

# Investor Briefing Full Year 2023 Results

Kenanga Investment Bank Berhad

March 2023

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# Key Highlights FY2023

**RM821.1 m** (+13.5%)

**Revenue**

+RM98.0 mil  
vs. FY2022

**RM88.1 m** (+18.8%)

**Profit before Tax**

+RM14.0 mil  
vs. FY2022

**RM72.8 m** (+31.4%)

**Profit after Tax**

+RM17.4 mil  
vs. FY2022

**10.04 sen** (+33.9%)

**EPS**

+2.54 sen  
vs. FY2022

**RM1,071.0 m**

**Shareholders' Equity**

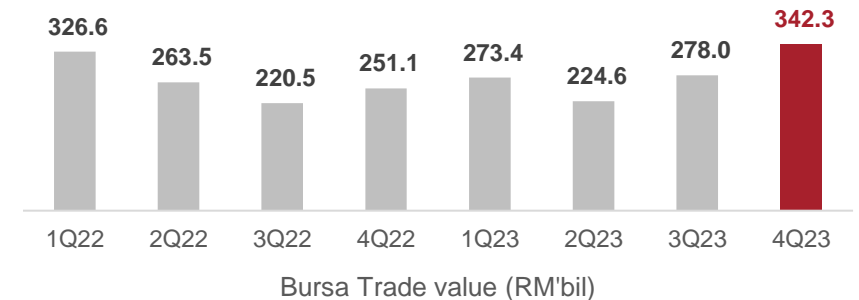
as of 31 Dec 2023

**7.0%** (+31.9%)

**Annualised ROE**

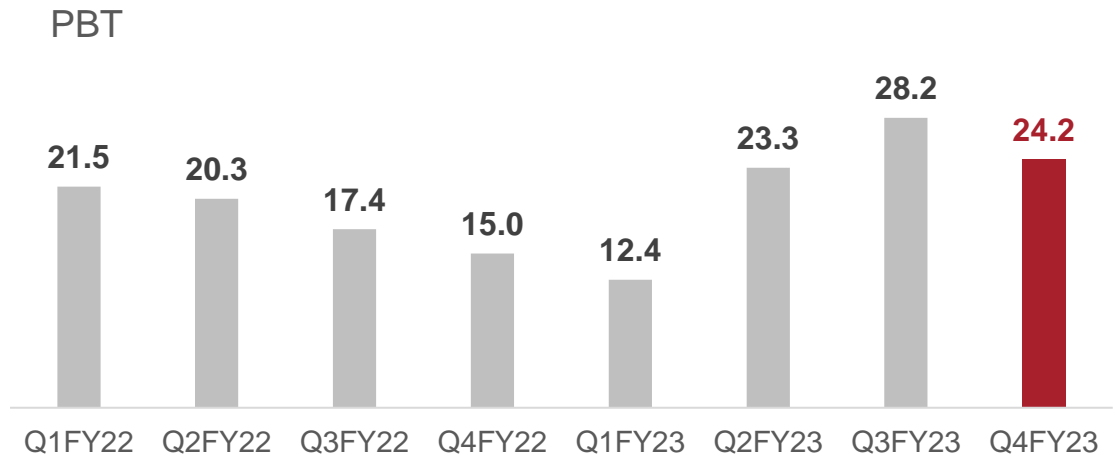
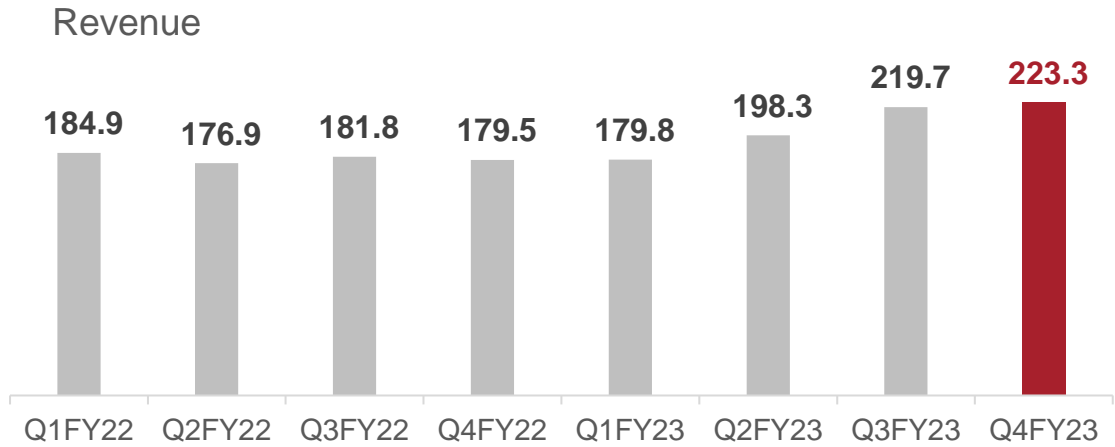
+1.7 p.p  
vs. FY2022

- ▶ Higher **revenue** of RM821.1mil recorded for **FY2023** as compared to RM723.1mil in **FY2022** contributed by our investment management business' higher management fee, performance fee, and our equity derivatives business' higher trading and investment income.
- ▶ In addition, our derivatives business through Kenanga Futures also recorded higher revenue compared to FY2022 due to higher fee and net interest income generated.
- ▶ Average daily trading value ("**ADV**") increased slightly to RM4.6 bil from RM4.4 bil in FY2022. Our market share for 2023 was 10.57% and share of retail segment was 25.8%. For YTD2023, KIBB's position as the largest retail player in the market, also resulted the bank having a highest trading volume of 19.64% on Bursa Malaysia.
- ▶ KIBB recorded a **PBT** of RM88.1mil in **FY2023** higher than **FY2022** due to higher operating income, lower credit loss expense, higher share of profit from associates.



<sup>1</sup> 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 4Q2023



## 4Q2023 vs. 3Q2023

**RM223.3 m (+1.6%)**

### Revenue

+RM3.6 mil  
vs. 3Q2023

- ▶ Higher revenue recorded during the quarter was due to higher trading and investment income by the equity broking business and higher net income attributed to increased in management and performance fees by the investment management business.

