

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

Unaudited Condensed Interim Financial Statements
31 December 2021

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

<u>Group</u>	Note	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
ASSETS			
Cash and bank balances	A11	1,897,384	1,644,534
Financial assets at fair value through profit or loss ("FVTPL")	A12	387,322	543,539
Financial investments at fair value through other comprehensive income ("FVOCI")	A13 (i)	737,574	771,732
Financial investments at amortised cost ("AC")	A13 (ii)	213,660	193,035
Derivative financial assets	B11	81,453	95,571
Loans, advances and financing	A14	1,775,413	1,869,249
Balances due from clients and brokers	A15	334,465	545,057
Other assets	A16	238,822	188,289
Statutory deposit with Bank Negara Malaysia	A17	50,868	58,398
Tax recoverable		38,807	44,104
Investment in associates		87,171	72,078
Investment in a joint venture		31,969	24,719
Property, plant and equipment		163,475	164,930
Intangible assets		331,061	322,367
Right-of-use assets		18,473	23,182
Deferred tax assets		30,605	14,283
TOTAL ASSETS		6,418,522	6,575,067
LIABILITIES			
Deposits from customers	A18	3,137,278	2,952,385
Deposits and placements of banks and other financial institutions	A19	652,862	1,066,085
Balances due to clients and brokers		665,968	720,665
Derivative financial liabilities	B11	28,760	137,480
Other liabilities	A20	573,699	447,295
Borrowings	A21	244,700	175,400
Lease liabilities		18,829	23,382
Provision for taxation and zakat		41,396	47,278
Deferred tax liabilities		-	156
TOTAL LIABILITIES		5,363,492	5,570,126
EQUITY			
Share capital		253,834	246,249
Treasury shares		(13,064)	(10,458)
Reserves		809,559	764,047
		1,050,329	999,838
Non-controlling Interests		4,701	5,103
TOTAL EQUITY		1,055,030	1,004,941
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,418,522	6,575,067
Commitments and contingencies	A29	4,685,117	4,801,020
Net assets per share attributable to equity holders of the Bank (RM)		1.45	1.42

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

<u>Bank</u>	Note	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
ASSETS			
Cash and bank balances	A11	1,459,156	1,378,646
Financial assets at FVTPL	A12	386,367	539,931
Financial investments at FVOCI	A13 (i)	737,574	771,732
Financial investments at AC	A13 (ii)	213,660	193,035
Derivative financial assets	B11	81,453	95,571
Loans, advances and financing	A14	1,749,615	1,856,996
Balances due from clients and brokers	A15	334,370	545,057
Other assets	A16	137,929	94,712
Statutory deposit with Bank Negara Malaysia	A17	50,868	58,398
Tax recoverable		27,402	33,210
Investment in subsidiaries		60,812	70,135
Investment in an associate		68,435	56,235
Investment in a joint venture		40,000	40,000
Property, plant and equipment		159,624	160,637
Intangible assets		331,986	324,394
Right-of-use assets		15,204	21,336
Deferred tax assets		15,219	8,722
TOTAL ASSETS		5,869,674	6,248,747
LIABILITIES			
Deposits from customers	A18	3,250,600	3,042,843
Deposits and placements of banks and other financial institutions	A19	652,862	1,066,085
Balances due to clients and brokers		265,296	405,191
Derivative financial liabilities	B11	28,760	137,480
Other liabilities	A20	384,161	360,645
Borrowings	A21	204,700	152,400
Lease liabilities		15,473	21,442
Provision for taxation and zakat		26,472	38,650
TOTAL LIABILITIES		4,828,324	5,224,736
EQUITY			
Share capital		253,834	246,249
Treasury shares		(13,064)	(10,458)
Reserves		800,580	788,220
TOTAL EQUITY		1,041,350	1,024,011
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,869,674	6,248,747
Commitments and contingencies	A29	4,788,148	4,898,674
Net assets per share (RM)		1.44	1.45

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 31 December 2021 RM'000	3 months ended 31 December 2020 RM'000	12 months ended 31 December 2021 RM'000	12 months ended 31 December 2020 RM'000
Group					
Interest income	A22	53,102	52,905	210,372	218,921
Interest expense	A23	(25,336)	(24,914)	(99,561)	(120,507)
Net interest income		27,766	27,991	110,811	98,414
Net income from Islamic banking business	A34	4,923	3,901	16,828	20,669
Other operating income	A24	165,530	216,275	656,881	707,453
Net income		198,219	248,167	784,520	826,536
Other operating expenses	A25	(157,754)	(201,184)	(648,490)	(700,163)
Operating profit		40,465	46,983	136,030	126,373
Credit loss expense	A26	(2,700)	(2,123)	(1,900)	(5,852)
Bad debts recovered	A27	121	1,075	513	1,408
		37,886	45,935	134,643	121,929
Share of results of associates and joint venture		3,758	7,147	13,593	12,786
Profit before taxation and zakat		41,644	53,082	148,236	134,715
Taxation and zakat	B5	(9,336)	(13,746)	(29,421)	(32,430)
Profit for the period/year		32,308	39,336	118,815	102,285
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Fair value (loss)/gain on equity instruments at FVOCI		-	-	(529)	902
Share of other comprehensive (loss)/income in associates		(4,791)	464	6,103	4,801
Income tax related to the above		-	-	127	(216)
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		(314)	(2,487)	2,648	(1,233)
Net (loss)/gain on fair value changes of debt instrument at FVOCI		(2,744)	(807)	(18,614)	5,252
Income tax relating to the components of other comprehensive income		659	269	4,394	(1,187)
Other comprehensive (loss)/ income for the period/year, net of tax		(7,190)	(2,561)	(5,871)	8,319
Total comprehensive income for the period/year, net of tax		25,118	36,775	112,944	110,604

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	3 months ended 31 December 2021	3 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
Note	RM'000	RM'000	RM'000	RM'000
Profit for the period/year attributable to:				
Equity holders of the Bank	32,217	39,291	118,390	102,082
Non-controlling interests	91	45	425	203
	<u>32,308</u>	<u>39,336</u>	<u>118,815</u>	<u>102,285</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	25,028	36,730	112,519	110,401
Non-controlling interests	90	45	425	203
	<u>25,118</u>	<u>36,775</u>	<u>112,944</u>	<u>110,604</u>
Earnings per share				
Basic (sen)	B8 4.42	5.56	16.29	14.56
Fully diluted (sen)	B8 4.42	5.52	15.94	14.18

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 31 December 2021 RM'000	3 months ended 31 December 2020 RM'000	12 months ended 31 December 2021 RM'000	12 months ended 31 December 2020 RM'000
Bank					
Interest income	A22	51,362	51,271	204,444	211,483
Interest expense	A23	(28,069)	(27,152)	(110,249)	(128,459)
Net interest income		23,293	24,119	94,195	83,024
Net income from Islamic banking business	A34	4,923	3,901	16,828	20,669
Other operating income	A24	121,215	175,446	492,654	578,130
Net income		149,431	203,466	603,677	681,823
Other operating expenses	A25	(105,791)	(162,287)	(484,741)	(571,244)
Operating profit		43,640	41,179	118,936	110,579
Credit loss expense	A26	(2,606)	(1,909)	(1,935)	(5,049)
Bad debts recovered	A27	121	1,075	543	1,408
Reversal of impairment loss on investment in an associate		12,200	-	12,200	-
Impairment loss on investment in a subsidiary		(9,323)	-	(9,323)	-
Profit before taxation and zakat		44,032	40,345	120,421	106,938
Taxation and zakat		(6,164)	(10,380)	(25,605)	(28,795)
Profit for the period/year		37,868	29,965	94,816	78,143
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Fair value (loss)/gain on equity instruments at FVOCI		-	-	(529)	902
Income tax related to the above		-	-	127	(216)
Items that will be reclassified subsequently to profit or loss:					
Net (loss)/gain on fair value changes of debt instruments at FVOCI		(2,744)	(807)	(18,614)	5,252
Income tax relating to the components of other comprehensive income		659	269	4,394	(1,187)
Other comprehensive (loss)/income for the period/year, net of tax		(2,085)	(538)	(14,622)	4,751
Total comprehensive income for the period/year, net of tax		35,783	29,427	80,194	82,894

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	Non- Distributable					Distributable				Total Equity RM'000
	Ordinary Shares RM'000	ESS Reserve RM'000	Fair Value Reserve RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	Non-Controlling Interest RM'000	
At 1 January 2021	246,249	6,144	15,916	18,661	16,556	88,938	(10,458)	617,832	5,103	1,004,941
Net profit for the financial year	-	-	-	-	-	-	-	118,390	425	118,815
Share of other comprehensive income of associates	-	-	5,296	-	-	-	-	807	-	6,103
Other comprehensive (loss)/income	-	-	(14,622)	-	2,648	-	-	-	-	(11,974)
Total comprehensive (loss)/income	-	-	(9,326)	-	2,648	-	-	119,197	425	112,944
Share based payment under Employees' Share Scheme ("ESS")	-	(678)	-	-	-	-	-	-	-	(678)
Issuance of shares pursuant to exercise of ESS	7,585	-	-	-	-	-	-	-	-	7,585
Transfer of shares pursuant to exercise of ESS	-	-	-	-	-	-	12,317	(2,943)	-	9,374
Buy-back of shares	-	-	-	-	-	-	(14,923)	-	-	(14,923)
Transfer to regulatory reserve	-	-	-	260	-	-	-	(260)	-	-
Transfer to retained profits	-	(2,657)	-	-	-	-	-	2,657	-	-
Dividend paid	-	-	-	-	-	-	-	(64,213)	-	(64,213)
Adjustment to non-controlling interest	-	-	-	-	-	-	-	827	(827)	-
At 31 December 2021	253,834	2,809	6,590	18,921	19,204	88,938	(13,064)	673,097	4,701	1,055,030

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	ESS Reserve RM'000	Fair Value Reserve RM'000	Regulatory Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
Bank								
At 1 January 2021	246,249	6,144	15,256	18,661	153,863	(10,458)	594,296	1,024,011
Net profit for the financial year	-	-	-	-	-	-	94,816	94,816
Other comprehensive loss	-	-	(14,622)	-	-	-	-	(14,622)
Total comprehensive (loss)/income	-	-	(14,622)	-	-	-	94,816	80,194
Share based payment under ESS	-	(678)	-	-	-	-	-	(678)
Issuance of shares pursuant to exercise of ESS	7,585	-	-	-	-	-	-	7,585
Transfer of shares pursuant to exercise of ESS	-	-	-	-	-	12,317	(2,943)	9,374
Buy-back of shares	-	-	-	-	-	(14,923)	-	(14,923)
Transfer to regulatory reserve	-	-	-	260	-	-	(260)	-
Transfer to retained profits	-	(2,657)	-	-	-	-	2,657	-
Dividend paid	-	-	-	-	-	-	(64,213)	(64,213)
At 31 December 2021	253,834	2,809	634	18,921	153,863	(13,064)	624,353	1,041,350

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	ESS Reserve RM'000	Fair Value Reserve RM'000	Regulatory Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
Bank								
At 1 January 2020	246,249	4,560	10,505	25,444	153,863	(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	-	-	4,751	-	-	-	78,143	82,894
Share based payment under ESS	-	2,508	-	-	-	-	-	2,508
Transfer of shares pursuant to exercise of ESS	-	-	-	-	-	6,532	(1,185)	5,347
Transfer from regulatory reserve	-	-	-	(6,783)	-	-	6,783	-
Transfer to retained profits	-	(924)	-	-	-	-	924	-
Dividend paid	-	-	-	-	-	-	(22,707)	(22,707)
At 31 December 2020	246,249	6,144	15,256	18,661	153,863	(10,458)	594,296	1,024,011

