

Investor Briefing 2Q2023 Results

Kenanga Investment Bank Berhad

5 September 2023

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Key Highlights 1H2023

RM 378.1 m (+4.5%)

Revenue

+RM16.2 mil
vs. 1H2022

RM35.8 m (-14.4%)

Profit before Tax

-RM6.0 mil
vs. 1H2022

RM27.1 m (-23.9%)

Profit after Tax

-RM8.5 mil
vs. 1H2022

3.73 sen (-22.6%)

EPS

-1.1 sen
vs. 1H2022

RM 1,022.9 m

Shareholders' Equity

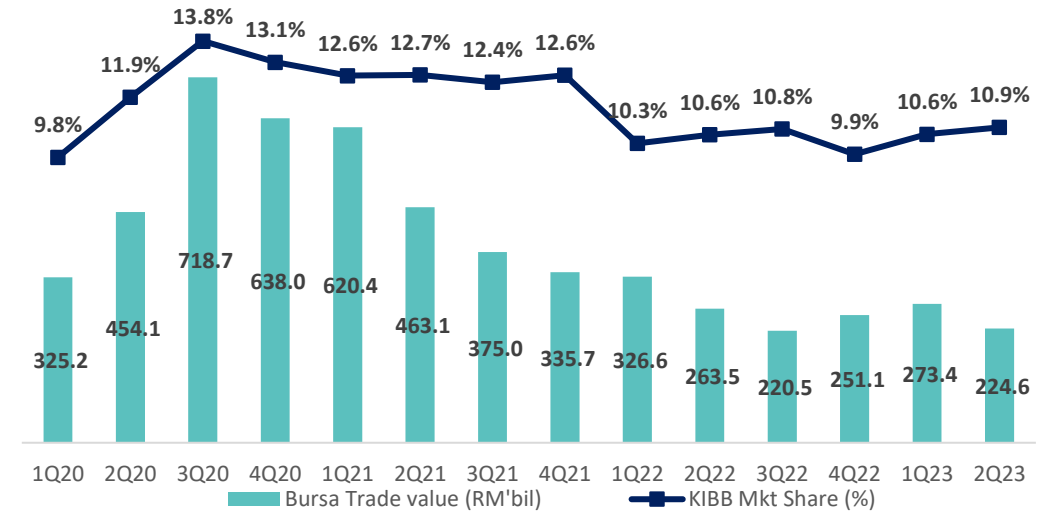
as of 30 Jun 2023

5.3% (-22.9%)

Annualised ROE¹

-1.6 p.p
vs. 1H2022

- ▶ The Group reported lower PBT for 1H2023 as compared to 1H2022 mainly due to lower net brokerage and lower net interest income. Higher total overheads is because of increased in personnel cost and marketing expenses which in line with business expansion at KIB.



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.

Key Highlights 2Q2023

RM 198.3 m (+12.1%)

Revenue

+RM21.3 mil
vs. 2Q2022

RM23.3 m (+14.9%)

Profit before Tax

+RM3.0 mil
vs. 2Q2022

RM16.7 m (-10.4%)

Profit after Tax

-RM1.9 mil
vs. 2Q2022

2.31 sen (-8.3%)

EPS

-0.2 sen
vs. 2Q2022

RM 1,022.9 m

Shareholders' Equity

as of 30 Jun 2023

6.6% (-10.0%)