**RM24.2 m (-14.2%)**

### Profit before Tax

-RM4.0 mil  
vs. 3Q2023

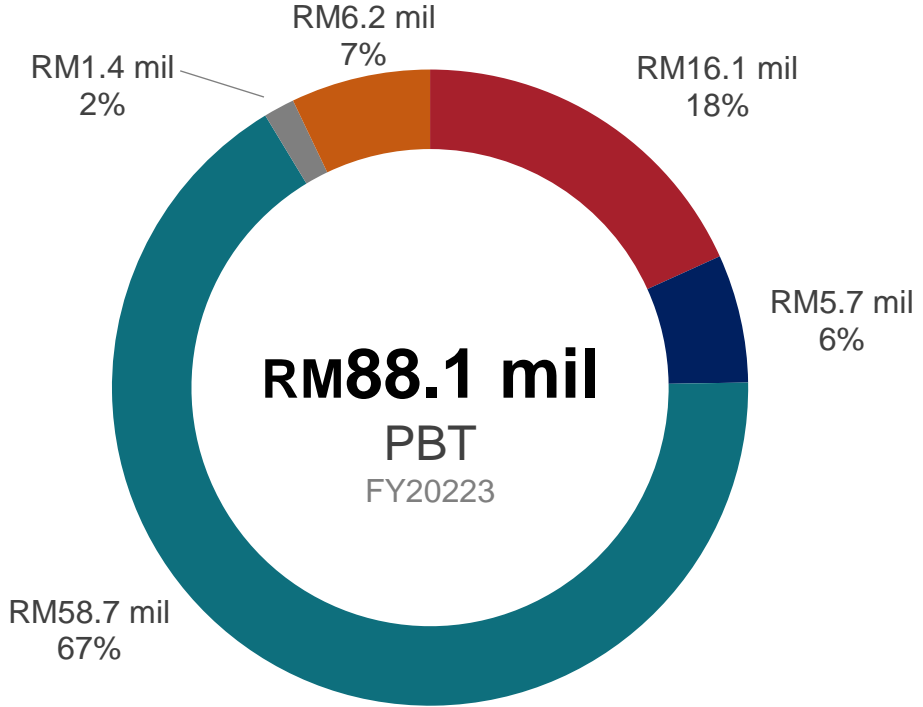
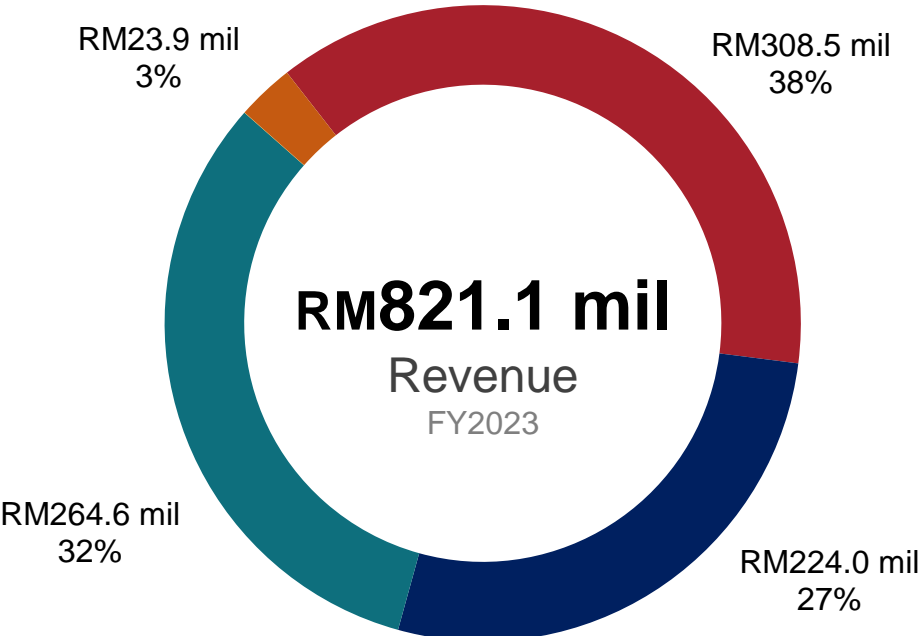
- ▶ Despite higher revenue, the Group recorded lower **PBT** compared to 3Q2023 mainly due to higher overhead due to higher fees paid to agent and remisier as well as provision on credit losses.

<sup>1</sup> 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

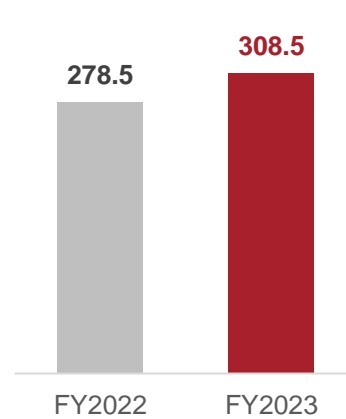
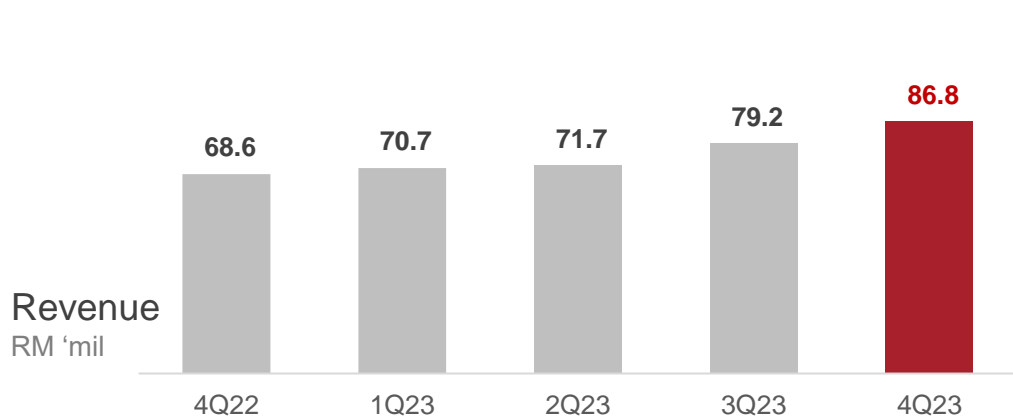