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Cash flows from operating activities				
Profit before taxation	148,236	134,715	120,421	106,938
Adjustments for:				
Depreciation of property, plant and equipment	11,714	11,781	10,829	10,958
Amortisation of intangible assets	5,624	5,101	4,642	4,259
Amortisation of right-of-use assets	8,465	8,449	7,397	7,337
Lease interest expenses	965	1,331	905	1,218
ESS expenses	1,022	2,343	1,022	2,343
Credit loss expense	1,900	5,852	1,935	5,049
Impairment losses on investment in a subsidiary	-	-	9,323	-
Property, plant and equipment written off	231	1	-	1
Intangible assets written off	-	3	-	3
Bad debts (recovered)/written off	(513)	53	(543)	53
Reversal of impairment losses on investment in an associate	-	-	(12,200)	-
Gain on disposal of a subsidiary	(4,729)	-	-	-
Non-cash items	24,679	34,914	23,310	31,221
Net loss/(gain) from sale of financial assets at FVTPL and derivatives	46,692	(219,109)	46,732	(218,749)
Net gain from sale of financial investments other than those measured at FVTPL	(1,580)	(11,217)	(1,580)	(11,217)
Gross dividend income from investments	(3,654)	(4,040)	(18,547)	(3,934)
(Gain)/loss on revaluation of financial assets at FVTPL and derivatives	(148,011)	76,392	(150,784)	77,874
Gain on disposal of property, plant and equipment	(60)	(24)	(57)	(24)
Share of results of associates and joint venture	(13,593)	(12,786)	-	-
Non-operating items - investing	(120,206)	(170,784)	(124,236)	(156,050)
Adjustments for non-operating and non-cash items	(95,527)	(135,870)	(100,926)	(124,829)
Operating profit/(loss) before working capital changes	52,709	(1,155)	19,495	(17,891)
Changes in working capital:				
Net changes in operating assets	192,686	(156,426)	281,488	(80,652)
Net changes in operating liabilities	(156,600)	(389,961)	(321,857)	(469,047)
Cash generated from/(used in) operations	88,795	(547,542)	(20,874)	(567,590)
Taxation and zakat paid	(42,807)	(33,159)	(33,951)	(25,943)
Rental/lease interest payment	(965)	(1,331)	(905)	(1,218)
Net operating cash flow	45,023	(582,032)	(55,730)	(594,751)
Cash flows from investing activities				
Sale proceeds from disposal of a subsidiary, net of cash	5,372	-	-	-
Dividends received from other investments	3,654	4,040	18,547	3,934
Purchase of property, plant and equipment and intangible assets	(24,131)	(16,346)	(22,050)	(12,830)
Acquisition of a subsidiary, net of cash	(597)	-	-	-
Proceeds from disposal of property, plant and equipment	60	24	57	24
Net sale/(purchase) of securities	158,956	(18,151)	159,036	(18,505)
Net investing cash flow	143,314	(30,433)	155,590	(27,377)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Cash flows from financing activities				
Dividend paid	(64,213)	(22,707)	(64,213)	(22,707)
Repayment of lease liabilities	(8,360)	(8,023)	(7,286)	(6,922)
Net drawdown of borrowings	69,300	78,800	52,300	85,800
Share buy-back	(14,574)	-	(14,574)	-
Proceeds from exercise of ESS	14,916	5,132	14,916	5,132
Proceed from new issuance of a subsidiary's share to a non-controlling shareholder	-	4,900	-	-
Net financing cash flow	(2,931)	58,102	(18,857)	61,303
Net change in cash and cash equivalents during the financial year	185,406	(554,363)	81,003	(560,825)
Cash and cash equivalents brought forward	1,284,397	1,838,760	1,256,124	1,816,949
Cash and cash equivalents carried forward	1,469,803	1,284,397	1,337,127	1,256,124

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term funds, excluding segregated funds from customers, deposits and monies held in trust on behalf of dealer's representatives. Cash and cash equivalents included in the statements of cash flows comprise of the following amounts in the statements of financial position:

	Group		Bank	
	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
Cash and short-term funds	1,886,965	1,614,205	1,459,156	1,378,646
Deposits and placements with banks and other financial institutions	10,419	30,329	-	-
Less: Segregated funds from customers	(305,552)	(237,615)	-	-
Less: Cash and bank balances and deposits held in trust	(122,029)	(122,522)	(122,029)	(122,522)
	1,469,803	1,284,397	1,337,127	1,256,124

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A1. Basis Of Preparation

The interim financial statements, for the financial year ended 31 December 2021, have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements have also incorporated those activities relating to the Islamic banking business undertaken by the Group.

The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2020. The Group has not adopted any other standard, interpretation or amendment that have been issued but not effective yet.

A2. Condensed financial statements

The interim financial statements have been prepared on a condensed basis and as such should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2020 was not qualified by the external auditors.

A4. Seasonal or Cyclical Factors

The Group's performance was mainly dependent on Bursa Malaysia trading volume and value which in turn were affected by market sentiment and the country's macro economic conditions.

A5. Nature and amounts in relation to assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

There were no exceptional items which have affected the assets, liabilities, equity, net income or cash flows.

A6. Changes in the nature and amount of estimated figures reported in prior interim periods and financial years

There were no changes made to the estimated figures reported in prior interim periods and financial years.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A7. Issuance, cancellation, repurchase, resale or repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the financial year ended 31 December 2021 other than the below:

- a) new issuance of 13,021,200 units of ordinary shares and the transfer of 15,029,800 units of treasury shares to staff pursuant to the exercise of ESS.
- b) the Bank repurchased 11,933,200 ordinary shares of its issued share capital from the open market at an average cost of RM1.2505 per share. The total consideration paid for the share buy-back, including transaction costs was RM14.92 million, and was financed by internally generated fund.

As at 31 December 2021, the number of treasury shares held was 10,476,200 shares.

- c) new issuance of RM63.5 million of Tier 2 Subordinated Notes on 28 May 2021.

A8. Dividends paid per share

An interim dividend of 8.80 sen per share in respect of the financial year ended 31 December 2020, which amounted to RM64,213,435 was paid on 16 April 2021.

A9. Significant event during and subsequent to the financial interim period

There was no significant event during and subsequent to the financial interim period other than the following:

On 26 October 2021, Kenanga Investment Bank Berhad ("KIBB") entered into a conditional Joint Venture Agreement with Rakuten Securities, Inc. and Kenanga Singapore Pte. Ltd. ("KSPL"), a wholly owned subsidiary of the Bank, to jointly collaborate in providing online brokerage services through KSPL in Singapore.

KSPL has changed its name to Rakuten Trade Singapore Pte. Ltd. ("RTSPL") effective from 26 January 2022 and RTSPL became a joint venture entity arising from the change of the Bank's shareholding in RTSPL from 100% to 50% while Rakuten Securities, Inc.'s shareholding is 50%.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A10. Changes in composition of the Group

There were no changes in the composition of the Group other than below:

- a. Kenanga Investors Berhad (“KIB”), a wholly-owned subsidiary of the Bank, entered into a share purchase agreement on 1 April 2020 with Ericsenz Partners Sdn Bhd for the disposal of 6,500,000 ordinary shares in Libra Invest Berhad representing 100% of the issued and paid up share capital of Libra Invest Berhad for a consideration of RM10,750,000.00. The disposal was completed on 30 April 2021 and Libra Invest Berhad has ceased to be a wholly-owned subsidiary of KIB.
- b. On 26 August 2020, KIB entered into a Share Purchase Agreement with ValueCAP Sdn Bhd to acquire the entire issued and paid-up share capital of i-VCAP. This acquisition was completed on 19 February 2021, upon which, i-VCAP became a wholly-owned subsidiary of KIB.

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000

A11. Cash and bank balances

Cash and balances with banks and other financial institutions

526,368 535,550 137,757 370,909

Money at call and deposit placements

1,371,016 1,108,984 1,321,399 1,007,737

1,897,384 1,644,534 1,459,156 1,378,646

Included in cash and bank balances are:

Cash and cash equivalents

1,469,803 1,284,397 1,337,127 1,256,124

Monies held in trust on behalf of dealer's representatives and segregated funds for customers

427,581 360,137 122,029 122,522

1,897,384 1,644,534 1,459,156 1,378,646

A12. Financial Assets At FVTPL

At fair value

Quoted Securities:

Shares and funds in Malaysia

179,984 351,645 179,765 351,645

Funds outside Malaysia

1,889 - 1,889 -

Unquoted Securities:

Shares and funds in Malaysia

181,576 152,061 180,840 148,453

Unquoted Debt Securities in Malaysia:

Islamic Corporate Sukuk

23,873 39,833 23,873 39,833

Total financial assets at FVTPL

387,322 543,539 386,367 539,931

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group and Bank	
As at 31 December 2021 RM'000	As at 31 December 2020 RM'000

A13. Financial investments other than those measured at FVTPL

(i) Financial investments at FVOCI

At fair value

Money market instruments:

Malaysian Government Securities	40,042	20,496
Malaysian Government Investment Certificates	91,934	119,119
Islamic Negotiable Instruments of Deposits	199,724	149,943
	331,700	289,558

Equity instruments in Malaysia:

Unquoted Shares	1,460	1,990
	1,460	1,990

Debt instruments in Malaysia:

Islamic Corporate Sukuk	275,452	305,664
Corporate Bonds	128,962	174,520
	404,414	480,184

Total financial investments at FVOCI

737,574 **771,732**

Impairment losses on debt instruments measured at FVOCI

Group and Bank

	2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movements in Expected Credit Loss ("ECL")</u>				
As at 1 January 2021	386	-	-	386
Impact of net re-measurement of ECL	4	-	-	4
As at 31 December 2021	390	-	-	390

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movements in ECL</u>				
As at 1 January 2020	36	-	-	36
New assets originated or purchased	77	-	-	77
Impact of net re-measurement of ECL	9	-	-	9
Assets derecognised or matured	(49)	-	-	(49)
Changes in model assumption or methodology	313	-	-	313
As at 31 December 2020	386	-	-	386

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group and Bank	
As at	As at
31 December	31 December
2021	2020
RM'000	RM'000

A13. Financial investments other than those measured at FVTPL (cont'd.)

(ii) Financial investments at AC

At cost

Money market instruments:

Malaysian Government Investment Certificates	39,912	9,909
--	--------	-------

Debt instruments in Malaysia:

Islamic Corporate Sukuk	153,785	163,210
Corporate Bonds	20,012	20,021
Less: Allowance for ECL	(49)	(105)
	<u>173,748</u>	<u>183,126</u>

Total financial investments at AC

<u>213,660</u>	<u>193,035</u>
-----------------------	-----------------------

Impairment losses on debt instruments measured at Amortised Cost ("AC")

Group and Bank

	2021			
	Stage 1	Stage 2	Stage 3	Total
<u>Movements in ECL</u>	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	105	-	-	105
Impact of re-measurement of ECL	(52)	-	-	(52)
Assets derecognised or matured (excluding write-off)	(4)	-	-	(4)
As at 31 December 2021	<u>49</u>	<u>-</u>	<u>-</u>	<u>49</u>

	2020			
	Stage 1	Stage 2	Stage 3	Total
<u>Movements in ECL</u>	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	-	338	-	338
New assets purchased	73	-	-	73
Impact of re-measurement of ECL	(17)	(160)	-	(177)
Assets derecognised or matured (excluding write-off)	-	(178)	-	(178)
Changes in model assumption or methodology	49	-	-	49
As at 31 December 2020	<u>105</u>	<u>-</u>	<u>-</u>	<u>105</u>

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Bank	
	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
A14. Loans, Advances and Financing				
At AC				
Share margin financing	1,170,899	1,209,024	1,170,899	1,209,024
Term loans	539,077	587,793	565,616	640,369
Subordinated term loan	-	-	30,039	20,418
Other lending and factoring receivables	82,742	85,636	-	-
Advances to group employees	97	181	97	181
Gross loans, advances and financing	<u>1,792,815</u>	<u>1,882,634</u>	<u>1,766,651</u>	<u>1,869,992</u>
Less: Allowance for ECL				
- Stage 1- 12-month ECL	(2,949)	(3,112)	(3,247)	(3,387)
- Stage 2- Lifetime ECL non-credit impaired	-	(2,356)	-	(2,356)
- Stage 3- Lifetime ECL credit impaired	(14,453)	(7,917)	(13,789)	(7,253)
Net Loans, Advances and Financing	<u>1,775,413</u>	<u>1,869,249</u>	<u>1,749,615</u>	<u>1,856,996</u>
(i) By Type of Customer				
Domestic business enterprise				
- Small medium enterprise	256,439	237,848	196,055	180,851
- Others	534,052	591,343	590,630	664,336
Individuals	993,814	1,034,745	971,456	1,006,107
Foreign enterprises	8,510	18,698	8,510	18,698
Gross Loans, Advances and Financing	<u>1,792,815</u>	<u>1,882,634</u>	<u>1,766,651</u>	<u>1,869,992</u>
(ii) By Geographical Distribution				
In Malaysia	1,786,437	1,863,352	1,760,273	1,850,710
Outside Malaysia	6,378	19,282	6,378	19,282
Gross Loans, Advances and Financing	<u>1,792,815</u>	<u>1,882,634</u>	<u>1,766,651</u>	<u>1,869,992</u>
(iii) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,253,641	1,294,660	1,170,899	1,209,024
Variable rate				
- Other variable rates	529,826	576,614	586,404	649,608
- Base lending rate plus	9,251	11,179	9,251	11,179
Interest free	97	181	97	181
Gross Loans, Advances and Financing	<u>1,792,815</u>	<u>1,882,634</u>	<u>1,766,651</u>	<u>1,869,992</u>
(iv) By Purpose				
- Purchase of securities	1,427,343	1,488,572	1,427,343	1,488,572
- Working capital	169,221	220,193	169,429	236,142
- Others	196,251	173,869	169,879	145,278
Gross Loans, Advances and Financing	<u>1,792,815</u>	<u>1,882,634</u>	<u>1,766,651</u>	<u>1,869,992</u>

