

Investor Briefing 1Q2021 Results

Kenanga Investment Bank Berhad

June 2021

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Key Highlights 1Q2021

RM250.1 m
Revenue
1Q2021

RM42.7 m
Profit before Tax
1Q2021

RM34.2 m
Profit after Tax
1Q2021

13.8%
Annualised ROE¹
1Q2021

4.8 sen
EPS
1Q2021

RM976.7 m
Shareholders' Equity
1Q2021

- ▶ Bursa average daily trading value sustained at RM10.3 bil (1Q2021) vs. RM10.0 bil (4Q2020)
- ▶ Record asset under administration in 1Q2021
- ▶ Completed acquisition of i-VCAP Management
- ▶ Kenanga and Malaysia Debt Ventures jointly establish New Fintech 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. 4Q20		vs. 1Q20	
RM 'mil	1Q21	4Q20	QoQ	1Q20	YoY	FY20
REVENUE	250.1	276.8	-10%	165.1	51.5%	973.8
Net interest income	26.8	28.0	-4%	21.8	22.9%	98.4
Other operating income	193.0	216.3	-11%	90.6	113.8%	707.5
Net income	222.6	248.2	-10%	117.3	89.6%	826.5
Operating Profit	37.3	47.0	-21%	3.0	1109.6%	126.4
PROFIT BEFORE TAX	42.7	53.1	-20%	(7.6)	N.M	134.7
Profit After Tax	34.3	39.3	-13%	(6.9)	N.M	102.3
*RETURN ON EQUITY	13.8%	16.5%	-16%	-3.1%	N.M	10.7%
Basic EPS (sen)	4.8	5.6	-14%	(0.99)	N.M	14.6
Diluted EPS (sen)	4.6	5.5	-16%	(0.99)	N.M	14.2

vs. 1Q20

- **1Q21 profit before tax** was higher YoY due to:
 - Performance in Equity Broking and Investment Management
 - Higher share of profits from the joint venture with Rakuten Trade
- **1Q20 profit before tax** was affected by provision of credit loss expenses as a result of decline in the prices of share collaterals for margin clients

vs. 4Q20

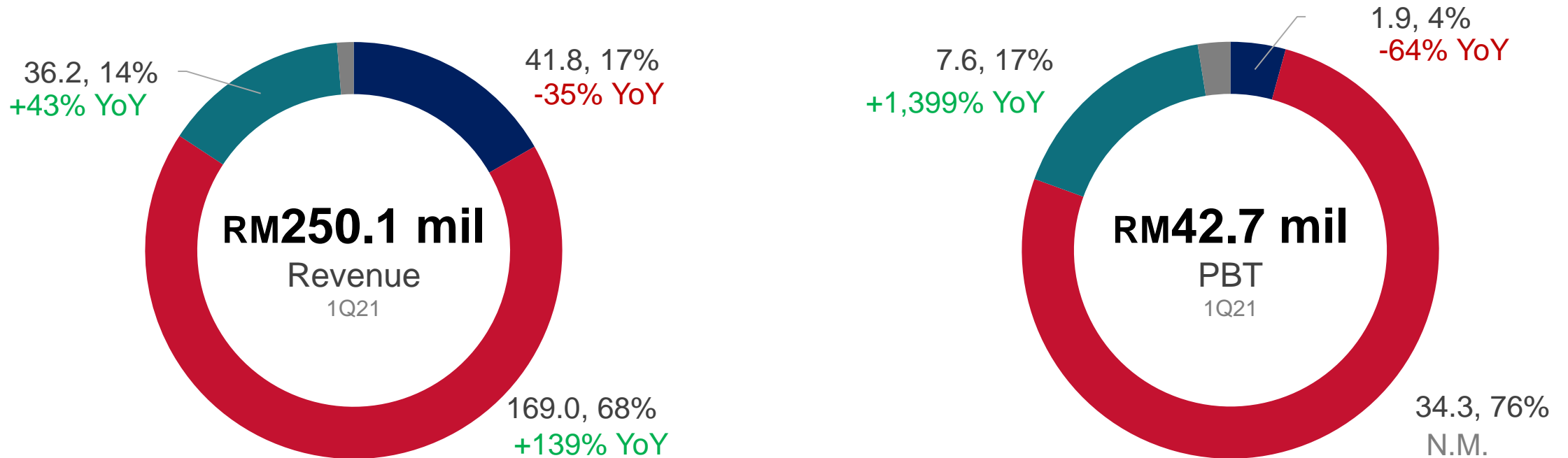
- **1Q21** brokerage and investment management income sustained although trading and investment income was lower due to rising bond yield and market volatility

N.M. = not meaningful, PATAMI = profit after tax and minority interests

*ROE is calculated by dividing PATAMI (or annualised PATAMI for annualised ROE) to the average shareholders' equities of end of the period.

