

Maintaining Maybank IB's position

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For some time now — maybe about a year — a cloud of uncertainty has been hanging over Maybank Investment Bank Bhd (Maybank IB), brought about by the departure of its CEO Tengku Datuk Zafrul Aziz.

Zaf, as he is popularly known, was supposed to revitalise Maybank IB and was instrumental in the investment banking group winning such high-profile deals as the merger between SapuraCrest Petroleum and Kencana Petroleum, which created the RM20 billion behemoth SapuraKencana Petroleum Bhd, and the initial public offering of Westports Holdings Bhd — the largest flotation in the region last year — that raised RM2.2 billion.

While his departure was one thing, Zafrul joined rival CIMB Group Holdings Bhd, which is now in merger talks with RHB Capital Bhd and Malaysia Building Society Bhd. The merger, if successful, would make the already challenging operating environment for investment banks, including Maybank IB, even more difficult.

It is against this backdrop that new CEO John Chong Eng Chuan, a 21-year Maybank IB veteran, has taken the helm. However, he — like many others in the higher echelons of Maybank IB — is unperturbed.

"I believe it is the talent that we have that builds the brand, not the brand that builds the people," Chong tells *The Edge* in an exclusive interview.

Maybank IB is in pole position in Malaysia and third in the region in terms of fixed income and is the leader here but third or fourth in the region in loan syndication, he adds. As for investment banking advisory, it



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is among the top three in the region. "No one individual can claim credit for this... we have the benefit of a very, very strong team.

"We have many people within the organisation who have very strong relationships with different clientele, not just in Malaysia but also regionally. A lot of these clients have been with us for many years and I'm sure they will be with us in the future as well. The deal flows, as you can see, are ongoing," Chong remarks.

In a nutshell, he seems confident of his and his team's ability to steer Maybank IB through its current sticky patch. In fact, Chong's confidence in his team and his sincerity stand out during the interview.

Nevertheless, Maybank IB has seen better days.

A challenging period

The company posted a pre-tax profit of RM114.6 million in its six months ended June 30, down 54% from a year ago.

However, its decline was not as drastic as that experienced by some of the other leading merchant banks — as much as 90% (see "A challenging year for investment banks" on Page 26).

According to Chong, Maybank IB was adversely affected by political issues in Thailand, which resulted in a weak market; the crash of penny stocks in Singapore, which led to a 30% fall in the market; and plans put on hold in Indonesia because of its elections.

"Things that are beyond our control — economic outlook, regional climate, geopolitical issues, global issues — we can mitigate, but it's quite a challenge. Investment banking is market driven," he explains.

In the performance review that accompanies its financials, Maybank IB's parent Malayan Banking Bhd (Maybank) says, "The decrease was due to lower non-interest income of RM175.3 million primarily from lower

brokerage and underwriting income.

"This decrease was, however, mitigated by lower overheads of RM47.7 million, lower impairment losses on financial investments of RM5.6 million and higher writeback of impairment losses on loans, advances and financing of RM5.2 million."

Nevertheless, Chong sees things picking up in the second half of the year. "We are confident things will improve in this half of the year; the markets seem to be stabilising."

In Thailand, political turmoil has left many companies, including Maybank IB, in the lurch, although the situation is improving. That aside, the conclusion of elections in Indonesia bodes well for the company. Its presence in these markets is the result of an acquisition done in 2011.

The merits of the Kim Eng acquisition

Much of Maybank IB's success stems from its acquisition of Singa-

pore-based Kim Eng Securities in mid-2011, which was concluded for close to RM4.3 billion.

Aseambankers, which later became Maybank IB, had a one-country business model, although it already had a regional presence. In contrast, after its merger with Kim Eng, Maybank IB (or Maybank Kim Eng outside Malaysia) is in 10 countries: Malaysia, Singapore, Thailand, the Philippines, Indonesia, Vietnam, Hong Kong, India (Mumbai), the UK (London) and the US (New York).

"So, we have the reach we need for international transactions. It has been fantastic and very exciting, and opened up a lot of opportunities for us. We have a very strong franchise in Thailand — Kim Eng has been the No 1 stockbroking company there for the past 13 years.

