

Investor Briefing 2Q2021 Results

Kenanga Investment Bank Berhad

September 2021

Disclaimer

This document has been prepared by Kenanga Investment banking group (“Kenanga Group”) for information purposes only. This document is based on information obtained from sources believed to be reliable but Kenanga Group does not make any representations or warranty (expressed or implied), as to its accuracy or completeness and Kenanga Group will not be responsible for its inaccuracies or omissions.

The information contained in this document may contain certain forward-looking statements relating to Kenanga Group that are based on the beliefs of the management of Kenanga Group as well as assumptions made by and information currently available to the management of Kenanga Group. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to Kenanga Group’s business prospects, future developments, trends and conditions in the industry and geographical markets in which Kenanga Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Opinions, beliefs and estimates constitute the judgement of Kenanga Group as of the date of this document and are subject to change without notice. Each reader of this document should not place undue reliance on forward-looking statements, which is believed to be correct only as of the date of this document.

Any recommendation contained in the statements provided in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for information only and is not to be taken as an offer or recommendation to buy or sell securities in substitution for the exercise of judgement by the readers, and further shall not be re-distributed to any other third party. Each reader is responsible to make his or her own independent assessment of the information provided in this document and should not treat the information as advice relating to investment or related matters. Each reader should consult his or her own advisers and must make his or her own independent decision regarding any investment. Kenanga Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities.

The contents, view or opinions may not be reproduced, redistributed, transmitted or passed on, directly or indirectly, to any other person or published electronically or via print, in whole or in part, for any purpose without the consent of Kenanga Group. The intellectual properties of the contents in this document belong to Kenanga Group unless specifically indicated otherwise.

Key Highlights 2Q2021

RM212.6 m
Revenue
2Q2021

RM37.6 m
Profit before Tax
2Q2021

RM30.7 m
Profit after Tax
2Q2021

4.2 sen
EPS
2Q2021

RM1,016.4 m
Shareholders' Equity
as of 30 Jun 2021

12.8%
Annualised ROE¹
1H2021

- ▶ Bursa average daily trading value (“ADV”) moderated to RM7.7 bil in 2Q21 against RM10.3 bil in 1Q21
- ▶ Record-high asset under administration (“AUA”) at RM15.2 bil as of Jun 2021, up from RM14.6 bil as of Mar 2021
- ▶ Relunched two funds with global focus
 - Kenanga Global Growth Fund
 - Kenanga Global Islamic Fund
- ▶ Launched SRI-linked product
 - Kenanga Waqf Al-Ihsan Fund

¹ Annualised return on average shareholders' equities (ROE) is calculated by dividing annualised net earnings attributable to shareholders by average shareholders' equities of end of period.

Financial Review



Financial Overview

			← vs. 1Q21 →			
	RM 'mil	2Q21	1Q21	QoQ	FY20	1H21
REVENUE		212.6	250.1	-15%	973.8	462.8
Net interest income		28.4	26.8	+6%	98.4	55.2
Other operating income		156.2	193.0	-19%	707.5	349.2
Net income		188.7	222.6	-15%	826.5	411.3
Operating Profit		33.5	37.3	-10%	126.4	70.8
PROFIT BEFORE TAX		37.6	42.7	-12%	134.7	80.3
PROFIT AFTER TAX		30.7	34.3	-10%	102.3	64.9
*RETURN ON EQUITY		12.3%	13.8%	-11%	10.7%	12.8%
Basic EPS (sen)		4.2	4.8	-13%	14.6	9.0
Diluted EPS (sen)		4.2	4.6	-10%	14.2	8.7

	RM 'mi	As at 30/06/2021	As at 31/12/2020
Total Assets		6,872.9	6,575.1
Shareholders' Equity		1,016.4	999.8
Total Capital Ratio		24.8%	24.0%

vs. 1Q21

- **2Q21 profit before tax ("PBT")** lower **QoQ** due to:
 - Weaker performance in brokerage income
 - Partially offset by better performance in Investment Banking, Asset Management and Equity Derivatives