Segmental Breakdown

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



■ Investment Banking

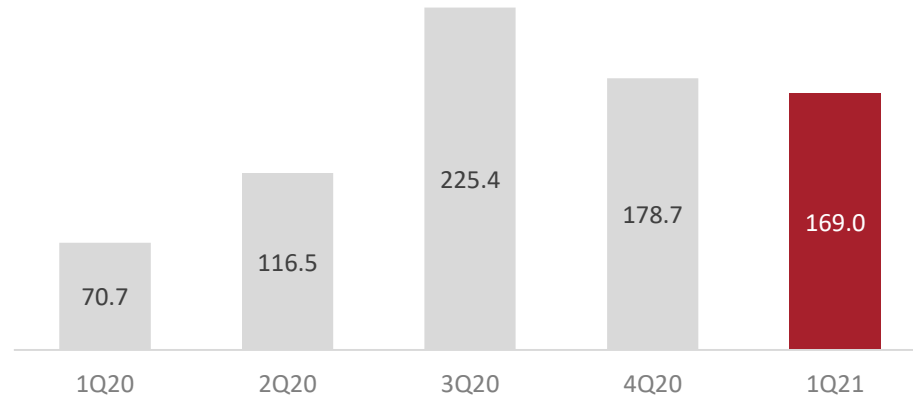
■ Stock Broking

■ Investment Management

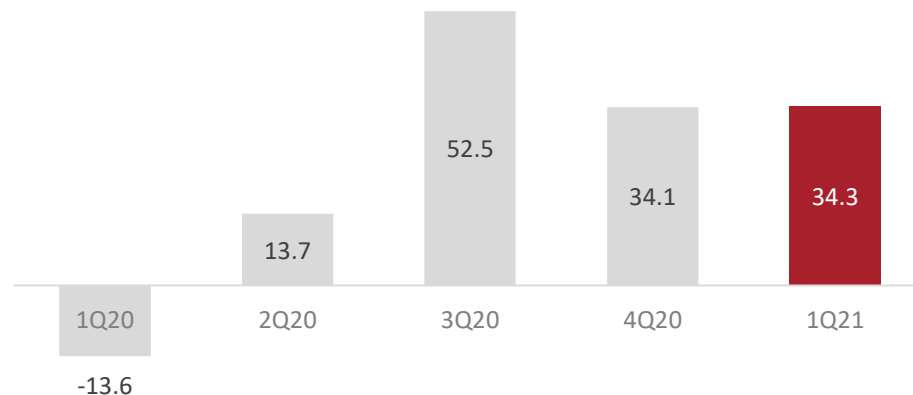
■ Others

Equity Broking Segment

Revenue
RM 'mil



PBT
RM 'mil



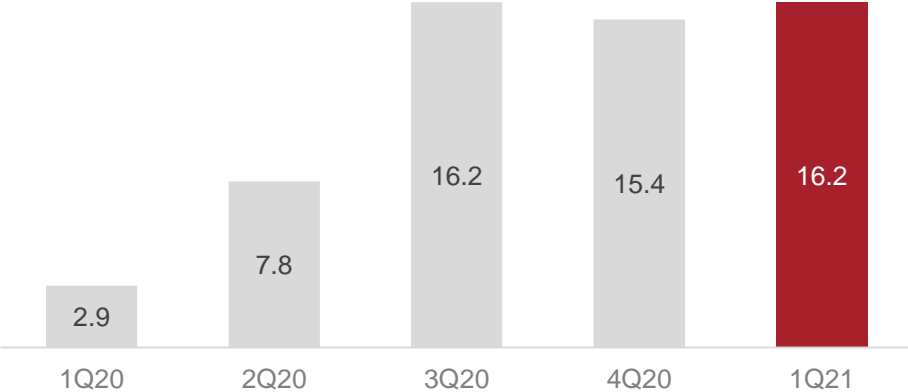
- 1Q21 PBT was sustained QoQ with strong net brokerage and trading & investment income

