                | 15                               | -                            | 15              |
| Assets derecognised or repaid (excluding write-offs) | -                                | (25)                         | (25)            |
| Net remeasurement of allowance                       | -                                | 5                            | 5               |
| As at 31 December                                    | 17                               | 38                           | 55              |

|  | 2019                             |                              |                 |
|--|----------------------------------|------------------------------|-----------------|
|  | Non-credit<br>Impaired<br>RM'000 | Credit<br>Impaired<br>RM'000 | Total<br>RM'000 |
| <b>ECL allowances</b>                                |                                  |                              |                 |
| As at 1 January                                      | -                                | 8                            | 8               |
| New assets originated                                | 14                               | -                            | 14              |
| Transfer of stages during the year                   | (12)                             | 12                           | -               |
| Assets derecognised or repaid (excluding write-offs) | -                                | (6)                          | (6)             |
| Net remeasurement of allowance                       | -                                | 44                           | 44              |
| As at 31 December                                    | 2                                | 58                           | 60              |

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

## (j) Deposits from customers

|   | Group and Bank |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| (i) By type of deposit:                 |                |                |
| Tawarruq (Commodity Murabahah deposits) | 665,493        | 1,174,263      |
| (ii) By type of customers:              |                |                |
| Government and statutory bodies         | 200,000        | 200,000        |
| Domestic non-bank institutions          | 438,864        | 875,842        |
| Business enterprises                    | 26,056         | 96,923         |
| Individuals                             | 573            | 1,498          |
|   | 665,493        | 1,174,263      |
| (iii) By maturity:                      |                |                |
| Due within six months                   | 345,910        | 915,150        |
| Due more than six months                | 319,583        | 259,113        |
|   | 665,493        | 1,174,263      |

## (k) Other liabilities

|                                       | Group and Bank |                |
|---------------------------------------|----------------|----------------|
|                                       | 2020<br>RM'000 | 2019<br>RM'000 |
| Mudarabah Specific Investment Account | 36,000         | 54,200         |
| Profit payables                       | 5,309          | 4,133          |
| Other payables                        | 71,642         | 39,978         |
|                                       | 112,951        | 98,311         |

Included in other payables is funds pending distribution to charitable organisations:

|                           | Group and Bank |                |
|---------------------------|----------------|----------------|
|                           | 2020<br>RM'000 | 2019<br>RM'000 |
| Balance as at 1 January   | 7              | -              |
| Gharamah charges          | -              | 7              |
| Balance as at 31 December | 7              | 7              |

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (l) Income derived from investment of depositors' funds

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Finance income and hibah</b>  |                |                |
| Financing and advances   | 3,890          | 4,507          |
| Deposits and placements with financial institutions                          | 15,503         | 21,387         |
| Financial investments other than those measured at FVTPL                     | 11,096         | 20,600         |
| Accretion of discount  | (899)          | (710)          |
| Others   | 19             | -              |
|  | <b>29,609</b>  | <b>45,784</b>  |
| <b>Other operating income</b>  |                |                |
| Net gain on sale of financial assets at FVTPL                                | 1,442          | 1,226          |
| Net gain on sale of financial investments other than those measured at FVTPL | 1,974          | 1,245          |
| Fees on financing and advances   | 755            | 1,788          |
| Brokerage fee  | 7,157          | 2,517          |
| Profit income  | 5,766          | 8,212          |
| Advisory fee   | 303            | 217            |
| Placement fee  | -              | 90             |
| Direct trading fees  | (234)          | (313)          |
| Other operating income   | 2              | -              |
| Other non-operating income   | 131            | 44             |
|  | <b>17,296</b>  | <b>15,026</b>  |
|  | <b>46,905</b>  | <b>60,810</b>  |

#### (m) Income derived from investment of shareholders' funds

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Finance income and hibah</b>                          |                |                |
| Financing and advances                                   | 5,253          | 7,476          |
| Financial investments other than those measured at FVTPL | 3,487          | 687            |
| Accretion of premium                                     | (336)          | (67)           |
|  | <b>8,404</b>   | <b>8,096</b>   |

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

## (n) Profit distributed to depositors

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Deposits from customers and financial institutions |                |                |
| - Murabahah Fund                                   | 30,030         | 44,567         |
| Others   | 2,729          | 4,101          |
|  | 32,759         | 48,668         |

## (o) Other operating expenses

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>(i) Personnel expenses</b>              |                |                |
| - Salaries, wages, allowances and bonus    | 593            | 563            |
| - EPF                                      | 92             | 86             |
| - Other staff related expense              | 64             | 98             |
|  | 749            | 747            |
| <b>(ii) Other overhead expenses</b>        |                |                |
| <b>Establishment costs</b>                 |                |                |
| - Depreciation                             | 8              | 6              |
| - Amortisation                             | 10             | 43             |
| - Office rental                            | 58             | 57             |
| - Repair and maintenance                   | 6              | 3              |
| - Others                                   | 5              | 5              |
|  | 87             | 114            |
| <b>Marketing and trading expenses</b>      |                |                |
| - Advertisement and promotions             | -              | 4              |
| - Travelling and entertainment expenses    | -              | 5              |
|  | -              | 9              |
| <b>Administration and general expenses</b> |                |                |
| - Fees and brokerage                       | 1,151          | 307            |
| - Support service charges                  | 1,873          | 1,794          |
| - Shariah committee expenses               | 214            | 222            |
| - Others                                   | 260            | 273            |
|  | 3,498          | 2,596          |
| <b>Total other overhead expenses</b>       | <b>3,585</b>   | <b>2,719</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

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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:

| Group & Bank                        | Remuneration received |                 |                |
|-------------------------------------|-----------------------|-----------------|----------------|
|                                     | Fees                  | Other emolument | Total          |
| <b>Committees members:</b>          |                       |                 |                |
| <b>31 December 2020</b>             |                       |                 |                |
| Dr. Ghazali Jaapar                  | 49,500                | 6,900           | 56,400         |
| Dr. Kamaruzaman Noordin             | 13,500                | 2,000           | 15,500         |
| Dr. Mohd Fuad Md Sawari             | 40,000                | 5,000           | 45,000         |
| Dr. Muhammad Arzim Naim             | 45,000                | 5,500           | 50,500         |
| Dr. Mohammad Firdaus Mohammad Hatta | 36,000                | 6,500           | 42,500         |
|                                     | <b>184,000</b>        | <b>25,900</b>   | <b>209,900</b> |
| <b>31 December 2019</b>             |                       |                 |                |
| 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         |
|                                     | <b>197,000</b>        | <b>24,000</b>   | <b>221,000</b> |

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

## (q) Capital adequacy

|   | Group and Bank |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>CET 1/Tier 1 capital</b>                               |                |                |
| Islamic banking funds                                     | 120,000        | 120,000        |
| Retained profits  | 45,649         | 33,221         |
| Reserves  | 12,745         | 11,283         |
| Less:   |                |                |
| Intangible assets   | (2)            | (12)           |
| 55% of cumulative gains on financial investments at FVOCI | (2,771)        | (1,935)        |
| Regulatory reserve  | (2,442)        | (2,503)        |
| <b>Total CET 1/Tier 1 capital</b>                         | <b>173,179</b> | <b>160,054</b> |
| <b>Tier 2 capital</b>                                     |                |                |
| Impairment provision                                      | 2,718          | 3,151          |
| <b>Total Tier 2 capital</b>                               | <b>2,718</b>   | <b>3,151</b>   |
| <b>Total capital</b>                                      | <b>175,897</b> | <b>163,205</b> |
| CET 1 capital ratio                                       | 64.539%        | 45.304%        |
| Tier 1 capital ratio                                      | 64.539%        | 45.304%        |
| Total capital ratio                                       | 65.552%        | 46.196%        |

The breakdown of risk-weighted assets (excluding any deferred tax assets) in the various categories of risk-weights are as follows:

|                                   | 2020                |                             | 2019                |                             |
|-----------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
|                                   | Principal<br>RM'000 | Risk-<br>weighted<br>RM'000 | Principal<br>RM'000 | Risk-<br>weighted<br>RM'000 |
| <b>Group and Bank</b>             |                     |                             |                     |                             |
| Credit risk                       | 897,330             | 238,272                     | 1,359,665           | 327,481                     |
| Market risk                       | -                   | -                           | -                   | -                           |
| Operational risk                  | -                   | 30,060                      | -                   | 25,804                      |
| <b>Total risk weighted assets</b> | <b>897,330</b>      | <b>268,332</b>              | <b>1,359,665</b>    | <b>353,285</b>              |

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

#### (r) Commitments and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

As at reporting date, the commitment and contingencies are as follows:

|   | Group & Bank                          |                                       |
|---|---------------------------------------|---------------------------------------|
|   | 2020<br>Principal<br>amount<br>RM'000 | 2019<br>Principal<br>amount<br>RM'000 |
| Commitments to extend credit with maturity of less than 1 year: |                                       |                                       |
| - Share margin financing  | 7,977                                 | 8,676                                 |
| - Corporate financing   | 39,808                                | 5,000                                 |
| Commitments to extend credit with maturity of more than 1 year: |                                       |                                       |
| - Corporate financing   | 13,775                                | -                                     |
|   | <b>61,560</b>                         | <b>13,676</b>                         |

