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**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

Pillar 3 Disclosures Contents	Page
Overview	1
Scope of application	1
Capital management	2 - 5
Risk management	6 - 7
Credit risk	8 - 25
Market risk	26
Interest rate risk in banking book	27
Liquidity risk	28
Operational risk	28
Equity exposures in banking book	29
Shariah Governance Disclosures	30 - 33
Attestation by the Group Managing Director	34

**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

**PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2022**

1. Overview

With the introduction of Bank Negara Malaysia (“BNM”)’s Risk-Weighted Capital Adequacy Framework (“RWCAF”) and Risk-Weighted Capital Adequacy Framework for Islamic Banks (“CAFIB”) - Disclosure Requirements (“Pillar 3”), Pillar 3 Disclosures for financial reporting beginning 1 January 2010 are required. The 3 Pillars of Basel II are as below:

- i) Pillar 1 sets out the minimum capital requirements for credit, market and operational risk assumed by banking institutions.
- ii) Pillar 2 supervisory review process recognises the responsibility of bank management in developing an internal capital adequacy assessment process and setting capital targets that commensurate with the bank’s risk profile and control environment. The management is responsible to ensure that the bank has adequate capital to support its risks beyond the core minimum requirements.
- iii) Pillar 3 encourages market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of banking institution.

Kenanga Investment Bank Berhad (“KIBB” or “the Group”)’s Pillar 3 Disclosures are governed by the Group’s Disclosure Requirement Policy Basel II - Pillar 3, whereby the Group’s internal auditors would verify the information before being certified by the Group Managing Director of KIBB.

The Pillar 3 Disclosures will be published on the website, www.kenanga.com.my

Any discrepancies between the totals and sum of the components in the tables contained in this disclosure document are due to actual summation method and then rounded up to the nearest thousand.

2. Scope Of Application

The Pillar 3 Disclosures are prepared on a consolidated basis and comprise information on KIBB including Skim Perbankan Islam (KIBB’s SPI/Islamic Banking Window) and its subsidiaries, associated companies and joint venture companies.

Note 3.4 (a) to the audited financial statements for the financial year ended 31 December 2022 describes the basis of consolidation for financial accounting purposes, which differs from that used for regulatory capital purposes. All subsidiaries of the Group are fully consolidated from the date the Group obtains control until the date such control ceases.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. The transfer of funds or regulatory capital is subject to the shareholders’ and regulatory approval.

**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

3. Capital Management

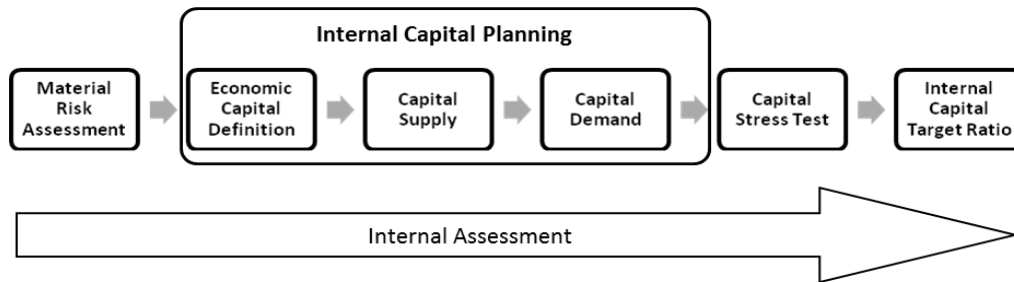
The Group’s capital management is administered by the Group Risk Committee ("GRC"), Group Board Risk Committee ("GBRC") and the Board of Directors ("the Board"). The Group’s capital management is guided by the BNM RWCAF and CAFIB, which are to maintain risk-weighted capital ratios above the minimum regulatory capital requirements. GRC reviews the Group’s capital performance regularly to address any deviation from capital targets.

Internal Capital Adequacy Assessment Process

The Group has put in place an Internal Capital Adequacy Assessment Process ("ICAAP") to achieve this objective and to support business operations beyond minimum regulatory capital requirements, which is proportionate to its size and complexity of business, to ensure its viability in times of economic stress.

As defined by BNM's ICAAP, the Group's ICAAP states the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process which involves assessing the materiality of the risk, risk management process, risk measurement methodology and risk mitigation plan on its portfolio risk exposures, its risk management practices towards its material risks, the required capital for the identified material risks and potential capital planning buffer in the event of stress. An independent review will be conducted to ensure the integrity, objectivity and consistent application.

Overall ICAAP flow is summarised as follows:-



Stress Testing

As per the Group’s Stress Testing Framework, the capital requirements are forecasted under exceptional, but plausible, stress events to assess the ability of the capital to withstand market shocks. If the stress test result reveals that the capital will be adversely affected under such events, action plans will be formulated to respond to the capital deficiency. The stress test result and action plan are then tabled to the GRC, GBRC and the Board for deliberations.

**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

3. Capital Management (Cont'd)

The Group has adopted the BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) and the BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) (collectively referred as "the Framework").

This Framework outlines the general requirements on regulatory capital adequacy ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Framework has been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision.

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's revised Capital Adequacy Framework (Basel II – Risk-Weighted Assets) dated 3 May 2019 and BNM's revised Capital Adequacy Framework (Capital Components) dated 9 December 2020.

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

The capital adequacy ratios of the Group are as follows:

	Group	
	31 December 2022	31 December 2021
CET 1 capital ratio	20.936%	20.665%
Tier 1 capital ratio	20.936%	20.665%
Total capital ratio	28.913%	28.291%
After deducting interim dividends*		
CET 1 capital ratio	19.231%	17.860%
Tier 1 capital ratio	19.231%	17.860%
Total capital ratio	27.231%	25.523%

* Refer to interim dividends declared subsequent to the financial year end.