Annualised ROE¹

-0.7 p.p
vs. 2Q2022

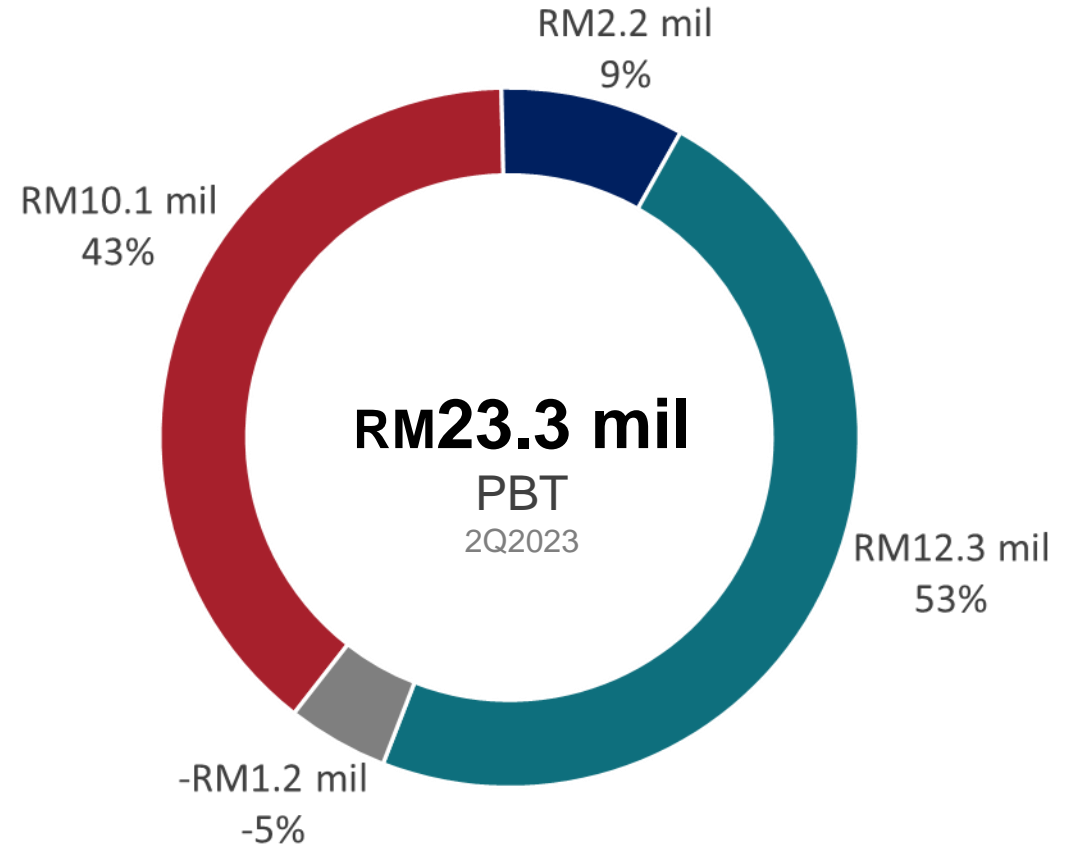
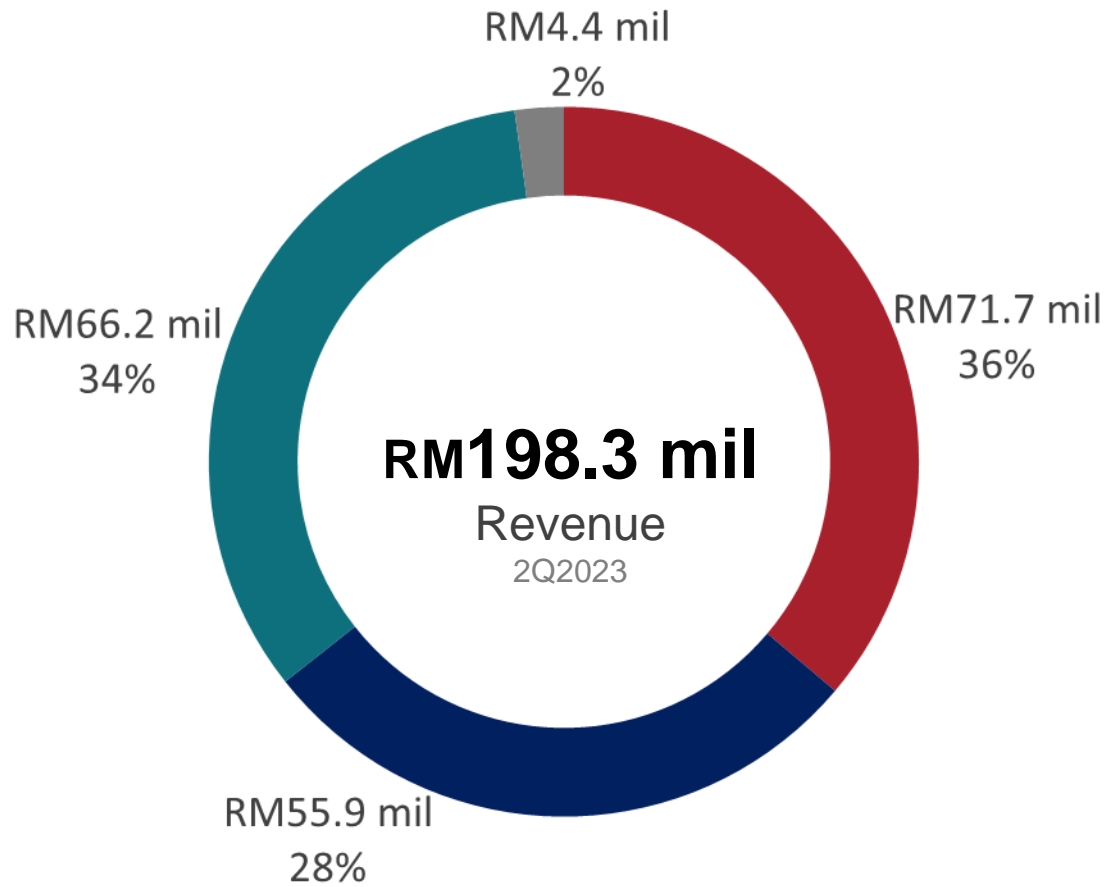
- ▶ The Group recorded a higher profit before tax ('PBT') for 2Q2023 as compared to 2Q2022.
- ▶ Revenue for the Group increased due to increase in management fees, trading income and gross interest income.
- ▶ Operating profits were lower at RM13.9 mil vs RM19.4 mil due to higher interest expense and overheads. However, the Group overall profitability was higher because of credit recovery.
- ▶ On net interest income margin, the Group have applied two rounds of interest adjustment to margin portfolio and is targeting another round in October. Treasury has also increased its exposure to HTM portfolio to increase the net interest income.

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



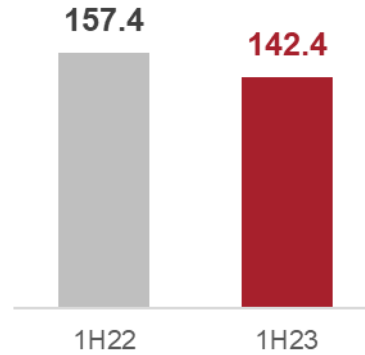
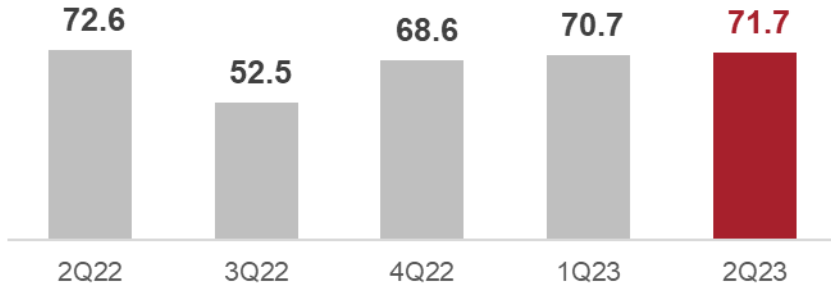
2Q2023 Segmental Breakdown