RM 'mil	4Q20	1Q21
Gross brokerage	114.4	114.8
Trading & investment income	44.1	33.6
Interest income	17.6	16.3
Fee income	1.3	1.9
Others	1.3	2.4
REVENUE	178.7	169.0

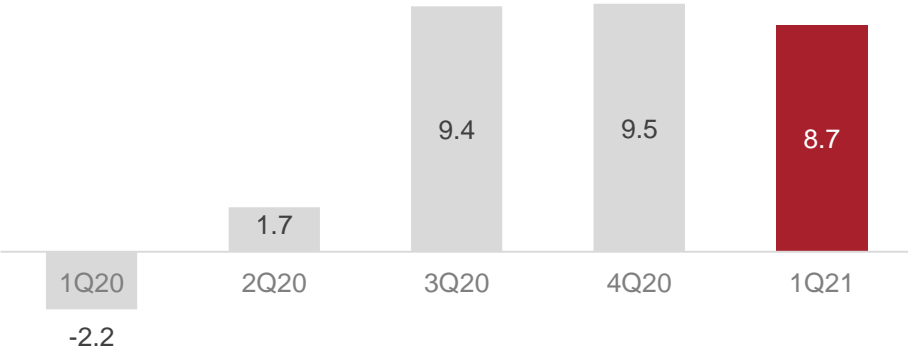
- 1Q20 PBT was affected by lower market volume as compared to 1Q21 and provision of credit loss expenses as a result of decline in the prices of share collaterals for margin clients, which we recovered progressively