Breakdown of risk weighted assets in the various categories of risks are as follows:

	Group			
	31 December 2022		31 December 2021	
	Risk Weighted Asset	Min Capital Requirement at 8%	Risk Weighted Asset	Min Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000
Credit Risk	1,437,747	115,020	1,358,911	108,713
Market Risk	142,514	11,401	456,072	36,486
Operational risk	894,847	71,588	828,589	66,287
Large Exposure Risk	13,108	1,049	11,794	944
Total	2,488,216	199,058	2,655,366	212,430

**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

3. Capital Management (Cont'd)

(i) Components of Common Equity Tier 1 (CET 1) Capital ratio, Tier 1 Total capital

	Group	
	31 December 2022	31 December 2021
	RM'000	RM'000
CET 1 capital		
Paid-up share capital	253,834	253,834
Retained profits	655,907	673,097
Other reserves	121,077	136,462
Less: Regulatory adjustments:		
Goodwill	(241,027)	(241,277)
55% of cumulative gains of financial investments at FVOCI	-	(3,625)
Deferred tax assets	(25,184)	(30,605)
Other intangibles	(88,192)	(89,784)
Regulatory reserve	(17,192)	(18,921)
Treasury shares	(13,538)	(13,064)
Other CET 1 regulatory adjustments specified by BNM	1,510	1,765
Investment in ordinary shares of unconsolidated financial entities	(126,252)	(119,140)
Total CET 1 / Tier 1 capital	<u>520,943</u>	<u>548,742</u>
Tier 2 capital		
Subordinated obligations capital	180,500	185,500
General provisions [^]	17,972	16,986
Total Tier 2 capital	<u>198,472</u>	<u>202,486</u>
Total capital	<u>719,415</u>	<u>751,228</u>

As at the reporting date, the Group does not have capital instruments and debt instruments which qualify as additional Tier 1 capital.

[^] Refers to loss allowances measured at an amount to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

3. Capital Management (Cont'd)

(ii) Transitional arrangements for regulatory capital treatment of accounting provisions

The bank has elected to apply the transitional arrangements for regulatory capital treatment of accounting provisions for four financial years beginning on 1 January 2020 and apply the transitional arrangements with 31 December 2020 as the first reporting period.

Under the transitional arrangements, the bank is allowed to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures ("Stage 1 and Stage 2 provisions") to CET1 Capital.

The capital adequacy ratios of the Group are as follows:

	Group			
	31 December 2022		31 December 2021	
	With transitional arrangement	Without transitional arrangement	With transitional arrangement	Without transitional arrangement
CET 1 capital ratio	20.936%	20.876%	20.665%	20.599%
Tier 1 capital ratio	20.936%	20.876%	20.665%	20.599%
Total capital ratio	28.913%	28.852%	28.291%	28.225%

4. Risk Management

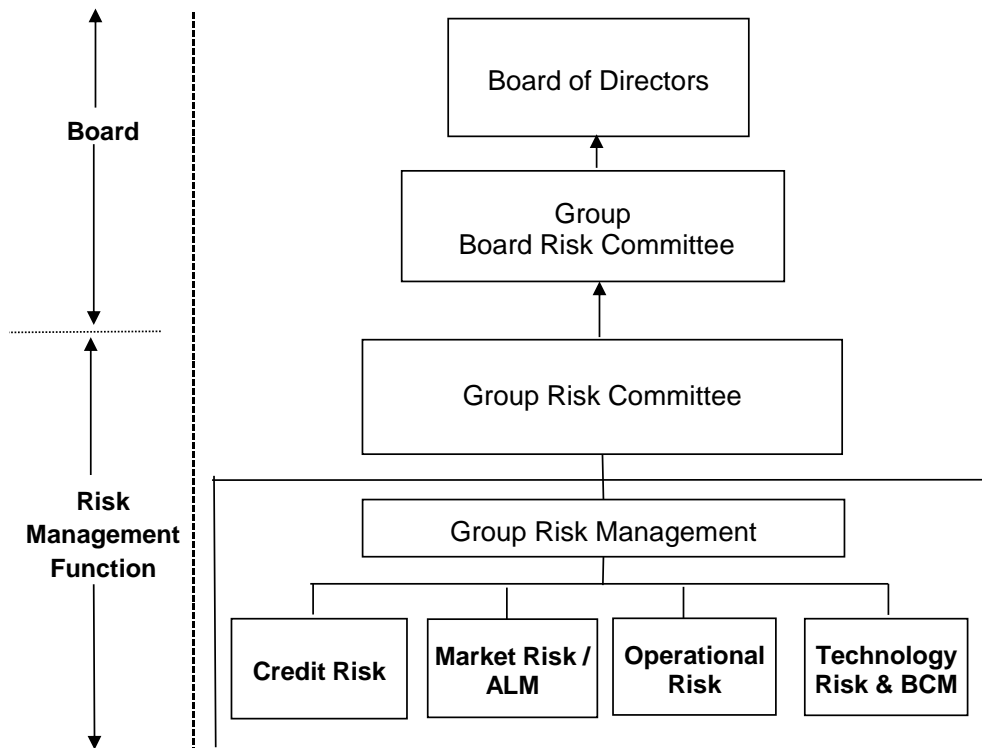
The Group establishes a strong risk management governance with an enterprise risk management framework as a pillar for other risk guidelines and sound practices. The risk governance structure in the framework defines the roles and responsibilities throughout the organization to ensure accountability and ownership.

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

The second (2) line of defence is the oversight functions which are Group Risk Management and Group Compliance. They perform independent monitoring of business units, reporting to management to ensure that the Group is conducting business and operations within internal guidelines and is regulatory compliant.

The third (3) line of defence is Group Internal Audit which provides independent assurance to the Board on adequacy and effectiveness of system of internal controls, risk management and governance process.

The risk management and risk reporting structure are as follows:-



**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

4. Risk Management (Cont'd)

The Board is responsible to ensure that KIBB has in place effective and comprehensive risk management policies, procedures and infrastructure to identify, measure, control and monitor the various types of risks undertaken by the Group. The Board approves and periodically reviews the risk management capabilities to ensure their ability to support business strategic objectives, plans and activities. It is important to emphasize that the ultimate responsibility for a sound risk management and effectiveness of the internal control system lies with the Board.

The GBRC is a delegated authority to support the Board in meeting the expectations on risk management for the Group. The GBRC is entrusted to ensure the risk management framework, policy and procedure is consistently adopted throughout the Group and is within the parameters established by the Board. In discharging the duties, the GBRC reviews risk management reports vis-a-vis the risk exposure, risk portfolio composition and risk management activities.