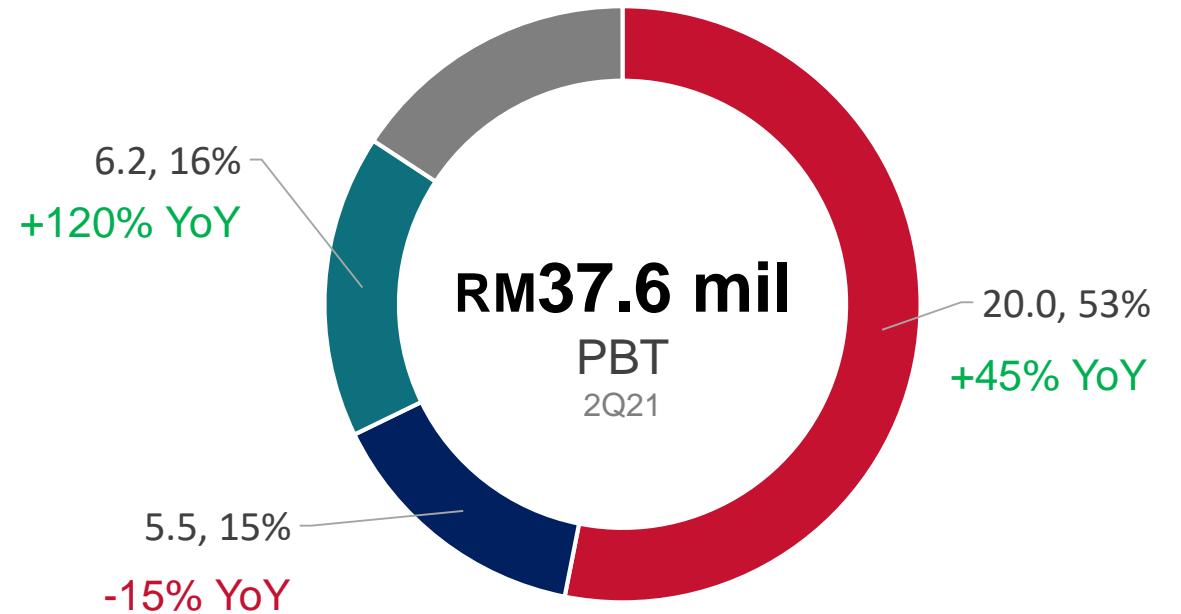
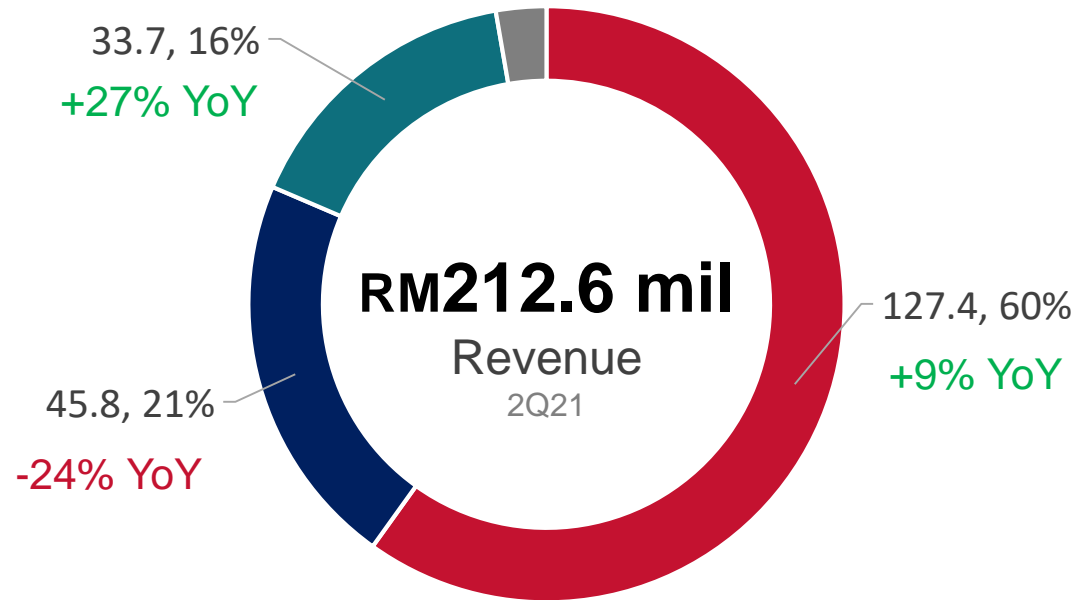
vs. 2020

- **1H21 profit after tax ("PAT")** was 63% of the full year 2020 PAT

¹ Annualised return on average shareholders' equities (ROE) is calculated by dividing annualised net earnings attributable to shareholders by average shareholders' equities of end of period.

