

**SEOHAN SOO**

Chief Executive Officer*
AmInvestment Bank Berhad

AmInvestment Bank

“AmInvestment Bank’s FY2020 priorities were to contribute to the Group’s overall Top 4 Strategy, in which we continued to excel in areas such as Corporate Finance and Capital Markets whilst showing marked improvements in Fund Management and Private Banking. Our licensed professionals have decades of investment banking experience, and are committed to giving our clients the best possible advice and the highest standards of deal execution. We believe that providing such value-added services will enable us to build a sustainable business, with repeat mandates from discerning clients.”

ABOUT US

AmInvestment Bank offers the full range of integrated solutions and services, encompassing corporate finance and M&A advisory, equity capital markets, debt and Sukuk capital markets, as well as fund management, private banking and stockbroking services. The services provided cover both conventional and Islamic financing. Over the years, AmInvestment Bank has achieved a solid, award-winning track record in the debt, equity and Islamic capital markets sectors.

AmInvestment Bank

Capital Markets Group (CMG)

Provides innovative and customised debt and capital financing solutions through proven capabilities in fixed income, derivatives, credit solutions, and advisory services – covering both conventional and Islamic financing – that meet and exceed expectations of our clients.

Corporate Finance (CF)

Delivers an extensive range of corporate and advisory services comprising mergers and acquisitions (M&As), take-overs, restructuring, initial public offerings (IPO), issuance of equity and equity-linked instruments, valuations and independent advisory services.

Equity Capital Markets (ECM)

Leverages on AmInvestment Bank’s established distribution network and close relationships with fund managers, retail investors and research analysts; providing timely market intelligence in the origination of primary market transactions and the structuring and managing of the marketing and distribution of both primary and secondary equity offerings.

Equity Markets (EM)

Acts as the stockbroking arm of the Group. Products and services offered include share trading, securities borrowing and lending, share margin financing and foreign investment services that cater to both institutional and retail clients. Also, the AmEquities trading portal and application offers clients online trading capabilities.

Fund Management (AmInvest)

Manages unit trust funds, exchange-traded funds, wholesale funds, institutional and corporate mandates, private retirement and pension funds; specialising in active Asian bonds. Our expertise encompasses both conventional and Shariah-Compliant funds.

Private Banking (AmPrivate)

Provides high net-worth clients with investment solutions, both discretionary and non-discretionary, to fit their risk profile (both in Malaysian Ringgit and foreign currencies).

* Resigned effective 1 July 2020

OUR PERFORMANCE

Overall, AmInvestment Bank's profit after tax (PAT) increased by RM37.4 million to RM98.3 million. The growth is mainly attributed to a higher net income from sizeable deals, which more than offset the increase in operating expenses and a lower write-back of impairment.

For CMG, with over 15 years in the Top 3 of Bloomberg's Malaysia Bonds League Table, this financial year was no different. CMG ended FY2020 in the Top 3, beating other banking group peers with much larger balance sheets. This enviable track record is down to close collaboration with our client coverage colleagues, deep-seated relationships with clients, and an unwavering commitment to providing innovative market-driven solutions.

The alignment of CF's strategy with Wholesale Banking Coverage (WBC) and Business Banking (BB) helped drive strategic dialogue with the bank's corporate and SME clients. Close collaboration between CF and WBC & BB enabled the team to deliver high-quality advice and win advisory mandates from our clients.

ECM contributed to AmInvestment Bank's growth through equity fundraising activities by primarily focusing on mid-cap sized companies listed on Bursa Malaysia. It was another milestone year as ECM led Bloomberg's Primary Placement League Table 2019 by successfully raising more than RM700 million. Further, in September 2019, ECM (as Principal Advisor and Sole Placement Agent) launched and executed a primary placement via Accelerated Book-Building for and on behalf of Guan Chong Berhad (GCB), raising just under RM100 million. The deal won The Edge Malaysia's Best Share Placement in 2019 as ECM helped change the market's perception of GCB as a traditional commodity player, achieved the targeted price-earnings ratio, and received an overwhelming response from investors.

FY2020 was a challenging year for EM, with lower total traded value on Bursa Malaysia during the period under review. Foreign investors were net sellers of Malaysian equities, which contributed to the overall decline in the FBM KLCI Index. However, we are seeing a revival of interest amongst retail investors and this bodes well for the Malaysian equities market.