The GRC assists and supports the GBRC to oversee the assets and liabilities management, market risk, credit risk, operational risk, liquidity risk, technology risk and business risk management. They undertake the oversight function for capital management, monitoring of risk profiles and ensure the risk limits are complied, as guided by the risk policies approved by the Board.

The independent Group Risk Management ("GRM") provides support to the dedicated risk management committees. It is responsible for ensuring the risk policies are implemented and complied with. It is also actively involved in the risk management process via the identification, measurement, mitigating, controlling, monitoring and reporting of risk.

The Group reviews its risk management policies regularly to ensure it remains relevant by taking into consideration of the emerging risks arising from the ever-changing market environment and regulatory requirements.

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit Risk

Credit risk is the potential loss as a result of failure by the customers or counterparties to meet their contractual financial obligations.

The minimum regulatory capital requirement on credit risk of the Group is as follows:

Exposure Class	Gross Exposure Class before credit risk mitigation	Net Exposure Class after credit risk mitigation	Risk Weighted Assets	Minimum Capital Requirements at 8%
As at 31 December 2022	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures				
<u>Performing Exposures</u>				
Sovereigns/Central Banks	365,005	365,005	-	-
Banks, Development Financial Institutions & MDBs	1,780,197	1,780,197	356,039	28,483
Corporates	1,073,651	708,961	361,557	28,925
Regulatory Retail	706	706	706	57
Higher Risk Assets	1,294	1,294	1,940	155
Other Assets	2,045,219	929,457	357,125	28,570
<u>Equity Exposure</u>				
<u>Defaulted Exposures</u>				
Corporates	-	-	-	-
Other Assets	59,018	36,413	41,999	3,360
Total for On-Balance Sheet Exposures*	5,325,090	3,822,033	1,119,366	89,550
Off-Balance Sheet Exposures				
Other commitments with an original maturity of:-				
- up to 1 year	11,112	11,112	11,112	889
- over 1 year	12,500	12,500	12,500	1,000
Commitments to extend credit with maturity of :-				
Up to 1 year				
- foreign exchange related contract	926	926	656	53
- equity related contracts	96,422	96,422	61,630	4,930
Over 1 year				
- equity related contracts	25	25	25	2
Forward Assets Purchases	18,554	18,554	18,554	1,484
Securities borrowing and lending	11,102	440	88	7
Monies Held in Trust	1,069,081	1,069,081	213,816	17,105
Total for Off-Balance Sheet Exposures	1,219,722	1,209,060	318,381	25,470
Total for On and Off-Balance Sheet Exposures	6,544,812	5,031,093	1,437,747	115,020

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit Risk (Cont'd)

Exposure Class	Gross Exposure Class before credit risk mitigation	Net Exposure Class after credit risk mitigation	Risk Weighted Assets	Minimum Capital Requirements at 8%
As at 31 December 2021	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures				
<u>Performing Exposures</u>				
Sovereigns/Central Banks	1,367,260	1,367,260	-	-
Banks, Development Financial Institutions & MDBs	1,006,823	1,006,823	201,365	16,109
Corporates	1,215,711	844,885	411,063	32,885
Regulatory Retail	6,768	6,768	6,768	541
Higher Risk Assets	1,460	1,460	2,190	175
Other Assets	2,039,135	915,224	338,751	27,100
<u>Defaulted Exposures</u>				
Other Assets	77,415	30,952	36,182	2,895
Total for On-Balance Sheet Exposures*	5,714,572	4,173,372	996,319	79,705
Off-Balance Sheet Exposures				
Other commitments with an original maturity of:-				
- up to 1 year	10,148	10,148	10,148	812
- over 1 year	27,638	27,638	27,638	2,211
Commitments to extend credit with maturity of :-				
Up to 1 year				
- foreign exchange related contract	79	79	79	6
- equity related contracts	88,116	88,116	55,912	4,473
Over 1 year				
- equity related contracts	20	20	20	2
Forward Assets Purchases	18,859	18,859	18,859	1,509
Securities borrowing and lending	27,637	-	-	-
Monies Held in Trust	1,249,679	1,249,679	249,936	19,995
Total for Off-Balance Sheet Exposures	1,422,176	1,394,539	362,592	29,008
Total for On and Off-Balance Sheet Exposures	7,136,748	5,567,911	1,358,911	108,713

As per the Group's credit approval process, the credit approval function is segregated from credit origination in order to maintain independence and integrity of the process. Discretionary powers are assigned to credit approving authorities based on their experience, seniority and track record. For large credit exposure exceeding certain threshold, an independent assessment is required from the Group Risk Management ("GRM"), before submission of the proposal to the respective Approving Authority.

5. Credit Risk (Cont'd)

The Group Credit Committee ("GCC") approves major credit decisions and introduces guidelines and procedures to control and monitor credit risk. In addition to the above, GCC receives updates of the credit performance or profile of the credit exposures to ensure that appropriate actions are taken to prevent deterioration of the Group's assets quality.

Both GCC and GRC support the GBRC in credit risk management as an oversight function. The internal risk management reports which include the Group's credit profile and credit risk exposure, are presented to the GRC and the GBRC on a regular basis. The GCC also reviews the Group's credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within the established risk tolerance level. The Credit Risk section in GRM is responsible to formulate and review risk policies, guidelines and procedures for compliance by the business units.

Past due loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due.

Impaired loans, advances and financing are loans whereby payments of principal or interest or both are past due for three months or more, or loans which are past due for less than three months which exhibit indications of credit weaknesses.

Please refer to note 3.4(k)(i) in the financial statements of approaches for the Expected Credit Loss provisions.