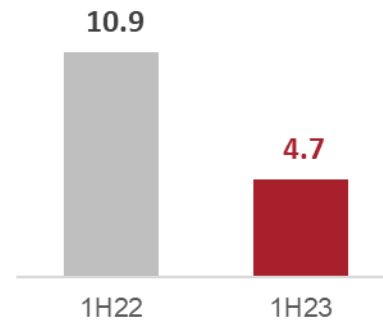
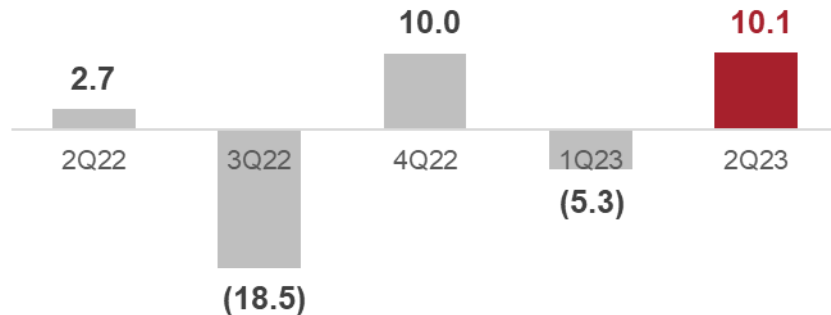
■ Stock Broking ■ Investment Banking ■ Investment Management ■ Others

Stockbroking Segment

Revenue
RM 'mil



PBT
RM 'mil



vs. 1Q23

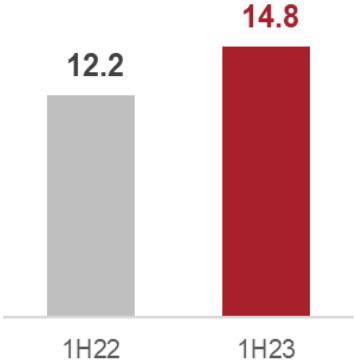
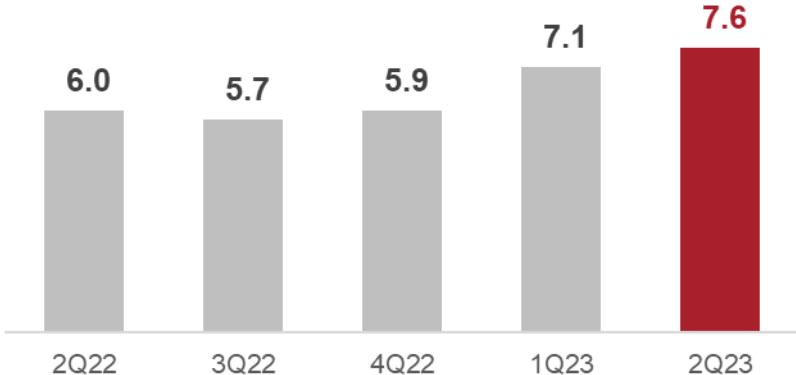
- 2Q23 **revenue** improved QoQ due to higher trading and investment income despite lower brokerage and interest income recorded in the quarter.

	RM 'mil	1Q23	2Q23
Gross brokerage		45.5	36.9
Trading & investment income		4.9	13.2
Interest income		17.7	16.5
Fee income		1.4	1.9
Others		1.2	3.2
REVENUE		70.7	71.7

- EB **retail segment market share** grew by 0.6p.p. QoQ from **25.8%** in 1Q23 to **26.4%** in 2Q23.

Rakuten Trade

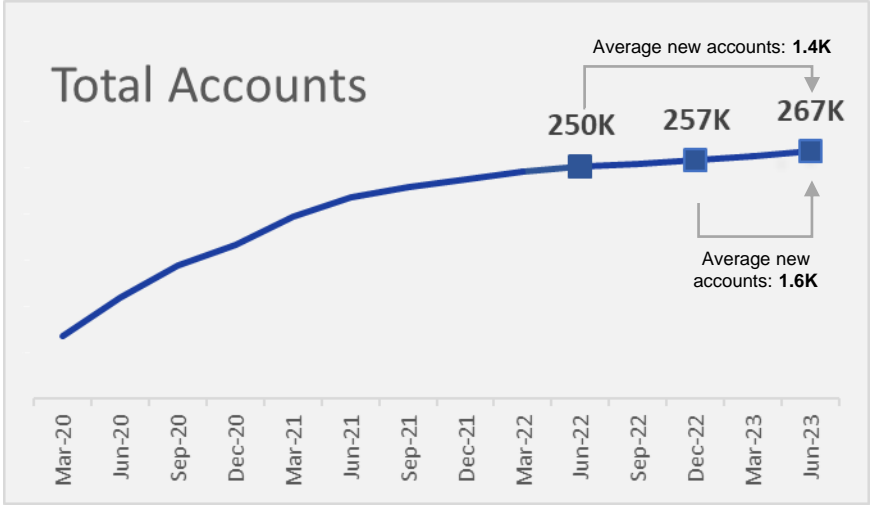
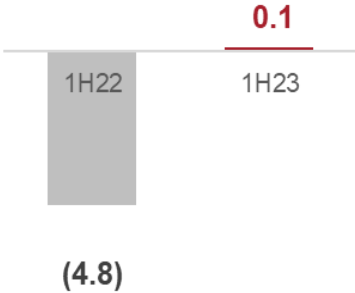
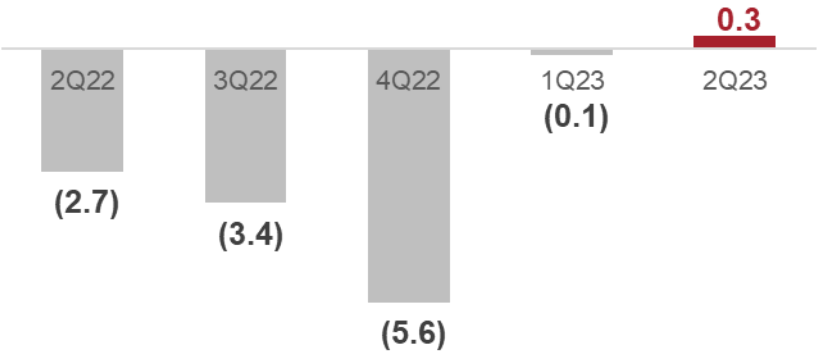
Revenue
RM 'mil