#### (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<br>2020                   | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000 |
|--|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|-----------------|
| <b>Assets</b>                            |                        |                            |                             |                             |                              |                      |                                       |                 |
| Cash and bank balances                   | 30,323                 | 372,000                    | 50,000                      | -                           | -                            | -                    | -                                     | 452,323         |
| Financial assets at FVTPL                | -                      | -                          | -                           | -                           | -                            | -                    | 100,000                               | 100,000         |
| Financial instruments at<br>FVOCI        | 104,978                | -                          | -                           | 5,034                       | 5,228                        | 113,461              | -                                     | 228,701         |
| Financial instruments at AC              | -                      | -                          | 18,044                      | -                           | -                            | 48,778               | -                                     | 66,822          |
| Financing and advances                   | 70,135                 | 14,292                     | -                           | -                           | -                            | 29,501               | -                                     | 113,928         |
| Balances due from clients<br>and brokers | -                      | 1,459                      | -                           | -                           | -                            | -                    | -                                     | 1,459           |
| Other assets                             | 30                     | 2,528                      | 779                         | 586                         | -                            | -                    | 18                                    | 3,941           |
| Others                                   | -                      | -                          | -                           | -                           | -                            | -                    | 28                                    | 28              |
| <b>Total assets</b>                      | <b>205,466</b>         | <b>390,279</b>             | <b>68,823</b>               | <b>5,620</b>                | <b>5,228</b>                 | <b>191,740</b>       | <b>100,046</b>                        | <b>967,202</b>  |
| <b>Liabilities</b>                       |                        |                            |                             |                             |                              |                      |                                       |                 |
| Deposits from customers                  | -                      | 366,586                    | 49,196                      | 149,711                     | -                            | 100,000              | -                                     | 665,493         |
| Balances due to clients<br>and brokers   | -                      | 4,409                      | -                           | -                           | -                            | -                    | -                                     | 4,409           |
| Other liabilities balances               | -                      | 1,324                      | 657                         | 1,425                       | -                            | 1,903                | 113,597                               | 118,906         |
| <b>Total liabilities</b>                 | <b>-</b>               | <b>372,319</b>             | <b>49,853</b>               | <b>151,136</b>              | <b>-</b>                     | <b>101,903</b>       | <b>113,597</b>                        | <b>788,808</b>  |
| <b>Net maturity mismatch</b>             | <b>205,466</b>         | <b>17,960</b>              | <b>18,970</b>               | <b>(145,516)</b>            | <b>5,228</b>                 | <b>89,837</b>        | <b>(13,551)</b>                       | <b>178,394</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

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

## (t) Liquidity risk (cont'd.)

## Analysis of assets and liabilities by remaining contractual maturities (cont'd.)

| Group and Bank<br>2019                   | On<br>demand<br>RM'000 | Up to 1<br>month<br>RM'000 | >1 to 3<br>months<br>RM'000 | >3 to 6<br>months<br>RM'000 | >6 to 12<br>months<br>RM'000 | >1<br>year<br>RM'000 | Non<br>specific<br>maturity<br>RM'000 | Total<br>RM'000  |
|--|------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------|----------------------|---------------------------------------|------------------|
| <b>Assets</b>                            |                        |                            |                             |                             |                              |                      |                                       |                  |
| Cash and bank balances                   | 22,933                 | 860,000                    | 100,000                     | -                           | -                            | -                    | -                                     | 982,933          |
| Financial assets at FVTPL                | -                      | -                          | -                           | -                           | -                            | -                    | 100,000                               | 100,000          |
| Financial instruments at<br>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<br>and brokers | -                      | 410                        | -                           | -                           | -                            | -                    | -                                     | 410              |
| Other assets                             | -                      | 3,491                      | 437                         | 763                         | -                            | -                    | 1                                     | 4,692            |
| Others                                   | -                      | -                          | -                           | -                           | -                            | -                    | 40                                    | 40               |
| <b>Total assets</b>                      | <b>88,825</b>          | <b>870,924</b>             | <b>100,437</b>              | <b>763</b>                  | <b>25,228</b>                | <b>258,473</b>       | <b>100,041</b>                        | <b>1,444,691</b> |
| <b>Liabilities</b>                       |                        |                            |                             |                             |                              |                      |                                       |                  |
| Deposits from customers                  | -                      | 910,248                    | 9,902                       | 1,000                       | 53,113                       | 200,000              | -                                     | 1,174,263        |
| Balances due to clients<br>and brokers   | -                      | 2,670                      | -                           | -                           | -                            | -                    | -                                     | 2,670            |
| Other liabilities balances               | -                      | 847                        | 78                          | 28                          | 721                          | 2,458                | 99,122                                | 103,254          |
| <b>Total liabilities</b>                 | <b>-</b>               | <b>913,765</b>             | <b>9,980</b>                | <b>1,028</b>                | <b>53,834</b>                | <b>202,458</b>       | <b>99,122</b>                         | <b>1,280,187</b> |
| <b>Net maturity mismatch</b>             | <b>88,825</b>          | <b>(42,841)</b>            | <b>90,457</b>               | <b>(265)</b>                | <b>(28,606)</b>              | <b>56,015</b>        | <b>919</b>                            | <b>164,504</b>   |

## 53. PRIOR YEAR RECLASSIFICATION

For previous year, the intra-group transactions between KIBB and the joint venture were eliminated in the preparation of the consolidated statements of profit or loss and other comprehensive income.

As the elimination of regular intra-group transaction is not a mandatory requirement in the equity method of accounting standard, the Group has elected for non-elimination and as such, reversed the elimination adjustments and restated the previous year's revenue and expenses.

**53. PRIOR YEAR RECLASSIFICATION (CONT'D.)**

The impact in the consolidated statements of profit or loss and other comprehensive income is reconciled as below:

| For the financial year ended<br>31 December 2019 | Previously<br>stated<br>RM'000 | Decrease/<br>increase<br>RM'000 | As<br>restated<br>RM'000 |
|--|--------------------------------|---------------------------------|--------------------------|
| <b>Group</b>                                     |                                |                                 |                          |
| Interest expense                                 | (158,731)                      | (1,440)                         | (160,171)                |
| Other operating income                           | 346,628                        | 772                             | 347,400                  |
| Share of result of a joint venture               | (7,573)                        | 668                             | (6,905)                  |
| Net impact                                       | 180,324                        | -                               | 180,324                  |

**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<br>Emmanuel, Dominique, Martial, Georges, Faure<br>Sree Kumar A/L C K Nayar<br>Azila Binti Abdul Aziz<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Izlan Bin Izhah (resigned on 1 January 2021)<br>Lum Chee Wah (resigned on 1 January 2021) |
| 2  | Kenanga Nominees (Asing) Sdn Bhd    | Lee Kok Khee<br>Ng Yoke Mun<br>Nuryasmin Lee Binti Abdullah<br>Cheong Boon Kak<br>Ruslan Bin Md Nor<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Wong Mee Hong (resigned on 29 March 2020)<br>Lum Chee Wah (resigned on 1 January 2021)                                  |
| 3  | Kenanga Nominees (Tempatan) Sdn Bhd | Lee Kok Khee<br>Ng Yoke Mun<br>Nuryasmin Lee Binti Abdullah<br>Cheong Boon Kak<br>Ruslan Bin Md Nor<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Wong Mee Hong (resigned on 29 March 2020)<br>Lum Chee Wah (resigned on 1 January 2021)                                  |

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**54. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)**

| No | Name of subsidiaries                  | Name of Directors   |
|----|---------------------------------------|---|
| 4  | Kenanga Private Equity Sdn Bhd        | Datuk Chay Wai Leong<br>Megat Mizan Nicholas Denney<br>Cheong Boon Kak<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Lum Chee Wah (resigned on 1 January 2021)                            |
| 5  | ECML Berhad                           | Lee Kok Khee<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Lum Chee Wah (resigned on 1 January 2021)  |
| 6  | ECML Nominees (Tempatan) Sdn Bhd      | Lee Kok Khee<br>Ng Yoke Mun<br>Tan Tong Nam<br>Chan Tuck Kiong<br>Nuryasmin Lee Binti Abdullah<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Lum Chee Wah (resigned on 1 January 2021)    |
| 7  | Avenue Kestrel Sdn Bhd                | Lee Kok Khee<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Lum Chee Wah (resigned on 1 January 2021)  |
| 8  | K & N Kenanga Holdings Berhad         | Datuk Chay Wai Leong<br>Datuk Roslan Bin Hj Tik<br>Cheong Boon Kak  |
| 9  | SSSB Management Services Sdn Bhd      | Megat Mizan Nicholas Denney<br>Lem Siow Hui   |
| 10 | Kenanga Management & Services Sdn Bhd | Megat Mizan Nicholas Denney<br>Vaithyanathan A/L Madavan (appointed on 1 January 2021)<br>Lum Chee Wah (resigned on 1 January 2021)   |
| 11 | Kenanga Investors Berhad              | Datuk Syed Ahmad Alwee Alsree<br>Syed Zafilen Bin Syed Alwee<br>Imran Devindran Bin Abdullah<br>Ismitz Matthew De Alwis<br>Norazian Binti Ahmad Tajuddin<br>Peter John Rayner (retired on 5 January 2021) |