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Bank	
	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
A14. Loans, Advances and Financing (cont'd.)				
(v) By Residual Contractual Maturity				
- Within one year	1,483,133	1,543,716	1,484,244	1,540,048
- More than one year	309,682	338,918	282,407	329,944
Gross Loans, Advances and Financing	1,792,815	1,882,634	1,766,651	1,869,992
(vi) Movements in impaired loans, advances and financing ("Impaired LAF")				
At beginning of the financial year	41,294	48,880	40,630	48,160
Impaired during the financial year	39,958	13,374	31,537	12,563
Amount written off against allowance for ECL	-	(9,005)	-	(9,005)
Amount recovered during the financial year	(8,111)	(11,955)	(7,467)	(11,088)
At end of the financial year	73,141	41,294	64,700	40,630
Less: Allowance for ECL	(14,453)	(7,917)	(13,789)	(7,253)
Net impaired LAF	58,688	33,377	50,911	33,377
Net impaired LAF as a % of net loans, advances and financing	3.31%	1.79%	2.91%	1.80%
(vii) Impaired LAF by Geographical Distribution				
In Malaysia	70,585	37,988	62,144	37,324
Outside Malaysia	2,556	3,306	2,556	3,306
Gross impaired loans	73,141	41,294	64,700	40,630
(viii) Impaired LAF by Purpose				
Working capital	664	664	-	-
Purchase of securities	64,700	40,630	64,700	40,630
Others	7,777	-	-	-
Gross impaired loans	73,141	41,294	64,700	40,630

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A14. Loans, Advances and Financing (cont'd.)

(ix) Impairment allowance for loans, advances and financing are as follows:

An analysis of changes in the ECL allowances in relation to share margin financing is as follows:

Share margin financing

Group and Bank

	2021			
	Stage 1	Stage 2	Stage 3	Total
Movements in ECL	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	-	2,356	7,253	9,609
New assets originated or purchased	-	-	(5)	(5)
Assets derecognised or repaid (excluding write-offs)	-	-	(1,801)	(1,801)
Net remeasurement of allowance	-	-	5,986	5,986
Transfer of stages	-	(2,356)	2,356	-
As at 31 December 2021	-	-	13,789	13,789

	2020			
	Stage 1	Stage 2	Stage 3	Total
Movements in ECL	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	-	-	16,061	16,061
New assets originated or purchased	-	-	1,530	1,530
Assets derecognised or repaid (excluding write-offs)	-	-	(4,668)	(4,668)
Net remeasurement of allowance	-	-	5,691	5,691
Transfer of stages	-	2,356	(2,356)	-
Amounts written off	-	-	(9,005)	(9,005)
As at 31 December 2020	-	2,356	7,253	9,609

An analysis of changes in the ECL allowances in relation to term loan and subordinated term loan is as follows:

Term loan and subordinated term loan

Group

	2021			
	Stage 1	Stage 2	Stage 3	Total
Movements in ECL	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	3,059	-	-	3,059
New assets originated or purchased	46	-	-	46
Assets derecognised or repaid (excluding write-offs)	(184)	-	-	(184)
Net remeasurement of allowance	15	-	-	15
As at 31 December 2021	2,936	-	-	2,936

	2020			
	Stage 1	Stage 2	Stage 3	Total
Movements in ECL	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	1,183	-	-	1,183
New assets originated or purchased	330	-	-	330
Assets derecognised or repaid (excluding write-offs)	(578)	-	-	(578)
Net remeasurement of allowance	(716)	-	-	(716)
Changes in model assumption or methodology	2,840	-	-	2,840
As at 31 December 2020	3,059	-	-	3,059

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A14. Loans, Advances and Financing (cont'd.)

(ix) Impairment allowance for loans, advances and financing are as follows (cont'd.):

Term loan and subordinated term loan (cont'd)

Bank

	2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January 2021	3,312	-	-	3,312
New assets originated or purchased	155	-	-	155
Assets derecognised or repaid (excluding write-offs)	(474)	-	-	(474)
Net remeasurement of allowance	210	-	-	210
As at 31 December 2021	3,203	-	-	3,203

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January 2020	2,111	-	-	2,111
New assets originated or purchased	838	-	-	838
Assets derecognised or repaid (excluding write-offs)	(702)	-	-	(702)
Net remeasurement of allowance	(1,775)	-	-	(1,775)
Changes in model assumption or methodology	2,840	-	-	2,840
As at 31 December 2020	3,312	-	-	3,312

An analysis of changes in the ECL allowances in relation to other loans and financing is as follows:

Other lending and factoring receivables

Group

	2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January 2021	53	-	664	717
Assets derecognised or repaid (excluding write-offs)	(40)	-	-	(40)
As at 31 December 2021	13	-	664	677

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January 2020	-	-	716	716
New assets originated or purchased	53	-	-	53
Assets derecognised or repaid (excluding write-offs)	-	-	(52)	(52)
As at 31 December 2020	53	-	664	717

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A14. Loans, Advances and Financing (cont'd.)

(ix) Impairment allowance for loans, advances and financing are as follows (cont'd.):

Undrawn commitment

An analysis of changes in the ECL allowances in relation to undrawn commitment is as follows:

Group

	2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January and 31 December 2021	-	-	-	-
	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January 2020	129	-	-	129
Net remeasurement of allowance	(129)	-	-	(129)
As at 31 December 2020	-	-	-	-

Bank

	2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January 2021	75	-	-	75
Exposure derecognised or matured/lapsed (excluding write-offs)	(38)	-	-	(38)
Net remeasurement of allowance	7	-	-	7
As at 31 December 2021	44	-	-	44
	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movements in ECL				
As at 1 January 2020	255	-	-	255
Exposure derecognised or matured/lapsed (excluding write-offs)	(25)	-	-	(25)
Net remeasurement of allowance	(155)	-	-	(155)
As at 31 December 2020	75	-	-	75

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group and Bank		Group and Bank	
As at	As at	As at	As at
31 December	31 December	31 December	31 December
2021	2020	2021	2020
RM'000	RM'000	RM'000	RM'000

A15. Balances due from clients and brokers

Balances due from clients and brokers	337,276	551,280	337,181	551,280
Less: Allowance for ECL	(2,811)	(6,223)	(2,811)	(6,223)
	334,465	545,057	334,370	545,057

An analysis of changes in the ECL allowances in relation to balance due from clients and brokers is as follows:

Group and Bank

	2021		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Movements in ECL			
As at 1 January 2021	1,553	4,670	6,223
Charged during the financial year	290	533	823
Written back during the financial year	(308)	(446)	(754)
Written off during the financial year	-	(3,481)	(3,481)
As at 31 December 2021	1,535	1,276	2,811
	2020		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Movements in ECL			
As at 1 January 2020	1,516	12,141	13,657
Charged during the financial year	248	762	1,010
Written back during the financial year	(211)	(919)	(1,130)
Written off during the financial year	-	(7,314)	(7,314)
As at 31 December 2020	1,553	4,670	6,223

Group		Bank	
As at	As at	As at	As at
31 December	31 December	31 December	31 December
2021	2020	2021	2020
RM'000	RM'000	RM'000	RM'000

A16. Other Assets

Assets segregated for customers	93,849	101,629	-	-
Interest/income receivable	9,556	11,041	9,546	10,906
Prepayments and deposits	20,169	19,420	17,809	16,152
Other debtors	58,521	62,220	36,371	43,544
Treasury trade receivables	49,892	-	49,892	-
Amount due from subsidiaries	-	-	29,716	30,359
Amount due from related parties	57	127	57	127
Amount due from trustees	12,000	-	-	-
	244,044	194,437	143,391	101,088
Allowance for ECL				
- Other debtors	(5,222)	(6,148)	(5,222)	(6,150)
- Amount due from subsidiaries	-	-	(240)	(226)
	238,822	188,289	137,929	94,712

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A16. Other Assets (cont'd.)

An analysis of changes in the ECL allowances in relation to other debtors is as follows:

Group

	2021		
	Non-Credit	Credit-	Total
	Impaired	Impaired	
RM'000	RM'000	RM'000	
Movements in ECL			
As at 1 January 2021	145	6,003	6,148
New assets originated or purchased	1,054	251	1,305
Assets derecognised or repaid (excluding write-offs)	-	(3,372)	(3,372)
Transfer of stages	(976)	976	-
Net remeasurement of allowance	-	1,330	1,330
Amounts written off	-	(189)	(189)
As at 31 December 2021	223	4,999	5,222

	2020		
	Non-Credit	Credit	Total
	Impaired	Impaired	
RM'000	RM'000	RM'000	
Movements in ECL			
As at 1 January 2020	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)
Transfer of stages	(1,548)	1,548	-
Net remeasurement of allowance	-	281	281
Amounts written off	-	(57)	(57)
As at 31 December 2020	145	6,003	6,148

Bank

	2021		
	Non-Credit	Credit	Total
	Impaired	Impaired	
RM'000	RM'000	RM'000	
Movements in ECL			
As at 1 January 2021	146	6,004	6,150
New assets originated or purchased	1,055	251	1,306
Assets derecognised or repaid (excluding write-offs)	-	(3,375)	(3,375)
Transfer of stages	(978)	978	-
Net remeasurement of allowance	-	1,330	1,330
Amounts written off	-	(189)	(189)
As at 31 December 2021	223	4,999	5,222

	2020		
	Non-Credit	Credit	Total
	Impaired	Impaired	
RM'000	RM'000	RM'000	
Movements in ECL			
As at 1 January 2020	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)
Transfer of stages	(1,548)	1,548	-
Net remeasurement of allowance	-	281	281
Amounts written off	-	(57)	(57)
As at 31 December 2020	146	6,004	6,150

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A16. Other Assets (cont'd.)

An analysis of changes in the ECL allowances in relation to amount due from subsidiaries is as follows:

Bank

	2021			
	Stage 1	Stage 2	Stage 3	Total
Movements in ECL	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	226	-	-	226
Net remeasurement of allowance	14	-	-	14
As at 31 December 2021	240	-	-	240

	2020			
	Stage 1	Stage 2	Stage 3	Total
Movements in ECL	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	304	-	-	304
New assets originated or purchased	4	-	-	4
Net remeasurement of allowance	(82)	-	-	(82)
As at 31 December 2020	226	-	-	226

Group and Bank	
As at	As at
31 December	31 December
2021	2020
RM'000	RM'000

A17. Statutory deposit with Bank Negara Malaysia

Statutory Deposit	50,868	58,398
-------------------	---------------	---------------

The non-interest bearing statutory deposit is maintained by the Bank with Bank Negara Malaysia in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act 2009, and is determined as a set percentage of net eligible liabilities.

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000

A18. Deposits from customers

(i) By type of deposit

Fixed term deposits	2,464,706	2,340,932	2,516,015	2,354,086
Short term money deposits	563,833	518,102	625,846	595,406
Call money deposits	39,848	41,048	39,848	41,048
Negotiable instruments of deposits	68,891	52,303	68,891	52,303
	3,137,278	2,952,385	3,250,600	3,042,843

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Bank	
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000

A18. Deposits from customers (cont'd.)

