

C. BUSINESS REVIEW

Wholesale Banking



RAJA TEH MAIMUNAH RAJA ABDUL AZIZ
 Managing Director
 Wholesale Banking, AmBank Group

In FY2022, Wholesale Banking remained undeterred by the volatile market and challenging operating environment as we tightened risk management and precisely executed strategy.

FY2022 was a remarkably challenging year for Wholesale Banking. On the verge of recovery, the economy was further burdened with the continuous disruption caused by COVID-19 pandemic, devastating floods and heightened geopolitical tension. Against these events, Wholesale Banking achieved commendable top-line results, albeit with some setbacks in higher provision for credit losses. Corporate & Transaction Banking recorded a 9.0% income growth YoY as we continue to deepen our relationship with clients, deliver bespoke solutions and enable our clients to adapt to the changing needs of their businesses. YoY Growth in CASA was 13.7%, and 7.7% for Gross Loans.

Group Treasury & Markets (GTM) continued to deliver higher sustainable income from strategies to ride on the market movements, grow net interest income, and ancillary income arising from the flow business from Foreign Exchange (FX) and Equities. The liquidity of the Group remained healthy while we continued to manage the Group’s cost of funds effectively. Overall, we have become more resilient and responsive to the changing business environment to generate sustainable long-term growth.

ABOUT US

We cater to the banking needs of mid-sized and large corporations from various economic sectors and industries. Business solutions experts supported by client coverage teams offer our clients an extensive repertoire to help meet their diverse financial services needs. These offerings include cash management, trade solutions, financing, FX, remittances, investments, treasury, debt, and equity capital markets solutions. We comprise of three main divisions:

Corporate Banking

Corporate Banking offers a full range of products and services, including corporate lending, trade finance, offshore banking and cash management solutions to wholesale banking clients.

Transaction Banking

Delivers tailor-made cash management solutions, trade products and remittances to corporate and SME clients.

Group Treasury and Markets

Group Treasury and Markets manages liquidity for the banking group and offers financial market solutions to a broad range of clients across all asset classes. The sales and trading activities cover fixed income, interest rates, foreign exchange, money market, equity, commodities, and derivatives.

KEY INITIATIVES & OUTCOMES

Key Initiatives

Supply Chain Financing (SCF) Digital Platform

- Launched Supply Chain Financing (SCF) Digital Platform.
- Collaborated with CapBay, an award-winning Supply Chain Finance and Peer-to-Peer Financing Platform provider.

Fintech Partnerships

- Developed Fintech partnerships via Payment Service Agents (PSAs) for PayNet’s RPP products and services.
- Offered bespoke solutions via Application Programming Interfaces (APIs) to Fintech partners (Money Service Businesses “MSB”) to digitalise inward remittance via DuitNow transactions.
- Extended and introduced DuitNow QR services via API for seamless reconciliation with the dynamic DuitNow QR.
- One of the significant Fintech Partnerships forged by the Bank is with Merchantrade Asia. This is in line with the Banks’ ongoing digital journey. The Bank and Merchantrade Asia jointly introduced a first-of-its kind hybrid e-wallet. The agenda of this fintech collaboration is to develop the first in the market cross-border, multi-currency payment solutions by an e-wallet backed by a current account.

Equity Derivatives

- Secured our footing in the Equity Derivatives space.
- Gained momentum with Wealth channels for structured investment.

IBOR Transitioning Project

- Moving away from interbank offer rates (IBOR) to alternative reference rates (ARR)/risk-free rates (RFR).
- Inaugural MYOR IRS transaction in Malaysia

eFX

- Implemented a digital FX pricing, execution and distribution engine (eFX) through existing digital channels.

WB Client Coverage

- Generated new business through cross-selling of banking products.
- Provided comprehensive financing solutions to corporate clients, including debt financing and syndicated loans.

Outcomes

- Enabled integrated digitalisation in SCF for customers and their buyers or suppliers.
- Delivered affordable financing facilities for SMEs.