## 54. DIRECTORS OF SUBSIDIARIES OF THE GROUP (CONT'D.)

| No | Name of subsidiaries             | Name of Directors  |
|----|----------------------------------|--|
| 12 | Kenanga Islamic Investors Berhad | YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail<br>Datuk Syed Ahmad Alwee Alsree<br>Dato' Zuraidah Binti Atan<br>Ismitz Matthew De Alwis<br>Megat Mizan Nicholas Denney (Alternate to YM Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail)<br>Zulkifli Bin Ishak |
| 13 | KUT Nominees (Tempatan) Sdn Bhd  | Lee Kok Khee<br>Ismitz Matthew De Alwis  |
| 14 | KUT Nominees (Asing) Sdn Bhd     | Lee Kok Khee<br>Ismitz Matthew De Alwis  |
| 15 | Kenanga Funds Berhad             | Cheong Boon Kak<br>Ismitz Matthew De Alwis   |
| 16 | Kenanga Capital Sdn Bhd          | Datuk Roslan Bin Hj Tik<br>Megat Mizan Nicholas Denney<br>Lee Kok Khee<br>Dato' Azlan Bin Abu Rais @ A Rais Al Noah  |
| 17 | Kenanga Capital Islamic Sdn Bhd  | Megat Mizan Nicholas Denney<br>Cheong Boon Kak (appointed on 5 August 2020)<br>Ang Xing Xian (appointed on 5 August 2020)<br>Datuk Roslan Bin Hi Tik (resigned on 5 August 2020)<br>Dato' Azlan Bin Abu Rais @ A Rais Al Noah (resigned on 5 August 2020)                                  |
| 18 | Kenanga Singapore Pte. Ltd.      | Luk Wai Hong, William<br>Lee Kok Khee  |
| 19 | Libra Invest Berhad              | Syed Zafilen Bin Syed Alwee<br>Imran Devindran Bin Abdullah<br>Ismitz Matthew De Alwis<br>Muhammad Helmi Bin Hamzah (resigned on 12 February 2020)   |

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, 13,320,000, 12,231,000, 224,000 options have been vested on 1 March 2018, 2 May 2019, 1 July 2020 and 1 December 2020 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 each have been vested on 2 May 2019 and 1 July 2020.

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 and 1,404,000 options have been vested on 1 June 2019 and 1 July 2020 respectively. These options are exercisable within three (3) years from date of vesting.

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. Out of the 750,000 options offered, 225,000 options have been vested on 1 July 2020.

On 1 July 2020, the Bank has offered 3,469,000 of options under ESOS ("ESOS Fifth Offer"). The exercise price of the ESOS Fifth Offer is RM0.58. Out of the 3,469,000 options offered, 356,000 options have been vested on 1 August 2020.

## 55. EQUITY COMPENSATION BENEFITS (CONT'D.)

### Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

#### (1) ESOS (cont'd.)

Details of share options granted under ESOS:

| Offer date | Vesting date | Number of options ('000) | Exercise price | Number of exercisable options ('000) | Exercise period       |
|------------|--------------|--------------------------|----------------|--------------------------------------|-----------------------|
| 02.01.2018 | 01.03.2018   | 2,218,000                | 0.575          | 758,500                              | 01.03.2018-28.02.2021 |
| 02.01.2018 | 02.05.2019   | 14,161,500               | 0.575          | 8,994,000                            | 02.05.2019-01.05.2022 |
| 02.01.2018 | 01.07.2020   | 14,161,500               | 0.575          | 9,023,500                            | 01.07.2020-30.06.2023 |
| 02.01.2018 | 01.12.2020   | 224,000                  |                | 224,000                              | 01.12.2020-31.05.2021 |
| 02.01.2018 | N/A*         | 18,658,000               | 0.575          | N/A                                  | N/A                   |
| 31.05.2018 | 02.05.2019   | 3,000,000                | 0.630          | 3,000,000                            | 02.05.2019-01.05.2022 |
| 31.05.2018 | 01.07.2020   | 3,000,000                | 0.630          | 3,000,000                            | 01.07.2020-30.06.2023 |
| 31.05.2018 | N/A*         | 4,000,000                | 0.630          | N/A                                  | N/A                   |
| 02.05.2019 | 01.06.2019   | 386,000                  | 0.605          | 189,000                              | 01.06.2019-31.05.2022 |
| 02.05.2019 | 01.07.2020   | 1,588,500                | 0.605          | 768,000                              | 01.07.2020-30.06.2023 |
| 02.05.2019 | N/A*         | 3,706,500                | 0.605          | N/A                                  | N/A                   |
| 17.06.2019 | 01.07.2020   | 225,000                  | 0.595          | -                                    | 01.07.2020-30.06.2023 |
| 17.06.2019 | N/A*         | 525,000                  | 0.595          | N/A                                  | N/A                   |
| 01.07.2020 | 01.08.2020   | 356,000                  | 0.580          | 154,000                              | 01.08.2020-31.07.2023 |
| 01.07.2020 | N/A*         | 2,955,000                | 0.580          | N/A                                  | N/A                   |

\* Based on 3-year cliff vesting from the offer date and performance metrics.

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## 55. EQUITY COMPENSATION BENEFITS (CONT'D.)

## Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

## (1) ESOS (cont'd.)

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

## 2020

| Offer date | Opening        | Movement during the financial year |           |                         | Outstanding      |
|------------|----------------|------------------------------------|-----------|-------------------------|------------------|
|            | As at 1.1.2020 | Granted                            | Exercised | Forfeited/<br>Cancelled | As at 31.12.2020 |
| 02.01.2018 | 46,260,100     | -                                  | 8,027,100 | 2,320,000               | 35,913,000       |
| WAEP (RM)  | 0.575          | -                                  | 0.575     | 0.575                   | 0.575            |

## 2019

| Offer date | Opening        | Movement during the financial year |           |                                    | Outstanding      |
|------------|----------------|------------------------------------|-----------|------------------------------------|------------------|
|            | As at 1.1.2019 | Granted                            | Exercised | Forfeited/<br>Cancelled/<br>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            |

## ESOS Second Offer

## 2020

| Offer date | Opening        | Movement during the financial year |           |           | Outstanding      |
|------------|----------------|------------------------------------|-----------|-----------|------------------|
|            | As at 1.1.2020 | Granted                            | Exercised | Forfeited | As at 31.12.2020 |
| 31.05.2018 | 10,000,000     | -                                  | -         | -         | 10,000,000       |
| WAEP (RM)  | 0.630          | -                                  | -         | -         | 0.630            |

## 2019

| Offer date | Opening        | Movement during the financial year |           |           | Outstanding      |
|------------|----------------|------------------------------------|-----------|-----------|------------------|
|            | As at 1.1.2019 | Granted                            | Exercised | Forfeited | As at 31.12.2019 |
| 31.5.2018  | 10,000,000     | -                                  | -         | -         | 10,000,000       |
| WAEP (RM)  | 0.630          | -                                  | -         | -         | 0.630            |



## 55. EQUITY COMPENSATION BENEFITS (CONT'D.)

## Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

## (1) ESOS (cont'd.)

## ESOS Third Offer

## 2020

| Offer date | Opening        | Movement during the financial year |           |                         | Outstanding      |
|------------|----------------|------------------------------------|-----------|-------------------------|------------------|
|            | As at 1.1.2020 | Granted                            | Exercised | Forfeited/<br>Cancelled | As at 31.12.2020 |
| 02.05.2019 | 5,377,000      | -                                  | 793,000   | 298,500                 | 4,285,500        |
| WAEP (RM)  | 0.605          | -                                  | 0.605     | 0.605                   | 0.605            |

## 2019

| Offer date | Opening        | Movement during the financial year |           |           | Outstanding      |
|------------|----------------|------------------------------------|-----------|-----------|------------------|
|            | As at 1.1.2019 | Granted                            | Exercised | Forfeited | 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

## 2020

| Offer date | Opening        | Movement during the financial year |           |           | Outstanding      |
|------------|----------------|------------------------------------|-----------|-----------|------------------|
|            | As at 1.1.2020 | Granted                            | Exercised | Forfeited | As at 31.12.2020 |
| 17.06.2019 | 750,000        | -                                  | 225,000   | -         | 525,000          |
| WAEP (RM)  | 0.595          | -                                  | 0.595     | -         | 0.595            |

## 2019

| Offer date | Opening        | Movement during the financial year |           |           | Outstanding      |
|------------|----------------|------------------------------------|-----------|-----------|------------------|
|            | As at 1.1.2019 | Granted                            | Exercised | Forfeited | As at 31.12.2019 |
| 17.06.2019 | -              | 750,000                            | -         | -         | 750,000          |
| WAEP (RM)  | N/A            | 0.595                              | -         | -         | 0.595            |

## ESOS Fifth Offer

## 2020

| Offer date | Opening        | Movement during the financial year |           |                         | Outstanding      |
|------------|----------------|------------------------------------|-----------|-------------------------|------------------|
|            | As at 1.1.2020 | Granted                            | Exercised | Forfeited/<br>Cancelled | As at 31.12.2020 |
| 01.07.2020 | -              | 3,311,000                          | 202,000   | 65,000                  | 3,044,000        |
| WAEP (RM)  | N/A            | 0.580                              | 0.580     | 0.580                   | 0.580            |

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 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         | 0.1047        | 0.1111         |
| Share price at offer date (RM)   | 0.550                | 0.550          | 0.550         | 0.550          |
| Exercise price (RM)              | 0.575                | 0.575          | 0.575         | 0.575          |
| Expected volatility (%)          | 26.92%               | 26.92%         | 26.92%        | 26.92%         |
| Risk free rate (%)               | 3.688%               | 3.688%         | 3.688%        | 3.688%         |
| Expected dividend yield (%)      | 4.00%                | 4.00%          | 4.00%         | 4.00%          |

The exercise period is 3 years from vesting date.

