

a proposed acquisition of a 19.0% equity stake in Tokenize Technologies (M) Sdn Bhd (“**Tokenize Malaysia**”), which was approved by the Securities Commission Malaysia on 24 March 2021. Tokenize Malaysia is one of three Digital Asset Exchanges (“**DAX**”), licensed by the Securities Commission Malaysia and second largest DAX in the country by traded market share.

Operating under the brand Tokenize Xchange, it is an online exchange that allows the trading of cryptocurrencies like Bitcoin and Ethereum. The emergence of digital assets including cryptocurrencies has been gaining acceptance globally in the last few years, with its presence in Malaysia fast gaining traction. Fund raising through the tokenisation of businesses and assets is anticipated to be a significant part of the capital markets in the future and making an inroad in the digital assets sector with domain experts Tokenize Malaysia, positions Kenanga to meet opportunities in this area.

#### Financial Position

As at 31 December 2020, our capital adequacy ratios were 24.04% and 24.08% at Group and Company levels respectively. These levels were well above the 10.50% set by Bank Negara Malaysia, including a capital conservation buffer of up to 2.50% if imposed.

Liquidity Coverage Ratio was 154%, above the regulatory requirement of 100%, while Net Stable Funding Ratio averaged above 100%, which became a mandatory level in July 2020.

The Group maintained A+ and MARC-1 ratings from Malaysian Rating Corporation Berhad (“**MARC**”), which demonstrated once again our strong competitive position, sound capital position, profitability and funding profile despite weakened capital market conditions. We will continue to work towards better ratings through ongoing improvements to our financial performance.

At the same time, our subsidiaries KIB and Kenanga Islamic Investors Berhad (“**KIIB**”) maintained MARC’s IMR-2 ratings, reflecting well-established investment process and sound risk management practices.

## SEGMENTAL REVIEW



### Stockbroking

The Stockbroking division, buoyed by the momentum in the stock market, delivered one of its best performance yet with a PBT of RM86.8 million for FYE2020 against PBT of RM9.5 million for FYE2019. This was mainly due to the higher net brokerage income and higher trading income on the back of the significant increase in Bursa Securities trading volume and market volatility.

The COVID-19 pandemic provided a second wind to the stockbroking industry by reigniting retail interest. This segment, which previously represented less than 20% of daily trading volume on the Main Market of Bursa Securities, grew to average of around 50% over the course of the year. As a result, our brokerage and trading incomes rose together with the increased vibrancy of the market, and the Stockbroking division significantly outperformed expectations for the year. Technology investments made in recent years prepared us well for the sudden shift to online trading. It also allowed us to support our remisiers and dealers who were able to service their clients and fulfil surge in volumes remotely. The division clocked a significant 30% growth in its market share to 12.6%, ending the year as the number one retail stockbroker in Malaysia by trading value.

Entering its fourth year as Malaysia’s fully online stocktrading platform, our joint venture, Rakuten Trade, was buoyed by hundreds of thousands of traders piling into the stock market, mirroring trends seen in the U.S and other major economies. With all its facilities accessible throughout movement restrictions, Rakuten Trade received record high account opening and trades on its platform, spurring its first profit in April 2020 and has remained profitable ever since. Rakuten Trade currently contributes approximately 20 % of the Group’s market volume on a daily basis and we expect this figure to grow in 2021.

As at 31 December 2020, Rakuten Trade has 166,000 trading accounts under its belt, making it the fastest growing stockbroker in the market with a market share of over 2%. Rakumargin, a new margin financing platform was rolled out during the year and customers can look forward to more exciting new value-added products and features on the platform in 2021.

## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION & ANALYSIS

We are also in the process of further digitalising workflows and operational processes affecting remisers and dealers, integrating mobility with service workflows, digital knowledge centre and business dashboards that will optimise productivity and efficiency for remote work. When this process is completed, our client reach will expand beyond traditional branch network, propelling growth through convenient, seamless and personalised client experience.

As with the years before, investor literacy remains a key priority for the Stockbroking division. We look forward to providing enhanced outreach to clients in 2021 via webinars and social media.