For Fund Management, our engine of growth has been our ability to deepen our institutional and retail channel relationships, improving our position in terms of inflows from investors in both segments. Meanwhile, our investment team continuously strive to maintain top-tier fund performance across all asset classes. As such, AmInvest achieved another record in terms of assets under management (AUM) as we closed the year with a fund size of RM42.1 billion, up 4.0% from a year ago. Our total AUM has been growing steadily and consistently at a Cumulative Annualised Growth Rate (CAGR) of 4.0% over the past three years. Furthermore, the AUM of our exchange-traded funds (ETFs) grew 5.2% over the year to RM1.6 billion, dominating the market with a market share of 78.5% and making AmInvest the largest ETF provider in the country. We also achieved growth in our unit trust market share, which rose from 8.2% to 8.4%.

Finally, AmPrivate's Revenue grew 48.7% YoY with improved performance in both discretionary and non-discretionary mandates. Additionally, AmPrivate's PAT significantly increased by >100% from higher management fees. Our discretionary mandate portfolio out-performed the MSCI Asia Ex-Japan index, delivering a 20% return amidst challenging global environments during the calendar period.

Total Income
RM305.4 Million in FY2020

RM242.4 Million in FY2019

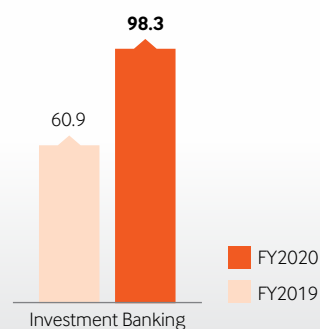
Total Expenses
RM186.7 Million in FY2020

RM173.8 Million in FY2019

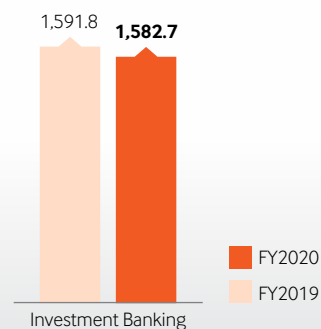
Cost-to-Income Ratio (CTI)
61.1% in FY2020

71.7% in FY2019

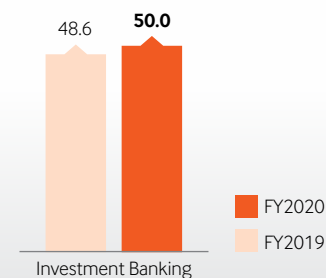
PAT (RM Million)



Gross Loans (RM Million)



Assets Under Management (AUM) (RM Billion)



AWARDS & RECOGNITION



AmInvestment Bank has garnered more than 30 awards in 2019 alone, including the following:

Capital Markets Group

- The Asset Triple A Islamic Finance Awards 2019
 - Best Islamic Loan Adviser – Malaysia (2nd Consecutive Year)
- The Asset Triple A Asia Infrastructure Awards 2019
 - Project Finance House of the Year – Malaysia (5th Consecutive Year)
- RAM League Awards 2019
 - Lead Manager Award 2018 by Number of Issues (Joint 2nd Place)
 - Lead Manager Award (Sukuk) 2018 by Number of Issues (Joint 2nd Place)

Corporate Finance (CF) and Equity Capital Markets (ECM)

- The Edge Malaysia Awards 2019
 - Best Share Placement 2019 for Guan Chong Berhad (RM92.4 Million Private Placement)
 - Best M&A deal (Notable Mention) 2019 for Can One Berhad (RM1.53 Billion takeover of Kian Joo Can Factory Berhad)

- Alpha South-East Asia Awards 2019
 - Best Equity Deal and IPO in Malaysia 2019 for Leong Hup International Berhad (RM1.19 Billion IPO)
- Bloomberg 2019 – Ranked No. 1 in Primary Placement League Table with 29.8% Market Share
- Best Small to Mid-Cap Corporate Finance House in Malaysia by Alpha Southeast Asia Best Financial Institutions Awards 2020

Fund Management (AmInvest)