##### ESOS Second Offer

|                                  | Tranches of vesting: |                |               |
|----------------------------------|----------------------|----------------|---------------|
|                                  | First tranche        | Second tranche | Third tranche |
| Fair value of share options (RM) | 0.1030               | 0.1140         | 0.1220        |
| Share price at offer date (RM)   | 0.595                | 0.595          | 0.595         |
| Exercise price (RM)              | 0.630                | 0.630          | 0.630         |
| Expected volatility (%)          | 28.07%               | 28.07%         | 28.07%        |
| Risk free rate (%)               | 3.883%               | 3.883%         | 3.883%        |
| Expected dividend yield (%)      | 4.00%                | 4.00%          | 4.00%         |

The exercise period is 3 years from vesting date.

**55. EQUITY COMPENSATION BENEFITS (CONT'D.)****Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)****ESOS Third Offer**

|                                  | Tranches of vesting: |                |               |                |
|----------------------------------|----------------------|----------------|---------------|----------------|
|                                  | First tranche        | Second tranche | Third tranche | Fourth tranche |
| Fair value of share options (RM) | 0.1103               | 0.1251         | 0.1404        | 0.1535         |
| Share price at offer date (RM)   | 0.580                | 0.580          | 0.580         | 0.580          |
| Exercise price (RM)              | 0.605                | 0.605          | 0.605         | 0.605          |
| Expected volatility (%)          | 28.10%               | 28.10%         | 28.10%        | 28.10%         |
| Risk free rate (%)               | 3.610%               | 3.610%         | 3.610%        | 3.610%         |
| Expected dividend yield (%)      | 1.80%                | 1.80%          | 1.80%         | 1.80%          |

The exercise period is 3 years from vesting date.

**ESOS Fourth Offer**

|                                  | Tranches of vesting: |                |               |
|----------------------------------|----------------------|----------------|---------------|
|                                  | First tranche        | Second tranche | Third tranche |
| Fair value of share options (RM) | 0.1188               | 0.1338         | 0.1467        |
| Share price at offer date (RM)   | 0.570                | 0.570          | 0.570         |
| Exercise price (RM)              | 0.595                | 0.595          | 0.595         |
| Expected volatility (%)          | 27.90%               | 27.90%         | 27.90%        |
| Risk free rate (%)               | 3.460%               | 3.460%         | 3.460%        |
| Expected dividend yield (%)      | 1.80%                | 1.80%          | 1.80%         |

The exercise period is 3 years from vesting date.

**ESOS Fifth Offer**

|                                  | Tranches of vesting: |                |               |                |
|----------------------------------|----------------------|----------------|---------------|----------------|
|                                  | First tranche        | Second tranche | Third tranche | Fourth tranche |
| Fair value of share options (RM) | 0.0981               | 0.102          | 0.1046        | 0.1038         |
| Share price at offer date (RM)   | 0.550                | 0.550          | 0.550         | 0.550          |
| Exercise price (RM)              | 0.580                | 0.580          | 0.580         | 0.580          |
| Expected volatility (%)          | 29.450%              | 29.450%        | 29.450%       | 29.450%        |
| Risk free rate (%)               | 2.480%               | 2.480%         | 2.480%        | 2.480%         |
| Expected dividend yield (%)      | 7.220%               | 7.220%         | 7.220%        | 7.220%         |

The exercise period is 3 years from vesting date.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 55. EQUITY COMPENSATION BENEFITS (CONT'D.)

#### Kenanga's Group Employees' Share Scheme ("ESS") (cont'd.)

##### (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.

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 2020.

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 2020 other than the following:

### Proposed Disposal

On 1 April 2020, the Bank announced that Kenanga Investors Berhad (“KIB”), a wholly-owned subsidiary of KIBB, has on 1 April 2020, entered into a conditional Share Purchase Agreement (“SPA”) with Ericsenz Partners Sdn Bhd (“Ericsenz Partners”) to dispose of the entire issued share capital of Libra Invest Berhad (“Libra Invest”) comprising 6,500,000 ordinary shares in Libra Invest held by KIB, subject to the terms and conditions as stipulated in the SPA.

On 1 July 2020, KIB and Ericsenz Partners have mutually agreed to extend the period required for both parties to fulfil the conditions precedent stipulated in the conditional SPA for a further period of three (3) months commencing from 1 July 2020 to 30 September 2020.

On 30 July 2020, Libra Invest has submitted an application to the Securities Commission Malaysia to seek its approval for the change of Libra Invest’s shareholder from KIB to Ericsenz Partners.

On 29 September 2020 and subsequently on 31 December 2020, KIB and Ericsenz Partners have mutually agreed to extend the period required for both parties to fulfil the conditions precedent stipulated in the conditional SPA for a further period of three (3) months commencing from 1 October 2020 to 31 December 2020, and subsequently from 1 January 2021 to 31 March 2021.

### Changes in composition of the Group

On 5 August 2020, Kenanga Capital Islamic Sdn Bhd, a wholly-owned subsidiary of Kenanga Capital Sdn Bhd, which in turn is a wholly-owned subsidiary of the Bank, had issued 2,401,960 ordinary shares (equivalent to 49% shareholding) to Bay Amaranite Sdn Bhd. Arising therefrom, the shareholding in Kenanga Capital Islamic Sdn Bhd is 51% held by Kenanga Capital Sdn Bhd and 49% held by Bay Amaranite Sdn Bhd.

### Coronavirus pandemic (COVID-19)

On 11 March 2020, the World Health Organisation declared COVID-19 outbreak as a pandemic as it has continued to spread across the world. This pandemic has significantly impacted the global business environment and financial conditions.

The Malaysian government had implemented a Movement Control Order (MCO) to restrict human movements and closed all non-essential business offices in a move to curb the spread of COVID-19. The MCO was subsequently relaxed to allow certain businesses to recommence business activities. In order to mitigate the weaker economy outlook, the Malaysian government has implemented several relief measures to help to stimulate the economy, including a 6 months moratorium on repayments of loans and financing from 1 April 2020 to 30 September 2020.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 56. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

- (a) There was no significant event during the financial year ended 31 December 2020 other than the following (cont'd.):

#### Coronavirus pandemic (COVID-19) (cont'd.)

As the Group's businesses are considered essential services, we have continued to operate during the restricted period. The following paragraphs provide an analysis of the impact to the Group:

- (i) Impact on business operation

As mentioned above, the Group's businesses continued to operate during these restricted periods. There were no material contracts being suspended or terms that have been waived, modified or newly imposed to the Group's activities. The disruption on the supply chain and distribution networks of our services arising from the COVID-19 pandemic was also minimal despite closure of certain branches as we were able to provide our services digitally.

The Group's digital journey that started a few years ago which focused not only on customer-centric technologies but also automation of operational processes had allowed us to capitalise on the sudden customer shift to online broking as well as the increase in trading volume during this period.

- (ii) Impact on cash flows, liquidity, financial performance and position

The Group's financial performance for the current financial period was not significantly affected by the COVID-19 pandemic. Although there may be higher impaired loans as macroeconomic conditions weaken and consequently some increase in credit costs, these are largely due to market volatility and is not expected to be permanent. Our overall asset quality remains intact.

In addition, moratoriums granted to customers will have minimal impact on the Group's cash flow, operations and financial performance. The Group also continues to maintain healthy capital adequacy and liquidity ratios throughout the period under review.

- (iii) Strategy and steps taken to address the impact of the COVID-19

In response to this "new normal" environment, appropriate and effective measures were put in place by the Group.

For our employees, we have split our operations into separate locations for critical departments and enforced work-from-home arrangements to ensure our essential services continue with minimal disruptions. To protect our employees who have to work from office, daily sanitisation of areas, temperature checking and social distancing are adopted. We are in compliance with the recommendations from the Ministry of Health that are issued from time to time.

We will continue to monitor and assess our credit, operational and liquidity risks on regular basis through the various policies and procedures that are in place to safeguard the financial position, performance and cash flows of the Group.