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit risk (cont'd)

(c) Geographical Distribution of Major Credit Exposures as at 31 December 2022

Group	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Financial Assets			
Cash and bank balances	1,732,786	-	1,732,786
Statutory deposit with Bank Negara Malaysia	58,403	-	58,403
Financial assets at fair value through profit or loss			
Islamic Corporate Sukuk	9,042	-	9,042
Unquoted Shares and funds in Malaysia	168,584	-	168,584
Derivative financial assets	85,217	-	85,217
Net loans, advances and financing			
Term loans	413,768	-	413,768
Islamic Term loans	84,067	-	84,067
Share margin financing	1,119,177	3,535	1,122,712
Islamic margin financing	13,311	-	13,311
Others	56,617	-	56,617
Balances due from clients and brokers	419,349	8,289	427,638
Financial instruments at FVOCI			
Malaysian Government Securities	19,373	-	19,373
Malaysian Government Investment Certificates	59,534	-	59,534
Islamic Negotiable Instruments of Deposits	-	-	-
Corporate bonds	44,590	10,005	54,595
Islamic Corporate Sukuk	184,377	-	184,377
Unquoted equities	1,294	-	1,294
Financial investments at amortised cost			
Corporate Bonds	49,677	-	49,677
Islamic Malaysian Government Investment Issues	177,316	-	177,316
Corporate bonds	20,002	-	20,002
Islamic Corporate Sukuk	202,119	-	202,119
Other assets	162,536	-	162,536
	<u>5,081,139</u>	<u>21,829</u>	<u>5,102,968</u>
Non-Financial Assets			234,926
Trading Book			(17,826)
Expected Credit Loss (Stage 1 and 2)			5,022
Total for On-Balance Sheet Exposures*			<u>5,325,090</u>

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit risk (cont'd)

(c) Geographical Distribution of Major Credit Exposures as at 31 December 2021

Group	In Malaysia	Outside Malaysia	Total
	RM'000	RM'000	RM'000
Financial Assets			
Cash and bank balances	1,897,384	-	1,897,384
Statutory deposit with Bank Negara Malaysia	50,868	-	50,868
Financial assets at fair value through profit or loss			
Islamic Corporate Sukuk	23,873	-	23,873
Unquoted shares and unit trust funds in Malaysia	156,508	-	156,508
Derivative financial assets	81,453	-	81,453
Net loans, advances and financing			
Term loans	446,556	-	446,556
Islamic Term loans	89,585	-	89,585
Share margin financing	1,137,261	6,378	1,143,639
Islamic margin financing	13,471	-	13,471
Others	82,162	-	82,162
Balances due from clients and brokers	330,552	3,913	334,465
Financial instruments at FVOCI			
Malaysian Government Securities	40,042	-	40,042
Malaysian Government Investment Certificates	91,934	-	91,934
Islamic Negotiable Instruments of Deposits	199,724	-	199,724
Corporate bonds	118,774	10,188	128,962
Islamic Corporate Sukuk	275,452	-	275,452
Unquoted equities	1,460	-	1,460
Financial investments at amortised cost			
Islamic Corporate Sukuk	20,012	-	20,012
Islamic Malaysian Government Investment Issues	39,912	-	39,912
Islamic Corporate Sukuk	153,736	-	153,736
Other assets	218,653	-	218,653
	<u>5,469,372</u>	<u>20,479</u>	<u>5,489,851</u>
Non-Financial Assets			247,691
Trading Book			(27,808)
Expected Credit Loss (Stage 1 and 2)			4,838
Total for On-Balance Sheet Exposures*			<u>5,714,572</u>

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit Risk (Cont'd)

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

Share margin financing:

An analysis of changes in the expected credit loss ("ECL") allowances in relation to share margin financing is as follows :

Movement in ECL	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
As at 1 January	-	-	13,789	13,789
Assets derecognised or repaid (excluding write-offs)	-	-	(1,706)	(1,706)
Net remeasurement of allowance	-	-	4,950	4,950
As at 31 December	-	-	17,033	17,033

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

Term loan and subordinated term loan:

An analysis of changes in the expected credit loss ("ECL") allowances in relation to term loan is as follows :

Movement in ECL	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
As at 1 January	2,936	-	-	2,936
New assets originated or purchased	93	-	-	93
Assets derecognised or repaid (excluding write-offs)	(122)	-	-	(122)
Impact of remeasurement	(12)	-	-	(12)
Changes in model assumption or methodology	(2,725)	2,900	-	175
As at 31 December	170	2,900	-	3,070

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

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit Risk (Cont'd)

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

Other lending and factoring receivables :

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

Movement in ECL	31 December 2022			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
As at 1 January	13	-	664	677
New assets originated or purchased	-	-	1,786	1,786
Assets derecognised or repaid (excluding write-offs)	(13)	-	(180)	(193)
As at 31 December	<u>-</u>	<u>-</u>	<u>2,270</u>	<u>2,270</u>

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

(e) Gross loans, advances and financing analysed by geographical distribution

	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
Malaysia	1,709,313	1,786,437
Outside Malaysia	3,535	6,378
	<u>1,712,848</u>	<u>1,792,815</u>

(f) Impaired loans, advances and financing analysed by economic purpose

	Group	
	31 December 2022 RM'000	31 December 2021 RM'000
Working Capital	5,630	664
Purchase of securities	30,346	64,700
Others	7,203	7,777
Gross amount of impaired loans	<u>43,179</u>	<u>73,141</u>

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit Risk (Cont'd)

(g) Impaired and past due loans, advances and financing and allowances by industry and geographical distribution

	Impaired loans, advances and financing	Past due loans	31 December 2022		Charges/writeback	Write-Offs
			ECL provisions under Stage 3	ECL provisions under Stage 1 and 2		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia						
Wholesale & retail trade, and hotel & restaurant	5,146	-	1,786	-	1,786	-
Real Estate	-	30,423	-	-	(2,356)	-
Transport, Storage and Communications	484	-	484	-	-	-
Household	37,008	15	17,033	-	5,601	-
Others	-	63,386	-	3,070	120	-
Outside Malaysia						
Others	541	-	-	-	-	-
	43,179	93,824	19,303	3,070	5,151	-

	Impaired loans, advances and financing	Past due loans	31 December 2021		Charges/writeback	Write-Offs
			ECL provisions under Stage 3	ECL provisions under Stage 1 and 2		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia						
Wholesale & retail trade, and hotel & restaurant	-	5,240	-	248	-	-
Real Estate	26,944	-	2,356	98	-	-
Transport, Storage and Communications	664	-	664	-	-	-
Finance and insurance	-	-	-	-	-	-
Household	42,977	63	11,433	263	4,314	-
Others	-	63,073	-	2,340	(297)	-
Outside Malaysia						
Others	2,556	-	-	-	-	-
	73,141	68,376	14,453	2,949	4,017	-