vs. 1Q23

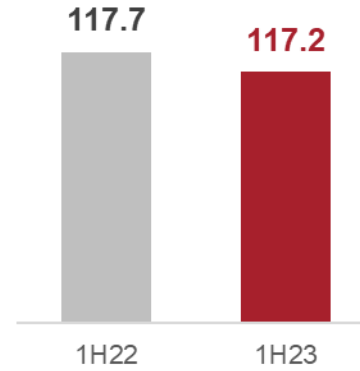
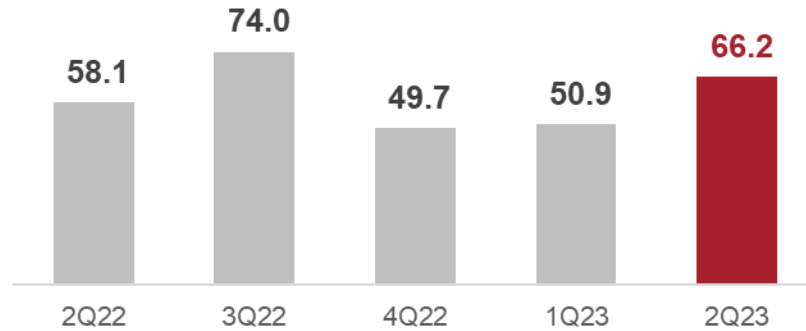
- In 2Q23, **RT** recorded an increase in **revenue** due to higher brokerage, interest and foreign exchange gain.
- **Account opening** momentum continued with an average of **1.6k** new accounts opened per month.

PBT
RM 'mil



Investment & Wealth Management¹ Segment

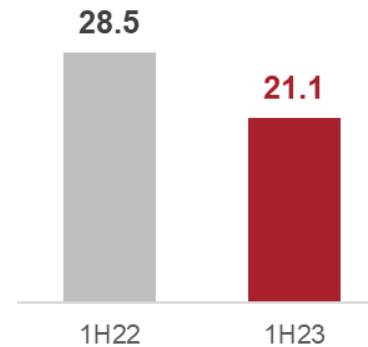
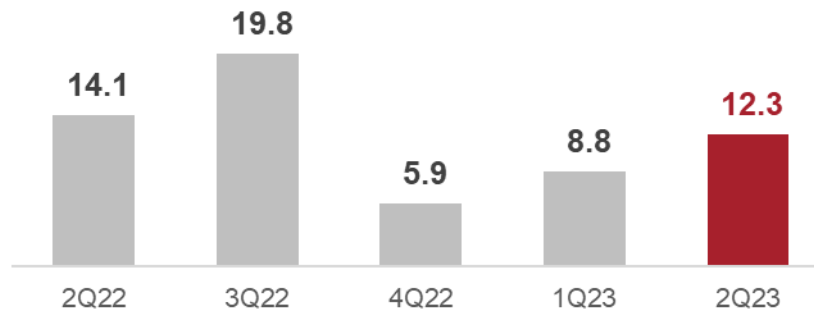
Revenue
RM 'mil



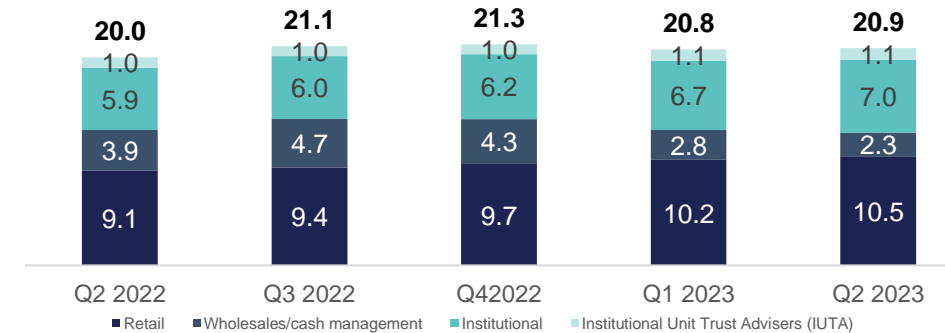
vs. 1Q23

- 2Q23 **revenue** and **PBT** increased by 30% and 39% QoQ respectively mainly contributed by higher performance fee from structured products for high-net-worth individuals.
- KIG continue to grow its **retail** and **institutional** AUM which has increased from RM 9.7 bil to RM 10.5 bil and RM6.2 bil to RM 7.0 bil from Dec to Jun 2023 respectively.

PBT
RM 'mil



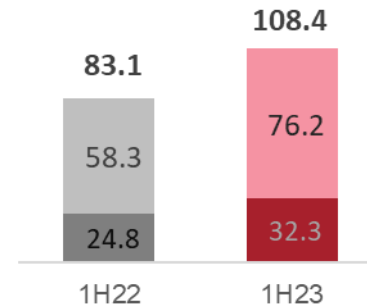
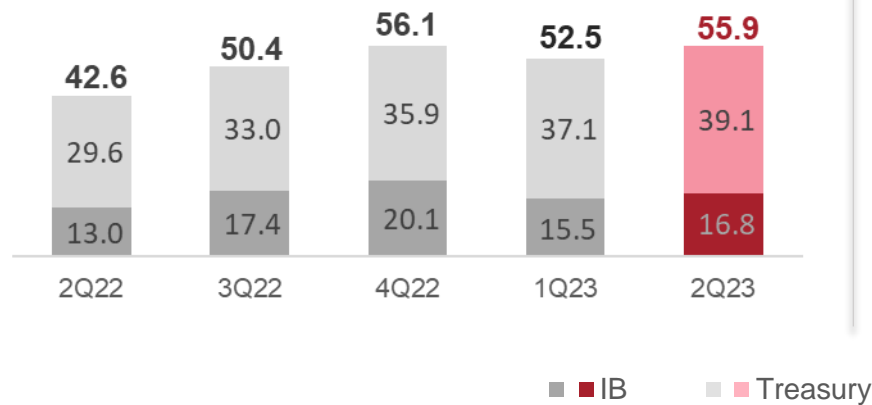
Asset under Administration (RM 'bil)