We have and will continue our efforts to use digital tools to enable business and operational activities to be managed efficiently and effectively in a post-COVID-19 environment.

- (b) There was no significant event subsequent to the financial year ended 31 December 2020 other than the following:

On 2 February 2021, the Bank had announced that KIB had acquired entire issued share capital of i-VCAP Management Sdn Bhd ("i-VCAP") comprising 11,000,000 ordinary shares in i-VCAP following approval by the Securities Commission of Malaysia.

Subsequent to the acquisition, i-VCAP became a wholly owned subsidiary of KIB.

# ANALYSIS OF SHAREHOLDINGS

AS AT 12 APRIL 2021

## SHARE CAPITAL

|                               |                                   |
|-------------------------------|-----------------------------------|
| Total Number of Issued Shares | : 729,698,099 Ordinary Shares     |
| 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                            | 7,087               | 29.84             | 186,072                     | 0.02               |
| 100 to 1,000                             | 5,471               | 23.04             | 2,529,332                   | 0.35               |
| 1,001 to 10,000                          | 9,365               | 39.44             | 30,735,270                  | 4.21               |
| 10,001 to 100,000                        | 1,553               | 6.54              | 44,889,020                  | 6.15               |
| 100,001 to Less Than 5% of Issued Shares | 269                 | 1.13              | 413,565,635                 | 56.68              |
| 5% and Above of Issued Shares            | 2                   | 0.01              | 237,792,770                 | 32.59              |
| <b>Total</b>                             | <b>23,747</b>       | <b>100.00</b>     | <b>729,698,099</b>          | <b>100.00</b>      |

**ANALYSIS OF SHAREHOLDINGS**

AS AT 12 APRIL 2021

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS**

| No.          | Name   | Holdings           | %            |
|--------------|--|--------------------|--------------|
| 1            | CMS Capital Sdn Bhd  | 136,823,000        | 18.75        |
| 2            | Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail  | 100,969,770        | 13.84        |
| 3            | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for Tokai Tokyo Securities Co., Ltd.  | 34,514,799         | 4.73         |
| 4            | Chua Sim Neo @ Diana Chua  | 34,490,300         | 4.73         |
| 5            | Abdul Aziz Bin Hashim  | 29,753,712         | 4.08         |
| 6            | Infotech Mark Sdn Bhd  | 25,103,040         | 3.44         |
| 7            | Aiza Binti Abdul Aziz  | 23,157,156         | 3.17         |
| 8            | Pui Cheng Wui  | 21,874,700         | 3.00         |
| 9            | Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt AN for Kenanga Investors Berhad  | 14,737,000         | 2.02         |
| 10           | Lim Kuan Gin   | 12,000,816         | 1.64         |
| 11           | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore Bch)   | 10,786,239         | 1.48         |
| 12           | Maybank Nominees (Tempatan) Sdn Bhd<br>Exempt AN for Kenanga Investors Berhad (Clients' Account)                                   | 10,059,000         | 1.38         |
| 13           | Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Prulink Equity Fund   | 9,903,600          | 1.36         |
| 14           | Tokio Marine Life Insurance Malaysia Bhd<br>As Beneficial Owner (PF)   | 9,050,000          | 1.24         |
| 15           | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Southern Corporation (Nibong Tebal) Sdn Bhd for Tan Lee Sim                             | 6,250,000          | 0.86         |
| 16           | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for Singular Value Fund   | 6,034,800          | 0.83         |
| 17           | Song Kim Lee   | 5,600,000          | 0.77         |
| 18           | Hwang Enterprises Sdn Bhd  | 5,550,000          | 0.76         |
| 19           | Datuk Chay Wai Leong   | 5,500,000          | 0.75         |
| 20           | Koon Poh Keong   | 5,350,000          | 0.73         |
| 21           | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt AN for Citibank New York (Norges Bank 14)   | 5,057,000          | 0.69         |
| 22           | Rescom International Limited   | 4,320,000          | 0.59         |
| 23           | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)                              | 4,245,900          | 0.58         |
| 24           | Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Prulink Equity Income Fund  | 4,066,400          | 0.56         |
| 25           | Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Prulink Equity Focus Fund   | 4,043,900          | 0.55         |
| 26           | Vibrant Model Sdn Bhd  | 4,000,000          | 0.55         |
| 27           | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad for Eastspring<br>Investmentssmall-Cap Fund | 3,713,800          | 0.51         |
| 28           | Teoh Guan Kok & Co. Sdn Berhad   | 3,544,400          | 0.49         |
| 29           | Cartaban Nominees (Tempatan) Sdn Bhd<br>PAMB for Participating Fund  | 3,430,600          | 0.47         |
| 30           | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)                | 3,094,000          | 0.42         |
| <b>Total</b> |  | <b>547,023,932</b> | <b>74.97</b> |



**SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND GROUP MANAGING DIRECTOR'S INTERESTS IN SECURITIES****Substantial Shareholders' Interest in Shares**

| Name of Substantial Shareholders                            | No. of Ordinary Shares |       |                            |       |
|---|------------------------|-------|----------------------------|-------|
|   | Direct Interest        | %     | Indirect Interest          | %     |
| CMS Capital Sdn Bhd   | 136,823,000            | 18.75 | -                          | -     |
| Cahaya Mata Sarawak Berhad                                  | -                      | -     | 136,823,000 <sup>(a)</sup> | 18.75 |
| Tan Sri Dato' Paduka Tengku Noor Zakiah Binti Tengku Ismail | 100,969,770            | 13.84 | -                          | -     |

Note:

<sup>(a)</sup> Deemed interest pursuant to Section 8(4) of the Companies Act 2016 by virtue of shares held by CMS Capital Sdn Bhd.

**Directors' Shareholdings**

| Name of Directors                   | No. of Ordinary Shares |      |                   |   |
|-------------------------------------|------------------------|------|-------------------|---|
|                                     | Direct Interest        | %    | Indirect Interest | % |
| Dato' Richard Alexander John Curtis | 1,100,000              | 0.15 | -                 | - |
| Luigi Fortunato Ghirardello         | 631,700                | 0.09 | -                 | - |
| Jeremy Nasrulhaq                    | 187,900                | 0.03 | -                 | - |
| Norazian Ahmad Tajuddin             | 10,000                 | *    | -                 | - |
| Kanagaraj Lorenz                    | 212,300                | 0.03 | -                 | - |

Note:

\* Negligible

**Group Managing Director's Interest in Securities<sup>(1)</sup>**

| Name of Group Managing Director     | No. of Ordinary Shares |      |                   |   | No. of Options Held under the Employees' Share Option Scheme |
|-------------------------------------|------------------------|------|-------------------|---|--|
|                                     | Direct Interest        | %    | Indirect Interest | % |  |
| Datuk Chay Wai Leong <sup>(2)</sup> | 5,500,000              | 0.75 | -                 | - | 7,000,000  |

Notes:

<sup>(1)</sup> Securities cover shares and options.

<sup>(2)</sup> The Group Managing Director is not a Director of the Company.

# NOTICE OF FORTY-SEVENTH (47<sup>TH</sup>) ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Seventh (47<sup>th</sup>) Annual General Meeting (“**AGM**”) of Kenanga Investment Bank Berhad (“**the Company**”) will be held fully virtual at Level 19, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia (“**Broadcast Venue**”) on Thursday, 10 June 2021 at 11.00 a.m. through live streaming and online remote voting via the Remote Participation and Electronic Voting Facilities (“**RPEV Facilities**”) which are available at Boardroom Share Registrars Sdn Bhd (“**Boardroom**”)’s Online website at <http://web.lumiagm.com> to transact the following businesses:

## AS ORDINARY BUSINESS

- |     |   |                              |
|-----|---|------------------------------|
| 1.  | To receive the Audited Financial Statements for the Financial Year Ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.  |                              |
| 2.  | To re-elect YAM Tan Sri Dato’ Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail who retires in accordance with Clause 84 of the Company’s Constitution and who being eligible offers himself for re-election.                | <b>Ordinary Resolution 1</b> |
| 3.  | To re-elect the following Directors who retire by rotation in accordance with Clause 78 of the Company’s Constitution and who being eligible offer themselves for re-election:  |                              |
| 3.1 | Jeremy Nasrullahq;  | <b>Ordinary Resolution 2</b> |
| 3.2 | Norazian Ahmad Tajuddin; and  | <b>Ordinary Resolution 3</b> |
| 3.3 | Kanagaraj Lorenz.   | <b>Ordinary Resolution 4</b> |
| 4.  | To approve the payment of Directors’ fees totaling RM3,565,956.28 in respect of the Financial Year Ended 31 December 2020.  | <b>Ordinary Resolution 5</b> |
| 5.  | To approve the payment of benefits payable to the Non-Executive Chairman, Non-Executive Deputy Chairman and Non-Executive Directors of up to an amount of RM1,300,000.00 from 11 June 2021 until the next AGM of the Company. | <b>Ordinary Resolution 6</b> |
| 6.  | To re-appoint Ernst & Young PLT as Auditors of the Company for the Financial Year Ending 31 December 2021 and to authorise the Board of Directors to determine their remuneration.  | <b>Ordinary Resolution 7</b> |