**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

5. Credit Risk (Cont'd)

5.1 Assignment of Risk Weights for Portfolio Under the Standardised Approach

Under the Standardised Approach, the Group uses the External Credit Assessment Institutions ("ECAI") rating approved by BNM to determine the relevant credit risk weights exposed to Sovereigns and Central Banks, Banking Institutions and Corporates for the purpose of risk weighted assets

The eligible ECAI ratings used by the Group, which are recognised by BNM in the RWCAF, are as follows:

- (a) S&P Global Ratings ("S&P")
- (b) Moody's Investors Service ("Moody's")
- (c) Fitch Ratings ("Fitch")
- (d) RAM Holdings Berhad ("RAM") (Formerly known as Rating Agency Malaysia Berhad)
- (e) Malaysian Rating Corporation Berhad ("MARC")

The Group maps the rating categories of different ECAs to the risk weights as per the guidelines provided by BNM as follows:

- (i) Sovereigns and Central Banks

Rating Category	S&P	Moody's	Fitch	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	0%
2	A+ to A-	A1 to A3	A+ to A-	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	150%
Unrated				100%

- (ii) Banking Institutions

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Risk Weight	Original Maturity <6 mths	Original Maturity <3 mths
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	20%	20%	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-	50%	20%	
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	50%	20%	
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB1 to B3	BB+ to B-	100%	50%	
5	CCC+ to D	Caa1 to C	CCC+ to D	C1 to D	C+ to D	150%	150%	
Unrated						50%	20%	

**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

5. Credit Risk (Cont'd)

5.1 Assignment of Risk Weights for Portfolio Under the Standardised Approach (Cont'd)

(iii) Corporate

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B1 to D	B+ to D	150%
Unrated						100%

(iv) Banking Institutions and Corporate (Short Term)

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Risk Weight
1	A-1	P-1	F1+, F1	P-1	MARC-1	20%
2	A-2	P-2	F2	P-2	MARC-2	50%
3	A-3	P-3	F3	P-3	MARC-3	100%
4	Others	Others	B to D	NP	MARC-4	150%

As specified in the RWCAF, in instances where an exposure does not have an issuer or issue rating, the exposure shall be deemed unrated and the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated. However, in the event where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. For credit exposures which are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit risk (cont'd)

5.1 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

(a) Credit Risk Disclosure on Risk Weights as at 31 December 2022

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting &	
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Higher Risk Assets	Other Assets	Equity Exposures	Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Performing Exposures										
0%	365,005	-	-	306,448	-	-	448,851	-	1,120,304	-
10%	-	-	-	-	-	-	-	-	-	-
20%	-	2,849,829	272	136,261	-	-	154,349	-	3,140,711	628,142
35%	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	320,265	706	-	344,810	-	665,781	665,781
150%	-	-	-	66,590	-	1,294	-	-	67,884	101,825
Total	365,005	2,849,829	272	829,564	706	1,294	948,010	-	4,994,680	1,395,748
Defaulted Exposures										
0%	-	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	5	-	5	2
100%	-	-	-	-	-	-	25,232	-	25,232	25,232
150%	-	-	-	-	-	-	11,176	-	11,176	16,765
Total	-	-	-	-	-	-	36,413	-	36,413	41,999
Grand Total	365,005	2,849,829	272	829,564	706	1,294	984,423	-	5,031,093	1,437,747

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**Kenanga Investment Bank Berhad
(Incorporated in Malaysia)**

5. Credit risk (cont'd)

5.1 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

(b) Credit Risk Disclosure on Risk Weights as at 31 December 2021

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporates	Regulatory Retail	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Performing Exposures									
0%	1,367,260	-	270,723	-	-	426,859	-	2,064,842	-
10%	-	-	-	-	-	-	-	-	-
20%	-	2,256,639	278,851	-	-	187,016	-	2,722,506	544,501
35%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	365,403	6,768	-	320,208	-	692,379	692,379
150%	-	-	55,772	-	1,460	-	-	57,232	85,849
Total	1,367,260	2,256,639	970,749	6,768	1,460	934,083	-	5,536,959	1,322,729
Defaulted Exposures									
0%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	20,492	-	20,492	20,492
150%	-	-	-	-	-	10,460	-	10,460	15,690
Total	-	-	-	-	-	30,952	-	30,952	36,182
Grand Total	1,367,260	2,256,639	970,749	6,768	1,460	965,035	-	5,567,911	1,358,911

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit Risk (Cont'd)

5.1 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

(c) Disclosure on related exposures according to ratings by ECAIs:

(i) Sovereigns and Central Banks

Exposure Class	Ratings of Corporate by Approved ECAI					
	1	2	3	4	5	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures	365,005	-	-	-	-	-
Total	365,005	-	-	-	-	-

(ii) Banks, MDBs and FIs

Exposure Class	Ratings of Corporate by Approved ECAI					
	1	2	3	4	5	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures	2,849,829	-	-	-	-	-
Total	2,849,829	-	-	-	-	-

(iii) Corporates

Exposure Class	Ratings of Corporate by Approved ECAI					
	1	2	3	4	5	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures	407,952	16,764	143,079	4,978	-	256,791
Total	407,952	16,764	143,079	4,978	-	256,791

5.2 Credit Risk Mitigation Disclosure

As a fundamental credit principle, the Group's credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability. To mitigate the credit risk assumed, the collateral is taken whenever possible. The main types of collateral accepted by the Group are shares, land and properties as well as plant and machinery. The monitoring of collateral value is carried out periodically, depending on the type, liquidity and volatility of the collateral value.

The Group uses Credit Risk Mitigation ("CRM") method to reduce the credit risk exposure, under the Credit Risk Weighted Asset ("RWA") computation. The adoption of CRM is accordance to the BNM Guideline and the Group's stringent internal requirement, focusing on the legal right to claim the collateral, liquidity of the collateral, and the significance level of the correlation between the counterparty and the collateral. Currently, the only eligible collateral accepted as credit risk mitigation by the Group is listed shares under share margin financing and corporate loans/financing businesses.

