COMPARING PERFORMANCES OF THE SELECTED
INVESTMENT BANKS IN MALAYSIA

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Comparing performances of the selected investment banks in
Malaysia / Kok Yin Siang.

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Lihat Sebelah

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2011

PENGAKUAN

Saya akui Kertas Projek (EKN 4399 A/B) ini adalah hasil saya sendiri kecuali sumber-sumber lain yang telah saya jelaskan rujukannya melalui senarai rujukan yang telah dilampirkan.

....

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DECLARATION

I hereby declare that this Project Paper (EKN 4399 A/B) is the result of my own finding, except where otherwise stated other sources are acknowledge by giving references is appended.

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ABSTRAK

Terdapat banyak bank-bank pelaburan di seluruh dunia ini dan bank pelaburan mempunyai hubungan yang sangat rapat dengan ekonomi negara. Malaysia mempunyai lima belas bank pelaburan yang telah berdaftar. Untuk mengukur dan membandingkan prestasi bank-bank pelabuhan, jumlah aset yang terdapat di laporan tahunan digunakan. Antara aset- asset adalah dana jangka pendek, wang pinjaman dan pembiayaan, cukai dipulihkan, simpanan wajib dengan Bank Negara Malaysia ,wang tunai dan sebagainya. Dalam kajian ini, beberapa jenis aset dipilih untuk membandingkan manakah jenis aset yang paling mempengaruhi prestasi bank pelaburan di bank pelaburan Malaysia. Analisis regresi digunakan untuk mengkaji mana satu pembolehubah bebas paling mempengaruhi dengan prestasi bank pelaburan. Akhirnya, pembolehubah pinjaman dan wang ,dan dana jangka pendek adalah sangat berkaitan dengan jumlah aset bank pelaburan CIMB manakala pembolehubah deposit wajib dengan Bank Negara Malaysia, dana jangka pendek mempunyai hubungan yang kuat dengan jumlah aset bank pelaburan RHB.

ABSTRACT

There are many investment banks all around the world. Investment banks have a very tight relationship with the country's economy. For Malaysia, there are fifteen investment banks registered. In order to measure and compare the performances of investment banks, total assets showed from the quarterly report for three years are used. Total assets of the investment banks include by cash and short term fund, loans advances and financing, tax recoverable, securities purchased under resale agreement, statutory deposits with Bank Negara Malaysia, and so on. I will selected some kind of assets to help me compare which kind of asset is the most strongly influencing to the performances between selected investment banks in Malaysia. Simple regression analysis will used in this project whereby an independent variable is hypothesized to affect one dependent variable. Lastly, the results mention about in CIMB Bank, variables of loans and advances and cash and short term fund are strongly related with the total assets of CIMB Bank. The result of RHB Bank, variable of statutory deposit with BNM, securities held-for-trading and cash and short term fund are strong relationship with the total assets of RHB Bank.

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PREFACE

1.1   INTRODUCTION

Michel Fleuriet (2008) looked at the investment banking business as central to the economy and this business is as creative as it is mechanical, as qualitative as well as it is quantitative; its clients range from middle-American mom-and-pops to international billionaires, from newly created firms to multinational giants. Investment banks also work for governments.

The business of an investment bank is to service both issuing and investing on behalf of clients and delivering a broad range of products. Its offerings go from strategic advice to the management of risk. In the last century, the main purpose of a investment bank was to raise capital and to advise on mergers and acquisitions. JP Morgan describes investment bank: In the simplest terms, investment banking helps companies decide on their marketplace strategy. It was defined as either underwriting or financial advisory.

1.2   TYPES OF INVESTMENT BANKS

Basically they are two types of investment banks. The first type issues bonds and stocks to corporations and government entities for a pre-specified amount. The financial institution then invests the money from the clients and buys binds and stock. After that, client will receive payments from the profits made on these bonds and stocks. Some of the clients more prefer to invest in construction and property development.

Another type of investment bank is known as the merchant bank. Capital provided by financial institutions to businesses in loans rather than shares. This type of investment banking is only done between big-name corporations and banks. Because investing is done based on the security of shares, financial institutions usually are not considered to be merchant banks or companies.

Investment banks have a huge network of financial contacts. Investment banks are not only give us to know all about comparable markets that will give clients a chance to come out on top over their competitors, it also possess market knowledge and understand legal processes. These are the main reasons why so many companies and clients choose to involve themselves in investment banking. Some of examples major global investment banks include: Barclays Capital, Brown Brother Harron & Co, Wells Fargo, JP Morgan Chase and so on, these bulge bracket firms are a term to describe banks that comprise 15000 to 50000 employees throughout the world.

Besides, the smaller firms are knows as boutique investment banks, which they have between 500 and 3000 employees. Nowadays, many kind of boutique investment bank are starting to make their mark on the technology industry. Many of them have been merging their resources with the tech industry.

1.3   BUSINESS OF INVESTMENT BANK

When a corporation needs capital in order to grow, an investment bank will sell securities issued by that corporation to investors order to raise the money that the corporation needs. Similarity, a commercial bank lends money to the corporation, rather than raising it.