(ii) By type of customer

Government and other statutory bodies	671,186	829,560	671,186	829,560
Individuals	98,500	84,730	98,500	84,730
Business enterprises	1,007,435	872,878	1,007,435	872,878
Non-bank financial institutions	1,160,157	1,054,701	1,160,157	1,054,701
Subsidiaries and related companies	200,000	110,516	313,322	200,974
	3,137,278	2,952,385	3,250,600	3,042,843

(iii) By maturity structure

Due within six months	2,268,323	2,128,347	2,381,645	2,216,065
More than six months to one year	747,040	590,017	747,040	592,757
More than one year	121,915	234,021	121,915	234,021
	3,137,278	2,952,385	3,250,600	3,042,843

A19. Deposits and placements of banks and financial institutions

	Group and Bank	
	As at	As at
	31 December	31 December
	2021	2020
	RM'000	RM'000
Licensed banks	-	100,000
Licensed investment banks	-	50,000
Other financial institutions	593,126	732,667
Bank Negara Malaysia ("BNM")	59,736	183,418
	652,862	1,066,085

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Bank	
	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
A20. Other liabilities				
Interest/Income payable	13,301	17,275	13,032	16,544
Securities borrowing and lending	28,867	1,657	28,867	1,657
Accruals and provision	246,142	141,510	61,732	62,383
Retention for contra losses	17	17	17	17
Structured products	3,168	15,583	3,168	15,583
Treasury trade payables	49,892	-	49,892	-
Deposits and other creditors	110,283	144,691	105,423	141,927
Amounts held in trust on behalf of Dealer's Representatives	122,029	122,522	122,029	122,522
Amount due to trustees	-	4,040	-	-
Amount due to subsidiaries	-	-	1	12
	573,699	447,295	384,161	360,645
A21. Borrowings				
Secured:				
Revolving bank loan	19,200	30,400	19,200	30,400
Unsecured:				
Revolving bank loans	40,000	23,000	-	-
Subordinated notes	185,500	122,000	185,500	122,000
	244,700	175,400	204,700	152,400

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
3 months ended	3 months ended	12 months ended	12 months ended
31 December 2021	31 December 2020	31 December 2021	31 December 2020
RM'000	RM'000	RM'000	RM'000

A22. Interest Income

Group

Loans, advances and financing	30,318	30,396	122,620	126,695
- Interest income other than recoveries from impaired loans	30,318	29,478	122,620	125,777
- Interest income from recoveries from impaired loans	-	918	-	918
Money at call and deposit placements with financial institutions	11,614	10,631	43,138	45,378
Financial investments at FVOCI	4,857	5,056	19,276	23,325
Financial investments at AC	1,392	1,196	5,394	4,860
Others	4,921	5,626	19,944	18,663
	53,102	52,905	210,372	218,921

Bank

Loans, advances and financing	29,570	29,519	120,431	122,438
Money at call and deposit placements with financial institutions	10,623	9,869	39,397	42,182
Financial investments at FVOCI	4,857	5,056	19,276	23,325
Financial investments at AC	1,392	1,196	5,394	4,860
Others	4,920	5,631	19,946	18,678
	51,362	51,271	204,444	211,483

* Included reversal of net modification loss relating to COVID-19 relief measures of the Group and of the Bank of RM140,000 (2020: loss RM188,000) in the current financial year.

A23. Interest Expense

Group

Deposits from customers	22,113	21,472	86,064	108,829
Deposits and placement from banks and other financial institutions	281	497	1,804	1,901
Borrowings	2,646	2,124	9,277	7,178
Lease interest expense	55	343	965	1,335
Others	241	478	1,451	1,264
	25,336	24,914	99,561	120,507

Bank

Deposits from customers	22,720	21,910	88,274	110,438
Deposits and placement from banks and other financial institutions	281	497	1,804	1,901
Borrowings	2,451	1,803	8,685	5,560
Lease interest expense	113	290	905	1,218
Others	2,504	2,652	10,581	9,342
	28,069	27,152	110,249	128,459

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2021 RM'000	3 months ended 31 December 2020 RM'000	12 months ended 31 December 2021 RM'000	12 months ended 31 December 2020 RM'000
A24. Other Operating Income				
Group				
(a) Fee income:				
Brokerage fees	55,215	112,553	313,354	372,166
Corporate advisory fees	1,381	1,681	6,932	5,942
Processing fees on loans, advances and financing	544	1,133	1,766	3,199
Commissions	3,191	2,875	11,861	10,754
Management fee income	51,776	32,355	152,510	100,605
Placement fees	2,952	6,123	15,230	13,551
Underwriting commission	1,503	2,799	1,839	3,254
Other fee income	6,768	6,362	18,647	20,694
Others	421	694	1,625	2,501
	<u>123,751</u>	<u>166,575</u>	<u>523,764</u>	<u>532,666</u>
(b) Net (loss)/gain arising from sale/ redemption of:				
Financial assets at FVTPL and derivatives	(1,487)	(4,628)	(45,678)	217,667
Financial investments at FVOCI	-	289	9	9,243
	<u>(1,487)</u>	<u>(4,339)</u>	<u>(45,669)</u>	<u>226,910</u>
(c) Gross dividend income from:				
Financial assets at FVTPL	258	1,854	3,410	3,746
Financial investments at FVOCI	19	7	244	294
	<u>277</u>	<u>1,861</u>	<u>3,654</u>	<u>4,040</u>
(d) Interest income from financial assets at FVTPL	<u>382</u>	<u>350</u>	<u>2,176</u>	<u>1,827</u>
(e) Unrealised gain/(loss) on revaluation of financial assets at FVTPL and derivatives	<u>37,586</u>	<u>46,816</u>	<u>148,011</u>	<u>(76,392)</u>
(f) Other income:				
Net foreign exchange income	2,118	2,685	10,792	9,306
Gain on disposal of property, plant and equipment	-	24	60	24
Other operating income	740	314	2,602	1,454
Other non-operating income				
- Rental income	558	574	1,674	2,687
- Gain on disposal of a subsidiary	-	-	4,729	-
- Others	1,605	1,415	5,088	4,931
	<u>5,021</u>	<u>5,012</u>	<u>24,945</u>	<u>18,402</u>
Total other operating income	<u>165,530</u>	<u>216,275</u>	<u>656,881</u>	<u>707,453</u>

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2021 RM'000	3 months ended 31 December 2020 RM'000	12 months ended 31 December 2021 RM'000	12 months ended 31 December 2020 RM'000
A24. Other Operating Income (cont'd.)				
Bank				
(a) Fee income:				
Brokerage fees	55,215	112,554	313,354	372,167
Corporate advisory fees	1,416	1,716	7,049	6,059
Processing fees on loans, advances and financing	136	882	706	2,320
Management fee income	686	235	1,352	1,123
Placement fees	2,571	4,840	12,649	10,949
Underwriting commission	1,503	2,799	1,839	3,254
Other fee income	1,653	1,289	7,029	5,955
Others	119	429	353	1,255
	<u>63,299</u>	<u>124,744</u>	<u>344,331</u>	<u>403,082</u>
(b) Net (loss)/gain arising from sale/redemption of:				
Financial assets at FVTPL and derivatives	(1,517)	(4,681)	(45,718)	217,307
Financial investments at FVOCI	-	289	9	9,243
	<u>(1,517)</u>	<u>(4,392)</u>	<u>(45,709)</u>	<u>226,550</u>
(c) Gross dividend from:				
Financial assets at FVTPL	232	1,832	3,303	3,640
Financial investments at FVOCI	19	7	244	294
Subsidiary	15,000	-	15,000	-
	<u>15,251</u>	<u>1,839</u>	<u>18,547</u>	<u>3,934</u>
(d) Interest income from financial assets at FVTPL	<u>382</u>	<u>350</u>	<u>2,176</u>	<u>1,827</u>
(e) Unrealised gain/(loss) on revaluation of financial assets at FVTPL and derivatives	<u>38,078</u>	<u>47,367</u>	<u>150,784</u>	<u>(77,874)</u>
(f) Other income:				
Net foreign exchange income	2,185	2,599	10,716	9,196
Gain on disposal of property, plant and equipment	-	24	57	24
Other operating income	829	454	3,481	2,157
Other non-operating income				
- Rental income	1,016	1,034	3,525	4,529
- Others	1,692	1,427	4,746	4,705
	<u>5,722</u>	<u>5,538</u>	<u>22,525</u>	<u>20,611</u>
Total other operating income	<u>121,215</u>	<u>175,446</u>	<u>492,654</u>	<u>578,130</u>

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	3 months	3 months	12 months	12 months
	ended	ended	ended	ended
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
A25. Other operating expenses				
Group				
Personnel costs	68,205	66,727	247,133	231,440
- Salaries, allowances and bonuses	53,009	49,810	195,241	180,489
- EPF	5,067	4,744	20,066	18,784
- ESS	36	1,521	1,302	2,515
- Others	10,093	10,652	30,524	29,652
Establishment costs	11,927	14,324	53,717	54,205
- Depreciation of property, plant and equipment	2,923	2,993	11,714	11,781
- Amortisation of intangible assets	1,384	1,378	5,624	5,101
- Amortisation of right-of-use assets	2,136	2,209	8,465	8,449
- Rental of premises	115	87	397	415
- Rental of equipment	152	186	640	604
- Repairs and maintenance	1,411	1,654	5,836	6,069
- Information technology expenses	2,498	4,200	14,792	14,776
- Others	1,308	1,617	6,249	7,010
Marketing expenses	10,232	7,565	23,310	17,638
- Promotion and advertisements	7,538	4,789	18,822	12,548
- Travel and entertainment	2,467	2,555	4,040	4,160
- Others	227	221	448	930
Administration and general expenses	67,390	112,568	324,330	396,880
- Communication expenses	1,137	1,055	4,680	4,482
- Professional fees and legal fees	1,982	(868)	5,285	4,236
- Regulatory charges	7,460	10,677	33,361	36,056
- Fees and brokerage	54,583	99,404	264,508	334,305
- Administrative expenses	1,871	1,998	15,230	16,249
- Printing and stationery	357	302	1,266	1,552
Total other operating expenses	157,754	201,184	648,490	700,163

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Individual Quarter		Cumulative Quarters	
3 months ended	3 months ended	12 months ended	12 months ended
31 December 2021	31 December 2020	31 December 2021	31 December 2020
RM'000	RM'000	RM'000	RM'000

A25. Other operating expenses (cont'd.)

Bank

Personnel costs	50,434	51,597	182,511	176,160
- Salaries, allowances and bonuses	39,904	39,126	149,029	142,270
- EPF	4,047	3,807	16,014	14,991
- ESS	9	1,483	1,024	2,343
- Others	6,474	7,181	16,444	16,556
Establishment costs	9,655	11,937	44,764	45,305
- Depreciation of property, plant and equipment	2,704	2,766	10,829	10,958
- Amortisation of intangible assets	1,160	1,043	4,642	4,259
- Amortisation of right-of-use assets	1,822	1,964	7,397	7,337
- Rental of premises	87	71	324	275
- Rental of equipment	97	123	412	360
- Repair and maintenance	812	1,069	3,635	4,086
- Information technology expenses	2,496	4,175	14,779	14,669
- Others	477	726	2,746	3,361
Marketing expenses	1,637	1,103	5,274	5,173
- Promotion and advertisement	1,337	632	4,317	2,943
- Travel and entertainment	209	303	668	1,383
- Others	91	168	289	847
Administration and general expenses	44,065	97,650	252,192	344,606
- Communication expenses	943	851	4,053	3,764
- Professional fees and legal fees	2,012	(1,008)	4,939	3,782
- Regulatory charges	6,946	10,235	31,224	34,160
- Fees and brokerages	32,649	85,790	198,284	287,308
- Administrative expenses	1,347	1,567	12,911	14,546
- Printing and stationery	168	215	781	1,046
Total other operating expenses	105,791	162,287	484,741	571,244

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A26. Credit loss reversal/(expense)

The tables below show the ECL charges on financial instruments for the period/year recorded in the income statement:

Group

Individual Quarter

(i) Movements in ECL on debt instruments, loan commitments, loans, advances, and financing

	2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(3)	-	-	(3)
Loans, advances and financing	94	-	(2,662)	(2,568)
Credit loss reversal/(expense)	91	-	(2,662)	(2,571)

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(322)	-	-	(322)
Debt instruments at amortised cost	24	-	-	24
Loans, advances and financing	(2,369)	-	739	(1,630)
Credit loss (expense)/reversal	(2,667)	-	739	(1,928)

(ii) Movements in ECL on other financial assets

	2021		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	9	(48)	(39)
Other debtors	(257)	167	(90)
Credit loss (expense)/reversal	(248)	119	(129)

	2020		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	27	(14)	13
Other debtors	(757)	549	(208)
Credit loss (expense)/reversal	(730)	535	(195)

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A26. Credit loss reversal/(expense)

Group

Cumulative Quarters

(iii) Movements in ECLs on debt instruments, loan commitments, loans, advances, and financing

	2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(4)	-	-	(4)
Debt instruments at amortised cost	56	-	-	56
Loans, advances and financing	163	-	(2,783)	(2,620)
Credit loss reversal/(expense)	215	-	(2,783)	(2,568)

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(350)	-	-	(350)
Debt instruments at amortised cost	(105)	338	-	233
Loans, advances and financing	(1,929)	-	(2,501)	(4,430)
Loan commitments	129	-	-	129
Credit loss (expense)/reversal	(2,255)	338	(2,501)	(4,418)

(iv) Movements in ECLs on other financial assets

	2021		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	18	(87)	(69)
Other debtors	(1,054)	1,791	737
Credit loss (expense)/reversal	(1,036)	1,704	668

	2020		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	(37)	157	120
Other debtors	(1,513)	(41)	(1,554)
Credit loss (expense)/reversal	(1,550)	116	(1,434)

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A26. Credit loss reversal/ (expense) (cont'd.)