## AS SPECIAL BUSINESS

- |    |   |                              |
|----|---|------------------------------|
| 7. | <b>Authority to Directors to Issue Shares</b> | <b>Ordinary Resolution 8</b> |
|----|---|------------------------------|

To consider, and if thought fit, to pass the following Ordinary Resolution:

“**THAT** subject always to the Companies Act 2016, the Company’s Constitution and approvals of the relevant governmental/ regulatory authorities, the Board of Directors be and is hereby authorised pursuant to Section 75 and Section 76 of the Companies Act 2016, to issue shares in the Company at any time to such persons and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and the Board of Directors be and is also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued **AND THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

## 8. Proposed Renewal of Share Buy-Back Authority

## Ordinary Resolution 9

To consider, and if thought fit, to pass the following Ordinary Resolution:

**“THAT** subject to the provisions of the Companies Act 2016, the Company's Constitution, Bursa Malaysia Securities Berhad's Main Market Listing Requirements and the approvals of all relevant governmental and/ or regulatory authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of the Company (**“Proposed Renewal of Share Buy-Back Authority”**) as may be determined by the Board of Directors of the Company from time to time through Bursa Malaysia Securities Berhad, upon such terms and conditions as the Board of Directors may deem fit in the interest of the Company, provided that -

- a. the aggregate number of shares to be purchased pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares for the time being of the Company and in compliance with the security holding spread requirement as stipulated in Paragraph 8.02(1) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements or other requirements as may be determined by Bursa Malaysia Securities Berhad from time to time;
- b. the maximum funds to be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's latest audited retained profits of RM594,296,222 as at 31 December 2020;
- c. the authority conferred by this Resolution shall commence immediately upon the passing of this Ordinary Resolution and shall continue to be in force until:
  - i. the conclusion of the next Annual General Meeting (**“AGM”**) of the Company at which time it will lapse, unless by Ordinary Resolution passed at the AGM, the authority is renewed either unconditionally or subject to conditions; or
  - ii. the expiration of the period within which the next AGM after that date is required by law to be held; or
  - iii. revoked or varied by Ordinary Resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first; but not so as to prejudice the completion of the purchase of its own shares by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of Bursa Malaysia Securities Berhad's Main Market Listing Requirements or any other relevant authorities;

- d. upon the purchase by the Company of its own shares, the Board of Directors be and is hereby authorised to -
  - i. cancel the shares so purchased;
  - ii. retain the shares so purchased as Treasury Shares;
  - iii. retain part of the shares so purchased as Treasury Shares and cancel the remainder;
  - iv. distribute the Treasury Shares as share dividends to shareholders;
  - v. resell the Treasury Shares or any of the said shares in accordance with Bursa Malaysia Securities Berhad's Main Market Listing Requirements;
  - vi. transfer the Treasury Shares, or any of the said shares for the purposes of or under an employees' share scheme;
  - vii. transfer the Treasury Shares, or any of the said shares as purchase consideration;
  - viii. cancel the Treasury Shares or any of the said shares; or
  - ix. sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister may by order prescribe;

## NOTICE OF ANNUAL GENERAL MEETING

**AND THAT** the Board of Directors of the Company be and is hereby authorised to take all steps as are necessary or expedient to implement or to effect the Proposed Renewal of Share Buy-Back Authority with full power to assent to any condition, modification, variation and/ or amendment as may be imposed by the relevant authorities and to take all such steps as may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto.”

9. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

### BY ORDER OF THE BOARD

#### NORLIZA ABD SAMAD

CCM PC No. 201908002139

MAICSA 7011089

Group Company Secretary

Kuala Lumpur

30 April 2021

#### Note:

##### 1. Registration for RPEV Facilities

- 1.1 The Company's fully virtual Forty-Seventh (47<sup>th</sup>) AGM will be conducted online, without a physical meeting venue. Members can attend, participate and vote in the meeting remotely or online via Boardroom's Online website at <http://web.lumiagm.com> by using the RPEV Facilities. The only venue involved is the Broadcast Venue where only the essential individuals are physically present to organise the fully virtual Forty-Seventh (47<sup>th</sup>) AGM.
- 1.2 Registration for RPEV is opened from the date of the Notice of the Forty-Seventh (47<sup>th</sup>) AGM on Friday, 30 April 2021 until such time before the voting session ends at the Forty-Seventh (47<sup>th</sup>) AGM on Thursday, 10 June 2021.
- 1.3 Member(s), proxy(ies), corporate representative(s) or attorney(s) are required to register as a user with Boardroom's Online website first and then pre-register their attendance for the Forty-Seventh (47<sup>th</sup>) AGM for verification of their eligibility to attend the Forty-Seventh (47<sup>th</sup>) AGM using the RPEV Facilities based on the General Meeting Record of Depositors as at 4 June 2021.

##### 2. Proxy

- 2.1 For the purpose of determining a member who shall be entitled to attend this Forty-Seventh (47<sup>th</sup>) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 4 June 2021, in accordance with Clause 60 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991. Only a member whose name appears in the Record of Depositors as at 4 June 2021 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend and/ or vote on his/ her behalf.
- 2.2 A member of the Company entitled to attend, participate, speak and vote at this AGM is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/ her place. There shall be no restriction as to the qualification of the proxy. Since the Forty-Seventh (47<sup>th</sup>) AGM will be conducted via a virtual meeting, a member who is unable to attend and vote at the Meeting may appoint the Chairman of the Meeting as his/ her proxy and indicate the voting instruction in the Proxy Form. For Corporate Shareholder, Authorised Nominee and Exempt Authorised Nominee, other than the Chairman of the Meeting, you may appoint a Proxy who is not the Chairman of the Meeting.
- 2.3 A member who is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 2.4 Where a member is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- 2.5 Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 2.6 The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialled.
- 2.7 Duly completed Proxy Form must be deposited at the office of the Company's Share Registrar, Boardroom at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or a scanned copy of the Proxy Form can be emailed to [BSR.Helpdesk@boardroomlimited.com](mailto:BSR.Helpdesk@boardroomlimited.com) or faxed to 03-7890 4670, no later than 11.00 a.m. on Wednesday, 9 June 2021. Alternatively, you may choose to submit the Proxy Form by electronic means via Boardroom Smart Portal before the Proxy Form submission cut-off time as mentioned above. For further information on the electronic submission of Proxy Form, kindly refer to the procedures provided in the Administrative Guide.
- 2.8 Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Forty-Seventh (47<sup>th</sup>) AGM will be put to vote on a poll.

##### 3. Audited Financial Statements for the Financial Year Ended 31 December 2020

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

#### 4. Ordinary Resolution 1 - Re-Election of Director Who Retires in Accordance with Clause 84 of the Company's Constitution

Clause 84 of the Constitution provides amongst others, that the Board of Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director to the existing Board of Directors and any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election.

Accordingly, YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail who was appointed as the Chairman and Independent Non-Executive Director of the Company on 1 July 2020, shall hold office until the Forty-Seventh (47<sup>th</sup>) AGM and shall then be eligible for re-election pursuant to Article 84 of the Company's Constitution.

The profile of YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail can be found in the Annual Report 2020 of the Company.

#### 5. Ordinary Resolutions 2 to 4 - Re-Elections of Directors Who Retire in Accordance with Clause 78 of the Company's Constitution

Clause 78 of the Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. Pursuant thereto, three (3) Directors of the Company, namely Jeremy Nasrulhaq, Norazian Ahmad Tajuddin and Kanagaraj Lorenz, shall retire in accordance with Clause 78 of the Company's Constitution.

For the purpose of determining the eligibility of the Directors to stand for re-election at the Forty-Seventh (47<sup>th</sup>) AGM, the Board of Directors through its Group Governance, Nomination & Compensation Committee (Formerly Known as Group Nomination & Remuneration Committee) had assessed each of the retiring Directors, and considered the following:

- The Director's performance and contribution based on the outcome of the performance evaluation conducted on the Board of Directors, Board Committees and Individual Directors;
- The Director's level of contribution to the Board of Directors' deliberations through his/ her skills, experience and strength in qualities; and
- The level of independence demonstrated by the Director, and his/ her ability to act in the best interests of the Company in decision-making.

The profiles of Jeremy Nasrulhaq, Norazian Ahmad Tajuddin and Kanagaraj Lorenz, can be found in the Annual Report 2020 of the Company.

#### 6. Directors' Remuneration

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board of Directors has agreed that the shareholders' approval shall be sought at the Forty-Seventh (47<sup>th</sup>) AGM on the Directors' remuneration in two (2) separate resolutions as follows:

- Ordinary Resolution 5 on payment of Directors' fees in respect of the Financial Year Ended 31 December 2020; and
- Ordinary Resolution 6 on payment of Directors' benefits from 11 June 2021 to the next AGM in 2022 ("Current Period").