# FY2023 Segmental Breakdown



- Stock Broking
- Investment Banking
- Investment Management
- Others
- Futures Broking

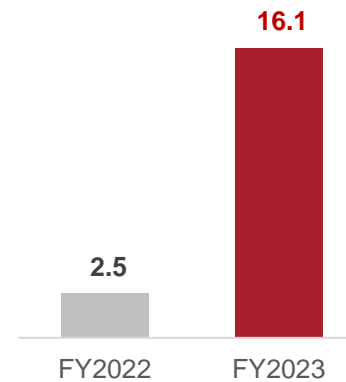
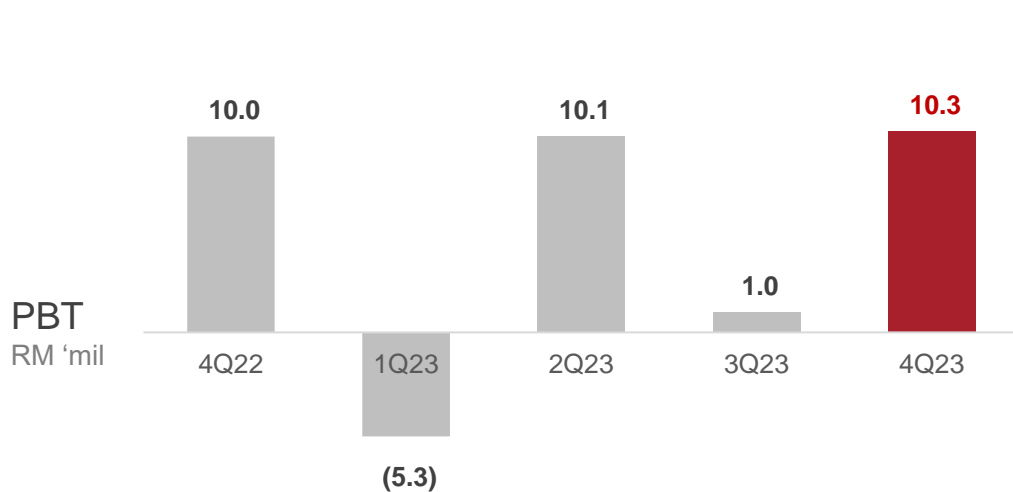
# Stockbroking Segment



vs. 3Q23

- 4Q23 revenue improved QoQ due to higher trading and investment income, RM16.7mil for 4Q2023 versus RM10.7mil for 3Q2023.

	RM 'mil	3Q23	4Q23
Proprietary trading & ETF		1,956	5,692
Structured options/swaps		6,360	5,268
Call and put warrants		2,420	5,729
<b>Total</b>		<b>10,736</b>	<b>16,689</b>

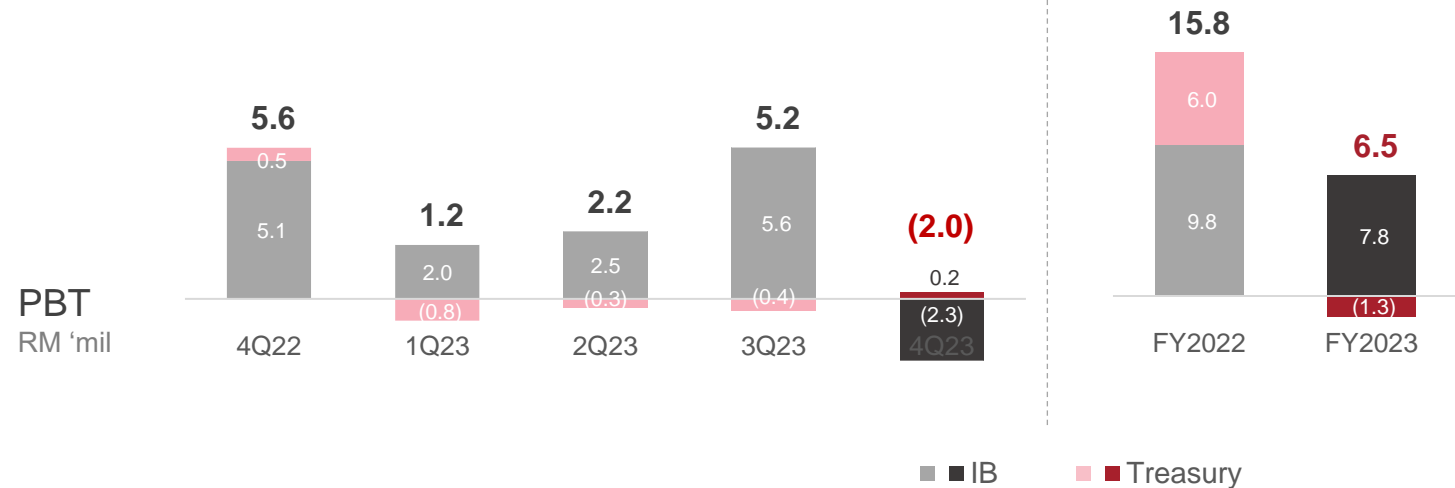
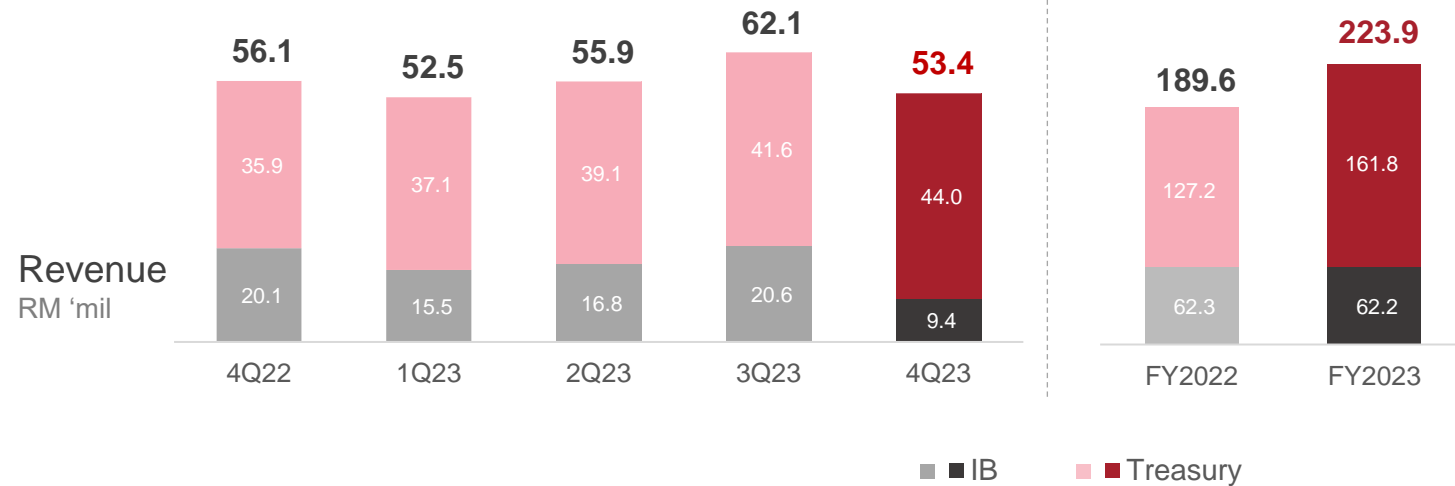