Bank

Individual Quarter

(v) Movements in ECL on debt instruments, loan commitments, loans, advances, and financing

	2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(3)	-	-	(3)
Loans, advances and financing	203	-	(2,662)	(2,459)
Loan commitments	(2)	-	-	(2)
Amount due from subsidiaries	(14)	-	-	(14)
Credit loss reversal/(expense)	184	-	(2,662)	(2,478)

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(322)	-	-	(322)
Debt instruments at amortised cost	24	-	-	24
Loans, advances and financing	(2,252)	-	739	(1,513)
Loan commitments	25	-	-	25
Amount due from subsidiaries	73	-	-	73
Credit loss (expense)/reversal	(2,452)	-	739	(1,713)

(vi) Movements in ECL on other financial assets

	2021		
	Non-Credit Impaired	Credit- Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	9	(48)	(39)
Other debtors	(257)	168	(89)
Credit loss (expense)/reversal	(248)	120	(128)

	2020		
	Non-Credit Impaired	Credit- Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	27	(14)	13
Other debtors	(758)	549	(209)
Credit loss (expense)/reversal	(731)	535	(196)

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A26. Credit loss reversal/(expense) (cont'd.)

Bank

Cumulative Quarters

(vii) Movements in ECLs on debt instruments, loan commitments, loans, advances, and financing

	2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(4)	-	-	(4)
Debt instruments at amortised cost	56	-	-	56
Loans, advances and financing	109	-	(2,783)	(2,674)
Loan commitments	31	-	-	31
Amount due from subsidiaries	(14)	-	-	(14)
Credit loss reversal/(expense)	178	-	(2,783)	(2,605)

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(350)	-	-	(350)
Debt instruments at amortised cost	(105)	338	-	233
Loans, advances and financing	(1,201)	-	(2,553)	(3,754)
Loan commitments	180	-	-	180
Amount due from subsidiaries	78	-	-	78
Credit loss (expense)/reversal	(1,398)	338	(2,553)	(3,613)

(ix) Movements in ECLs on other financial assets

	2021		
	Non-Credit	Credit-	Total
	Impaired	Impaired	RM'000
	RM'000	RM'000	RM'000
Balance due from clients and brokers	18	(87)	(69)
Other debtors	(1,055)	1,794	739
Credit loss (expense)/reversal	(1,037)	1,707	670

	2020		
	Non-Credit	Credit-	Total
	Impaired	Impaired	RM'000
	RM'000	RM'000	RM'000
Balance due from clients and brokers	(37)	157	120
Other debtors	(1,514)	(42)	(1,556)
Credit loss (expense)/reversal	(1,551)	115	(1,436)

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A27. Bad debts recovered/(written off)

	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2021 RM'000	3 months ended 31 December 2020 RM'000	12 months ended 31 December 2021 RM'000	12 months ended 31 December 2020 RM'000
Group				
Loans, advances and financing	85	1,007	506	1,316
Balance due from clients and brokers	36	68	37	145
Other receivables	-	-	(30)	(53)
	121	1,075	513	1,408
Bank				
Loans, advances and financing	85	1,007	506	1,316
Balance due from clients and brokers	36	68	37	145
Other receivables	-	-	-	(53)
	121	1,075	543	1,408

A28. Fair value of financial instruments

Fair value measurements

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.:

Valuation techniques and sensitivity analysis

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This would include quoted securities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A28. Fair value of financial instruments (cont'd.)

Group

31 December 2021

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	119,318	-	119,318
- Equity securities	181,873	5,291	80,840	268,004
Financial investments at FVOCI				
- Debt securities	-	736,114	-	736,114
- Equity securities	-	-	1,460	1,460
Derivative financial assets	-	81,453	-	81,453
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at AC	-	219,155	-	219,155
Loans, advances and financing	-	-	1,782,095	1,782,095
	181,873	1,161,331	1,864,395	3,207,599
Financial liabilities measured at fair value				
Derivative financial liabilities	23,499	5,261	-	28,760
Borrowings	-	204,020	-	204,020
	23,499	209,281	-	232,780
<u>31 December 2020</u>				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
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
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at AC	-	202,215	-	202,215
Loans, advances and financing	-	-	1,867,339	1,867,339
	351,780	1,210,834	1,917,782	3,480,396
Financial liabilities measured at fair value				
Derivative financial liabilities	131,241	6,239	-	137,480
Borrowings	-	154,413	-	154,413
	131,241	160,652	-	291,893

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A28. Fair value of financial instruments (cont'd.)

Bank

31 December 2021

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	123,873	-	123,873
- Equity securities	181,654	-	80,840	262,494
Financial investments at FVOCI				
- Debt securities	-	736,114	-	736,114
- Equity securities	-	-	1,460	1,460
Derivative financial assets	-	81,453	-	81,453
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at AC	-	219,155	-	219,155
Loans, advances and financing	-	-	1,757,618	1,757,618
	181,654	1,160,595	1,839,918	3,182,167

Financial liabilities measured at fair value

Derivative financial liabilities	23,499	5,261	-	28,760
Borrowings	-	164,018	-	164,018
	23,499	169,279	-	192,778

31 December 2020

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
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
Financial assets at amortised cost for which fair values are disclosed				
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

Financial liabilities measured at fair value

Derivative financial liabilities	131,241	6,239	-	137,480
Borrowings	-	131,421	-	131,421
	131,241	137,660	-	268,901

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A29. 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.

	Group		Bank	
	As at 31 December 2021 Principal Amount RM'000	As at 31 December 2020 Principal Amount RM'000	As at 31 December 2021 Principal Amount RM'000	As at 31 December 2020 Principal Amount RM'000
Commitments to extend credit with maturity of less than 1 year :-				
- share margin financing	2,774,310	2,534,315	2,774,310	2,534,315
- foreign exchange related contract	10,222	58,554	10,222	58,554
- equity exchange related contract	148,840	158,546	148,840	158,546
Other commitments with an original maturity of less than 1 year :-				
- corporate loans	50,742	60,050	124,242	107,550
Commitments to extend credit with maturity of more than 1 year :-				
- equity related contract	247	520	247	520
Other commitments with an original maturity of more than 1 year :-				
- corporate loans	55,275	98,851	61,275	118,851
- others	-	5,500	-	-
Stockbroking clients' trust	1,249,679	1,257,682	1,249,679	1,257,682
Securities borrowing and lending	27,637	1,544	27,637	1,544
Derivative financial assets				
- dual currency investment - options	1,361	3,655	1,361	3,655
- equity related contracts - options	29,492	47,685	29,492	47,685
- equity related contracts - swaps	24,123	31,216	24,123	31,216
- equity related contract - forwards	57,354	57,354	57,354	57,354
- index futures	-	2,688	-	2,688
Derivative financial liabilities				
- dual currency investment - options	1,361	3,655	1,361	3,655
- equity related contracts - options	180,364	451,950	180,364	451,950
- equity related contracts - swaps	55,251	19,467	55,251	19,467
- equity related contract - forwards	-	3,200	-	3,200
Capital commitment:				
- Authorised and contracted for Investment in equity fund	18,859	4,588	17,399	4,261
	-	-	24,991	35,981
	4,685,117	4,801,020	4,788,148	4,898,674

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Bank	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated

A30. Operating lease arrangements

A summary of the sub-lease receipts expected to be received under non-cancellable sublease are as follows:

	Group		Bank	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Future minimum sub-lease receipts:				
Subsidiaries	-	-	1,484	2,945
External parties	779	2,055	508	2,055
	<u>779</u>	<u>2,055</u>	<u>1,992</u>	<u>5,000</u>

A31. Capital Adequacy

(i) Components of Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 and Tier 2 capital:

	Group		Bank	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	253,834	246,249	253,834	246,249
Retained profits	673,097	617,832	624,353	594,296
Other reserves	136,462	146,215	176,227	193,924
Less: Regulatory adjustments:				
Deferred tax assets	(30,605)	(14,283)	(15,219)	(8,722)
55% of cumulative gains of financial investments at FVOCI	(3,625)	(8,754)	(349)	(8,391)
Goodwill	(241,277)	(240,782)	(252,910)	(252,909)
Other intangibles	(89,784)	(81,585)	(79,076)	(71,485)
Regulatory reserve	(18,921)	(18,661)	(18,921)	(18,661)
Treasury shares	(13,064)	(10,458)	(13,064)	(10,458)
Other CET 1 regulatory adjustments specified by BNM	1,765	4,275	944	3,419
Regulatory adjustments applied to CET 1 Capital due to insufficient Tier 2 Capital *	(119,140)	(96,798)	(169,047)	(166,170)
Total CET 1/Tier 1 capital	<u>548,742</u>	<u>543,250</u>	<u>506,772</u>	<u>501,092</u>
<u>Tier 2 capital</u>				
Subordinated obligations capital	185,500	122,000	185,500	122,000
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	17,456	18,657	16,791	18,702
Total Tier 2 capital	<u>202,956</u>	<u>140,657</u>	<u>202,291</u>	<u>140,702</u>
Total capital	<u>751,698</u>	<u>683,907</u>	<u>709,063</u>	<u>641,794</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A31. Capital Adequacy (cont'd.)

(i) Components of Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 and Tier 2 capital (cont'd.):

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Before deducting interim dividend #				
CET 1 capital ratio	20.912%	19.093%	21.617%	18.797%
Tier 1 capital ratio	20.912%	19.093%	21.617%	18.797%
Total capital ratio	28.647%	24.037%	30.246%	24.075%
After deducting interim dividend #				
CET 1 capital ratio	18.075%	16.845%	18.443%	16.397%
Tier 1 capital ratio	18.075%	16.845%	18.443%	16.397%
Total capital ratio	25.847%	21.789%	27.121%	21.675%

* The portion of regulatory adjustments not deducted from Tier 2 (as the Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

Refer to interim dividends declared subsequent to the financial year ended 31 December 2021.

(ii) Breakdown of risk-weighted assets in the various categories of risks are as follows:

	Group		Group	
	31 December 2021		31 December 2020	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,592,979	1,396,512	5,615,290	1,492,582
Market Risk	-	387,136	-	646,327
Operational Risk	-	828,589	-	704,075
Large exposure risk	-	11,794	-	2,250
Total Risk Weighted Assets	5,592,979	2,624,031	5,615,290	2,845,234
	Bank		Bank	
	31 December 2021		31 December 2020	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,086,091	1,343,294	5,306,982	1,496,190
Market Risk	-	371,726	-	632,053
Operational Risk	-	617,538	-	535,355
Large exposure risk	-	11,794	-	2,250
Total Risk Weighted Assets	5,086,091	2,344,352	5,306,982	2,665,848

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A31. Capital Adequacy (cont'd.)

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk ("RWCAF Basel II").

A32. Credit Exposures Arising From Credit Transactions With Connected Parties

	31 December 2021	31 December 2020
Outstanding credit exposures with connected parties (RM'000)	<u>173,066</u>	<u>179,181</u>
Percentage of outstanding credit exposures to connected parties:-		
- as a proportion of total credit exposures	<u>5.73%</u>	<u>4.89%</u>
- which was impaired or in default	<u>-</u>	<u>-</u>

The credit exposure above were derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which was effective since 1 January 2008.

A33. Segmental reporting

The Group has five major operating divisions as described below. The divisions form the basis of which the Group reports its segment information.

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in equity securities and investment related services;
- (iii) Futures broking- Futures broking 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 comprise all middle and back office functions, and, includes business operations conducted by the Group's associates in the Kingdom of Saudi Arabia and Sri Lanka and joint venture company.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A33. Segmental reporting (cont'd.)