The year in review saw the Stockbroking division continuing to receive a host of awards and accolades. At the prestigious annual Bursa Excellence Awards, the division was awarded under the Best Overall Equities Participating Organisation, Best Structured Warrant Issuer, Best Retail Equities Participating Organisation and Best Institutional Equities Participating Organisation Investment Bank. The recent Bursa Malaysia Salesforce Retail Investor Campaign 2020 also witnessed the division clinching awards under the Top Dealer Category for Highest Traded Value for ETFs and Highest Traded Value for L&I ETFs. It also won under the Top Remisier Category for Highest Traded Value – New Accounts (Conventional), Highest Traded Value for ETFs and Highest Reactivation of – Inactive & Dormant Accounts.



### Investment Banking

Against the backdrop of the global COVID-19 pandemic, the Investment Banking (“IB”) division as a whole recorded PBT of RM34.0 million over RM24.7 million in 2019, which was attributable to strong performance from the Treasury business, higher net income and reversal of provision for credit loss, which partially offset lower investment banking fee income.

In the equity capital market, the division participated in the listing of Reservoir Link Energy Berhad on the ACE Market - the first O&G listing since 2017. During the year, it also advised on the transfer listing of Nova Wellness Group Berhad from the ACE Market to the Main Market and participated in the biggest Initial Public Offering of 2020, as a Joint Underwriter to the listing of Mr D.I.Y Group (M) Berhad on the Main Market.

Towards the end of the year, it further advised and acted as the principal adviser, managing and joint underwriter for the largest underwritten rights issue in 2020 by JAKS Resources Berhad raising a total of RM238 million, of which RM100 million was underwritten by the IB division. For equity private placement, it acted as the placement agent/manager and sole bookrunner to Komarkcorp Berhad and joint placement agent/manager to KNM Group Berhad.

On the fixed income front, its Debt Capital Markets team was actively involved in various government-guaranteed Sukuk issuances and advised on the maiden issuance of RM3.5 billion Sukuk Murabahah Programme, followed by another issuance of RM1.35 billion and RM1.5 billion respectively by Prasarana Malaysia Berhad. It also advised Malaysia Rail Link Sdn Bhd for its inaugural issuance of RM2.0 billion Sukuk Murabahah Programme. On the corporate side, it advised on a Sukuk Wakalah Programme of RM200 million by SHC Capital Sdn Bhd, with the successful issuance of the first tranche of Islamic medium-term notes of RM80 million.

On our loan assets portfolio, the Corporate Banking team has been actively managing and monitoring our exposure and cautiously growing our portfolio by selectively pursuing lending pipelines generated through our IB channels such as the Merger & Acquisition advisory leads. The team is currently managing a loan portfolio of circa RM655 million as at 31 December 2020 and hoping to grow cautiously in 2021.

As for Islamic Capital Markets, the division will continue exploring innovative Islamic instruments for suitable clients, be it in the form of hybrid debt securities such as Islamic convertible sukuk or equity offerings such as Islamic Redeemable Convertible Preference Shares. With the presence of more fintech players in industry shaping the future of our capital markets, it will also explore the alternative fundraising mode for clients such as the issuance of Shariah-compliant tokenised securities, which is now made possible under the Guidelines on Digital Assets launched by the Securities Commission Malaysia during the year.

The Treasury business achieved outstanding performance in FYE2020 with PBT doubling to RM25.9 million over RM12.0 million in the previous year. This was due to higher revenue from improved trading and investment income, as well as, higher income from foreign exchange and structured product offerings.

In the first quarter of 2020, Bank Negara Malaysia had announced several prudential measures aimed at ensuring that banking institutions remain focused on supporting the economy during exceptional circumstances of the COVID-19 outbreak.

In the midst of such challenging environment, the Treasury division was able to maintain stable funding throughout the year with both our Liquidity Coverage Ratio and Net Stable Funding Ratio remaining above 100%.

The division also gained tremendous traction with the Wealth Management division within the Group, in efforts to increase transaction volumes on products across different asset classes. We anticipate that the division will continue providing this support in the near term with the shared goal of raising business volumes and profitability for the Group.