- EPF External Fund Managers Award 2019 – Best Global Sukuk Fund Manager 2019
- Refinitiv Lipper Fund Awards 2020 Winner, Malaysia – Best Bond Group, Malaysia Pension
- Asia Asset Management, 2020 Best of the Best Awards – Best Pension Fund Manager, Malaysia (2nd Consecutive Year)

KEY INITIATIVES & OUTCOMES

Key Initiatives

Capital Markets Group (CMG)

- Provided a wide range of innovative and integrated financing solutions via the Malaysian debt capital markets, serving a clientele across a diverse range of industries.
- Acted as a Principal Advisor/Lead Arranger for major Sukuk and Syndicated Financing deals, including:
 - RM10.0 Billion Sukuk Wakalah Issuance for MBSB Bank Berhad.
 - RM1.5 Billion Unrated Sukuk for Tanjung Pinang Development Sdn Bhd.
 - RM1.0 Billion Perpetual Sukuk for WCT Holdings Berhad.
 - RM1.20 Billion Syndicated Commodity Murabahah Term Financing-i for Serba Dinamik Holdings Berhad.
 - RM620.0 Million Syndicated Term Financing-i for TSSA Harta Sdn Bhd.

Outcomes

- 1st Subordinated Sukuk Issuance by an Insurance/Takaful Holding Company.
- Largest Single Tranche Personal Financing Securitisation year-to-date (YTD) 2019.
- Largest A3-Rated Tier 2 Capital Issuance in Malaysia.
- Top 3 MYR Corporate Bonds/Sukuk Issuer for 17 Consecutive Years.

KEY INITIATIVES & OUTCOMES

Key Initiatives

Outcomes

Corporate Finance (CF)

- Close collaboration with client relationship teams to offer end-to-end financial solutions for our corporate clients.

- Strive to become the trusted Business Advisor of choice for clients via proactive idea generation and active strategic dialogues with key decision-makers to identify opportunities.

- RM1.0 Billion IPO – Leong Hup International Berhad.
- RM128 Million primary placement – Eastern & Oriental Berhad.
- RM1.5 Billion – Can One Berhad's takeover of Kian Joo Can Factory Berhad.
- RM1.6 Billion – YTL Cement Berhad's takeover of Lafarge Malaysia Berhad.
- RM0.7 Billion – GSB Group Berhad's acquisition of property development assets.

Equity Capital Markets (ECM)

- Focused on mid-capital sized companies listed on Bursa Malaysia. Notable transactions include:
 - RM92 million for Guan Chong Berhad (Primary Placement).
 - RM184 million for ATA IMS Berhad (Primary & Secondary Placements).

- Ranked No. 1 in Bloomberg's Primary Placement League Table 2019 by raising over RM700 Million.
- Winner of The Edge Malaysia's Best Share Placement 2019 for the Guan Chong Berhad transaction.

Equity Markets (EM)

- Invested in digitalisation to improve customer experience and reduce operating costs.
- Rolled out Bank Branch Broking with Retail Bank.
- Established a Prime Brokerage unit to service ultra-high net-worth clients.
- Grew the share margin financing book to counter declines in share trading volumes.

- E-Account Opening Form launched in Jan 2020, which includes tri-lingual features for our online share trading portal, AmEquities; e-contract notes and e-statements.
- Over 1,000 new accounts opened via the Bank Branch Broking initiative.
- More than RM6.0 Million in total revenue in the maiden year of operations for Prime Brokerage.
- Double-digit growth in share margin net interest income in FY2020.

Fund Management (AmInvest)

- Rolled out three new unit trust funds:
 1. Global Bond Fund – AmIncome Bond.
 2. Mixed Asset Fund – Income and Growth.
 3. Closed-ended Bond Fund – AmFlexi Maturity.
- Embarked on a Consolidation and Overhaul Exercise on our Fund Offerings.

- New fund flows contributed to the growth in our overall Assets Under Management (AUM) to RM42.1 billion fund size, an increase of RM1.6 billion in total which represents a 4.0% growth in AUM from a year ago.
- The consolidation and overhaul exercise effectively managed the overlaps in some of the funds' investment value propositions to our investors, ensuring that our fund themes remain relevant in the longer term.