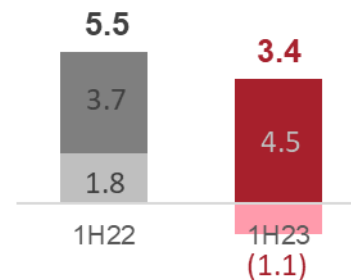
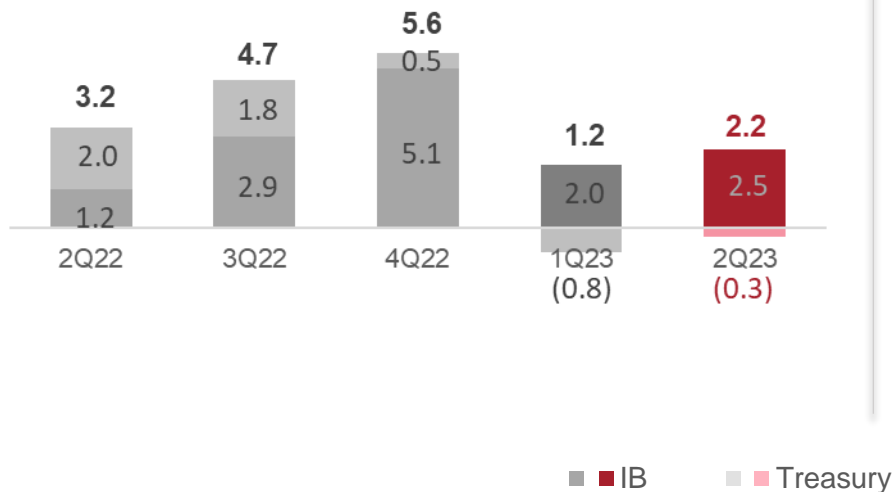
¹ Investment & Wealth Management Segment inclusive of Kenanga Investors Group, Wealth Management (WM) and Digital Investment Management (DIM)

Investment Banking Segment

Revenue
RM 'mil



PBT
RM 'mil



vs. 1Q23

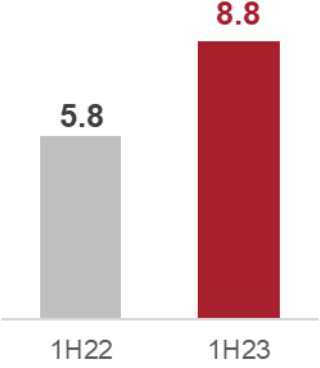
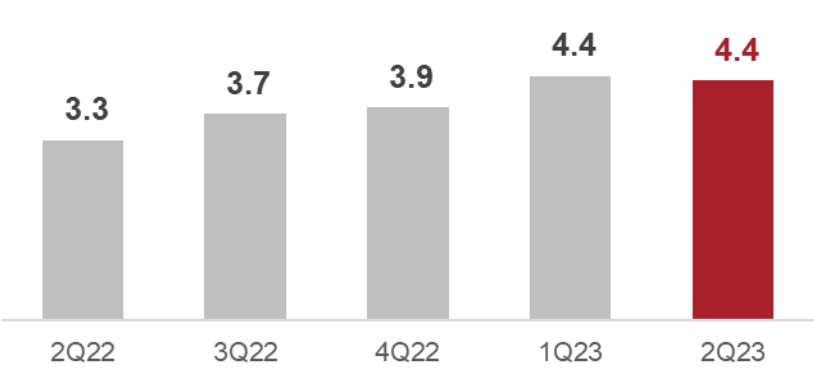
- 2Q23 **revenue** increased QoQ due to increase in interest income, fee income, as well as trading and investment income.

	RM 'mil	1Q23	2Q23
Interest Income		44.7	46.1
Fee income		4.7	6.5
Trading & Investment Income		2.0	2.2
Others		1.1	1.1
REVENUE		52.5	55.9

- In 2Q23, IB completed the IPO listing of **SkyWorld Development Berhad**.

Kenanga Futures Segment

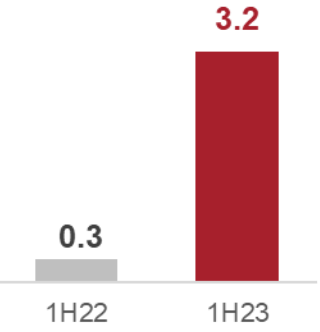
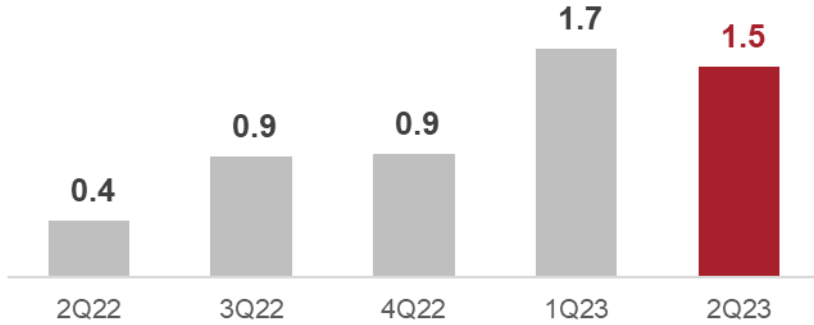
Revenue
RM 'mil