	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2021								
Revenue								
External sales	138,571	537,581	15,520	9,026	165,864	24,929	-	891,491
- Interest income	108,119	115,823	3,664	7,101	195	397	-	235,299
- Fee income	24,250	326,224	11,856	1,925	165,252	(112)	-	529,395
- Trading and investment income	681	87,937	-	-	154	24,828	-	113,600
- Other operating income/(loss)	5,521	7,597	-	-	263	(184)	-	13,197
Inter-segment sales	41,252	(44,606)	761	-	11,321	9,727	(18,455)	-
Total revenue	179,823	492,975	16,281	9,026	177,185	34,656	(18,455)	891,491
Result								
Net interest income	39,234	53,494	3,154	4,021	221	1,438	9,249	110,811
Net income from Islamic banking business	10,633	6,195	-	-	-	-	-	16,828
Other operating income	26,136	420,902	11,952	2,594	190,902	43,553	(39,158)	656,881
Net income	76,003	480,591	15,106	6,615	191,123	44,991	(29,909)	784,520
Other operating expenses	(55,152)	(391,604)	(16,948)	(5,017)	(156,225)	(35,571)	12,027	(648,490)
Credit loss (expense)/reversal	(218)	(2,852)	-	40	-	1,134	(4)	(1,900)
Bad debt recovery	-	228	-	-	-	285	-	513
Share of results of associates and a joint venture company	-	-	-	-	-	13,593	-	13,593
Profit/(loss) before taxation and zakat	20,633	86,363	(1,842)	1,638	34,898	24,432	(17,886)	148,236
Taxation and zakat								(29,421)
Net profit for the financial year								118,815

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A33. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2021 (cont'd.)								
Other information								
Net interest and finance income	98,600	3,154	4,021	416	1,243	9,249		116,683
Depreciation and amortisation Non cash expenses	(13,063)	(472)	(156)	(3,792)	(9,780)	1,460		(25,803)
- Unrealised gain/(loss) on revaluation of financial assets at FVTPL and derivatives	127,154	-	-	6	23,630	(2,779)		148,011
Assets								
Investments in associate companies	-	-	-	-	87,171	-		87,171
Investment in a joint venture company					31,969			31,969
Addition to non-current assets	22,050	45	55	3,415	-		A	25,565
Segment assets	5,869,674	450,123	95,990	310,770	15,510	(323,545)	B	6,418,522
Liabilities								
Segment liabilities	4,828,324	433,725	75,984	231,896	1,561	(207,998)	C	5,363,492

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A33. Segmental reporting (cont'd.)

	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2020								
Revenue								
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/(loss)	28,021	139,437	-	-	105	(1,996)	-	165,567
- Other operating income/(loss)	4,660	4,941	-	-	830	(14)	-	10,417
Inter-segment sales	1,344	625	670	95	10,977	1,457	(15,168)	-
Total revenue	233,024	591,330	14,585	12,220	129,599	8,172	(15,168)	973,762
Result								
Net interest income/(expense)	35,173	43,909	2,815	4,923	(767)	4,103	8,258	98,414
Net income from Islamic banking business	12,665	8,004	-	-	-	-	-	20,669
Other operating income	43,700	525,564	10,743	2,189	129,787	5,903	(10,433)	707,453
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)/recovery	(53)	570	-	-	-	891	-	1,408
Share of results of associates and a joint venture company	-	-	-	-	-	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)
Net profit for the financial year								102,285

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A33. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures broking RM'000	Investment and wealth management RM'000	Money lending and financing RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2020 (cont'd.)								
Other information								
Net interest and finance income/ (expense)	82,455	2,815	4,923	(767)	4,103	8,258	-	101,787
Depreciation and amortisation	12,988	523	195	3,516	9,566	(1,457)	-	25,331
Non cash expenses								
- Unrealised (loss)/gain on evaluation of financial assets at FVTPL and derivatives	(74,858)	-	-	-	(3,016)	1,482	-	(76,392)
Assets								
Investments in associate companies	-	-	-	-	72,078	-		72,078
Investment in a joint venture company	-	-	-	-	24,719	-		24,719
Addition to non-current assets	12,470	293	474	3,109	-	-	A	16,346
Segment assets	6,248,747	362,379	101,720	190,559	15,812	(344,150)	B	6,575,067
Liabilities								
Segment liabilities	5,224,736	344,129	82,897	123,973	1,848	(207,457)	C	5,570,126

Notes

A Additions to non-current assets consist of:

	2021 RM'000	2020 RM'000
Property, plant and equipment		
- Additions during the financial year	12,230	8,331
Intangible assets		
- Additions during the financial year	13,335	8,014
	<u>25,565</u>	<u>16,345</u>

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A33. Segmental reporting (cont'd.)

B The following items are (deducted from)/added to segment assets to arrive at total assets reported in the consolidated statement of financial position.

	2021	2020
	RM'000	RM'000
Investment in subsidiaries	(81,110)	(94,942)
Investment in associates and joint venture	9,962	(181)
Intangible assets	(40,090)	(40,095)
Inter-segment assets	(212,307)	(208,932)
	<u>(323,545)</u>	<u>(344,150)</u>

C The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

	2021	2020
	RM'000	RM'000
Deposits accepted from subsidiaries	(113,322)	(90,457)
Inter-segment liabilities	(94,676)	(117,000)
	<u>(207,998)</u>	<u>(207,457)</u>

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations of Islamic Banking

(a) Unaudited Statement of Financial Position
As at 31 December 2021

	Note	Group and Bank	
		As at 31 December 2021 RM '000	As at 31 December 2020 RM '000
ASSETS			
Cash and bank balances	(e)	424,712	452,323
Financial assets at FVTPL	(f)	100,000	100,000
Financial investment at FVOCI	(g)(i)	242,521	228,701
Financial investment at AC	(g)(ii)	68,044	66,822
Financing and advances	(h)	103,491	113,928
Balances due from clients and brokers		2,124	1,459
Other assets	(i)	3,246	3,941
Property, plant and equipment		18	26
Intangible assets		3	2
TOTAL ASSETS		944,159	967,202
LIABILITIES			
Deposits from customers	(j)	555,137	665,493
Balances due to clients and brokers		7,493	4,409
Other liabilities	(k)	193,784	112,951
Deferred tax liabilities		308	1,613
Provision for taxation and zakat		3,472	4,342
TOTAL LIABILITIES		760,194	788,808
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		63,965	58,394
TOTAL ISLAMIC BANKING CAPITAL FUNDS		183,965	178,394
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		944,159	967,202
Commitments and contingencies	(r)	72,544	61,560

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations of Islamic Banking (cont'd.)

(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial period/year ended 31 December 2021

		Group and Bank			
		Individual Quarter		Cumulative Quarters	
		3 months ended	3 months ended	12 months ended	12 months ended
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	(l)	7,529	7,088	29,229	46,905
Income derived from investment of shareholders' funds	(m)	2,072	2,746	6,725	8,404
Credit loss reversal		83	577	181	374
Total attributable income		9,684	10,411	36,135	55,683
Profit distributed to depositors	(n)	(4,540)	(5,482)	(18,262)	(32,759)
Net income		5,144	4,929	17,873	22,924
Finance cost		(138)	(451)	(864)	(1,881)
Personnel costs	(o)	(192)	(186)	(768)	(749)
Other overhead expenses	(p)	(602)	(813)	(3,065)	(3,585)
Profit before taxation and zakat		4,212	3,479	13,176	16,709
Taxation and zakat		(1,108)	(699)	(3,472)	(4,342)
Profit for the financial period/year		3,104	2,780	9,704	12,367
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Fair value (loss)/income on debt instruments at FVOCI		(1,363)	(538)	(5,435)	2,011
Income tax related to the above items		327	127	1,305	(492)
Total other comprehensive (loss)/income for the financial period/year, net of tax		(1,036)	(411)	(4,130)	1,519
Total comprehensive income for the financial period/year, net of tax		2,068	2,369	5,574	13,886

For consolidation with the conventional banking operations, income from Islamic Banking Window operations as shown on the face of the consolidated statements of profit or loss and statements of profit or loss, comprised of the following items:

Income derived from investment of depositors' funds	7,529	7,088	29,229	46,905
Income derived from investment of shareholders' funds	2,072	2,746	6,725	8,404
Total income before impairment allowances and overhead expenses	9,601	9,834	35,954	55,309
Profit distributed to depositors	(4,540)	(5,482)	(18,262)	(32,759)
Finance cost	(138)	(451)	(864)	(1,881)
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank	4,923	3,901	16,828	20,669

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

(c) Statement Of Changes In Islamic Banking Funds
For the financial year ended 31 December 2021

Group and Bank

	Non-Distributable					Distributable	Total RM'000
	Islamic Banking Fund RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	ESS Reserves RM'000	Capital Reserve RM'000	Retained Profits RM'000	
At 1 January 2021	120,000	5,036	2,442	19	5,248	45,649	178,394
Profit for the financial year	-	-	-	-	-	9,704	9,704
Other comprehensive loss for the financial year	-	(4,130)	-	-	-	-	(4,130)
Share based payment under ESS	-	-	-	3	-	(6)	(3)
Transfer to retained profits	-	-	-	(9)	-	9	-
Transfer from regulatory reserve	-	-	(128)	-	-	128	-
At 31 December 2021	120,000	906	2,314	13	5,248	55,484	183,965
At 1 January 2020	120,000	3,517	2,503	15	5,248	33,221	164,504
Profit for the financial year	-	-	-	-	-	12,367	12,367
Other comprehensive income for the financial year	-	1,519	-	-	-	-	1,519
Share based payment under ESS	-	-	-	4	-	-	4
Transfer from regulatory reserve	-	-	(61)	-	-	61	-
At 31 December 2020	120,000	5,036	2,442	19	5,248	45,649	178,394

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations of Islamic Banking (cont'd.)

(d) Unaudited Condensed Statements Of Cash Flows
For the financial year ended 31 December 2021

	Group and Bank	
	31 December 2021 RM '000	31 December 2020 RM '000
Cash flows from operating activities		
Profit before tax expense and zakat	13,176	16,709
Adjustments for:		
Depreciation of plant and equipment	8	8
Amortisation of intangible assets	1	10
Credit loss reversal	(181)	(374)
Net loss/(gain) from sale of financial assets at FVTPL	1,014	(1,442)
Net gain from sale of financial investments other than those measured at FVTPL	(1,571)	(1,974)
Operating profit before working capital changes	<u>12,447</u>	<u>12,937</u>
Changes in operating assets:		
Financing and advances	10,560	55,653
Balances due from clients and brokers	(665)	(1,050)
Other assets	697	756
Changes in operating liabilities:		
Deposits from customers	(110,356)	(508,770)
Balances due to clients and brokers	3,084	1,739
Other liabilities	76,918	11,179
Cash used in operating activities	<u>(7,315)</u>	<u>(427,556)</u>
Taxation and zakat paid	(430)	(357)
Net cash used in operating activities	<u>(7,745)</u>	<u>(427,913)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2)	(6)
Net purchase of securities	(19,864)	(102,691)
Net investing cash flow	<u>(19,866)</u>	<u>(102,697)</u>
Net change in cash and cash equivalents	(27,611)	(530,610)
Cash and cash equivalents at beginning of the financial year	452,323	982,933
Cash and cash equivalents at end of the financial year	<u>424,712</u>	<u>452,323</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
(e) Cash and bank balances		
Current account with Bank Negara Malaysia and banks	35,712	30,323
Money at call and deposit placements with:		
Licensed banks	30,000	172,000
Bank Negara Malaysia	359,000	200,000
Domestic non-bank financial institutions	-	50,000
	<u>424,712</u>	<u>452,323</u>
(f) Financial assets at FVTPL		
At Fair Value		
Money Market Instruments:		
Unquoted Securities in Malaysia:		
Funds	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
(g) Financial investments other than those measured at FVTPL		
(i) Financial investments at FVOCI		
At fair value		
(a) Money market instruments:		
Malaysian Government Investment Certificates	20,116	42,088
Negotiable Instruments of Deposits	149,844	99,974
(b) Debt instruments:		
Corporate Sukuk	72,561	86,639
Total financial investments at FVOCI	<u>242,521</u>	<u>228,701</u>
(ii) Financial investments at AC		
At cost		
(a) Money market instruments:		
Malaysian Government Investment Certificates	9,995	-
(b) Debt instruments:		
Corporate Sukuk	58,049	66,878
Less: Allowance for ECL	-	(56)
Total financial investment at AC	<u>68,044</u>	<u>66,822</u>
Total financial investments other than those measured at FVTPL	<u>310,565</u>	<u>295,523</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

(g) Financial investment other than those measured at FVTPL (cont'd.)