Rakuten Trade

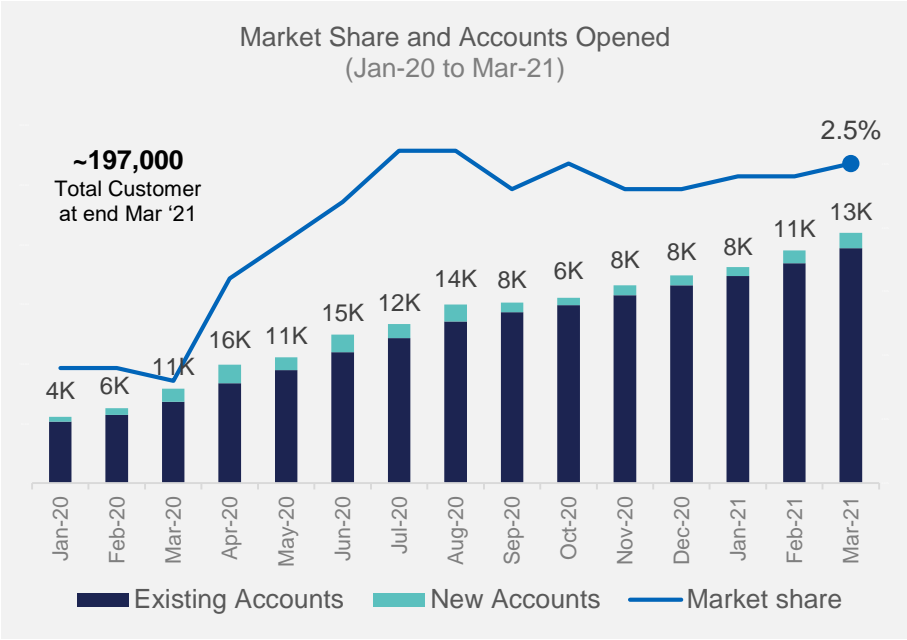
Revenue
RM 'mil



PBT
RM 'mil

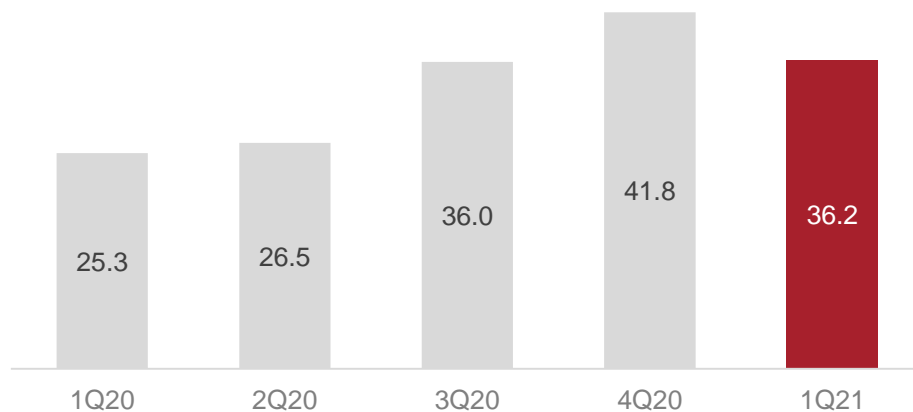


- Rakuten Trade was driven by increase in account opening and retail market volume