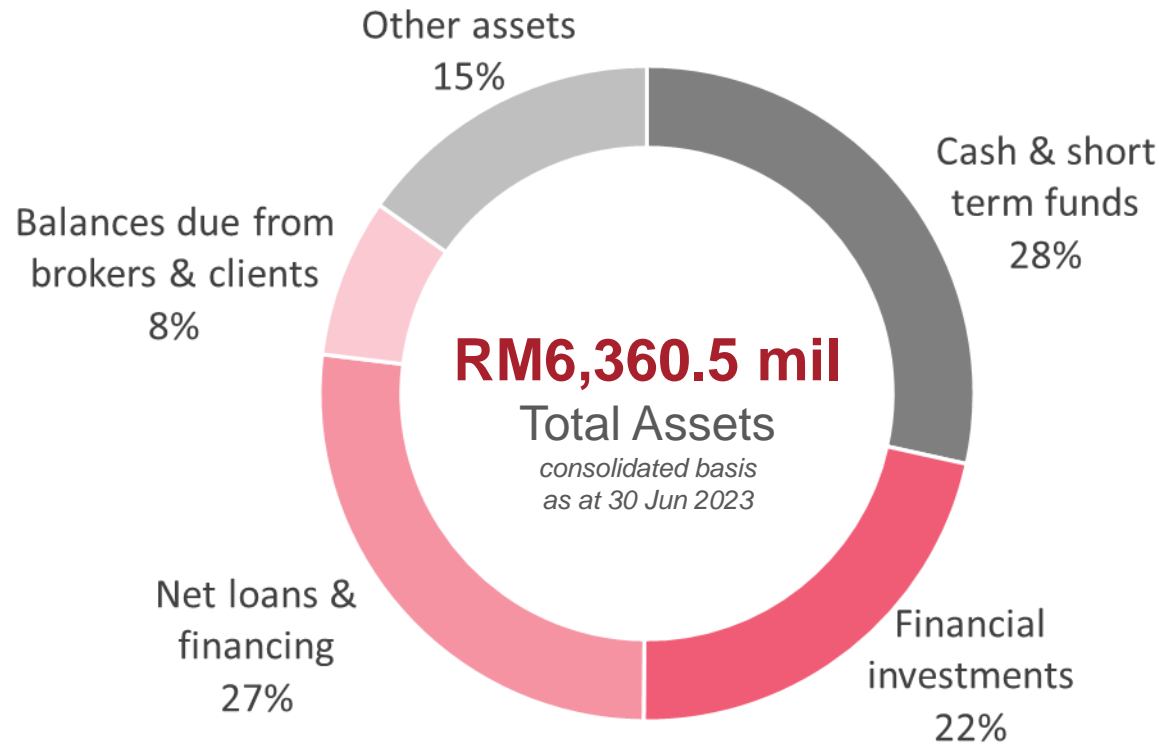
vs. 1Q23

- **KF** continues to perform well on the back of higher volumes in BMD and overseas futures market (**CME** and **HKEX**). Its interest income increased significantly from higher placement as well as interest rate.

PBT
RM 'mil



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 1.46%
- Impaired loans with less than 100% security coverage are fully provided

A+

Credit Rating

Malaysian Rating Corporation Berhad

0.20x

Gearing Ratio

Borrowing over total equities

24.8%

Total Capital Ratio

BNM's minimum requirement: 10.5%

163.4%

Liquidity Coverage Ratio

BNM's minimum requirement: 100%

128.7%

Net Stable Funding Ratio

BNM's minimum requirement: 100%

Business Outlook



Market Outlook 2023



Improved ADV and increased corporate activities

Albeit modestly, Bursa ADV is expected to improve in 2H2023 and there will be increased corporate activities including IPO, fund raising and placements



Vulnerability of economic growth in China

Despite improvements in the economy since the pandemic years, market indicators suggest that the economic recovery resulting from China's uplifting of the Zero-Covid policy may be weaker than anticipated, but overall should be improving



Fed expected to pause interest rate hikes

As inflation reading continues to cool, the Fed paused rate hikes for the time being but does not eliminate the possibility of another rate hike this year, depending on economic and inflation readings



Global growth expected to slow down amidst risk of financial stress

Continued economic instability, tension from the Russia-Ukraine war and the recent banking stress, global growth is expected to be sluggish. Nevertheless, the Asian region should see much stronger growth

Outlook for 2023

Stockbroking

- ▶ **Gross brokerage:**
 - ▷ **Higher ADV is expected in 2H2023** amidst economic recovery and increase in investor and corporate activities
 - ▷ Rakuten Trade to continue attracting new customers and spur **account growth as well as trading activities** by introduction of new products and drive to increase higher foreign trading activities
- ▶ **Interest income:** Portfolio stands at **RM1.2 bil** and will improve net interest income margin in 2H2023
- ▶ **Trading & investment income: Focus on OTC structured products** for high-net-worth individuals and warrant issuance

Investment Banking & Treasury

- ▶ **Investment banking**
 - ▷ **Corporate Finance/Equity Capital Markets: 2 IPOs** listed in 2023, **3 IPOs** work in progress, **more than 20 other corporate advisory deals** targeted for completion by end of the year.
 - ▷ **Debt Capital Markets: 9 active deals at pre-issuance stage**
- ▶ **Treasury**
 - ▷ Treasury will **remain cautious in taking on risks** in portfolios
 - ▷ Take advantage of current interest rates environment to **improve yields** by increasing HTM portfolio
 - ▷ **Increase contribution from FX income** through extending reach of distribution channels

Investment & Wealth Management

- ▶ **Sustain incremental growth** through Shariah and WM business, developing **digitalization initiatives** for expansion of agency network
- ▶ Sustainable management fee income growth via **Unit Trust funds**
- ▶ **Kenanga Digital Investing** to continuously grow AUM through the introduction of competitive products.