The main functions of investment banking include the following:

- Raising capital
- Advising on corporate mergers and acquisitions
- Trading securities

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More generally, business of investment banks are purchase new securities from corporate issuers and resell them to the public. Others, they also trade securities on capital market activities such as underwriting private placement, M&A, market making, venture capital, financial engineering, proprietary trading and so on.

1.4   HISTORY OF INVESMENT BANKS

From *Investment Bank Explained*, Michel Fleuriet (2008), the history of investment banking goes back to ancient civilizations such as Rome and Greece. Even thousands of years ago, human civilization was involved in investing and banking operations. The Knights of Templar were involved in some type of banking on returning to France from the Crusades. Knight Templar was among the famous of the Western Christian military order and this organization existed for approximately two centuries in the Middle Ages. Knight Templar officially supported by the Roman Catholic Church around 1129, non-combatant members of the Order will managed a large economic infrastructure throughout Christendom, innovating financial techniques that were an early from of banking and building many fortifications across Europe and the Holy Land.

Some of the early, important financial institutions included merchant banks and acceptance houses. In the 1600's the acceptance houses and merchant banks both accumulated funds for long-term foreign investments. Investment banking was establishment of private bank is another important moment in the evolution, many of them started out as family enterprises.

In the nineteenth century, banking was a much more generic term than it is today. Commercial banks tended to their business by making what were best described as self-liquidating loans.

Early of twentieth century, investment banking expanded dramatically. After of First World War, an increase in the number of individuals who owned stock, the resulting run-

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up in stock prices created an unsustainable bubble that finally collapsed with the Great Depression in 1929.

Nowadays, the invention of Mega banks which is dynamic and can operate at any levels help investment banking expand its process and extend to each are of an individual or company. In the simple terms investment bank will act a Mediator and help in the process of selling stock and bonds between buyer and sellers. Investment banks have become popular to the extent it has become a one stop financing source now.

In this project, I compared the performances of the CIMB Group and RHB Group. In doing so, I would like to introduce the background of these two investment banks.

On January 2003, CIMB berhad lists on the KLSE (Main Board of Bursa Malaysia). The listing of CIMB on the Kuala Lumpur Stock Exchange exceeded the expectations of investors and employee alike. The listed CIMB Berhad surpassed the IPO Prospectus forecast within six months. CIMB Islamic launches in 2003, and in 2004, CIMB berhad acquires 70% of CTB and CAFM form BCHB. CTB and CAFM were subsequently merged to become CIMB-Pricipal Asset Management Berhad (CPAM). January 2006, CIMB Group completes restructuring exercise under Bumiputra-Commerce Holdings Berhad. The beginning of 2006 marked the birth of the new CIMB Group, a universal bank. Complemented by the resources and reach of BCB, one of Malaysia's foremost retail providers, CIMB Group made the transition to a full service banking provider, serving a range of customers, from corporate to individuals.CIMB Foundation launched in November 2007, it is a non-for profit organization that will carry out the Group's corporate social responsibility and philanthropic initiatives, focusing on sustainable programmers in community development, and education. Merger of PT Bank Niaga Tbk and CIMB-Principal Islamic Assets Management launch on 2008. *(http://www.cimb.com/index.php?ch=group_ch_acg&pg=group_pg_acg_oh&ac=608&t pt=cimb_group)*

History of RHB Group is started on 1983, Rashid Hussain secures broker's license and sets up Rashid Hussain Securities Sdn Bhd. On 1996, Rashid Hussain acquires a 75%

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stake in Kwong Yik Berhad. On 1997, merger of Kwong Yik Bank Berhad and DCB Bank Berhad to form RHB Bank, then Malaysia's third largest financial services group. RHB Group also merger Sime Bank Berhad and RHB Bank Berhad in 1999. RHB Banking Group received a license for Islamic Banking in 2005. *(http://www.rhb.com.my/corporate_profile/about_us/history/main.html)*

1.5   PROBLEM STATEMENTS

There are many investment banks all around the world. Investment banks have a very tight relationship with the country's economy. For Malaysia, there are fifteen investment banks registered. They are Affin Investment Bank Berhad, Alliance Investment Bank, AmInvestment, CIMB Investment Bank, ECM Libra, Hong Leong Investment Bank, Hwang-DBS, KAF, Kenangan, Maybank Invenstment Bank, MIDF, MIMB, OSK, Public Investment Bank and RHB Investment Bank. I choose two of investment banks in Malaysia to do a comparative study in their performance. They are RHB investment bank and CIMB investment bank.

In order to measure and compare the performances of investment banks, total assets showed from the quarterly report for three years are used. Total assets of the investment banks include by cash and short term fund, loans advances and financing, tax recoverable, securities purchased under resale agreement, statutory deposits with Bank Negara Malaysia, and so on. I will selected some kind of assets to help me compare which kind of asset is the most strongly influencing to the performances between selected investment banks in Malaysia.