The Group also manages the market or credit risk concentrations of the listed shares (accepted as eligible collateral), at inception during credit proposal assessment / evaluation and during the assessment on the material correlation between the counterparty and the collateral. These concentrations are subject to the Group's Single Counterparty Exposure Limit on counterparties' exposures and the Group's Management Action Trigger ("MAT") on the share counter concentrated exposures.

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit risk (cont'd)

5.2 Credit Risk Mitigation

(a) Disclosure on Credit Risk Mitigation as at 31 December 2022

<u>Group</u>	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Exposure Class	RM'000	RM'000	RM'000	RM'000
Credit Risk				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	365,005	-	-	-
Banks, Development Financial Institutions & MDBs	1,780,197	-	-	-
Corporates	1,073,651	-	364,690	-
Regulatory Retail	706	-	-	-
Higher Risk Assets	1,294	-	-	-
Other Assets	2,045,219	-	1,115,762	-
Equity Exposure	-	-	-	-
Defaulted Exposures	59,018	-	22,605	-
TOTAL for On Balance Sheet Exposures	5,325,090	-	1,503,057	-
<i>Off Balance Sheet Exposures Other than OTC</i>				
Derivatives or Credit Derivatives	1,219,722	-	10,662	-
TOTAL for Off Balance Sheet Exposures	1,219,722	-	10,662	-
TOTAL for On and Off Balance Sheet Exposures	6,544,812	-	1,513,719	-

(b) Disclosure on Credit Risk Mitigation as at 31 December 2021

<u>Group</u>	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Exposure Class	RM'000	RM'000	RM'000	RM'000
Credit Risk				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	1,367,260	-	-	-
Banks, Development Financial Institutions & MDBs	1,006,823	-	-	-
Corporates	1,215,711	-	368,826	-
Regulatory Retail	6,768	-	-	-
Higher Risk Assets	1,460	-	-	-
Other Assets	2,039,135	-	1,125,912	-
Equity Exposure	-	-	-	-
Defaulted Exposures	77,415	-	46,463	-
TOTAL for On Balance Sheet Exposures	5,714,572	-	1,541,201	-
<i>Off Balance Sheet Exposures Other than OTC</i>				
Derivatives or Credit Derivatives	1,422,176	-	27,636	-
TOTAL for Off Balance Sheet Exposures	1,422,176	-	27,636	-
TOTAL for On and Off Balance Sheet Exposures	7,136,748	-	1,568,837	-

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

5. Credit risk (cont'd)

5.3 Composition of Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

- 1) Forward Asset Purchases
- 2) Obligations under an on-going underwriting agreement
- 3) Undrawn Credit Facility
- 4) Miscellaneous Commitments

The management of off-balance sheet exposures is in accordance to the credit risk management approach as set out in this Pillar 3 Disclosures.

The following tables present the breakdown of the off-balance sheet exposures of the Group:

31 December 2022	Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Risk Weighted Assets
	RM'000		RM'000	RM'000
Forward Asset Purchases	18,554	100%	18,554	18,554
Other commitments with an original maturity				
- up to 1 year	55,561	20%	11,112	11,112
- over 1 year	25,000	50%	12,500	12,500
Commitments to extend credit with maturity of				
Less than 1 year				
- foreign exchange related	46,184		926	656
- equity related contracts	149,817		96,422	61,630
More than 1 year				
- equity related contracts	315		25	25
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	2,749,435	0%	-	-
Miscellaneous Commitments	1,080,183	100%	1,080,183	213,904
	<u>4,125,049</u>		<u>1,219,722</u>	<u>318,381</u>

31 December 2021	Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Risk Weighted Assets
	RM'000		RM'000	RM'000
Forward Asset Purchases	18,859	100%	18,859	18,859
Other commitments with an original maturity				
- up to 1 year	50,742	20%	10,148	10,148
- over 1 year	55,275	50%	27,638	27,638
Commitments to extend credit with maturity of				
Less than 1 year				
- foreign exchange related	10,222		79	79
- equity related contracts	148,840		88,116	55,912
More than 1 year				
- equity related contracts	247		20	20
Any commitments that are unconditionally cancelled at any time by the bank without prior notice	2,774,310	0%	-	-
Miscellaneous Commitments	1,277,316	100%	1,277,316	249,936
	<u>4,335,811</u>		<u>1,422,176</u>	<u>362,592</u>

The credit limits for the counterparty credit exposures in regards to off-balance sheet items such as Over The Counter derivative transactions, repo-style transactions and credit derivative contracts, are established in accordance with the Group's standard credit approval processes. The credit processes take into consideration of the counterparty's credit profile, types of underlying instrument, valuation method, collateral quality and requirements, tenure, and concentration risk. No additional credit reserves are established with regards to off-balance sheet counterparty exposure.

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

6. Market Risk

Market risk is the risk of incurring financial losses in the Group's trading portfolios arising from movements in market parameters such as equity prices, foreign currency exchange rates and interest rates. The types of market risk that the Group is exposed to are interest rate risk, foreign currency risk, equity risk and option risk.

Interest rate risk refers to the risk of financial loss in the Group's fixed income trading portfolio due to adverse movements in interest rates.

Meanwhile, the Profit rate risk refers to the potential risk of financial loss on the Islamic window of the Group arising from the changes in the market rate returns.

The Group manages such risk via pre-approved risk limits which include among others portfolio size limits, cut-loss limits and Value-at-Risk ("VaR") limits as detailed in the Risk and Investment Management Policy for Fixed Income Portfolio.

Foreign currency exchange risk refers to the risk of financial loss from holding foreign currency positions due to adverse movements in foreign currency rates. Foreign currency positions of the Group originate from Treasury activities as well as from the Group's investments and retained earnings that are not denominated in Ringgit Malaysia. The Group manages such risk through funding in the same functional currencies, where possible, and having pre-approved net open position limits as a Group as well as for individual currencies.

Equity risk refers to the risk of financial loss on the Group's equity and equity derivative trading positions arising from adverse movements in equity prices. The Group manages equity risk using pre-approved trading risk limits such as portfolio limits, sensitivity-base limits, stop-loss limits, etc. as per the respective relevant policies.