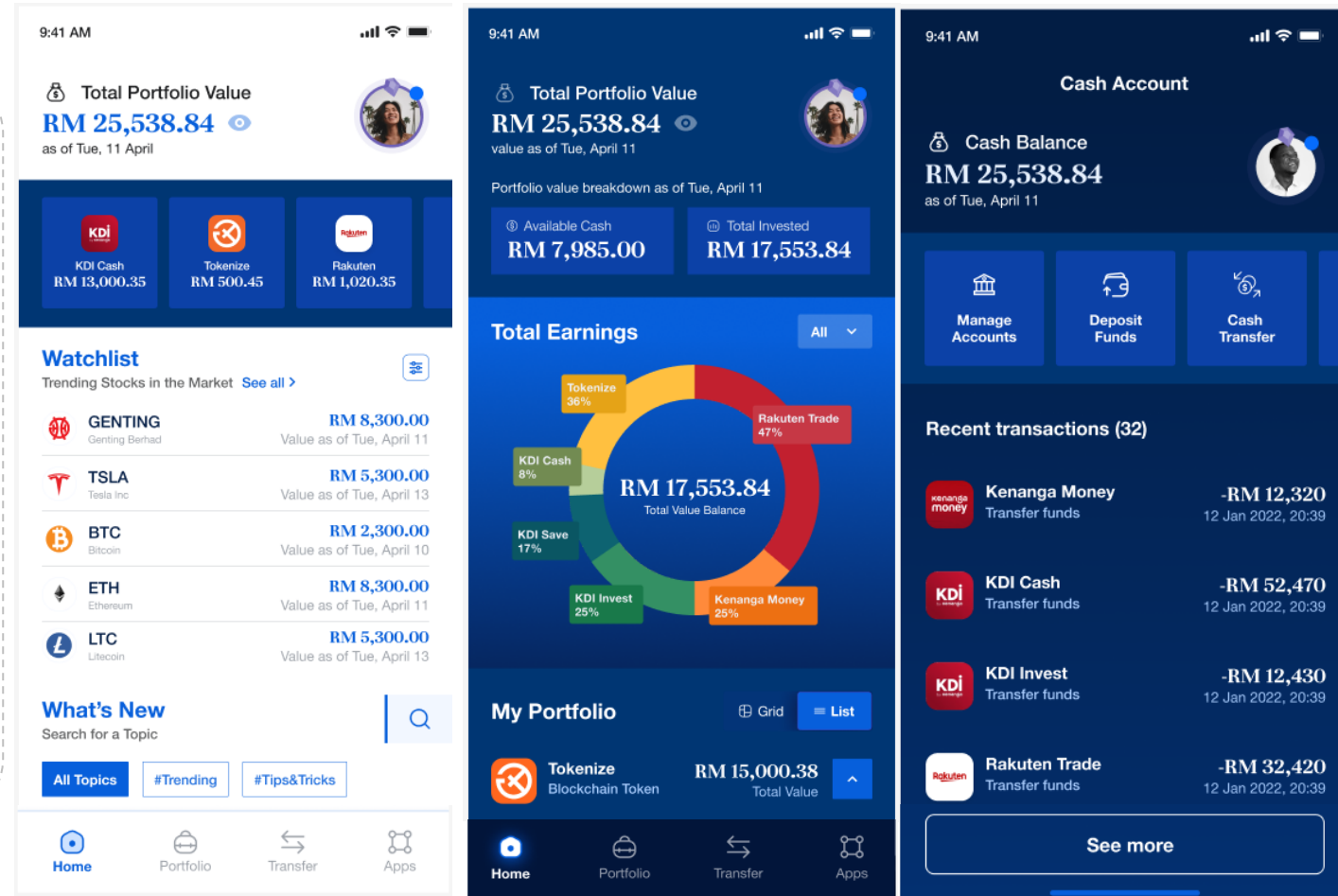
Digital Business – The Kenanga Super App

One of Malaysia's First Direct-to Customer Wealth-Centric Super Apps

- Progress continues with the development of the Kenanga Super App and our new Wealth-as-a-Service offerings.
- Our most popular products and asset classes are being integrated into a Single Portfolio View, giving customers new ways to view, manage, and use their wealth.
- Other features include single customer on-boarding; seamless integration of new financial products; payments with a Kenanga Money Prepaid Visa card; and fast transfers between accounts.

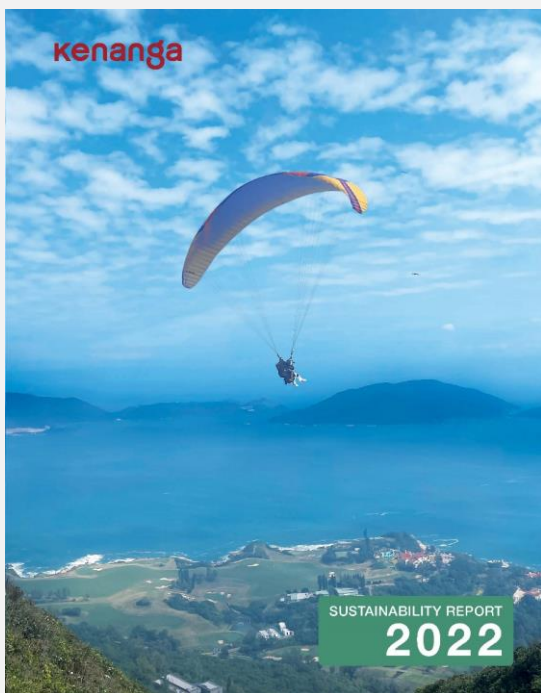
Kenanga Super App

A licensed Wealthtech



Our Sustainability Framework

Latest Sustainability Report available on kenanga.com.my



Scan QR Code for Kenanga's Sustainability Report 2022

OUR SUSTAINABILITY VISION

As a leading independent investment bank, Kenanga is committed to promoting and adopting business-relevant sustainable practices by embedding ESG in our core business strategy and operations, while considering the ESG risks and opportunities in shaping up sustainable investment products and services towards contributing to the best interests of our stakeholders.