- PBT increased inline with revenue and credit recovery from our margin clients.

vs. FY2022

- In FY2023, higher revenue and PBT recorded due to higher trading volume compared to FY2022, resulting in higher brokerage fees as well as higher trading and investments income and credit recovery from our margin clients.

# Investment Banking Segment



vs. 3Q23

- 4Q2023 **revenue** declined **QoQ** mainly due to lower net interest income and lower IB fees as some of IB mandates were deferred to 2024.

RM 'mil	3Q23	4Q23
Interest Income	50.2	44.9
Fee income	9.5	4.9
Trading & Investment Income	1.3	1.5
Others	1.2	2.1
<b>REVENUE</b>	<b>62.1</b>	<b>53.4</b>

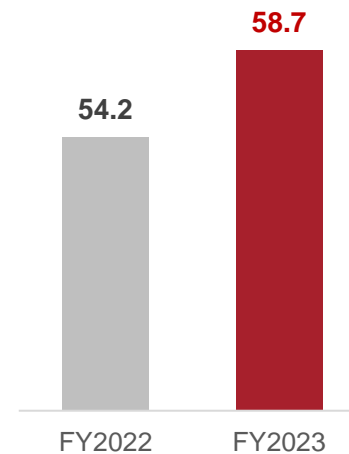
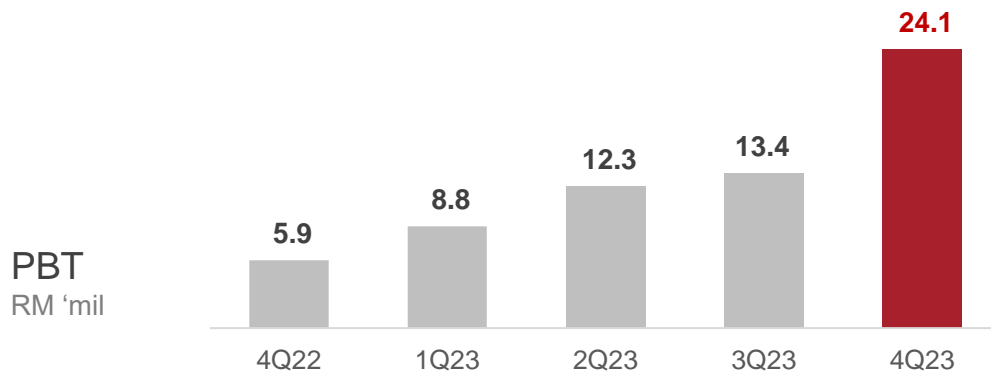
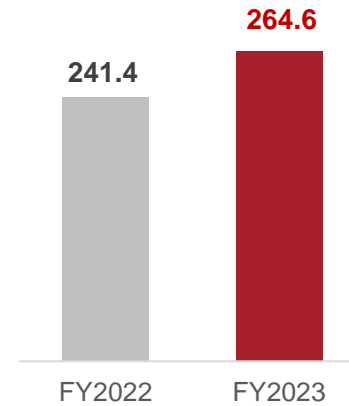
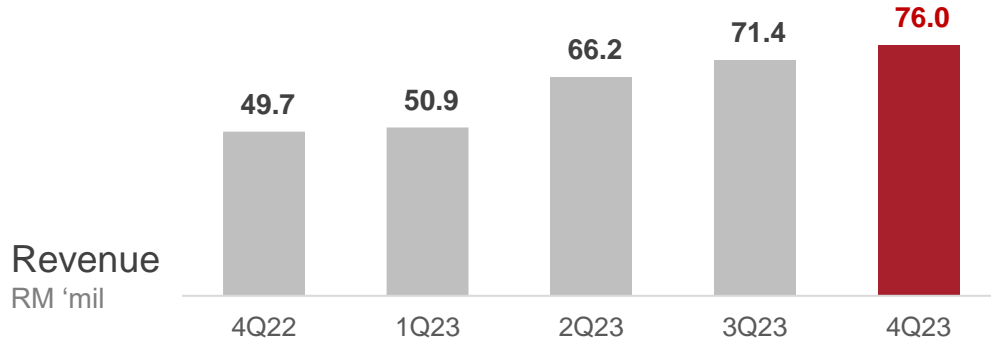
- In **4Q2023**, **PBT** was also lower due to additional provision of uncollected IB fee.

vs. FY2022

- Lower **PBT** was recorded **YoY** due to lower net interest income, lower investment banking fee income and credit loss provision during the year.