(iii) Impairment losses on financial instruments subject to impairment assessment

Debt instruments measured at AC:

An analysis of changes in the ECLs is as follows:

Group and Bank

	2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movements in ECL</u>				
As at 1 January 2021	56	-	-	56
Assets derecognised or repaid (excluding write-offs)	(4)	-	-	(4)
Impact of net re-measurement of ECL	(52)	-	-	(52)
As at 31 December 2021	-	-	-	-
	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movements in ECL</u>				
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

Group and Bank	
As at 31 December 2021 RM'000	As at 31 December 2020 RM'000

(h) Financing and advances at AC

Commodity Murabahah share margin financing		
- Shariah contract - others	13,471	14,293
Commodity Murabahah revolving credit		
- Shariah contract - others	70,105	70,353
Commodity Murabahah term financing		
- Shariah contract - others	20,011	29,501
Gross financing and advances	103,587	114,147
Less: Allowance for ECL	(96)	(219)
Net financing and advances	103,491	113,928

(i) Gross financing and advances analysed by type of customer are as follows:

Domestic business enterprise - others	54,058	55,648
Individuals	49,529	58,499
	103,587	114,147

(ii) Gross financing and advances analysed by geographical distribution are as follows:

In Malaysia	103,587	114,147
-------------	---------	---------

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

Group and Bank	
As at	As at
31 December	31 December
2021	2020
RM'000	RM'000

(h) Financing and advances (cont'd.)

(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:

Fixed rate	13,471	14,293
Variable rate - Cost plus	90,116	99,854
	103,587	114,147

(iv) Gross financing and advances analysed by economic purpose are as follows:

- Working capital	48,905	70,351
- Purchase of securities	38,278	40,096
- Others	16,404	3,700
	103,587	114,147

(v) Gross financing and advances analysed by residual contractual maturity are as follows:

- Within one year	65,236	110,445
- More than one year	38,351	3,702
	103,587	114,147

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

Group and Bank

	2021			
	Stage 1	Stage 2	Stage 3	Total
<u>Movements in ECL</u>	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	219	-	-	219
New assets originated or purchased	47	-	-	47
Assets derecognised or repaid (excluding write-offs)	(185)	-	-	(185)
Net remeasurement of allowance	15	-	-	15
As at 31 December 2021	96	-	-	96

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

(h) Financing and advances (cont'd.)

(vi) Impairment allowance for financing
and advances are as follows (cont'd.):

Group and Bank

	2020			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<u>Movements in ECL</u>				
As at 1 January 2020	645	-	-	645
New assets originated or purchased	322	-	-	322
Assets derecognised or repaid (excluding write-offs)	(521)	-	-	(521)
Net remeasurement of allowance	(227)	-	-	(227)
As at 31 December 2020	219	-	-	219

Group and Bank	
As at 31 December 2021 RM'000	As at 31 December 2020 RM'000

(i) Other Assets

Income receivables	3,238	3,893
Prepayment	6	15
Other receivables	55	88
Less: Allowance for ECL	(53)	(55)
	<u>3,246</u>	<u>3,941</u>

Group and Bank

	2021		Total RM'000
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	
<u>Movements in ECL</u>			
As at 1 January 2021	17	38	55
New assets originated or purchased	9	-	9
Assets derecognised or repaid (excluding write-offs)	-	(11)	(11)
Transfer of stages during the year	(11)	11	-
As at 31 December 2021	<u>15</u>	<u>38</u>	<u>53</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

(i) Other Assets (cont'd.)

Group and Bank

	2020		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
<u>Movements in ECL</u>			
As at 1 January 2020	2	58	60
New assets originated or purchased	15	-	15
Transfer of stages during the year	-	(25)	(25)
Net remeasurement of allowance	-	5	5
As at 31 December 2020	17	38	55

Group and Bank	
As at 31 December 2021 RM'000	As at 31 December 2020 RM'000

(j) Deposits from customers

(i) By type of deposit

Term deposits		
- Tawarruq (Commodity Murabahah deposits)	555,137	665,493
	<u>555,137</u>	<u>665,493</u>

(ii) By type of customers

Domestic non-bank institutions	226,211	438,864
Government and other statutory bodies	141,918	200,000
Business enterprises	176,319	26,056
Individuals	583	573
Subsidiary companies	10,106	-
	<u>555,137</u>	<u>665,493</u>

(iii) By maturity

- Due within six months	450,137	345,910
- Due more than six months	105,000	319,583
	<u>555,137</u>	<u>665,493</u>

(k) Other liabilities

Mudarabah Specific Investment Account	12,630	36,000
Profit payable	2,277	5,309
Other payable	178,877	71,642
	<u>193,784</u>	<u>112,951</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank Individual Quarter		Group and Bank Cumulative Quarters	
	3 months ended 31 December 2021 RM'000	3 months ended 31 December 2020 RM'000	12 months ended 31 December 2021 RM'000	12 months ended 31 December 2020 RM'000
(l) Income derived from investment of depositors' funds				
Finance income and hibah				
Financing and advances	-	226	1,921	3,890
Deposits placements with financial institutions	1,727	1,852	6,864	15,503
Financial investment other than those measured at FVTPL	2,684	1,821	9,982	11,096
Accretion of discount	(106)	(106)	(496)	(899)
Others	-	10	2	19
	4,305	3,803	18,273	29,609
Other operating income/(loss)				
Net gain/(loss) on sale of financial assets at FVTPL	77	-	(1,014)	1,442
Net gain on sale of financial investments other than those measured at FVTPL	610	-	1,571	1,974
Fees on financing and advances	236	-	461	755
Brokerage fee	1,106	1,905	4,952	7,157
Profit income from financial assets at FVTPL	1,158	1,286	4,871	5,766
Advisory fee	46	36	218	303
Direct trading fees expense	(14)	(33)	(121)	(234)
Other operating (expense)/ income	-	(13)	-	2
Other non-operating income	5	104	18	131
	3,224	3,285	10,956	17,296
Total income derived from investment of depositors' funds	7,529	7,088	29,229	46,905
(m) Income derived from investment of shareholders' funds				
Finance income and hibah				
Financing and advances	1,525	1,578	4,432	5,253
Financial investments other than those measured at FVTPL	606	1,296	2,547	3,487
Accretion of discounts	(59)	(128)	(254)	(336)
	2,072	2,746	6,725	8,404

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank Individual Quarter		Group and Bank Cumulative Quarters	
	3 months ended 31 December 2021 RM'000	3 months ended 31 December 2020 RM'000	12 months ended 31 December 2021 RM'000	12 months ended 31 December 2020 RM'000
(n) Profit distributed to depositors				
Deposits from customers and financial institutions				
- Murabahah Fund	3,955	4,914	15,975	30,030
Others	585	568	2,287	2,729
	4,540	5,482	18,262	32,759
(o) Personnel costs				
- Salaries, wages, allowances and bonus	153	148	617	593
- EPF	24	23	96	92
- Other staff related expenses	15	15	55	64
	192	186	768	749
(p) Other overhead expenses:				
Establishment costs				
- Depreciation	2	2	8	8
- Amortisation	1	-	1	10
- Office rental	14	16	58	58
- Repairs and maintenance	-	2	-	6
- Others	3	1	13	5
	20	21	80	87
Marketing and travelling expenses				
- Advertisement and promotions	-	-	8	-
	-	-	8	-
Administration and general expenses				
- Fees and brokerage	130	278	824	1,151
- Support service charges	322	445	1,715	1,873
- Shariah committee expenses	45	39	155	214
- Others	85	30	283	260
	582	792	2,977	3,498
Total other overhead expenses	602	813	3,065	3,585

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 December 2021 RM'000	As at 31 December 2020 RM'000
(q) Capital adequacy		
CET 1 / Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained profits	55,484	45,649
Other intangibles		
Other reserves	8,481	12,745
Less:		
Intangible assets	(3)	(2)
55% of cumulative gains on financial investments at FVOCI	(499)	(2,771)
Regulatory reserves	(2,314)	(2,442)
Total CET 1 / Tier 1 capital	<u>181,149</u>	<u>173,179</u>
Tier 2 Capital		
Impairment provision	<u>2,411</u>	<u>2,718</u>
Total Tier 2 capital	<u>2,411</u>	<u>2,718</u>
Total capital	<u>183,560</u>	<u>175,897</u>
CET 1 capital ratio	77.917%	64.539%
Tier 1 capital ratio	77.917%	64.539%
Total capital ratio	<u>78.954%</u>	<u>65.552%</u>

The breakdown of risk-weighted assets (excluding any deferred tax assets) in the various categories of risk-weights are as follows:

	Group and Bank			
	As at 31 December 2021		As at 31 December 2020	
	RM'000	Risk-weighted RM'000	RM'000	Risk-weighted RM'000
	Notional amount	amount	Notional amount	amount
Credit risk	883,247	202,433	897,330	238,272
Market risk	-	-	-	-
Operational risk	-	30,058	-	30,060
Total Risk Weighted Assets	<u>883,247</u>	<u>232,491</u>	<u>897,330</u>	<u>268,332</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

A34. Operations Of Islamic Banking (cont'd.)

(r) Commitments and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

As at reporting date, the commitment and contingencies are as follows:

	Group and Bank	
	As at	As at
	31 December	31 December
	2021	2020
	Principal	Principal
	amount	amount
	RM'000	RM'000
Commitments to extend credit with maturity of less than 1 year:		
- share margin financing	9,269	7,977
Other commitments with an original maturity of less than 1 year:		
- corporate financing	52,000	39,808
Other commitments with an original maturity of more than 1 year:		
- corporate financing	11,275	13,775
	<u>72,544</u>	<u>61,560</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Performance Review

Group:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2021 (4Q21)	31 December 2020 (4Q20)	31 December 2021 (FYE21)	31 December 2020 (FYE20)
(RM'000)				
Revenue	226,083	276,815	891,491	973,762
Net income	198,219	248,167	784,520	826,536
Profit before tax	41,644	53,082	148,236	134,715
Profit after tax	32,308	39,336	118,815	102,285

The Group reported higher profit before tax ("PBT") of RM148.2 million for the year ended 31 December 2021 ("FYE21") compared to RM134.7 million for the corresponding year ended 31 December 2020 ("FYE20") mainly due to higher contribution from investment management business as well as revaluation gain from private equity investments. This PBT was also backed by steady, albeit lower contribution from stockbroking and investment banking divisions as compared to FY2020.

The Group's revenue was lower for the current quarter ("4Q21") compared to the corresponding quarter in the previous year 2020 ("4Q20") mainly due to lower net brokerage but partially mitigated by higher management fee income.

Performance analysis of the Group's major operating segments are as follows:

Stockbroking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2021 (4Q21)	31 December 2020 (4Q20)	31 December 2021 (FYE21)	31 December 2020 (FYE20)
(RM'000)				
Revenue	90,587	178,675	492,975	591,330
Net income	87,752	174,931	480,591	577,477
Profit before tax	17,527	34,068	86,363	86,780

Lower PBT was recorded by stockbroking segment for 4Q21 compared to 4Q20 mainly due to lower net brokerage generated as a consequence of the lower trading volume on Bursa Malaysia.

On a full year basis, this segment achieved marginally lower PBT of RM86.4 million for FYE21 mainly due to lower brokerage, trading and investment income but partially mitigated by higher net interest income.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Performance Review (cont'd.)

Investment Banking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2021 (4Q21)	31 December 2020 (4Q20)	31 December 2021 (FYE21)	31 December 2020 (FYE20)
(RM'000)				
Revenue	45,978	54,978	179,823	233,024
Net income	20,167	28,174	76,003	91,538
Profit before tax	7,467	13,802	20,633	33,965

Investment Banking ("IB") registered lower PBT for 4Q21 compared to 4Q20 largely due to lower net trading and investment gain as well as investment banking fees income.

IB recorded lower PBT of RM20.6 million for FYE21 (FYE20: RM34.0 million) mainly due to net trading and investment loss generated from treasury activities. However, this was partially mitigated by higher net interest income and IB fees income earned.

Investment and Wealth Management:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2021 (4Q21)	31 December 2020 (4Q20)	31 December 2021 (FYE21)	31 December 2020 (FYE20)
(RM'000)				
Revenue	60,023	41,821	177,185	129,599
Net income	63,687	41,865	191,123	129,020
Profit before tax	14,250	5,997	34,898	13,565

Investment and Wealth Management recorded higher PBT for both 4Q21 and FYE21 compared to respective corresponding periods and year mainly due to the higher performance fee and management fee income generated on the back of increased asset under administration ("AUM") and sales agency force.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B1. Performance Review (cont'd.)