- Contributed to the 13.7% YoY growth in CASA balances.
- Launched the first in industry inward remittance via DuitNow API solution to IME (M) Sdn Bhd, the second-largest MSB in Malaysia.
- First local bank to introduce Dynamic DuitNow QR at Vending Machines (for Costa Coffee via SonicBoom as a PSA).
- Selected as Settlement Bank for industry top TPAs (Third Party Acquirer) (Razer, iPay88) under AmBank’s Direct Merchant Settlement (DMS) platform.
- Launched the first in industry hybrid bulk file RPP Solution for Kenanga Investment Bank to allow first-party validation and payment via the DuitNow RPP platform.
- Provided a more convenient and cost-effective user experience for customers, reducing the hassle of having to constantly top-up their hybrid e-wallets.
- The hybrid e-wallet enabled customers to open a Hybrid Current Account-i with AmBank seamlessly from the e-wallet, enjoying the larger e-wallet size and the versatility to transact or remit funds globally while reaping the benefits of Hybrid Current Account-i with Perbadanan Insurans Deposit Malaysia (PIDM) protection, the flexibility to move money between e-wallet and Hybrid Current Account-i easily, and withdrawing funds anytime.

- Market share for warrants issuance has been on increasing trend since FY2019. Currently, AmBank has moved to 5th place in market share for structured warrant issuance.
- Achieved 80.0% YoY volume growth for structured investment product sales of which over 50.0% of the volume growth came from Wealth channels.

- Ensured regulatory compliance with the global transition from IBOR to RFR.
- Partnered with Maybank to deliver the first to market, MYOR IRS transaction worth RM500.0 million in notional size.

- Rolled out eFX platform to 168 branches and integrated to existing digital channels such as AmOnline.
- Achieved FX volume growth of 14.0% YoY.

- Increased share of wallet in fee income and share trading account opening via AmEquity.
- Recorded loans growth of 7.7%
- Enriched product offerings with various cash management products
- Recorded CASA growth of 13.7%

C. BUSINESS REVIEW

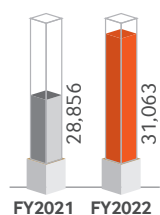
Wholesale Banking

OUR PERFORMANCE

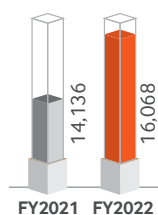
In FY2022, Wholesale Banking remained undeterred by the volatile market and challenging operating environment as we tightened risk management and precisely executed strategy. We registered an income of RM1,287 million, contributing to 28.0% of the total Group’s revenue. Net interest income (NII) grew 4.1% YoY on the back of higher loans growth YoY and improvement in NIM. Non-interest income (NOII) decreased by 38.0% YoY primarily due to lower trading and investment income from Group Treasury and Markets, partly offset by higher fee income from Corporate & Transaction Banking. Reflective from the discipline in cost management, our expenses recorded at 5.3% lower YoY, maintaining cost to income (CTI) ratio at below 20.0%.

Wholesale Banking recorded lower PATMI YoY due to higher provision for credit losses. We continue to be proactive and prudent in managing risks with pre-emptive provisions against certain loan portfolios. Despite the continuing challenges posed by the pandemic, Wholesale Banking remained resilient and delivered loans growth of 7.7%. We remained focused on building operating accounts via cash management solutions to secure sticky CASA. This resulted in CASA’s double-digit growth of 13.7% YoY.

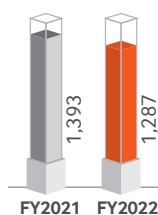
Gross Loans
(RM Million)



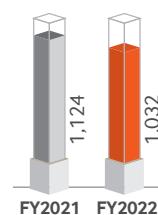
CASA
(RM Million)



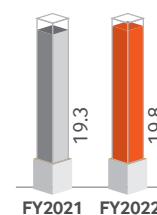
Total Income
(RM Million)



Profit Before Provision
(RM Million)



Cost To Income Ratio
(%)