# Asset & Wealth Management Segment



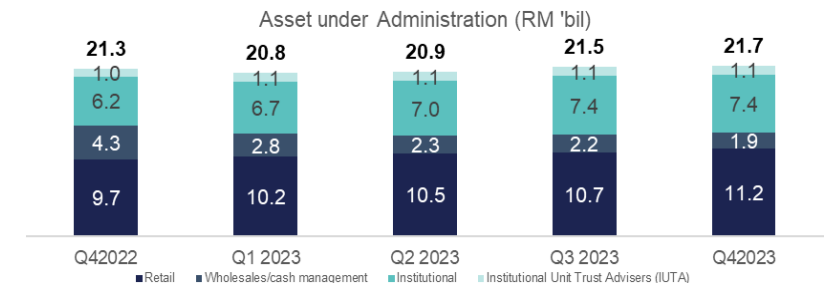
vs. 3Q23

- **Revenue** and **PBT** increased **QoQ** due to higher net income mainly driven by higher management and performance fees income.

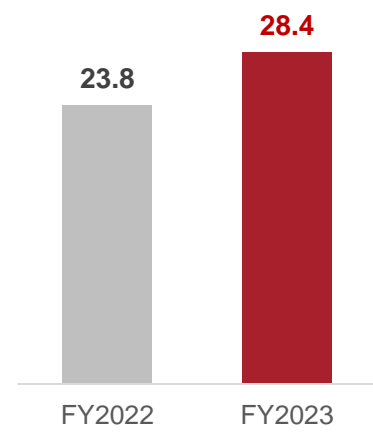
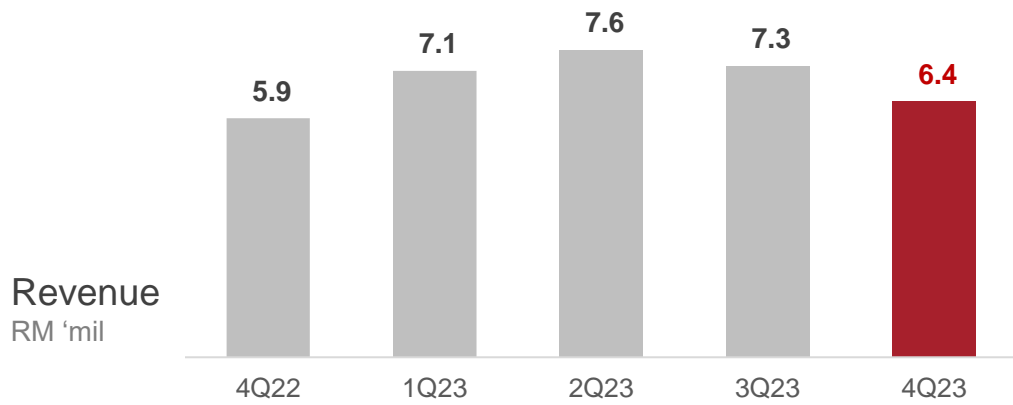
vs. FY2022

- **FY2023 Revenue** and **PBT** increased by 9.6% and 8.3% **YoY** respectively mainly due to higher performance fees income deriving from both investment products for our HNW clients as well as institutional and private mandate portfolios.

- **AuA** was at RM21.7bil in **FY2023**. While the overall AUA is almost same compared to FY2022, retail AUA increased by 14% from RM9.7 billion to RM11.2 billion. Number of agents has also seen an increase to 5,211 from 4,784 in January 2023 as we continue to build the retail distribution network.



# Rakuten Trade

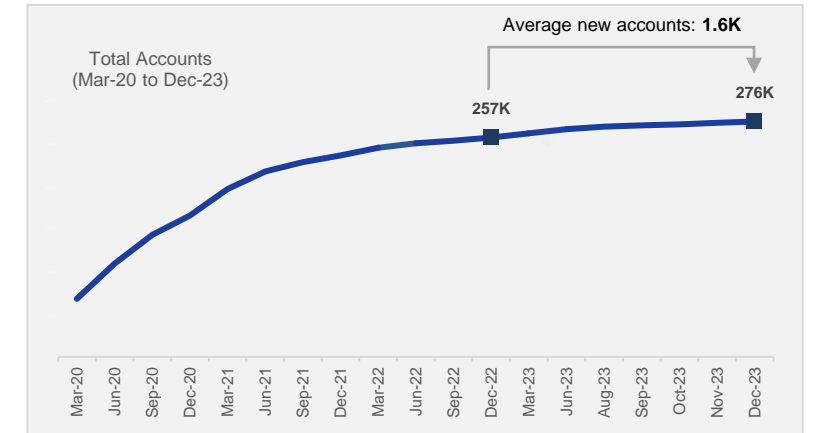
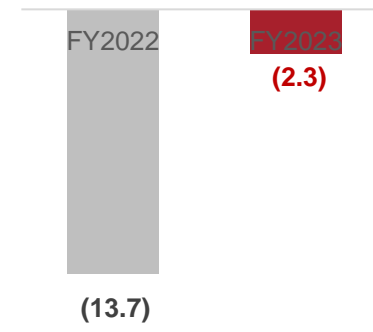
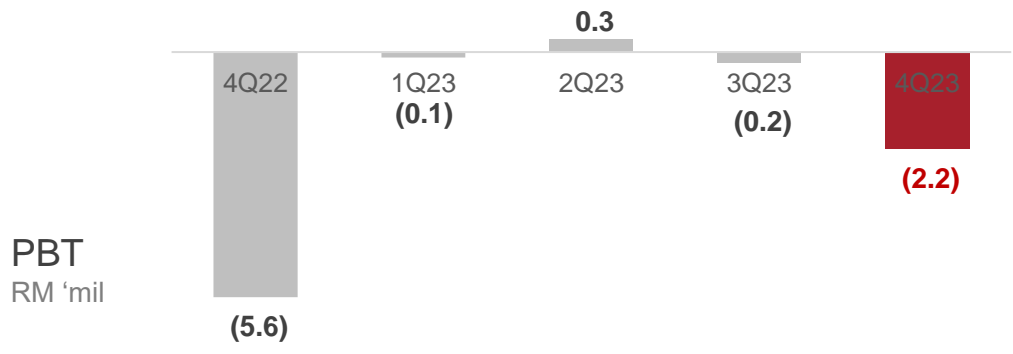