Sustainable Economic Growth

Integrate ESG factors into our business decisions and value chain and manage ESG risks and opportunities as we innovate to build a sustainable future.

Responsible Investment

Incorporate ESG factors into our investment processes, offer and promote sustainable products and solutions and take an active stewardship role in the companies in which we invest.

Digitalisation

Leverage technological advancements to develop secure, meaningful and innovative products and solutions that will help shape the future of investing.



Environmental Stewardship

Promote climate positive culture within the organisation and relevant external stakeholders to attain a low carbon economy.

Climate Impact

Take ownership of climate risks and opportunities of our operations through monitoring environmental performance, identifying and practising behaviours to promote climate positive action and outcomes.



Empowering People and Communities

Create a positive impact on our employees, clients, business associates, as well as communities in need.

Diversity, Inclusion and Wellbeing

Inculcate an equitable workplace culture that recognises the unique needs and contributions of employees and where employee rights, health, safety and wellness are promoted.

Community Investment

Enhance financial literacy for investors and the community through education. Reaching out to communities in need through targeted social investments and employee volunteerism.



Good Governance

Lead a responsible business underpinned by a robust compliance culture and high levels of ethical standards.

Good Business Conduct

Promote and embed good business conduct and high standards of integrity throughout the organisation, operate ethically and transparently and in compliance with applicable laws and regulations.



2023

Sustainable Economic Growth

Responsible Products, Solutions through Asset Management

- Integration of ESG screening on existing and new investment
- Active engagement with investee companies
- Socially Responsible Investment (SRI) Products to date:
 - (i) Kenanga Sustainability Series: High Yield Bond Fund
 - (ii) Kenanga Sustainability Series: World Quality ESG Fund
 - (iii) Kenanga Sustainability Series: Emergency Waqf Musa'adah Fund

Pledge to Preserve (“P2P”) Campaign

The P2P Campaign, which was launched in 2022, is an initiative and collaboration with the Animals Projects & Environment Education Sdn Bhd.

For each fresh investment contributed to the KSS products, the investor would have one (1) tree sapling planted on their behalf by APE Malaysia.

Since inception, **1,092 trees** have been planted.



Key Initiatives

ENVIRONMENTAL STEWARDSHIP

Enterprise Decarbonisation Focus

Winner of “Energy-efficient Retrofitted Building” at the National Energy Award 2023 through:

- **Artificial intelligence (“AI”)-powered** predictive cooling control solution for our **chiller**
- **Upgrade of Air Conditioning (“AC”) system and Air Handling Unit (“AHU”)**
- All lightings throughout the 19-storey premise have been **upgraded to LED lights**
- **50%** reduction in our air conditioning energy consumption
- **25%** reduction in overall energy consumption.



EMPOWERING PEOPLE AND COMMUNITIES



Signatory to United Nations Women Empowerment Principles

51% of the overall workforce are female

Average gender pay ratio men to women is **1:0.92**

Female Representation at Kenanga

- Key and Senior Management: 37%
- Middle Management: 53%
- Junior Management: 53%

Salary Ratio Men to Women

- Key Management 1:0.84
- Senior Management 1:1.02
- Middle Management 1:0.82
- Junior Management 1:1.03

Community Outreach Highlights

- Johor Flood - Donated **RM30,000** worth of goods to the flood victims in Segamat, Chaah, Yong Peng, Labis, Sri Medan and Batu Pahat
- Humanitarian food-aid service to the homeless via **Pertiwi Soup Kitchen** – over **800 persons** impacted
- **Empathy Workshop** by social enterprise Dialogue Includes All – **226 staff and agents** trained

Continuous Capacity Building

• For Clients:

Eight (8) webinars and visits for clients i.e., visit to rooftop solar installation, Kenanga ESG Webinar on Accelerating Decarbonisation, visit to EV Charging Hub & Test Drive of EVs etc.

• For Board Members:

In addition to external conferences and mandatory training, customised workshop on **ESG: Principles of Responsible Investment and Carbon Market** was conducted.

• For Employees:

Sustainability Roadshow - Across the span of **10 sessions**, active engagement with nearly **200 participants** from various departments within Kenanga.

GOOD GOVERNANCE



6th Fraud Awareness Week in 2022

The 6th FAW games recorded over 2,000 participations in FY2022, with attendees from notable regulatory, enforcement and professional bodies as well as other financial institutions, public listed companies and Kenanga's third party vendors and suppliers.

The delegates included participants from **Securities Commission Malaysia, Bursa Malaysia, Employees Provident Fund, Petronas, Airasia, Nestle, and Deloitte Consulting Malaysia** as well as **our own employees**.

Kenanga's 7th Fraud Awareness Week is back! *Come and Join Us*



Kenanga will be organising its 7th **Fraud Awareness Week** ("FAW") in November 2023 in conjunction with the International FAW of Association of Certified Fraud Examiners. The aim is to create fraud awareness to emphasise the importance of fraud detection and prevention.

If you would like to participate in the FAW Games, all you need to do is form a team of two (2), complete and submit the online nomination form by scanning the QR code.



2023

2023 Awards and Recognition



National Energy Awards 2023

- Energy-Efficient Retrofitted Building Award



ESG Positive Impact Awards by STAR Media Group

- Silver Award in the 'Innovative Partnership'



Asian Business Review – Malaysia National Business Awards 2023

- Best ESG Investment Bank



Best of the Best Awards by Asia Asset Management

- Malaysia Best Impact Investing Manager



Sustainability & CSR Malaysia Awards

- Bank of the Year – Outstanding Sustainability Champion Award



CSRWorks International 8th Asia Sustainability Reporting Awards

- Asia's Best Sustainability Report – First Time (Silver)

FTSE4Good Bursa Malaysia Index



FTSE4Good

Kenanga remains included in the FTSE4Good for the June 2023 Review

kenanga

Thank You