#### 7. Directors' Fees

The payment of the fees to the Non-Executive Chairman, Non-Executive Deputy Chairman and Non-Executive Directors ("NEDs") in respect of the Financial Year Ended 31 December 2020 will only be made if the proposed Ordinary Resolution 5 is passed at the Forty-Seventh (47<sup>th</sup>) AGM pursuant to Section 230(1)(b) of the Companies Act 2016.

#### 8. Benefits Payable to the NEDs

8.1 The benefits payable to the NEDs comprise the allowances and other emoluments payable to the Chairman, Deputy Chairman and members of the Board of Directors of the Company and its subsidiaries, as well as the Board Committees.

8.2 The current Directors' remuneration framework of the Company is as set out below.

| Description                               | Chairman  | Deputy Chairman  | Board Members    |
|---|---|--|------------------|
| Benefits (applicable to the Company only) | Leave passage, driver, car, medical benefits and other claimable benefits | Golf club membership, car, medical benefits and other claimable benefits | Medical benefits |

| Type of Meeting Allowance (per meeting) | Chairman | NED/ Member |
|---|----------|-------------|
| Board of Directors' Meeting             | RM2,000  | RM2,000     |
| General Meeting                         | RM2,000  | RM2,000     |
| Board Committee Meeting                 | RM2,000  | RM2,000     |

8.3 Payment of the benefits to the NEDs of the Company and its subsidiaries is made on a monthly basis and/ or as and when incurred if the proposed Ordinary Resolution 6 is passed at the Forty-Seventh (47<sup>th</sup>) AGM. The Board of Directors is of the view that it is just and equitable for the NEDs to be paid the Directors' Remuneration (excluding Directors' fees) on a monthly basis and/ or as and when incurred, particularly after discharging their responsibilities and rendering their services to the Company and its subsidiaries throughout the Current Period.

## NOTICE OF ANNUAL GENERAL MEETING

### 9. Ordinary Resolution 7 - Re-Appointment of Auditors

The Audit Committee of the Company, at its meeting held on 25 January 2021, had undertaken an annual assessment of the performance and independence of the External Auditors, Ernst & Young PLT in accordance with Section 67(1) of the Financial Services Act 2013.

Based on the assessment, the Audit Committee had recommended to the Board of Directors for approval, the re-appointment of Ernst & Young PLT as the Company's External Auditors, given that Ernst & Young PLT had fulfilled all the qualifications set out in Bank Negara Malaysia's Policy Document on External Auditor in terms of its performance, as well as independence. The assessment conducted had taken into consideration the following factors:

- a. Level of knowledge, capabilities, experience and quality of previous work;
- b. Level of engagement with the Audit Committee/ Board of Directors;
- c. Ability to provide constructive observations, implications and recommendations in areas which require improvements;
- d. Appropriateness of audit approach and the effectiveness of audit planning;
- e. Ability to perform the audit work within the agreed duration given;
- f. Non-audit services rendered by the External Auditors to KIBB Group did not impede independence; and
- g. Ability of the External Auditors to demonstrate unbiased stance when interpreting the standards/ policy adopted by the Company.

The Board of Directors had, at its meeting on 27 January 2021, approved the recommendation of the Audit Committee on the re-appointment of Ernst & Young PLT as Auditors of the Company for the Financial Year Ending 31 December 2021, to be further recommended to the shareholders for approval at the Forty-Seventh (47<sup>th</sup>) AGM, subject to the approval from Bank Negara Malaysia.

Pursuant to Section 67(2) of the Financial Services Act 2013, Bank Negara Malaysia had, on 1 April 2021, approved the Company's application for the re-appointment of Ernst & Young PLT as Auditors of the Company for the Financial Year Ending 31 December 2021.

### 10. Special Business

#### 10.1 Ordinary Resolution 8 - Authority to Directors to Issue Shares

The proposed **Ordinary Resolution 8** is a renewal of the general mandate pursuant to Section 75 and Section 76 of the Companies Act 2016 obtained from shareholders of the Company at the previous AGM held on 11 June 2020 and, if passed, will give powers to the Board of Directors to issue ordinary shares in the share capital of the Company up to an aggregate amount not exceeding ten percent (10%) of the total number of issued shares of the Company for the time being. This general mandate, unless revoked or varied at a general meeting, will expire at the next AGM.

The general mandate from shareholders is to provide the Company the flexibility to undertake any share issuance during the financial year without having to convene a general meeting. The rationale for this proposed mandate is to allow for possible share issue and/ or fund raising exercises including placement of shares for the purpose of funding current and/ or future investment project, working capital and/ or acquisitions, as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on urgent basis and thereby reducing the administrative time and costs associated with the convening of additional shareholders' meeting(s). In any event, the exercise of the mandate is only to be undertaken if the Board of Directors considers it to be in the best interest of the Company.

The general mandate obtained from the shareholders of the Company at the previous AGM held on 11 June 2020 had not been utilised and hence, no proceed was raised therefrom.

#### 10.2 Ordinary Resolution 9 - Proposed Renewal of Share Buy-Back Authority

The proposed **Ordinary Resolution 9**, if passed, will empower the Board of Directors to allocate an amount not exceeding the retained profits of the Company for the purpose of and to purchase such amount of ordinary shares in the Company from time to time on the market of Bursa Malaysia Securities Berhad upon such terms and conditions as the Board of Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being.

The shareholders' mandate for the Proposed Renewal of Share Buy-Back Authority is subject to renewal on an annual basis.

Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Share Buy-Back Statement dated 30 April 2021 which is dispatched together with the Notice of Forty-Seventh (47<sup>th</sup>) AGM.

### 11. Abstention from Voting

11.1 The NEDs referred to in Ordinary Resolutions 2, 3 and 4, namely Jeremy Nasrulhaq, Norazian Ahmad Tajuddin and Kanagaraj Lorenz, who are shareholders of the Company, will abstain from voting on the resolution in respect of their respective re-elections at the Forty-Seventh (47<sup>th</sup>) AGM.

11.2 The NEDs of the Company who are the shareholders of the Company will abstain from voting on Ordinary Resolution 5 and Ordinary Resolution 6 concerning the Directors' fees and Directors' benefits at the Forty-Seventh (47<sup>th</sup>) AGM.

In this respect, Dato' Richard Alexander John Curtis, Luigi Fortunato Ghirardello, Jeremy Nasrulhaq, Norazian Ahmad Tajuddin and Kanagaraj Lorenz, who are shareholders of the Company, will abstain from voting on Ordinary Resolution 5 and Ordinary Resolution 6.

### 12. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

### 13. Publication of AGM Notice on the Company's Website

Pursuant to Section 320 of the Companies Act 2016, the Notice of the Company's Forty-Seventh (47<sup>th</sup>) AGM is also available on the Company's website at [www.kenanga.com.my](http://www.kenanga.com.my) throughout the period beginning from the date of the notice until the conclusion of the Forty-Seventh (47<sup>th</sup>) AGM.

# STATEMENT ACCOMPANYING NOTICE OF FORTY-SEVENTH (47<sup>TH</sup>) ANNUAL GENERAL MEETING (“AGM”)

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

## 1. Details of Individuals Who are Standing for Election as Director (Excluding Directors Standing for Re-Election)

There is no individual seeking election as a Director at the Forty-Seventh (47<sup>th</sup>) AGM of the Company.

## 2. Ordinary Resolution on Authority to Issue and Allot New Ordinary Shares in the Company

The proposed Ordinary Resolution 8 on the general mandate for issuance of shares is a renewal mandate. As at the date of the Notice of the Forty-Seventh (47<sup>th</sup>) AGM, no new shares were issued pursuant to the general mandate granted to the Directors at the last AGM held on 11 June 2020.

Details on the authority to issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016 are provided under the Explanatory Notes on Special Business in this Notice.

# CORPORATE DIRECTORY

## EQUITY BROKING BRANCHES

### > KUALA LUMPUR

#### **Kenanga Investment Bank Berhad (“KIBB Main”) Kuala Lumpur**

Level 15, Kenanga Tower,  
237, Jalan Tun Razak,  
50400 Kuala Lumpur, Wilayah Persekutuan

**T** : +603 2172 2949

**F** : +603 2172 2955

#### **KIBB Damansara Heights**

1<sup>st</sup> Floor, West Wing, Bangunan ECM Libra,  
8, Jalan Damansara Endah,  
Damansara Heights, 50490  
Kuala Lumpur, Wilayah Persekutuan

**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, Wilayah Persekutuan

**T** : +603 4297 8806

**F** : +603 4297 8809

### > SELANGOR

#### **KIBB Bandar Baru Klang**

35, Ground Floor & 1<sup>st</sup> Floor,  
Jalan Tiara 3, Bandar Baru Klang,  
41150 Klang, Selangor

**T** : +603 3348 8080

**F** : +603 3348 8880

#### **KIBB The Curve**

Lot 240, 2<sup>nd</sup> 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 (2<sup>nd</sup> Floor), Jalan USJ 10/1F,  
47610 UEP Subang Jaya,  
Selangor

**T** : +603 8024 1773

**F** : +603 8024 1787

### > PENANG

#### **KIBB Penang – Menara Boustead**

7<sup>th</sup>, 8<sup>th</sup> & 16<sup>th</sup> 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