vs. 3Q23

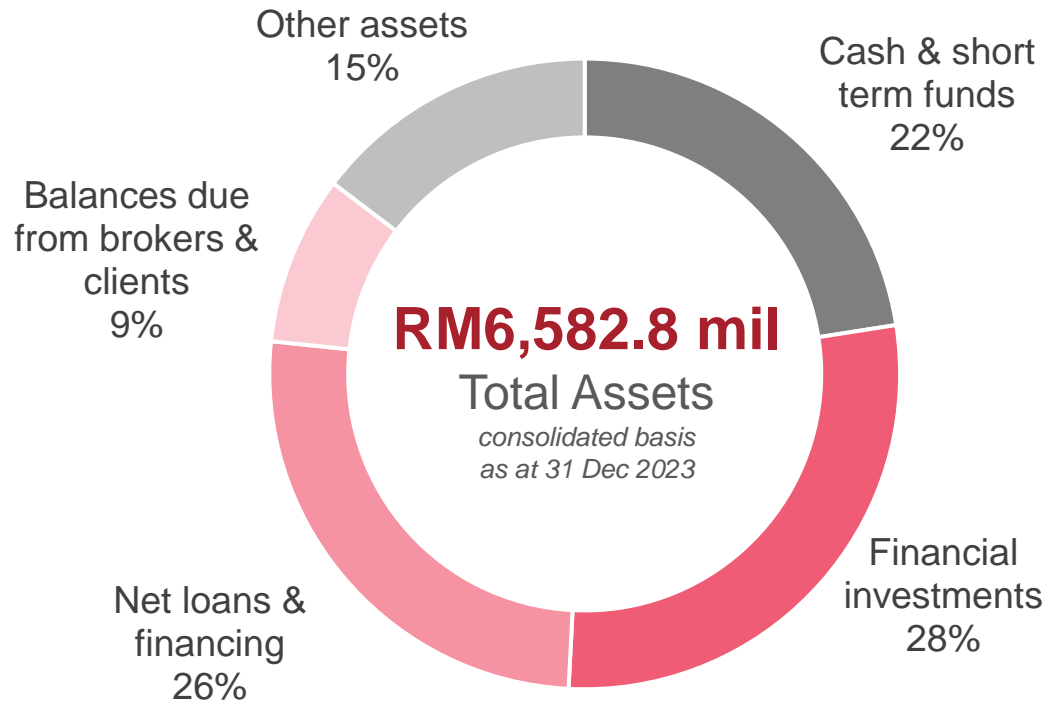
- **4Q23 revenue** decreased **QoQ** due to lower brokerage income.
- However, higher **LBT** recorded **QoQ** due to increase in total overhead due to compensations paid to customers.

vs. FY2022

- **FY2023 LBT** of RM2.3mil has narrowed compared to FY2022 LBT of RM13.7mil due to higher interest income, gain on foreign exchange and credit loss reversal of RM3.2mil.



# Balance Sheet Health



## Cash & Short-Term Funds

- Placed with highly rated financial institutions and BNM

## Financial Investments

- 72% of financial investments are in fixed income securities

## Net Loans & Financing

- Net impaired loans ratio of 3.42%
- Impaired loans with less than 100% security coverage are fully provided

# A+

Credit Rating

Malaysian Rating Corporation Berhad

# 0.17x

Gearing Ratio

Borrowing over total equities

# 29.4%

Total Capital Ratio

BNM's minimum requirement: 10.5%

# 280.5%

Liquidity Coverage Ratio

BNM's minimum requirement: 100%

# 129.5%

Net Stable Funding Ratio

BNM's minimum requirement: 100%

# Business Outlook



# Market Outlook 2024



## Improved ADV and increased retail participation

Albeit modestly, Bursa ADV is expected to continue to improve in 2024 and there will expect more funds inflow as well as retail participation



## Fed expected to hold off interest rate

As inflation reading continues to cool, the Fed has opted to maintain rate for the time being and anticipates potential rate cuts this year, subject to economic and inflation indicators



## Vulnerability of economic growth in China

Despite some post-pandemic economic improvements, China faces a sluggish recovery. Challenges like weak property sector, decreased global demand for exports, high debt levels, and uncertainty consumer confidences are expected to impede the growth



## Geopolitical tensions pose threat to economic stability and commodity prices

Geopolitical tensions in the Middle East, Red Sea, and Ukraine jeopardise global stability, risking disruptions to energy supply and trade routes, which could escalate economic uncertainty and affect commodity prices.

# Outlook for 2024

## Stockbroking

- ▶ **Gross brokerage: Higher ADV is expected in 2024** amidst more funds inflow as well as retail participation
- ▶ **Cost efficiency:** Streamlining of branch network by closing a few more branches in 2024
- ▶ **Increasing recurring fee income: Focus on increasing recurring fee-based** income by pushing products such as discretionary financing and structured funding
- ▶ **Interest income:** Portfolio stands at **RM1.1 bil** and we will continue to manage credit quality and improve spreads
- ▶ **Trading & investment income: Structured warrants** will continue to be a main driver and will focus on index related warrants
- ▶ **Potential increase in credit expenses:** Resulting from a **sudden price drop** in a few counters **leading to contra losses**. However, the recovery is in progress.

## Investment Banking & Treasury

- ▶ **Investment banking**
  - ▷ **Corporate Finance/Equity Capital Markets: 2 IPOs listed** in 2023, **4 IPOs work in progress**, and as of to-date more than **10 other corporate advisory deals** targeted for completion by end of the year
  - ▷ **Debt Capital Markets: 6 active deals at pre-issuance stage** and **40 active on-going deals**
- ▶ **Treasury**
  - ▷ Continue with **asset building** by taking advantage of **yield curves** amidst current interest rates environment
  - ▷ **Increase income** contribution from **FX income** especially from the SME and retail segments via our online FX remittance channel
  - ▷ **Improve funding gaps** through a more efficient cost optimization approach
  - ▷ Cautious approach to increase income contribution from **fixed income** and **FX trading activities** in view of global market outlook for 2024

## Asset & Wealth Management

- ▶ **Maintain sustainable growth** through expansion of Shariah and WM business
- ▶ Expand reach via **digital channels**
- ▶ **Utilise Trust Services** to ring-fence and increase investors AUM