Futures Broking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2021 (4Q21)	31 December 2020 (4Q20)	31 December 2021 (FYE21)	31 December 2020 (FYE20)
(RM'000)				
Revenue	4,335	3,786	16,281	14,585
Net income	4,006	3,456	15,106	13,558
Loss before tax ("LBT")	(104)	(567)	(1,842)	(2,797)

Futures business has recorded lower LBT for 4Q21 and FYE21 compared to respective corresponding period and year as a result of improved net interest income and commission generated. LBT of RM1.8 million recorded for FY2021 has improved significantly as compared to LBT of RM2.8 million in FY2020.

Money Lending and Financing:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2021 (4Q21)	31 December 2020 (4Q20)	31 December 2021 (FYE21)	31 December 2020 (FYE20)
(RM'000)				
Revenue	2,593	2,448	9,026	12,220
Net income	1,968	1,484	6,615	7,112
Profit before tax	724	94	1,638	1,860

This segment recorded an increase in PBT for 4Q21 as compared to 4Q20 mainly due to higher income which were partially offset by lower net interest and profit income generated.

PBT of RM1.6 million was recorded for FYE21 compared to PBT of RM1.9 million for FYE20 mainly due to decrease in net income from lower lending and factoring activities.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Performance Review (cont'd.)

Corporate and others:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2021 (4Q21)	31 December 2020 (4Q20)	31 December 2021 (FYE21)	31 December 2020 (FYE20)
(RM'000)				
Revenue	27,000	(583)	34,656	8,172
Net income	40,652	(479)	44,991	10,006
Profit before tax	19,362	17	24,432	5

This segment recorded higher PBT for both 4Q21 and FYE 21 as compared to 4Q20 and FYE20 mainly due to higher net gain from investment in management fund but partially offset by lower share of profit from the joint venture.

B2. Explanatory comments on any material change in profit before taxation for current quarter as compared with the immediate preceding quarter

Current quarter versus previous quarter

Group:

	Current quarter	Previous quarter
	3 months ended 31 December 2021 (4Q21)	3 months ended 30 September 2021 (3Q21)
(RM'000)		
Revenue	226,083	202,649
Net income	198,219	174,989
Profit before tax	41,644	26,295
Profit after tax	32,308	21,566

For 4Q21, the Group has recorded higher PBT of RM41.6 million compared to previous quarter ended 30 September 2021 mainly due to higher management fees income and net trading and investment income but partially negated by higher overheads.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B3. Prospects for 2022

The Malaysian economy is expected to continue its path towards a sustainable and steadier growth recovery this year. The gross domestic product ("GDP") is projected to expand to 5.5%-6.0% (2021 forecast: 3.5%-4.0%), mainly driven by the positive impact from the higher COVID-19 vaccination rate and the rollout of vaccine boosters, paving the way for the final phase of the National Recovery Plan ("NRP"). In addition, the domestic economy will be supported by continued expansionary fiscal policy, a low interest rate environment in the first half year of 2022 ("1H22"), various ongoing policy measures, and partly due to base effect following the impact of nationwide movement restriction under the NRP in second half year of 2021 ("2H21").

Nonetheless, the growth projection is subjected to several downside risks, such as the unabated surge in COVID-19 infections due to the emergence of new variants, as well as the lingering uncertainties ahead of a possible snap general election in the 2H22; and the continued geopolitical tensions between Russia and Ukraine.

On the monetary policy front, BNM is expected to keep the overnight policy rate ("OPR") at 1.75% until at least third quarter of 2022 to secure growth recovery amid a stable inflation outlook. Hence, the timeline for BNM to begin its rate hike cycle could possibly start at the Monetary Policy Committee ("MPC") meeting in September, assuming a stronger pick up in economic growth along with a steady build-up of inflationary pressure. This may prompt BNM to raise the OPR by a total of 50 bps to 2.25% by the end of 2022.

Given that the economy remains uncertain as COVID-19 and its variants continue to pose a lingering threat, fiscal policy would likely remain expansionary. The government is expected to continue handing out additional funds in times of need on top of the record-high expenditure planned under Budget 2022 to ensure a sustainable growth recovery. Although the high deficit remained a concern, we expect the fiscal deficit to edge lower to 6.1% in 2022 (2021 forecast: 6.6%), underpinned by the relatively stable and high Brent crude oil price and the steady rise in economic activities and private sector spending.

With the challenging economic and political sentiments weighing down the market, equity broking business is expected to face headwinds, exacerbated by the increase in stamp duty on share trading. Mitigating this, and to increase and diversify revenue source, we are rolling out algorithmic trading tools to our clients and traders, as well as foreign shares trading via our joint venture, Rakuten Trade Sdn Bhd.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD

B3. Prospects for 2022 (cont'd.)

Our investment management is expected to further pick-up its growth momentum both in profitability and asset under administration as it diversifies into foreign investments and more Environmental, Social, and Governance focused products, while our investment banking business is expected to benefit from a stronger deal pipeline this year.

Digitalisation remains at our core, and we will be delivering more digital products and tools in 2022 to help drive both top line and bottom line.

B4. Variance From Profit Forecast And Profit Guarantee

This is not applicable as the Company did not issue any profit forecast or profit guarantee during the financial period/year.

B5. Taxation and zakat

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>3 months ended 31 December 2021</u>	<u>3 months ended 31 December 2020</u>	<u>12 months ended 31 December 2021</u>	<u>12 months ended 31 December 2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income tax and zakat	(23,471)	(22,407)	(42,161)	(45,695)
Deferred taxation	14,135	8,661	12,740	13,265
Total	<u>(9,336)</u>	<u>(13,746)</u>	<u>(29,421)</u>	<u>(32,430)</u>

The effective tax rate of the Group for the fourth quarter was lower than the statutory tax rate principally due to exclusion of certain income from the tax computation.

<u>Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>3 months ended 31 December 2021</u>	<u>3 months ended 31 December 2020</u>	<u>12 months ended 31 December 2021</u>	<u>12 months ended 31 December 2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income tax and zakat	(8,299)	(16,515)	(27,581)	(39,577)
Deferred taxation	2,135	6,135	1,976	10,782
Total	<u>(6,164)</u>	<u>(10,380)</u>	<u>(25,605)</u>	<u>(28,795)</u>

The effective tax rate of the Bank for the fourth quarter was lower than the statutory tax rate principally due to non-taxable income.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD

B6. Borrowings

	Group		Bank	
	As at 31 December 2021 RM '000	As at 31 December 2020 RM '000	As at 31 December 2021 RM '000	As at 31 December 2020 RM '000
Secured				
Revolving bank loan denominated in RM				
- More than one year	19,200	30,400	19,200	30,400
Unsecured				
Revolving bank loans denominated in RM				
- Within one year	40,000	23,000	-	-
Subordinated notes denominated in RM				
- More than one year	185,500	122,000	185,500	122,000
	<u>244,700</u>	<u>175,400</u>	<u>204,700</u>	<u>152,400</u>

B7. Dividend

Subsequent to financial year end, on 25 February 2022, the Directors declared a total interim single tier dividend of 10.50 sen per share consisting of ordinary interim dividend of 4.00 sen and a special interim dividend of 6.50 sen amounting to a dividend payable of approximately RM77,255,073. This is computed based on issued and paid-up capital as at 31 December 2021 of 735,762,599 ordinary shares. The actual amount of dividend to be paid will depend on the number of shares in issue at the date of entitlement.

The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD

B8. Earnings per share

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>3 months ended</u>	<u>3 months ended</u>	<u>12 months ended</u>	<u>12 months ended</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the period attributable to equity holders of the Bank	<u>32,217</u>	<u>39,291</u>	<u>118,390</u>	<u>102,082</u>
Weighted average number of ordinary shares in issue ('000)	<u>728,741</u>	<u>706,260</u>	<u>726,885</u>	<u>701,345</u>
Effects of dilution	-	5,992	15,723	18,473
Adjusted weighted average number of ordinary shares in issue ('000)	<u>728,741</u>	<u>712,252</u>	<u>742,608</u>	<u>719,818</u>
Earnings per share (sen)				
- basic	<u>4.42</u>	<u>5.56</u>	<u>16.29</u>	<u>14.56</u>
- fully diluted	<u>4.42</u>	<u>5.52</u>	<u>15.94</u>	<u>14.18</u>

There were no potential dilutive ordinary shares outstanding as at 31 December 2021.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B9. Changes in Material Litigation

The status of material litigations is disclosed in note B12.

B10. Status of corporate proposal

There were no corporate proposals announced but not completed as at 31 December 2021.

B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 31 December 2021		As at 31 December 2020	
	Contract/Notional Value RM'000	Fair Value RM'000	Contract/Notional Value RM'000	Fair Value RM'000
<u>Derivative financial assets</u>				
Equity related contract- options	29,492	29,515	47,685	53,343
Equity related contract- swaps	24,123	408	31,216	2,014
Equity related contract- forwards	57,354	51,527	57,354	40,079
Index futures	-	-	2,688	135
Dual currency investment- options	1,361	3	3,655	-
	112,330	81,453	142,598	95,571
<u>Derivative financial liabilities</u>				
Equity related contract- options	180,364	23,534	451,950	135,291
Equity related contract- swaps	55,251	5,223	19,467	2,095
Equity related contract- forwards	-	-	3,200	88
Dual currency investment- options	1,361	3	3,655	6
	236,976	28,760	478,272	137,480

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B11. Derivative financial instruments (Cont'd.)

Changes in the risk, cash requirement, policies in place and accounting policies reported in prior financial years

There have been no changes since the end of the previous financial year ended 31 December 2020 in respect of the following:

- (i) the market risk and credit risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (iv) the related accounting policies

Types of derivative financial instruments

Options are contractual agreements or embedded in other financial instruments under which seller/issuer grants the purchaser the right, but not the obligation, either to buy a call option or sell a put option at or by a pre-defined date during a pre-defined period, a specific amount of an underlying assets at a pre-determined price.

The Seller may receive a premium from the purchaser in consideration of risk. Options may be either exchange-traded, negotiated between the purchaser and the seller at the over-the-counter market or embedded components in other financial instruments.

A swap is an agreement between two parties to exchange a series of future cash flows. Each cash flow comprises one leg of the swap. One cash flow is generally fixed, while the other is variable and based on a benchmark interest rate, floating currency exchange rate or index price.

A swap contract is essentially a derivative contract in which the value of the contract derived from the assets it represents. These assets are called the underlying assets and their value typically changes, resulting in a change of the value of the derivative itself. Most swaps contracts are traded over-the-counter that are customized to the needs of both parties.

Purposes of engaging in derivative financial instruments

There have been no changes since the end of the previous financial year in respect of the type of derivative financial instruments, the rationale and expected benefits accruing to the Group from these derivative financial instruments.

Loss arising from fair value changes of derivative financial instruments

The unrealised gain arising from fair value changes of derivative financial instruments for the current quarter amounted to RM 14,965,736 (3Q21 loss: RM26,706,717). This was arrived at based on the fluctuations in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD

B12. Contingent liabilities

	Group and Bank	
	31 December	31 December
	2021	2020
	RM'000	RM'000
<p>(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 second (2nd) Defendant (who is a Dealer's Representative ("DR") of KIBB has arranged for the Plaintiff to purchase shares of a public listed company with a promise to buy back at a higher price from the third (3rd) Defendant (a third party). The Plaintiff alleges that the 3rd Defendant has failed to buy back the said shares which caused the Plaintiff to suffer losses and claims, inter alia, the difference between the sale proceeds of the said shares and RM3.6 million. The Plaintiff's claims against KIBB are on the basis that, inter alia, the 2nd Defendant is a DR with KIBB. In this regard, KIBB will contest the Plaintiff's claim in the Court. The Plaintiff, KIBB and the 3rd Defendant presented their evidence during the trial from 11 to 13 August 2021. On 3 November 2021, the High Court dismissed the Plaintiff's claim against KIBB and the 3rd Defendant with costs of RM25,000.00 to be paid to each. The Plaintiff's claim against the 2nd Defendant was allowed with costs of RM25,000.00 to be paid to the Plaintiff. On 25 November 2021, the Plaintiff filed a Notice of Appeal in the Court of Appeal against the High Court's decision. The matter is fixed for case management on 16 March 2022.</p>	<p style="margin-top: 10px;"><u>3,600</u></p>	<p style="margin-top: 10px;"><u>3,600</u></p>
<p>(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 first (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. On 30 June 2021 the Plaintiffs filed a Notice of Discontinuance and on 1 July 2021 the Court struck out the Plaintiffs case against the Defendants with no liberty to file a fresh with no costs against the 1st Defendant and costs of RM12,000 to KIBB.</p>	<p style="margin-top: 10px;"><u>-</u></p>	<p style="margin-top: 10px;"><u>16,000</u></p>

Based on legal advices 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.