Option risk refers to the risk of financial loss on the Group in the event the prepayment of the option that may be exercised is not fulfilled.

The Group adopts the Standardised Approach for the calculation of regulatory market risk capital. The minimum regulatory capital requirement on market risk is as follows:

Exposure Class	Long Positions	Short Positions	Net Positions	Risk Weighted Assets	Minimum Capital Requirements at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000

As at 31 December 2022

Interest rate risks	83,709	-	83,709	9,882	790
Equity position risks	73,604	(35,806)	37,798	94,685	7,575
Foreign exchange risks	2,463	(3,548)	(1,085)	3,548	284
Option risks	2,752	-	2,752	34,399	2,752
Profit Rate Risk	-	-	-	-	-
			<u>123,174</u>	<u>142,514</u>	<u>11,401</u>

Exposure Class	Long Positions	Short Positions	Net Positions	Risk Weighted Assets	Minimum Capital Requirements at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000

As at 31 December 2021

Interest rate risks	103,550	-	103,550	22,267	1,781
Equity position risks	196,696	(72,281)	124,415	340,375	27,230
Foreign exchange risks	8,482	(918)	7,564	8,482	679
Option risks	6,796	-	6,796	84,948	6,796
			<u>242,325</u>	<u>456,072</u>	<u>36,486</u>

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

7. Interest Rate Risk in Banking Book

Interest rate risk in the banking book ("IRRBB") arises from the repricing mismatches of the Group's assets and liabilities. The primary objective in managing the IRRBB is to manage the volatility in the Group's net interest income ("NII") and economic value of equity ("EVE").

EVE is the change in the value of the Group's net assets in response to changes in interest rate. EVE is computed based on methodology spelled out under BNM's guideline on "Reporting Requirements for Interest Rate and Rate of Return Risk in the Banking Book" issued on 30th June 2020.

The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

	MYR	USD	SGD	Other Foreign Currency	Total
As at 31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000
Earnings at Risk ("NII")					
Parallel 150 bps up	(4,948)	1,513	(27)	(38)	(3,500)
Parallel 150 bps down	4,948	(1,513)	27	38	3,500
Economic Value Impact ("EV")*					
Parallel 150 bps up	(33,222)	(80)	-	1	(33,302)
Parallel 150 bps down	33,222	80	-	(1)	33,302
Steepener	(21,185)	99	-	(1)	(21,087)
Flattener	16,546	(123)	-	1	16,424
Short Rate Up	(20,474)	(156)	-	2	(20,628)
Short Rate Down	20,474	156	-	(2)	20,628

	MYR	USD	SGD	Other Foreign Currency	Total
As at 31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000
Earnings at Risk ("NII")					
Parallel 150 bps up	2,932	96	(109)	(45)	2,874
Parallel 150 bps down	(2,932)	(96)	109	45	(2,874)
Economic Value Impact ("EV")*					
Parallel 150 bps up	(14,414)	(1)	1	-	(14,414)
Parallel 150 bps down	14,414	1	(1)	-	14,414
Steepener	(10,967)	1	(1)	(1)	(10,967)
Flattener	8,693	(2)	1	1	8,693
Short Rate Up	(7,261)	(2)	1	1	(7,260)
Short Rate Down	7,261	2	(1)	(1)	7,260

* Exclude tax impact

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

8. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial commitments and obligations as they come due without incurring unusual losses. The Group's liquidity risk management is aligned with the regulatory liquidity risk management framework. The Group manages its liquidity risk by adopting the two minimum standards for liquidity and funding, namely the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). The LCR is aimed to promote short-term resilience of the Group's liquidity profile by ensuring that it has sufficient high quality liquid assets to fulfil its short-term obligations under severe stress period lasting 30 days. Whilst, the NSFR focuses to reduce funding risk by requiring the Group to fund its activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. The liquidity positions and stress test results are reported to the GRC on a monthly basis.

9. Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The objective of the operational risk management of the Group is to manage its operational risk within an acceptable level.

The Group's operational risk management framework sets out the Group's approach to identifying, assessing, monitoring and mitigating operational risk. The Group Operational Risk Committee ("GORC") assists the GRC and GBRC in operational risk management oversight. The objective of this committee is to promote risk ownership and risk management by the business and functional departments. It is responsible to monitor and deliberate on Group's Operational risk related issues which include recommending risk mitigating actions.

The Group's business and support units are responsible to identify, manage and mitigate operational risks within their business lines other than ensuring their business activities are in compliance with the approved policies, guidelines, procedures and limits. There are 3 main operational risk management tools being developed in managing Operational risk which are Risk and Control Self-Assessment, which involves in identifying and assessing inherent risks, as well as assessment of the existing measure control effectiveness. Key risk indicators to collect data on an ongoing basis for early detection of operational control deficiencies. Operational risk loss data collection facilitates an enhanced analysis and timely reporting of operational risk events which helps to assess the Group's operational risk exposure and to strengthen the internal control environment.

The operational risk management reports are tabled to the GORC, GRC and the GBRC for deliberations, supported with required analysis, mitigating action plans in managing operational risk.

The Group adopts the Basic Indicator Approach for Operational Risk Weighted Asset computation.

Operational Risk	31 December 2022		31 December 2021	
	Risk Weighted Assets	Minimum Capital Requirements at 8%	Risk Weighted Assets	Minimum Capital Requirements at 8%
	RM'000	RM'000	RM'000	RM'000
	894,847	71,588	828,589	66,287

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

10. Equity Exposures in Banking Book

The tables below present the equity exposures in the banking book.

	31 December 2022		31 December 2021	
	Risk Weighted Assets	Minimum Capital Requirements at 8%	Risk Weighted Assets	Minimum Capital Requirements at 8%
	RM'000	RM'000	RM'000	RM'000
<u>Privately held</u>				
For socio-economic purposes	1,940	155	2,190	175
For non socio-economic purposes	92,418	7,393	83,658	6,693
Total	<u>94,358</u>	<u>7,548</u>	<u>85,848</u>	<u>6,868</u>

(i) Privately held

The privately held equity investments are unquoted and stated at fair value after impairment.