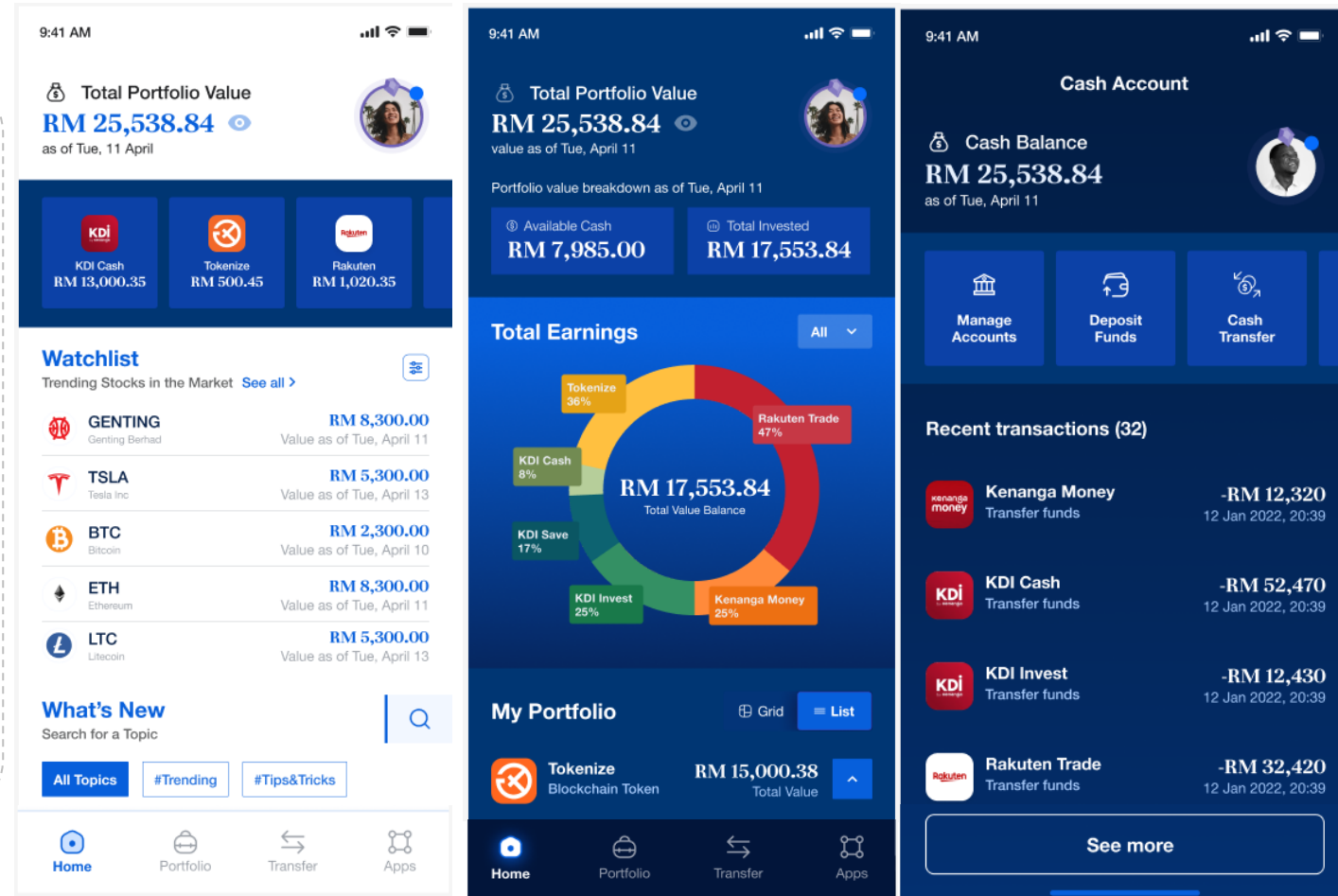
# Digital Business – The Kenanga Super App