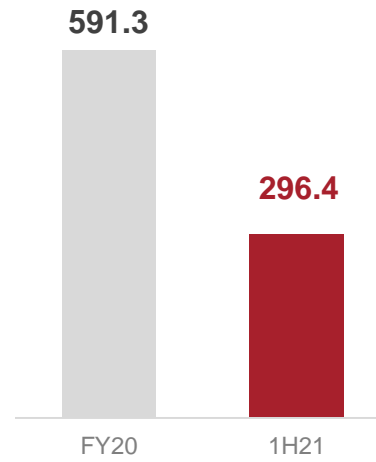
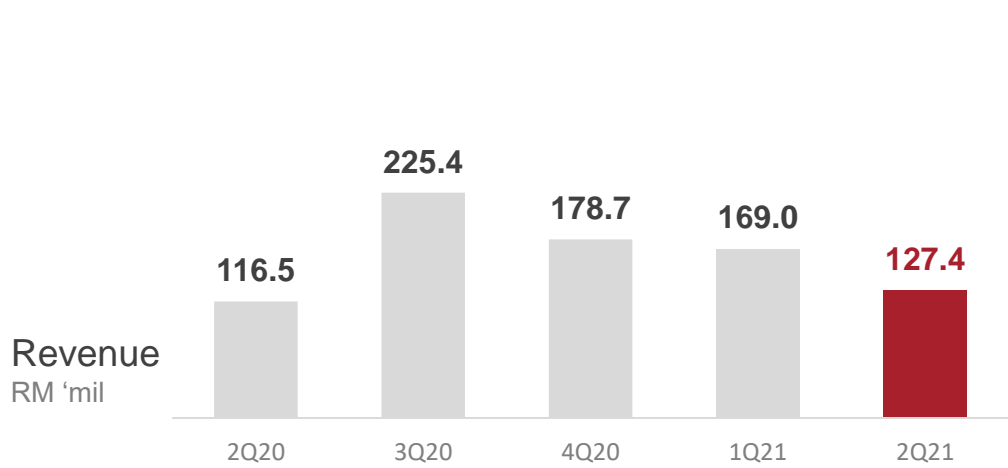
Segmental Breakdown

- Higher contribution from Stockbroking and Investment Management divisions
- Higher share of profits from JV with Rakuten Trade



■ Stock Broking ■ Investment Banking ■ Investment Management ■ Others

Stockbroking Segment

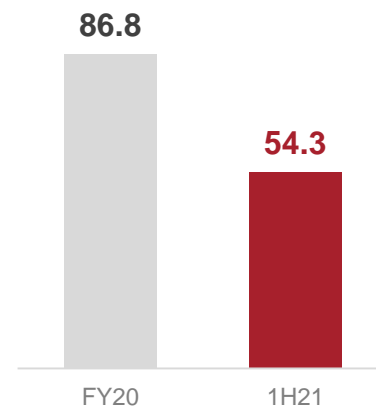
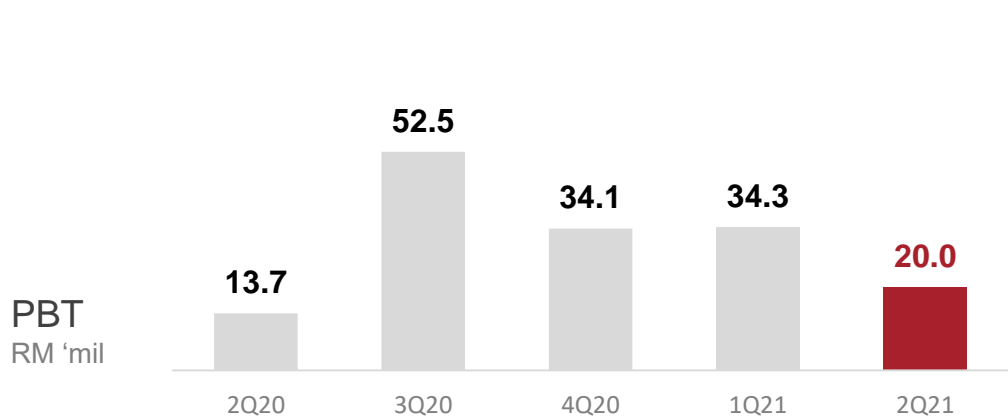


vs. 2Q20

- **2Q21 PBT** was higher **YoY** mainly due to higher net interest as well as trading & investment income.