(ii) Gains and losses on equity exposures in banking book

The table below present the gains and losses on equity exposures in the banking book.

	31 December 2022	31 December 2021
	RM'000	RM'000
<u>Privately held</u>		
Cumulative realised gains arising from sales and liquidations in the reporting period	-	-
Total unrealised (loss)/gain	<u>26,187</u>	<u>20,347</u>

(iii) Publicly traded

The Group do not have publicly traded equity investments in the banking book as at 31 December 2021 and 31 December 2022.

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

11. Shariah Governance Disclosures

There is no Shariah non-compliant transaction nor events during the period under review. The Group does not use Profit Sharing Investment Account ("PSIA") as a risk absorbent mechanism.

Capital Adequacy Ratios - Islamic Banking

Capital Adequacy Ratios of the Islamic window are as follows:

	31 December 2022	31 December 2021
CET 1 capital ratio	71.578%	77.917%
Tier 1 capital ratio	71.578%	77.917%
Total capital ratio	72.506%	78.954%

	31 December 2022	31 December 2021
	RM'000	RM'000
CET 1 capital		
Islamic Banking Funds	120,000	120,000
Retained profits	63,780	55,484
Other reserves	7,216	8,481
Less:		
Intangible assets	(2)	(3)
Deferred Tax	(115)	-
55% of cumulative gains of financial investments at FVOCI	-	(499)
Regulatory Reserve	(2,261)	(2,314)
Total CET 1 / Tier 1 capital	<u>188,618</u>	<u>181,149</u>
Tier 2 capital		
General provision	<u>2,446</u>	<u>2,411</u>
Total Tier 2 capital	<u>2,446</u>	<u>2,411</u>
Total capital	<u>191,064</u>	<u>183,560</u>

As at date of reporting, the Group does not have capital instruments and debt instruments which qualify as additional Tier 1 capital.

Risk Weighted Assets and Capital Requirements of the Islamic window are as follows:

	31 December 2022		31 December 2021	
	Risk Weighted Asset	Minimum Capital Requirement at 8%	Risk Weighted Asset	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000
Credit Risk	234,543	18,763	202,433	16,195
Operational risk	28,971	2,318	30,058	2,405
Total	<u>263,514</u>	<u>21,081</u>	<u>232,491</u>	<u>18,600</u>

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

11. Shariah Governance Disclosures (Cont'd)

Regulatory Capital Requirements

The minimum regulatory capital requirement on credit, market and operational risk of the Islamic window is as follows:

Exposure Class	Gross Exposure	Net Exposure	Risk Weighted Assets	Minimum Capital Requirements at 8%
	RM'000	RM'000	RM'000	RM'000
As at 31 December 2022				
On-Balance Sheet Exposures				
<u>Performing Exposures</u>				
Sovereigns/Central Banks	29,878	29,878	-	-
Banks, Development Financial Institutions & MDBs	437,839	437,839	87,568	7,005
Corporates	337,442	271,253	132,751	10,620
Regulatory Retail	-	-	-	-
Other Assets	17,261	3,949	538	44
<u>Defaulted Exposures</u>				
Other Assets	18	14	16	1
Total for On-Balance Sheet Exposures	822,438	742,933	220,873	17,670
Off-Balance Sheet Exposures				
Other commitments with an original maturity of:-				
- up to 1 year	13,670	13,670	13,670	1,094
- over 1 year	-	-	-	-
Total for Off-Balance Sheet Exposures	13,670	13,670	13,670	1,094
Total for On and Off-Balance Sheet Exposures	836,108	756,603	234,543	18,763
Islamic Banking				
	Long Positions	Short Positions		
Profit Rate Risk	-	-	-	-
			-	-
Operational Risk			28,971	2,318
Total RWA and Capital Requirements			263,514	21,081

Kenanga Investment Bank Berhad
(Incorporated in Malaysia)

11. Shariah Governance Disclosures (Cont'd)

Exposure Class	Gross Exposure	Net Exposure	Risk Weighted Assets	Minimum Capital Requirements at 8%
	RM'000	RM'000	RM'000	RM'000
As at 31 December 2021				
On-Balance Sheet Exposures				
<u>Performing Exposures</u>				
Sovereigns/Central Banks	379,261	379,261	-	-
Banks, Development Financial Institutions & MDBs	215,411	215,411	43,082	3,447
Corporates	330,720	267,180	142,576	11,406
Regulatory Retail	-	-	-	-
Other Assets	18,789	5,318	678	54
<u>Defaulted Exposures</u>				
Corporates	-	-	-	-
Other Assets	74	39	59	5
Total for On-Balance Sheet Exposures	<u>944,255</u>	<u>867,209</u>	<u>186,395</u>	<u>14,912</u>
Off-Balance Sheet Exposures				
Other commitments with an original maturity of:-				
- up to 1 year	10,400	10,400	10,400	832
- over 1 year	5,638	5,638	5,638	451
Total for Off-Balance Sheet Exposures	<u>16,038</u>	<u>16,038</u>	<u>16,039</u>	<u>1,283</u>
Total for On and Off-Balance Sheet Exposures	<u>960,293</u>	<u>883,247</u>	<u>202,433</u>	<u>16,195</u>
Islamic Banking				
	Long Positions	Short Positions		
Profit Rate Risk	-	-	-	-
			-	-
Operational Risk			30,058	2,405
Total RWA and Capital Requirements			<u>232,491</u>	<u>18,600</u>

Note: The Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

KENANGA INVESTMENT BANK BERHAD
(Company No. 15678-H)
(Incorporated in Malaysia)

ATTESTATION BY GROUP MANAGING DIRECTOR

I, Datuk Chay Wai Leong, the Group Managing Director of KENANGA INVESTMENT BANK BERHAD, do hereby attest that the disclosures on Risk-Weighted Capital Adequacy Framework ("RWCAF") and Risk-Weighted Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements ("Pillar 3") as at 31 December 2022 set out in pages 1 to 33 are to the best of my knowledge and belief, accurate, complete and not misleading in any particular manner.



DATUK CHAY WAI LEONG

Kuala Lumpur

Date: 27 Apr 23