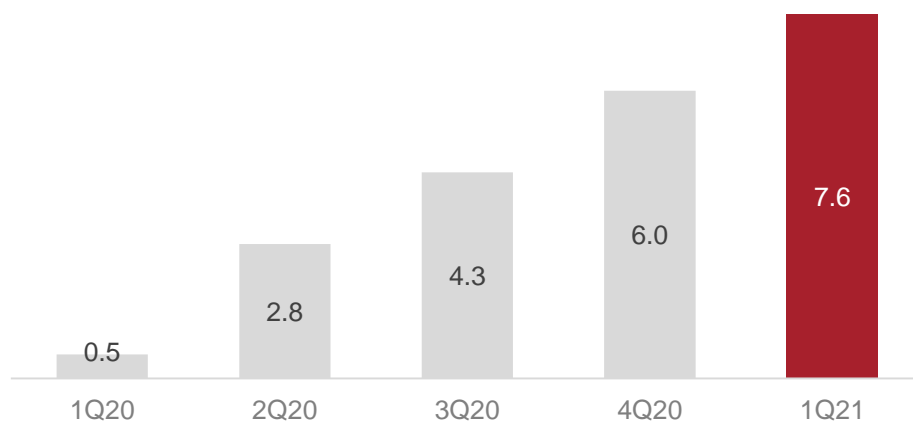


Investment Management Segment

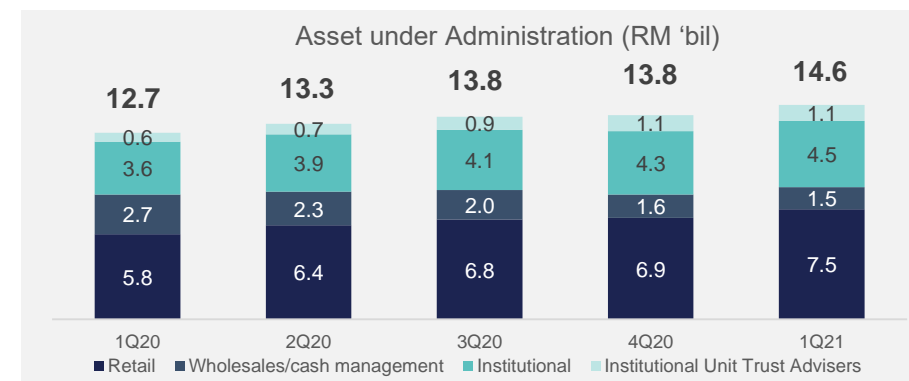
Revenue
RM 'mil



PBT
RM 'mil

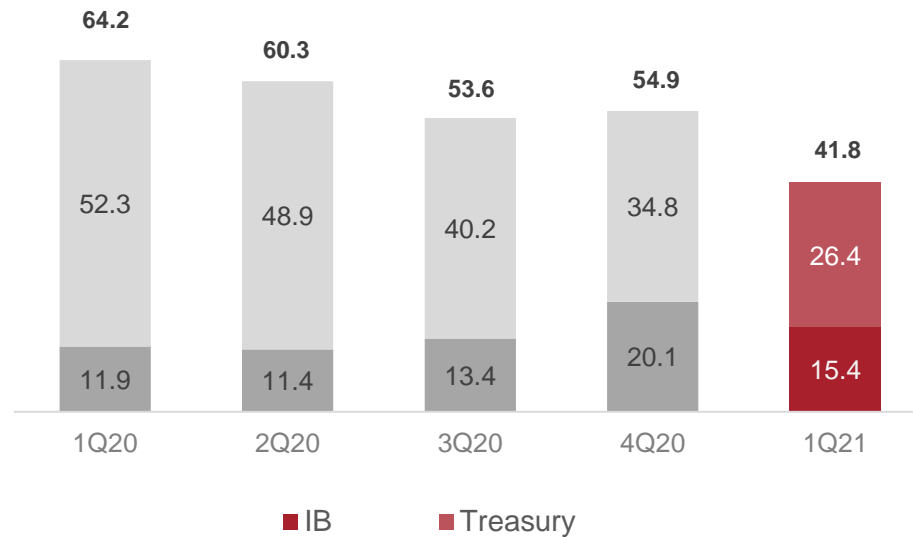


- While AUA continued to increase from 4Q20 to 1Q21, **4Q20 revenue** was higher due to higher fees generated from alternative products such as Equity Wrapper targeted at mainly HNW/ Ultra HNW
- 1Q21 PBT** was higher **QoQ** due to lower overall operating expenses/ marketing expenses that was booked in that
- Diversification in products offering in wealth management and alternative asset classes while retail segment continued to show strength, RM0.8 bil increase **QoQ** as illustrated in the chart below