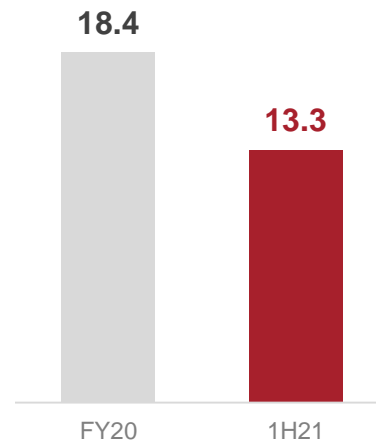
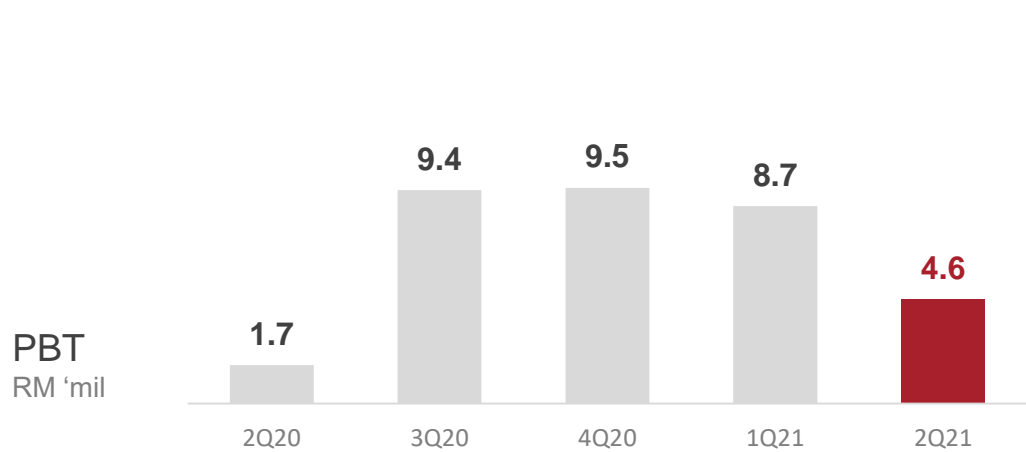
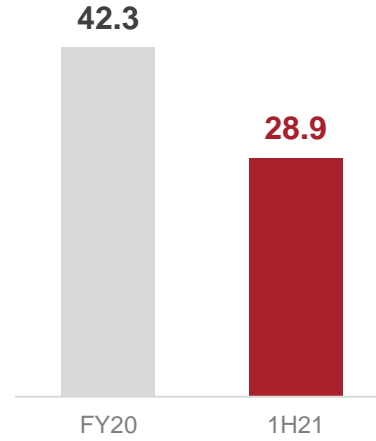
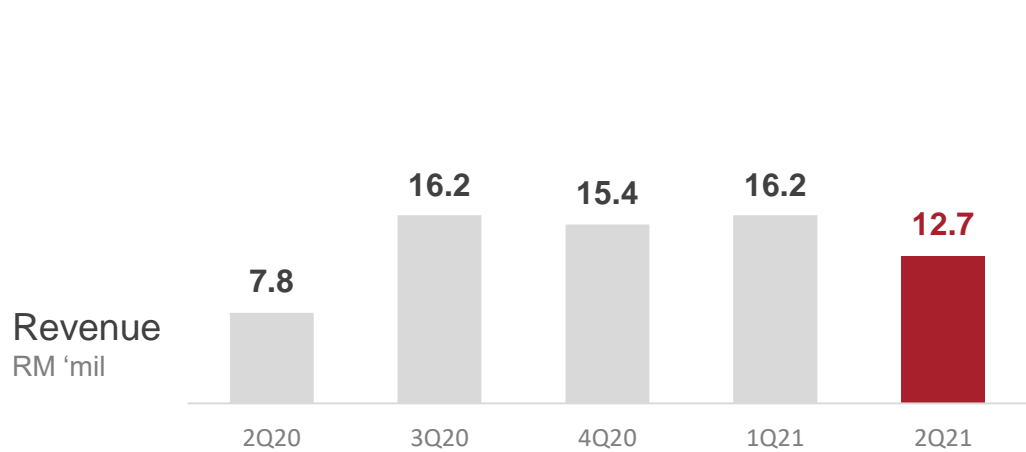
vs. 1Q21

- **2Q21 PBT** dropped **QoQ**, affected by the lower market volume compared to 1Q21 as indicated by the decrease in Bursa ADV.



RM 'mil	1Q21	2Q21
Gross brokerage	114.8	81.2
Trading & investment income	33.6	23.6
Interest income	16.3	18.3
Fee income	1.9	2.2
Others	2.4	2.1
REVENUE	169.0	127.4