Private Banking (AmPrivate)

- Focused on growing revenue and customer base, as well as increasing Private Client Managers' productivity and presence.
- Engaged with emerging and second-generation High Net-Worth Clients.

- Achieved total revenue growth YoY of 48.7% and improved Private Client Manager productivity.

CHALLENGES & RISKS

| Challenges/Risks | Mitigation Strategies | Results |
|--|---|--|
| Investments Climate Dwindling interest and declining importance of Bursa Malaysia amongst foreign investors. | <ul style="list-style-type: none"> Focus on the higher-margin retail investor segment which currently makes up between 20%-25% of the total turnover value on Bursa Malaysia. | <ul style="list-style-type: none"> Overall improvement in our retail market share. |
| Brokerage Compression Stockbroking industry inevitably moving towards a zero-brokerage scenario due to technology advancement and competition. | <ul style="list-style-type: none"> Invest in digital capabilities to lower operating costs, improve customer experience and minimise trading errors. | <ul style="list-style-type: none"> Enhanced functionalities and features on <i>AmEquities</i> portal, such as portfolio management. |
| Fee Compression Increased competition may lead to fee compression for advisory revenues. | <ul style="list-style-type: none"> Collaborate with client relationship teams, offering financing to execute the deals. Provision of comprehensive one-stop financial solutions to defend key client relationships. | <ul style="list-style-type: none"> Ranked Top 3 by deal value amongst Malaysian advisors in Bloomberg M&A League Table 2019. |
| Competition Continue to face intense competition amongst banks as deal activities remain low. | <ul style="list-style-type: none"> Focus on niche customer segments and leverage on AmBank Group's competitive strengths. | <ul style="list-style-type: none"> Growth in Mid-Corp and SME customer base. |

PROSPECTS & OUTLOOK

The upcoming financial year will be significantly impacted by a global economic crisis driven by the COVID-19 pandemic and plunging oil prices. With the extended lock-down globally, economic activities are at a stand-still as market outlook remains uncertain and negative. Bank Negara Malaysia (BNM) has since revised the GDP forecast growth to -2.0% to +0.5% in 2020, compared to a 4.9% GDP growth in 2019. The economic downturn will most likely lead to further policy rate easing, which will impact net interest income and non-interest income of investment bank due to a less vibrant capital market. In line with the subdued economic outlook, the banking system loans growth is expected to be flat in 2020. We foresee margin compression for banks stemming from further interest rate cuts, deposits competition and slower loans growth. Origination business will also be significantly impacted, with a substantial decline in business and cash flow of corporate clients leading to potential rating downgrade and debt restructuring.

The COVID-19 pandemic is also adversely affecting the sentiment of Malaysia's investors. Broking and wealth management income will be challenging with the market turning more cautious on investing. We expect markets to remain volatile in FY2021 due to the global health crisis, with a potential increase in margin calls for share margin financing in light of the declining Kuala Lumpur Composite Index. Wealth management income for Fund Management and Private Banking could come under pressure with declining assets value (both bonds and equity) and lower AUM. We also expect equity fundraising volume to remain subdued as evidenced by most of the major deals being put on hold. However, private banking is expected to continue on its growth phase as High Net-Worth clients increasingly seek guidance on investment opportunities in local and foreign currencies.

The economic impact of the pandemic is expected to taper by the end of the second quarter of FY2021, with normalisation of both the global and domestic economy to take place in the second half of 2020. Economic recovery is supported by the Malaysian Government's announcement of two stimulus packages that aim to boost growth and offers support in areas like liquidity, consumption and employment. BNM also announced a moratorium to defer loan repayments as well as initiatives to restructure and reschedule financing, which should help alleviate the cash flow pressures of individual and SME borrowers. We anticipate no major impact from the moratorium to our financial statements as the Group's overall collateral coverage ratio remains healthy.

These easing monetary policies provide AmInvestment Bank with opportunities in fixed-income and low-risk assets offerings. We are looking to expand our higher-margin funds to boost revenue while we embark on our technology and digital journey. With a steady interest in the marketplace, we will also delve deeper into Islamic funds and mandates, while also collaborating with external parties in terms of distribution and joint promotions. We also foresee opportunities for business consolidation from mergers and acquisitions (M&A) advisory and refinancing exercise planned for in the second half of FY2021.