

## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL POSITION

As at 31 December 2022, the Group and Company capital adequacy ratios were 28.9% and 30.7% respectively, which were in excess of the minimum regulatory capital adequacy of 10.5% set by Bank Negara Malaysia, including a capital conservation buffer of 2.5%.

Liquidity Coverage Ratio was 183.0%, well above the regulatory requirement of 100%, while Net Stable Funding Ratio stood at 124.1%, above the mandatory minimum of 100%.

The Group maintained A+ and MARC-1 ratings from the Malaysian Rating Corporation Berhad (“**MARC**”), a reflection of our strong capital position, profitability, and funding profile despite weakened capital market conditions. As always, we will continue to work towards achieving and sustaining the highest ratings through constant improvements to our financial performance.

For the same period, our subsidiaries Kenanga Investors Berhad and Kenanga Islamic Investors Berhad maintained MARC IMR-2 ratings, affirming our commitment to well-established investment processes and sound risk management practices.

### SEGMENTAL REVIEW



#### Stockbroking

Despite the easing of COVID-19 restrictions and the rapid normalisation of economic activity in Malaysia and around the world, FY2022 was an intensely challenging year for equities listed on Bursa Malaysia. As mentioned, trading volumes and momentum dissipated sharply.

The performance of our joint-venture business Rakuten Trade—Malaysia’s first online trading platform—was impaired by low trading volumes and retail participation in the Malaysian market, with brokerage income falling 63.1% to RM17.9 million. Its newly launched US-based

platform contributed 20% of its overall revenue but was adversely affected by the US Federal Reserve’s aggressive interest rate changes throughout the year. Nonetheless, Rakuten Trade grew its customer base by approximately 21,000 new accounts, bringing the total number of accounts since it first launched to more than 257,000. Its client trust cash balance ended 8.5% higher year-on-year at RM443 million, indicating strong confidence among its clients.

Despite headwinds, our Stockbroking division recorded a PBT of RM2.5 million in FY2022. It mitigated many of the harsher effects of the year-long challenges by maximising business efficiencies, careful cost management, and the continued development of a well-rounded client base encompassing retail and institutional clients, as well as increasingly diversified income, including its algorithmic trading and Structured Derivatives businesses.

In tandem with the Group’s digitalisation journey and strategies to improve efficiency, the division continued to consolidate its physical office presence nationwide with the closure of twelve (12) branches in early 2022. This development had minimal effect on daily operations as clients and remisiers have been steadily migrating to the Group’s online platforms since the beginning of the COVID-19 pandemic. The developments that initially took place as a means to lessen or overcome the negative impact of the lockdown have since translated into significant increases in operational efficiency with no disruption to daily business through the rollout of additional digital products and services in FY2022 such as an e-onboarding platform for clients, which drastically improves and shorten the account opening process, as well as continuous improvements to our remisiers’ portal. We also plan to roll out algorithmic trading platform for our clients in FY2023.

The division also continued its efforts to build better investor literacy through public education and outreach for existing as well as prospective customers, with a richer and more comprehensive series of webinars and other digital content on various financial topics.

Thus, it is very gratifying to note that its efforts continue to be recognised for excellence in the industry. These include several accolades at the Bursa Excellence Awards 2022 such as ‘Best Overall Equities Participating Organisation’ (Champion), ‘Best Retail Equities Participating Organisation’ (Champion), and ‘Best Online Retail Participating Organisation’ (Champion).