Rakuten Trade

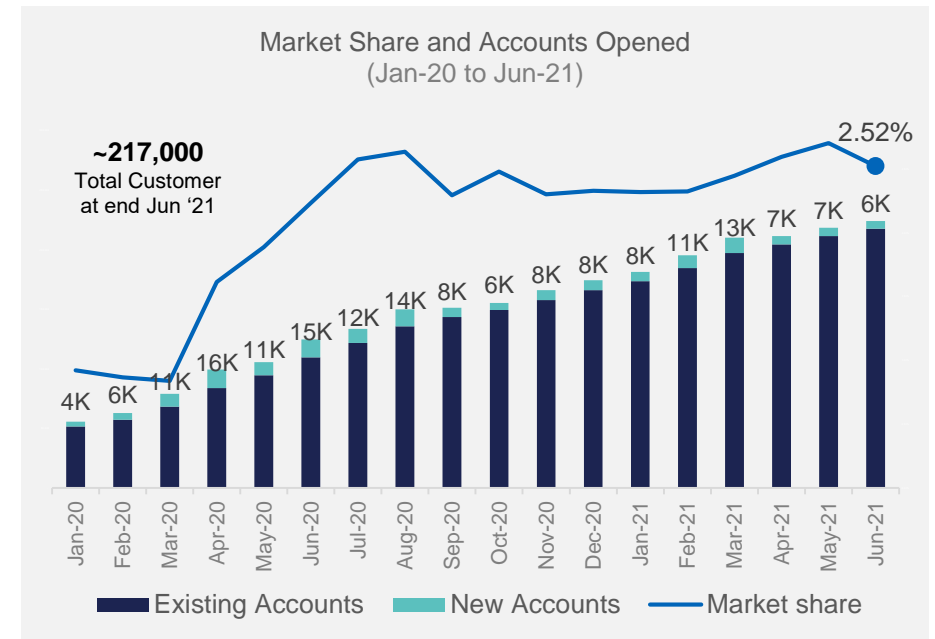


vs. 2Q20

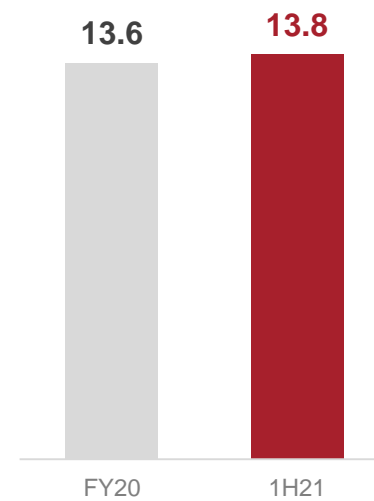
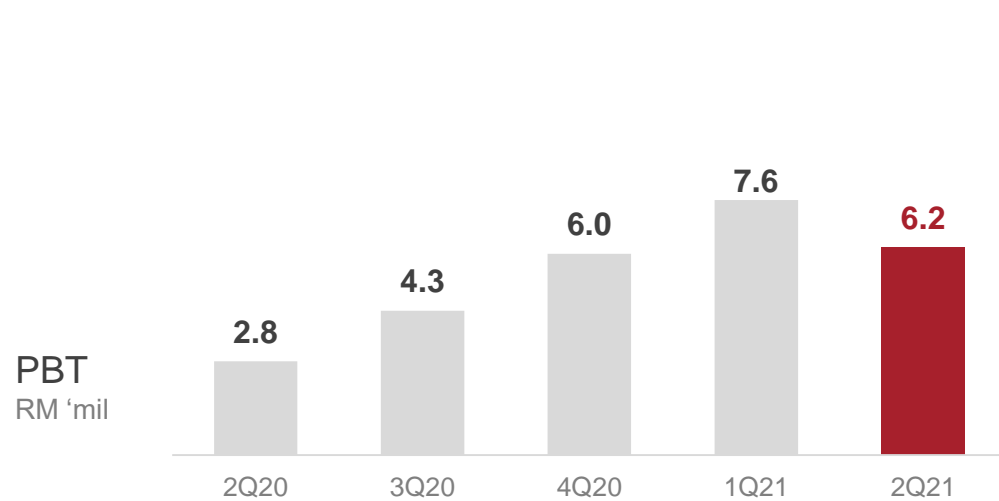
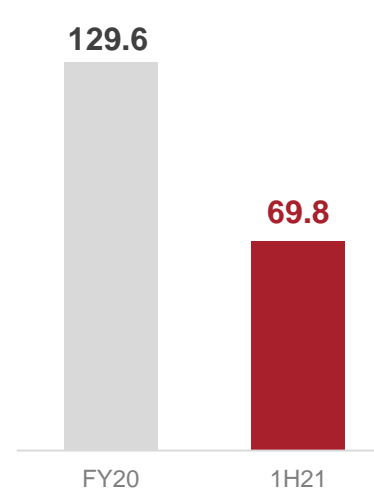
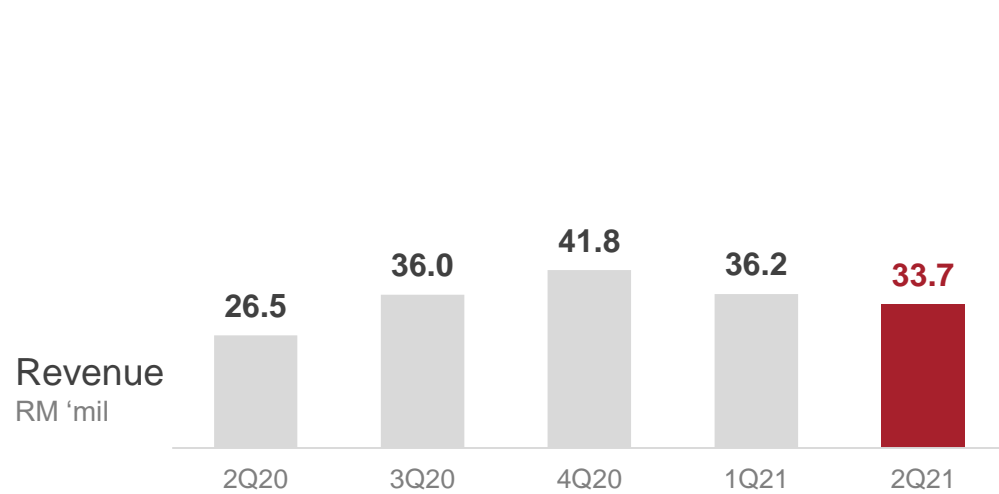
- 2Q21 PBT rose YoY driven by increased account opening and retail market volume.

vs. 1Q21

- 2Q21 PBT pared down QoQ due to normalisation of account opening and declined retail trading activities.