"If you look at Asean, we have the largest equity franchise now in terms of trade value... this is as at the end of last year," Chong says.

Among the keys to Maybank IB's success is its clients growing regionally across Asean and exploring new markets in the neighbouring countries, he adds. This has given Maybank IB a platform in many expanding regional businesses, where it is the intermediary between the investors and issuers of equity and debt.

"The thinking about investment banking is that it is very transactional, but what differentiates us from the other companies is that we are very relationship driven. We focus on relationships and seek long-term, sustainable relationships. A lot of our clients have actually grown with us — from within a country to the region," Chong explains.

While he seems to have started out well, successfully tackling the many issues before him, rest assured that all eyes will be on this veteran's moves and how Maybank IB fares. ■

Chong: We welcome competition

John Chong Eng Chuan has the task of heading Maybank Investment Bank Bhd (Maybank IB) at a time of much uncertainty in the investment banking landscape and when Malayan Banking Bhd's status as the largest lender is being challenged by a proposed mega merger between RHB Capital Bhd, CIMB Group Holdings Bhd and Malaysia Building Society Bhd (MBSB). However, Chong, who has been with Maybank IB for 21 years, is unfazed. In an exclusive interview with *The Edge*, he shares his views on the investment bank and why it is resilient. The following is an excerpt of the interview.

The Edge: Is it a difficult time for investment banking? We notice that some of your competitors' earnings have taken a huge hit. John Chong: Things are challenging this year, but we have to focus on our strengths and our business. At the end of the day it's tough... I won't say it's not. We have to focus on what we are doing, focus on our strengths.

You took over this position from Tengku Datuk Zafrul Aziz. Shortly after, a merger between CIMB, RHB and MBSB was proposed. Both CIMB and RHB are strong in investment banking.

For us at Maybank IB, we see competition as good, and we welcome competition. Strategies do not change, it's just that sometimes, we tend to accelerate certain ones, but we will continue on the path we have set.

We focused on our integration (with Kim Eng), and now that that integration has increased our business by leaps and bounds, we may have to refine certain things. But then again, our business is a dynamic one. The key is to see how we can accelerate what we have projected to do.

Do you think the battle is more difficult as your rival was one of you? No I don't, I really don't. Like I said, we see it as competition and we welcome it.

How did the team take it when Zafrul left? A lot of us have been here for a very long time. If you look at the team, 70% to 80% have been here for a very, very long time. We always believe in nurturing our talent, up to a level where they can assume leadership roles.

So, have you implemented any new strategies in the light of the changes, such as Zafrul's leaving and the mega merger? We have refined our strategies and we have looked at how we should focus on certain areas.

You always have to change strategies on the market environment. I won't say it's a change of strategy, but a refinement of our strategy... but [there are] not any major changes.

Where do you see Maybank IB in the next five years?

I want us to be seen as a financial powerhouse in Asean. We are already quite big, but I want us to continue to grow.

What about other markets?

We may look at other markets, but our home base will always be Asean, because it is where we understand the business landscape, we understand the culture and most of our clients are from here. So, I think the focus will be here at least for the next three to five years.

When you were offered the top job at Maybank IB, did it take you long to accept?

Being here for 21 years allowed my transition to be smoother, as I was already very involved in the business. The team and I were already very involved in the business.

Were there any moments when you didn't want to take the position? Did you have any doubts?

I did not have any such moments and I didn't have any doubts. To me, I have a responsibility to my colleagues, and to the organisation. I can't just say no and let them down.

When you joined 21 years ago, did you think you'd be CEO one day?

Honest answer, no. I wanted to build a career here, but I never thought I'd be CEO, let alone of a regional organisation.

I didn't even want to work in a bank. In school, my ambition was to become a member of the army, navy or air force... it was my late dad's influence. My aspiration was to be an army officer, but along the way, I don't know how, I became an investment banker.

Was Maybank IB your first job?

I spent a very short time in an accounting firm... slightly less than two years. Then, I moved on to merchant banking, as it was called those days, and that was my first banking job.

So, what made you write to Maybank for a job? What spurred you towards this path?

When I first joined audit, the first assignment was to audit a merchant bank. It looked like a good thing. ■