AWARDS & RECOGNITION

- **Malaysian e-Payments Excellence Awards (MEEA) 2022**
 - > Leadership in DuitNow Innovation
- **Alpha Southeast Asia Treasury & FX Awards 2021**
 - > Best FX Bank for Corporates and FI (10th consecutive year).
 - > Best FX Bank for Structured Products: Commodities, Credit, Equity, FX and Multi-Assets (3rd consecutive year).
 - > Best FX Bank for Money Market Products.
- **Asset Benchmark Research: Malaysia’s best local currency and bond individuals in Research, Sales and Trading for 2021**
 - > Sales: Ranked 1st (Ho Su Farn)
 - > Trading: Ranked 2nd (Akmal Zaid Mansor)
 - > Trading: Ranked 4th (Chua Tuan Pey)
 - > Trading: Ranked 5th (Lam Wei Yang)
 - > Trading: Highly Commended (Jamil Baharuddin)
- **Bursa Malaysia Retail Investor Campaign 2021**
 - > Top Dealer Category: Highest Traded Value – Exchange Traded Funds.
- **The Asset Triple A Sustainable Capital Markets Country & Regional Awards 2021**
 - > Best Sustainability Sukuk – SME Bank’s RM500.0 million ASEAN Sustainability Sukuk.
- **Alpha Southeast Asia Awards – The 15th Annual Deal & Solution Awards 2021**
 - > Most Innovative Islamic Finance Deal of the Year and Best Islamic Finance Deal of the Year – Zamarad Asset Bhd’s RM2.0 billion Asset-Backed Securitisation Sukuk Programme – Tranche 6.
 - > Best Asean Green Sri Sukuk & Best Sri Sukuk – SME Bank’s RM3.0 billion ASEAN Sustainability Islamic MTN Programme – RM500.0 million Sustainable MTNs.

COVID-19 IMPACT & RESPONSE

COVID-19 Impact

COVID-19 Repayment Assistance (RA) ended in Dec 2021, which added financial pressure on our customers.

Strict lockdown measures and a slower vaccination rate outside Klang Valley disrupted many businesses and operations.

The moratorium imposed by BNM on loans granted by local Financial Institutions (FI), targeted and selective deferred loan repayment schemes for Non-Bank Financial Institutions (NBFI).

Mid-sized businesses incurred additional costs to adhere to Standard Operating Procedures (SOP) for test-kit and equipment to work from home (WFH).

Our Response

- Worked closely with customers to assist in their cash flows and working capital requirements.
- Split operations to ensure continuity in our business.
- Communicated regularly with customers to keep them updated on the latest developments and manage their exposures accordingly.
- Detailed analysis of the impact of moratorium and R&R of the counterparties.
- Taken initiative to understand the situation of each customer and proposed relevant schemes to ease their cashflow.
- Collaborated with the management team to introduce various solutions to digitalise customers' operations.

Outcomes

Effectively managed repayments and replenishments of trade loans for customers.

Ensured business continuity and customer service.

Strong rebound when manufacturing plants resumed operations.

Recovery of the sector is on track, with the majority, of FIs and NBFIs reporting a reducing trend on moratorium as well as repayment assistance figures. However, the underlying asset quality would only become clearer after the relief measures are phased out after 1H 2022.

Approved:
SME (Repayment Assistance, PEMULIH & PEMERKASA) – 84 cases/RM2.2 billion
Non-SME (R&R) – 151 cases/RM5.5 billion

Migrated 201 customers to the online platform.

RISKS & MITIGATION

Key Risks

Customers unable to access bank branches and services in case of lockdown.

Mitigation Strategies

- Utilised the eFX platform to enable digital straight-through processing for customers' FX requirements.
- Activation of split operations to ensure business continuity.

Outcomes

- Provided business continuity to our clients from the comfort of their homes.

PROSPECTS & OUTLOOK

Moving into FY2023, we expect the economy to gain momentum towards a full recovery. However, we remain cautious about the heightened geopolitical tensions and rising global inflations and interest rates.

In line with our Focus 8 strategy, Wholesale Banking remains focused on expanding capital-light revenue from fee income and FX to support the growth of non-interest income for the Group. We believe the integration of digital eFX platform will enable us to strengthen our competitiveness in the market and enable us to deliver greater value to our existing clients to meet their long-term hedging and investment goals.

We see opportunities with Malaysia's admission into Regional Comprehensive Economic Partnership (RCEP), which is expected to spur Malaysia's exports and create more trade financing opportunities for local businesses.