Investment Management Segment



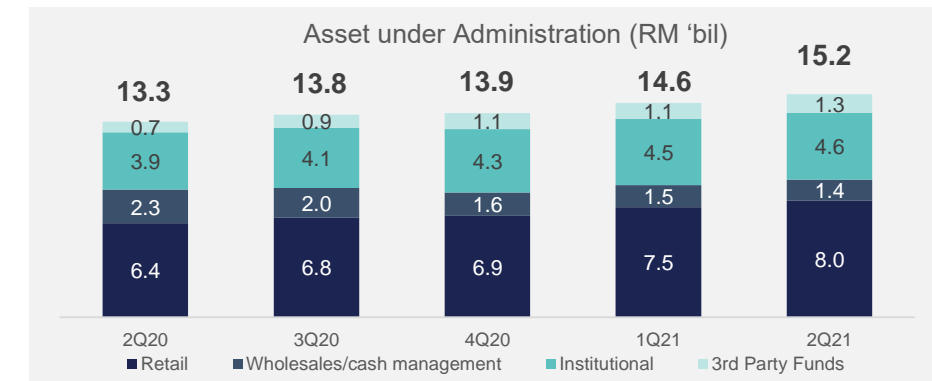
vs. 2Q20

- 2Q21 PBT rose YoY due to higher management fee generated on the back of increased asset under administration and expanded agency sales force.

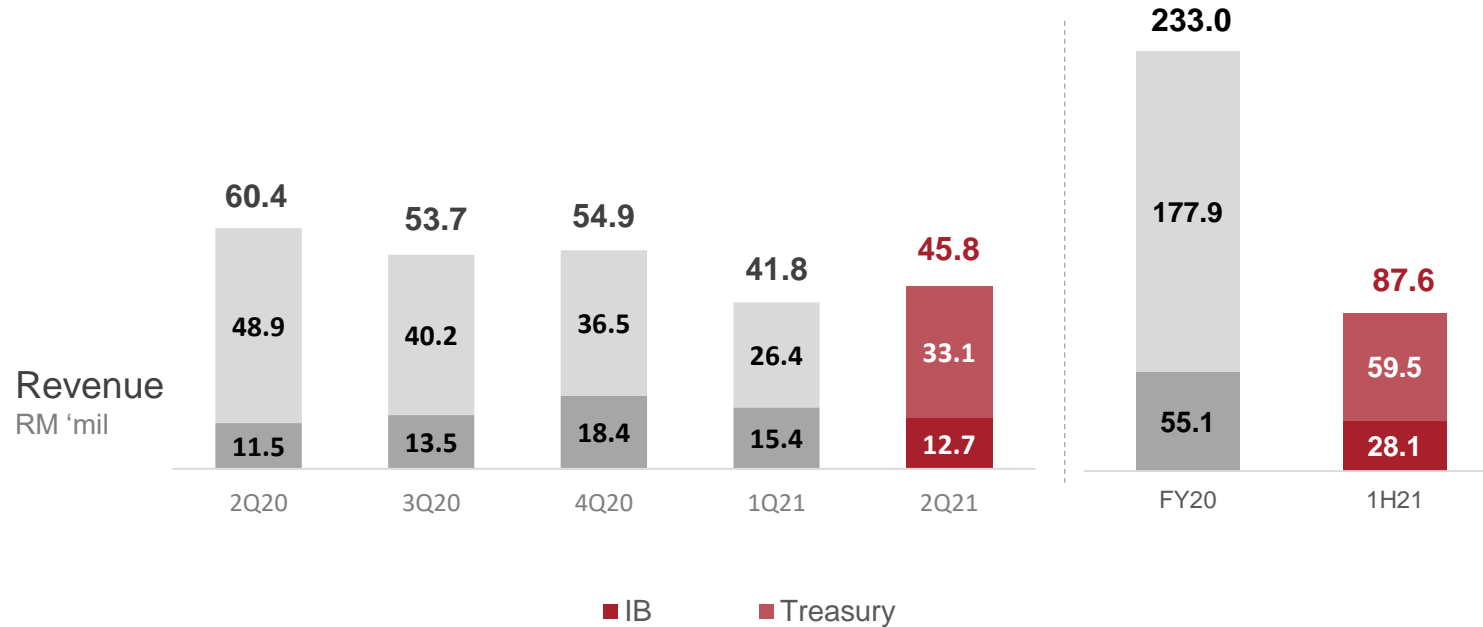
vs. 1Q21

- QoQ, 2Q21 PBT normalised and remained healthy. 1Q21 PBT was higher due to performance fees from product maturities and lower overall operating/marketing expenses.