## EQUITY BROKING BRANCHES

### > NEGERI SEMBILAN

#### **KIBB Seremban**

1C & 1D, Ground Floor & 1<sup>st</sup> 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 Skudai**

117 (Ground Floor)  
Jalan Sutera Tanjung 8/2  
Taman Sutera Utama  
81300 Skudai Johor

**T** : +607 562 5117

**F** : +607 562 5117

#### **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

## CORPORATE DIRECTORY

## EQUITY BROKING BRANCHES

## &gt; 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

## &gt; 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

## &gt; 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**

1<sup>st</sup> 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

## INVESTMENT MANAGEMENT BRANCHES

### Kenanga Investors Berhad (“KIB”) Kuala Lumpur

Level 13, Kenanga Tower,  
237, Jalan Tun Razak, 50400  
Kuala Lumpur, Wilayah Persekutuan  
T : 1 800 88 3737 (Toll Free)  
T : +603 2172 3123  
F : +603 2172 3133

### KIB Penang

5.04, 5<sup>th</sup> Floor, Menara Boustead Penang,  
39, Jalan Sultan Ahmad Shah,  
10050 Penang  
T : +604 210 6628  
F : +604 210 6644

### KIB Ipoh

Suite 1, 2<sup>nd</sup> Floor,  
63 Persiaran Greenhill,  
30450 Ipoh, Perak  
T : +605 254 7573/7570  
F : +605 254 7606

### KIB Melaka

No. 43, Jalan KSB 11,  
Taman Kota Syahbandar,  
75200 Melaka  
T : +606 240 2310  
F : +606 240 2287

### 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

1<sup>st</sup> 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

2<sup>nd</sup> Floor, No. 1D-2, Jalan Tuanku Munawir,  
70000 Seremban, Negeri Sembilan  
T : +606 761 5678  
F : +606 761 2242

### KIB Miri

2<sup>nd</sup> 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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# PROXY FORM



**KENANGA INVESTMENT BANK BERHAD**  
 Company Registration No. 197301002193 (15678-H)  
 (Incorporated in Malaysia)

CDS Account No.:

I/ We \_\_\_\_\_ NRIC No./ Passport No./ Company No. \_\_\_\_\_  
(full name as per NRIC/ passport/ certificate of incorporation in block letters)

of \_\_\_\_\_ and \_\_\_\_\_  
(Email Address) (Telephone No.)

being a member of **Kenanga Investment Bank Berhad** hereby appoint \_\_\_\_\_  
(full name as per NRIC/ passport/ certificate of incorporation in block letters)

\_\_\_\_\_ NRIC No./ Passport No. \_\_\_\_\_

of \_\_\_\_\_ and \_\_\_\_\_  
(Email Address) (Telephone No.)

and/ or failing him \_\_\_\_\_ NRIC No./ Passport No. \_\_\_\_\_  
(full name as per NRIC/ passport/ certificate of incorporation in block letters)

of \_\_\_\_\_ and \_\_\_\_\_  
(Email Address) (Telephone No.)

or failing him, **THE CHAIRMAN OF THE MEETING** as my/ our proxy to vote for me/ us and on my/ our behalf at the Forty-Seventh (47<sup>th</sup>) Annual General Meeting (“**AGM**”) of the Company to be held fully virtual at Level 19, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia through live streaming and online remote voting via the Remote Participation and Electronic Voting Facilities (“**RPEV**”) which are available at Boardroom Share Registrars Sdn Bhd (“**Boardroom**”)’s Online website at <http://web.lumiagm.com> on Thursday, 10 June 2021 at 11.00 a.m. and at any adjournment thereof.

My/ Our proxy is to vote as indicated below.

| NO.                        | RESOLUTIONS   |   | FOR | AGAINST |
|----------------------------|---|---|-----|---------|
| <b>ORDINARY RESOLUTION</b> |   |   |     |         |
| 1.                         | Re-election of YAM Tan Sri Dato’ Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail Pursuant to Clause 84 of the Company’s Constitution   | <b>RESOLUTION 1</b>   |     |         |
| 2.                         | Re-election of the Following Directors Pursuant to Clause 78 of the Company’s Constitution:<br>2.1 Jeremy Nasrulhaq<br>2.2 Norazian Ahmad Tajuddin<br>2.3 Kanagaraj Lorenz                            | <b>RESOLUTION 2</b><br><b>RESOLUTION 3</b><br><b>RESOLUTION 4</b> |     |         |
| 3.                         | Payment of Directors’ Fees Totaling RM3,565,956.28  | <b>RESOLUTION 5</b>   |     |         |
| 4.                         | Payment of Benefits to the Non-Executive Chairman, Non-Executive Deputy Chairman and Non-Executive Directors of up to an Amount of RM1,300,000.00 from 11 June 2021 until the Next AGM of the Company | <b>RESOLUTION 6</b>   |     |         |
| 5.                         | Re-Appointment of Ernst & Young PLT as Auditors   | <b>RESOLUTION 7</b>   |     |         |
| <b>AS SPECIAL BUSINESS</b> |   |   |     |         |
| 6.                         | Authority to Directors to Issue Shares  | <b>RESOLUTION 8</b>   |     |         |
| 7.                         | Proposed Renewal of Share Buy-Back Authority  | <b>RESOLUTION 9</b>   |     |         |

Please indicate with an “X” in the spaces provided to indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy may vote as he thinks fit, or at his discretion, abstain from voting.

Date this.....day of .....2021

\_\_\_\_\_  
 Signature/ Common Seal of Member

**NUMBER OF SHARES HELD**

| <b>FOR APPOINTMENT OF TWO (2) PROXIES, PERCENTAGE OF SHAREHOLDINGS TO BE REPRESENTED BY THE PROXIES:</b> |               |             |
|--|---------------|-------------|
|  | No. of Shares | Percentage  |
| <b>Proxy 1</b>   |               |             |
| <b>Proxy 2</b>   |               |             |
| <b>Total</b>   |               | <b>100%</b> |

**Notes:**

**1. Registration for RPEV Facilities**

- 1.1 The Company's fully virtual Forty-Seventh (47<sup>th</sup>) AGM will be conducted online, without a physical meeting venue. Members can attend, participate and vote in the meeting remotely or online via Boardroom's Online website at <http://web.lumiagm.com> by using the RPEV Facilities. The only venue involved is the Broadcast Venue where only the essential individuals are physically present to organise the fully virtual Forty-Seventh (47<sup>th</sup>) AGM.
- 1.2 Registration for RPEV is opened from the date of the Notice of the Forty-Seventh (47<sup>th</sup>) AGM on Friday, 30 April 2021 until such time before the voting session ends at the Forty-Seventh (47<sup>th</sup>) AGM on Thursday, 10 June 2021.
- 1.3 Member(s), proxy(ies), corporate representative(s) or attorney(s) are required to register as a user with Boardroom's Online website first and then pre-register their attendance for the Forty-Seventh (47<sup>th</sup>) AGM for verification of their eligibility to attend the Forty-Seventh (47<sup>th</sup>) AGM using the RPEV Facilities based on the General Meeting Record of Depositors as at 4 June 2021.

**2. Proxy**

- 2.1 For the purpose of determining a member who shall be entitled to attend this Forty-Seventh (47<sup>th</sup>) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 60 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 4 June 2021. Only a member whose name appears in the Record of Depositors as at 4 June 2021 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend and/ or vote on his/ her behalf.
- 2.2 A member of the Company entitled to attend, participate, speak and vote at this AGM is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/ her place. There shall be no restriction as to the qualification of the proxy. Since the Forty-Seventh (47<sup>th</sup>) AGM will be conducted via a virtual meeting, a member who is unable to attend and vote at the Meeting may appoint the Chairman of the Meeting as his/ her proxy and indicate the voting instruction in the Proxy Form. For Corporate Shareholder, Authorised Nominee and Exempt Authorised Nominee, other than the Chairman of the Meeting, you may appoint a Proxy who is not the Chairman of the Meeting.

- 2.3 A member who is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 2.4 Where a member is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
- 2.5 Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 2.6 The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialled.
- 2.7 Duly completed Proxy Form must be deposited at the office of the Company's Share Registrar, Boardroom at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or a scanned copy of the Proxy Form can be emailed to [BSR.Helpdesk@boardroomlimited.com](mailto:BSR.Helpdesk@boardroomlimited.com) or faxed to 03-7890 4670, no later than 11.00 a.m. on Wednesday, 9 June 2021. Alternatively, you may choose to submit the Proxy Form by electronic means via Boardroom Smart Portal before the Proxy Form submission cut-off time as mentioned above. For further information on the electronic submission of Proxy Form, kindly refer to the procedures provided in the Administrative Guide.
- 2.8 Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Forty-Seventh (47<sup>th</sup>) AGM will be put to vote on a poll.

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**Boardroom Share Registrars Sdn Bhd**

**Company Registration No. 199601006647 (378993-D)**

11<sup>th</sup> Floor, Menara Symphony  
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Malaysia

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## **KENANGA INVESTMENT BANK BERHAD**

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