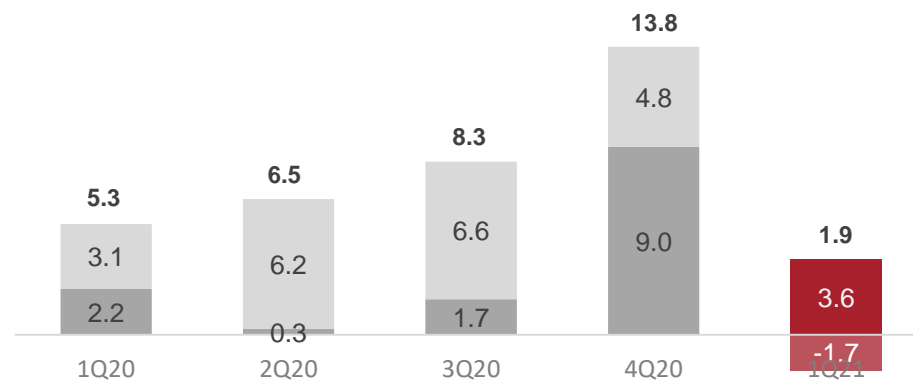


Investment Banking Segment

Revenue
RM 'mil



PBT
RM 'mil

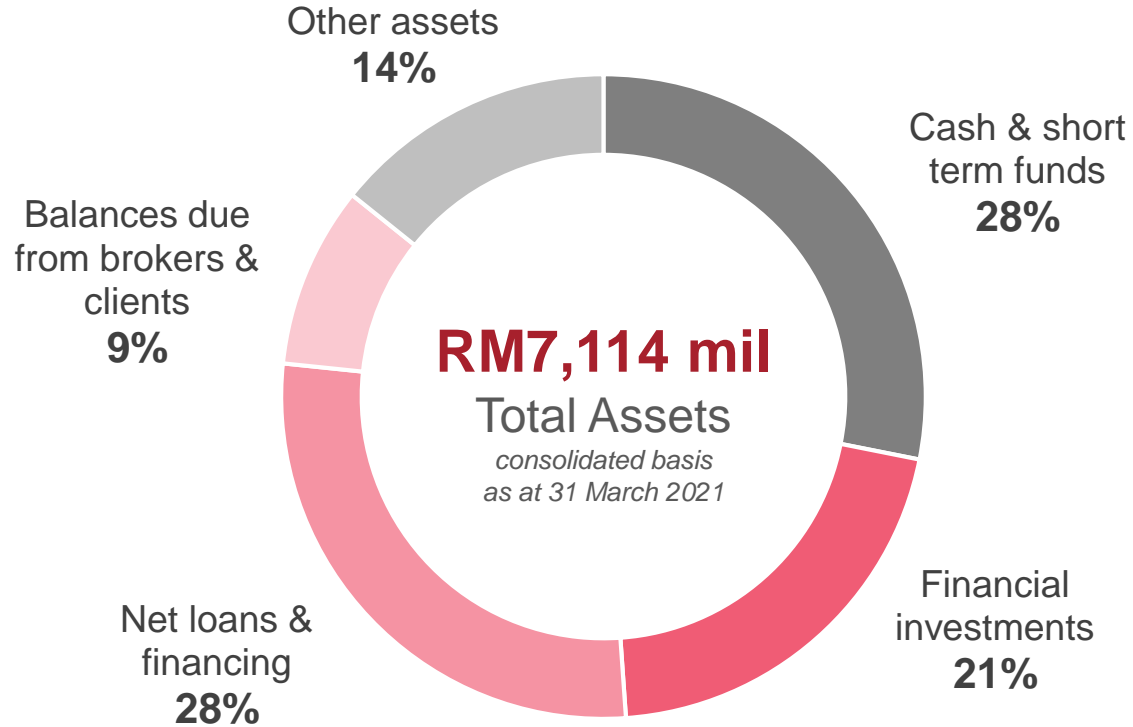


- 1Q21 PBT was lower QoQ, reflected trading & investment loss and lower fee income

	RM 'mil	4Q20	1Q21
Interest Income		39.4	38.5
Fee income		10.2	6.3
Trading & Investment Income		3.6	(5.1)
Others		1.7	2.1
REVENUE		54.9	41.8

- Trading and investment loss was due to rising bond yields in 1Q21. Treasury had been proactively managing the portfolio by reducing the size from RM1.0 bil at end Dec 2020 to RM899 mil at end March 2021.

Balance Sheet Health



Cash & Short Term Funds

- Placed with highly rated financial institutions and BNM

Financial Investments

- 61% of financial investments are in fixed income securities

Net Loans & Financing

- Net impaired loans ratio of 2.9%
- Impaired loans with less than 100% security coverage are fully provided

A+

Credit Rating

Malaysian Rating Corporation Berhad

0.16x

Gearing Ratio

Borrowing over total equities

21%

Total Capital Ratio

BNM's minimum requirement: 10.5%

114%

Liquidity Coverage Ratio

BNM's minimum requirement: 100%

111%

Net Stable Funding Ratio

BNM's minimum requirement: 100%

Business Outlook



Outlook for the Rest of 2021

Equity Broking

- ▶ **Gross brokerage:**
 - ▷ **Bursa YTD May '21** ADV approaching **RM9.5 bil** vs 2020 ADV of **RM8.6 bil**
 - ▷ **YTD May '21** market share remains high at **12.57%**
 - ▷ Momentum in Rakuten accounts opening remains. **YTD April '21** average per month of **9.6k**, 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 IPO of Mobilia Holdings Bhd, **4 more IPOs** in the pipeline
- ▶ **Treasury** expects interest rate to remain accommodative while adopting a conservative approach when taking on risks in its book

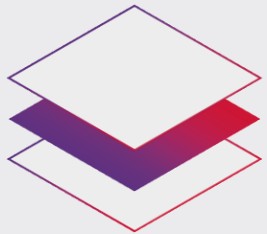
Investment Management

- ▶ **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 a **successful acquisition of a strong agency team**. Net agents increased by **500**.

Rakuten Trade

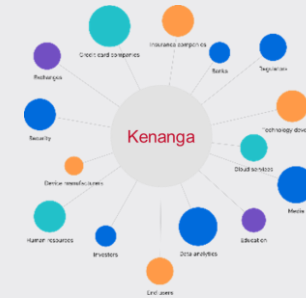
**NEW PRODUCT
IN PIPELINE**
Cash upfront (2017)
Contra (2019)
Rakumargin (2020)
Foreign Share

Initial Exchange Offering



Margin Platform

Our Digital Focus



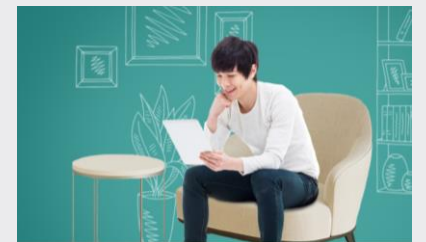
Fintech Fund

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

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