- AUA continued to grow QoQ by RM0.6 bil as illustrated below.



Investment Banking Segment

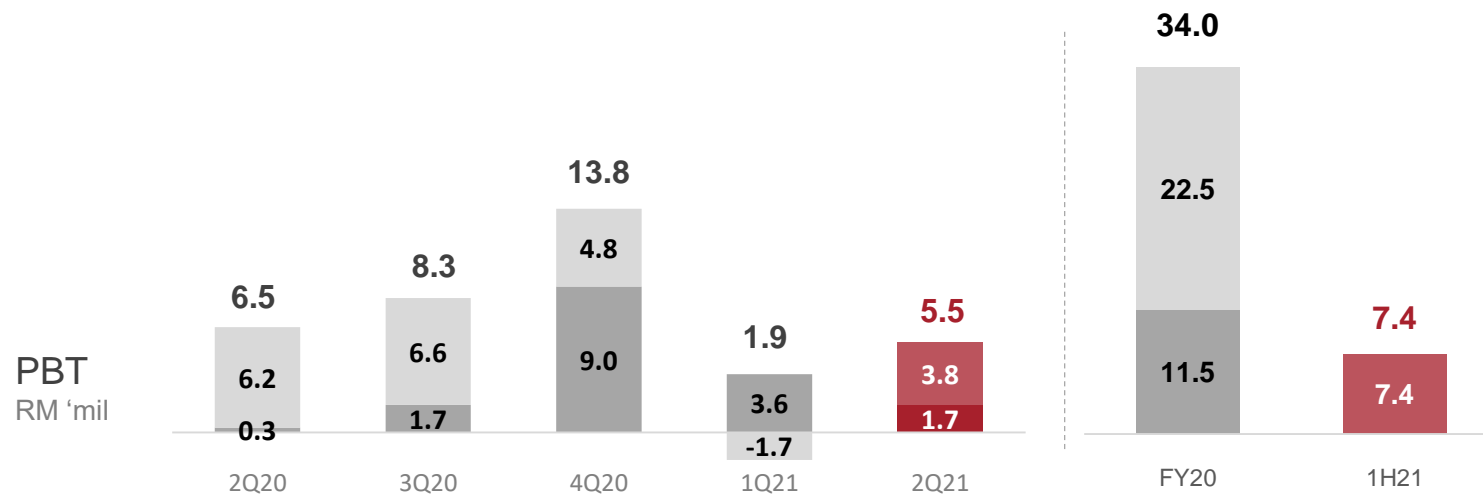


vs. 2Q20

- 2Q21 **PBT** decreased **YoY** due to lower net trading and investment gain partially mitigated by higher investment banking fees income.