## 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



# Latest FTSE4Good Score : 4.0

2.3  
2019  
Dec



2.8  
2021  
Dec

Percentile Rank: 31



3.7  
2022  
Dec

Percentile Rank: 72



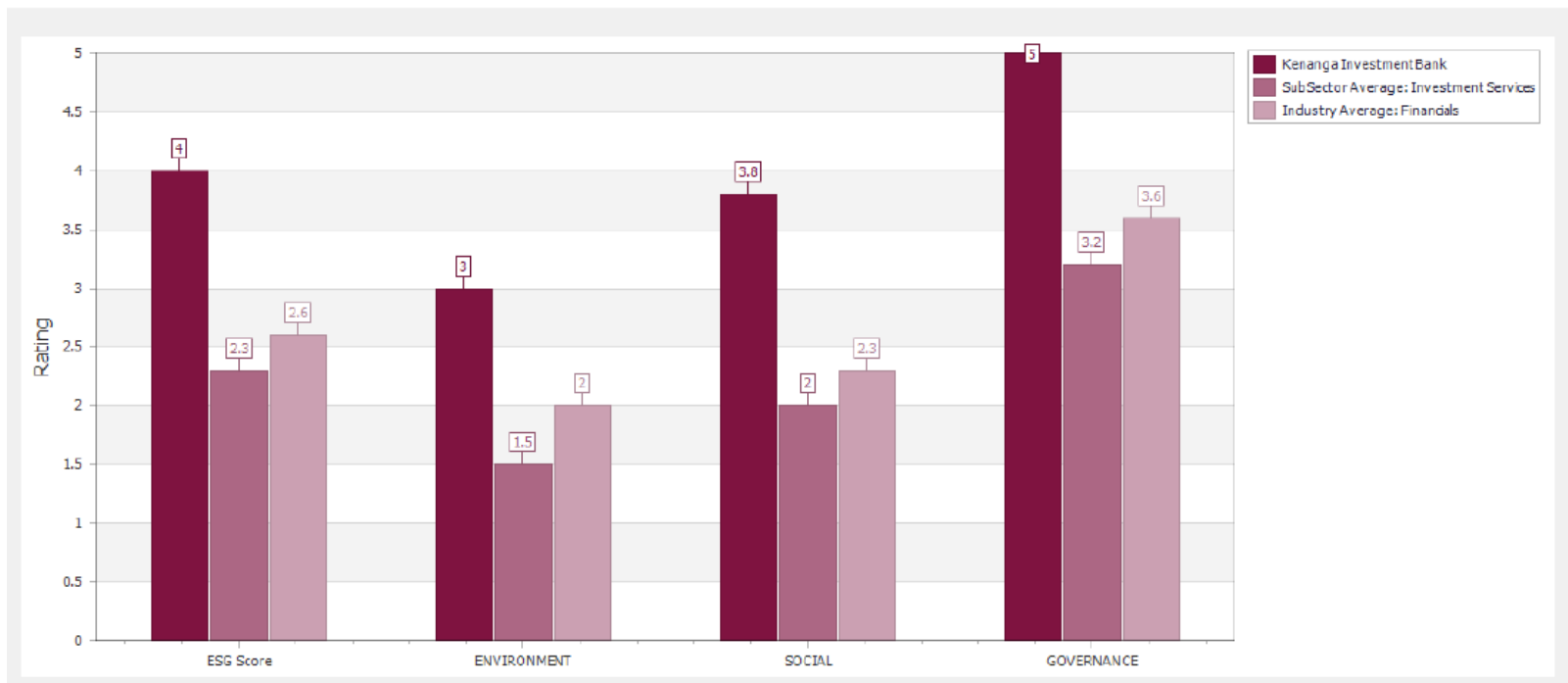
4.0  
2023  
Dec

Percentile Rank: 89



Overall Scores	Dec-21	Dec-22	Dec-23
Environment	1.0	2.0	3.0
Climate Change	1.0 →	2.0 →	3.0
Social	2.8	3.8	3.8
Human Rights & Community	4.0 →	5.0	5.0
Labour Standards	4.0 →	5.0	5.0
Social Supply Chain	2.0 →	3.0	3.0
Governance	4.3	5.0	5.0
Anti-corruption	4.0 →	5.0	5.0
Corporate Governance	5.0	5.0	5.0
Risk Management	4.0 →	5.0	5.0

## Kenanga Investment Bank vs SubSector and Industry averages





## Our Sustainability Framework

Sustainability Report available on [kenanga.com.my](https://kenanga.com.my)



Next Sustainability Report Out in April 2024

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.



# Our Sustainability Progress: A Year of Execution

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:
  - Kenanga Sustainability Series: High Yield Bond Fund
  - Kenanga Sustainability Series: World Quality ESG Fund
  - 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, **1,304 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
- Reduce overall energy consumption in 2022




# Our Sustainability Progress: A Year of Execution

2023

## Key Initiatives

### EMPOWERING PEOPLE AND COMMUNITIES



  
**Signatory to United Nations Women Empowerment Principles**

**51%** of the overall workforce are female

#### Female Representation at Kenanga

- Key and Senior Management: 37%
- Middle Management: 53%
- Junior Management: 53%
- Non-executives: 30%

  
**Became an Official Partner of LeadWomen**

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

#### Salary Ratio Men to Women

- Key Management 1:0.85
- Senior Management 1:1.01
- Middle Management 1:0.83
- Junior Management 1:0.98
- Non-executive 1: 0.93

#### 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

#### Community Outreach Highlights

- In an effort to make a positive impact on our oceans and beaches, our employees participated and supported in the **Dive Against Debris & Beach Clean-up event**
- Johor Flood - Volunteering efforts and donation of goods to the 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 – **219 staff and agents** trained

Invested **RM150,000** in community outreach initiatives with direct positive impact to over **2,700** people

Nearly **400** employees took part in ESG and sustainability-related trainings with over **2,200 training hours** were recorded

2023

## Key Initiatives

### GOOD GOVERNANCE



#### Kenanga's 7th Fraud Awareness Week



**7th Fraud Awareness Week** ("FAW") was launched in November 2023 in conjunction with the International FAW of Association of Certified Fraud Examiners. Themed Embracing Disruption Pioneering Change Unwavering Integrity, which aims to reiterate Kenanga's commitment and belief on the importance of ethical and moral values in shaping good governance whilst moulding the corporate culture that thrives in today's constantly developing and transforming regulatory landscape.

In conjunction with 7<sup>th</sup> FAW, Kenanga organised the **8th Annual Regulatory Seminar** ("ARS") through which we reinforced our standards of conduct on matters such as conflicts of interest, fraud, bribery and corruption, Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions and whistleblowing.

In 2023, Kenanga enhanced its Group Whistleblowing Policy and replaced it with the **Group Speak Up Policy** for the reporting of any concerns made in good faith about behaviour, conduct, practice, deeds and/or omissions that might be either unlawful or inconsistent with the policies of the Group.

## 1 Preparing for Enhanced Reporting

Enhance reporting disclosure for regulators and investors

### Activity

- Enhance ESG Reporting based on FTSE4Good indicators, Bursa requirement and industry best practices
- Obtain sustainability data assurance

## 2 Strengthening responsible investing approach

Support the transition to low carbon economy through responsible investing approach

- Harmonise a Group Responsible Investing Framework
- Baseline of Scope 3 (Category 15 – Investments/Financed Emissions)

## 3 Strengthening Climate Resilience

To understand physical and transition risk impact on portfolios and balance sheet

- Continue tracking and monitoring implementation of BNM CRMSA 14 Key Action Items
- Develop Climate Action Plan – Scope 1, Scope 2 and Scope 3

## 4 Promoting ESG culture

To increase engagement on ESG matters with internal and external stakeholders

- To organise a Sustainability Day and ESG engagement workshops with Board and Senior Management

2023

## 2023 Awards and Recognition



### National Energy Awards 2023

- Energy-Efficient Retrofitted Building Award



### Asian Business Review – Malaysia National Business Awards 2023

- Best ESG Investment Bank



### United Nations Global Compact Malaysia-Brunei Forward Faster Sustainability Awards 2023

- Partnership for the Goals Recognition
- Sustainability Awareness and Employee Engagement Recognition



### Sustainability & CSR Malaysia Awards

- Bank of the Year – Outstanding Sustainability Champion Award



### ESG Positive Impact Awards by STAR Media Group

- Silver Award in the 'Innovative Partnership'



### Best of the Best Awards by Asia Asset Management

- Malaysia Best Impact Investing Manager

kenanga

**Thank You**