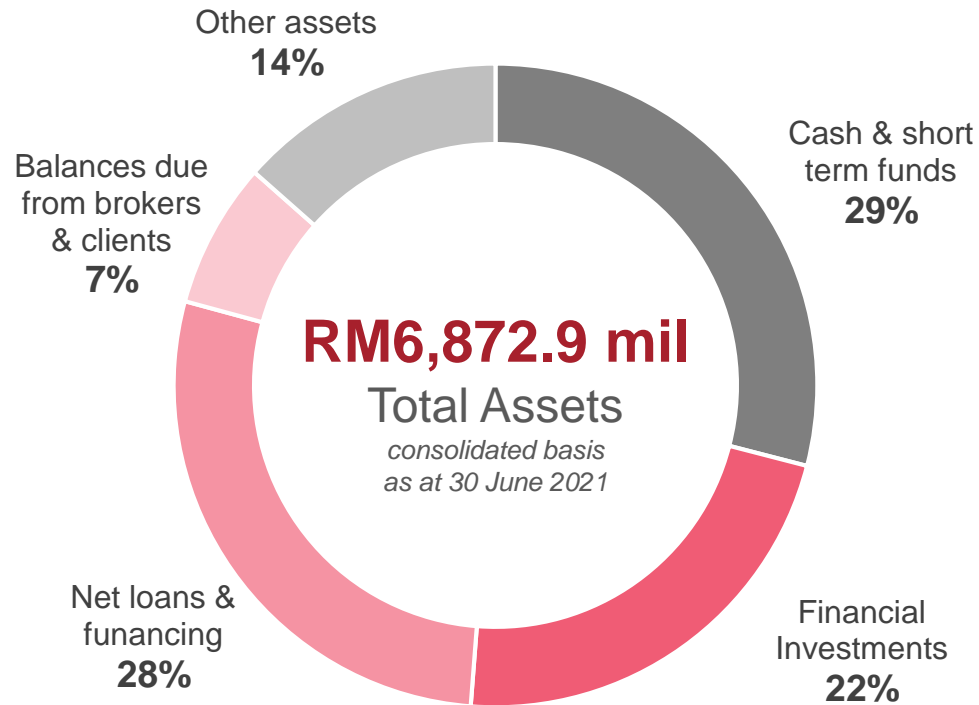
vs. 1Q21

- 2Q21 **PBT** improved **QoQ**, reflecting higher trading & investment income and interest income.



	1Q21	2Q21
Interest Income	38.5	39.8
Fee income	6.3	4.6
Trading & Investment Income	(5.1)	0.3
Others	2.1	1.1
REVENUE	41.8	45.8

Balance Sheet Health



Cash & Short Term Funds

- Placed with highly rated financial institutions and BNM

Financial Investments

- 69% of financial investments are in fixed income securities

Net Loans & Financing

- Net impaired loans ratio of 3.2%
- Impaired loans with less than 100% security coverage are fully provided

A+

Credit Rating

Malaysian Rating Corporation Berhad

0.22x

Gearing Ratio

Borrowing over total equities

24.8%

Total Capital Ratio

BNM's minimum requirement: 10.5%

151.0%

Liquidity Coverage Ratio

BNM's minimum requirement: 100%

118.0%

Net Stable Funding Ratio

BNM's minimum requirement: 100%

Business Outlook



Outlook for the Rest of 2021

Stockbroking

- ▶ **Gross brokerage:**
 - ▷ **Bursa 1H2021** ADV at **RM9.0 bil** vs 2020 ADV of **RM8.6 bil**
 - ▷ Despite the moderation of ADV in **2Q21**, we are hopeful for a rebound underpinned by the increasing vaccination rate and the subsequent recovery of the economy
 - ▷ **YTD June '21** market share remains high at **12.6%**
 - ▷ Momentum in Rakuten accounts opening remains healthy. **YTD June '21** average per month of **8.6k**, vs **FY20** monthly average of **9.9k**
- ▶ **Interest income:** Portfolio remains at **RM1.3 bil** but with **higher credit quality**
- ▶ **Trading & investment income:** Driven by warrants issuance/trading and AI/Quant assisted trading

Investment Banking

- ▶ **IB**
 - ▷ Completed the IPOs of Mobilia Holdings Bhd (Feb '21) and Ramssol Group Bhd (Jul '21)
 - ▷ **3 more IPOs** in the pipeline enroute for 2022 listings
- ▶ **Treasury** expects interest rate to remain accommodative while adopting a conservative approach when taking on risks in its book

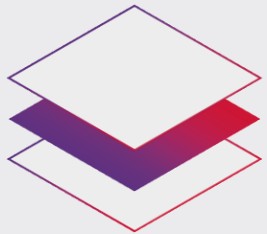
Investment Management

- ▶ **Expect strong growth in AUA** through diversification in products (e.g. ETFs, alternative investment asset classes) and institutional mandate
- ▶ Retail segment growth will be driven by the **continued growth in agency channels**. Net licensed agents YTD increased by **873 new recruits, bringing the total licensed agents to 3,647**.
- ▶ Our Private Wealth team and Financial Planners covering HNW clients and wealth management products is expected to continue the growth momentum, giving us a **diversified income stream via multi segments and multi products line**.

Rakuten Trade

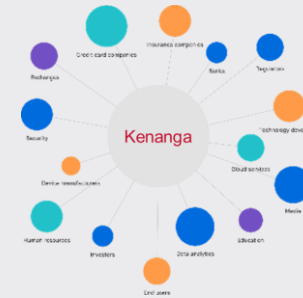
**NEW PRODUCT
IN PIPELINE**
Cash upfront (2017)
Contra (2019)
Rakumargin (2020)
Foreign Share

Initial Exchange Offering



Margin Platform

Our Digital Focus



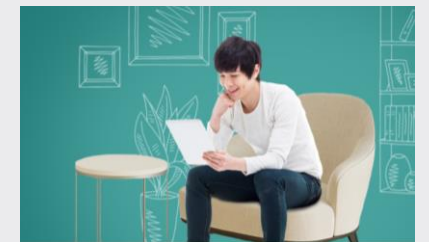
Fintech Fund

Algo & Quant Trading Platform



kenanga MONEY

kenanga digital Investing



- A fully A.I. driven digital investment solution
- 100% owned by KIBB with technology powered by PIVOT Fintech Pte Ltd

kenanga