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Table 1.1   Data of Total Assets RHB Investment Bank Year 2007

	First Quarter(RM)	Second Quarter(RM)	Third Quarter(RM)	Fourth Quarter(RM)
cash and short term fund	1748311000	2063509000	1993589000	1838232000
securities held-for-trading	2932167000	3133032000	3376530000	3852457000
loans and advances	746382000	741441000	878576000	851544000
other assets	52248000	61531000	60906000	69536000
statutory deposit with BNM	83506000	79286000	78986000	69486000
property, plant and equipment	14288000	12971000	11924000	10849000

Figure 1.1   Total Assets of RHB Investment Bank Year 2007

Source: Quarterly Report of RHB Investment Bank Year 2007

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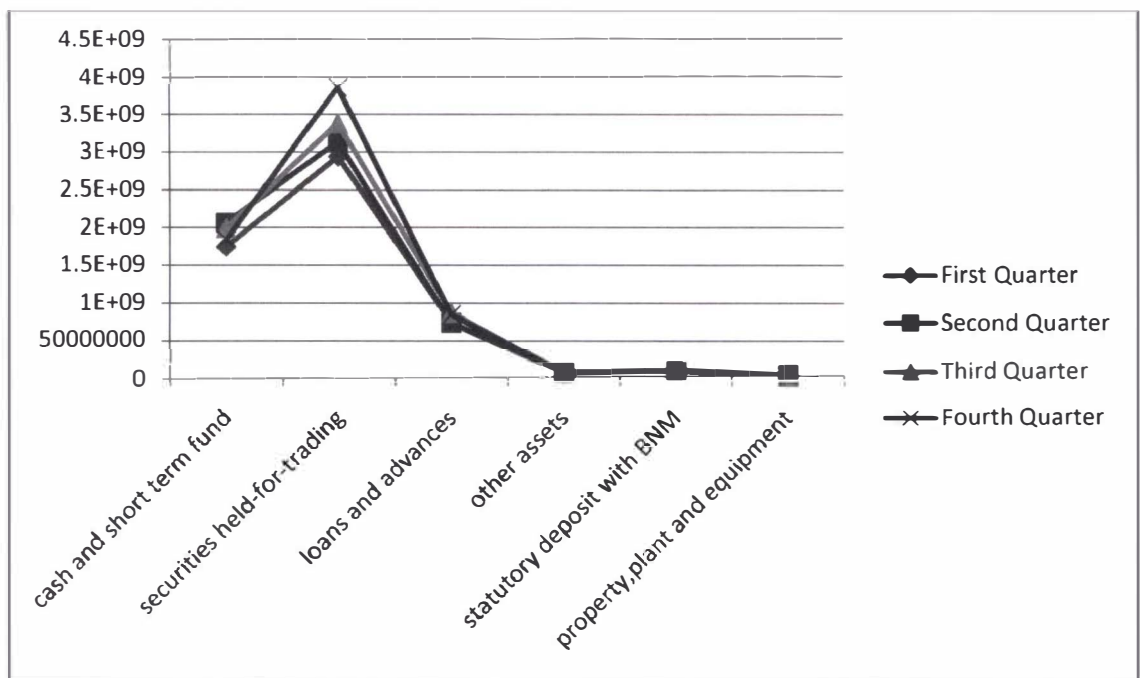
Table 1.2   Data of Total Assets RHB Investment Bank Year 2008

	First Quarter(RM)	Second Quarter(RM)	Third Quarter(RM)	Fourth Quarter(RM)
cash and short term fund	1957257000	1928831000	1123640000	1317411000
securities held-for-trading	2947455000	2776561000	2442986000	2651634000
loans and advances	689020000	619501000	496924000	468244000
other assets	59430000	86132000	76186000	58611000
statutory deposit with BNM	79286000	85636000	82636000	58236000
property, plant and equipment	9492000	9183000	8155000	9090000

Figure 2.2   Total Assets of RHB Investment Bank Year 2008

Source: Quarterly Report of RHB Investment Bank Year 2008

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Table 1.3   Data of Total Assets RHB Investment Bank Year 2009

	First Quarter(RM)	Second Quarter(RM)	Third Quarter(RM)	Fourth Quarter(RM)
cash and short term fund	1041821000	306965000	853526000	1409767000
securities held-for-trading	851469000	525120000	782833000	675493000
loans and advances	499773000	436738000	478434000	60158000
other assets	79965000	57269000	59501000	55409000
statutory deposit with BNM	22861000	32811000	30091000	27291000
property, plant and equipment	9552000	11924000	11085000	10857000

Figure 1.3   Total Assets of RHB Investment Bank Year 2009

Source: Quarterly Report of RHB Investment Bank Year 2009

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Table 1.4   Data of Total Assets CIMB Investment Bank Year 2007

	First Quarter(RM)	Second Quarter(RM)	Third Quarter(RM)	Fourth Quarter(RM)
cash and short term fund	357747000	1079766000	1350874000	1190492000
securities held-for-trading	148889000	131865000	222940000	168337000
loans and advances	542535000	347703000	347530000	348404000
other assets	908582000	956188000	1215345000	772140000
statutory deposit with BNM	10276000	1241000	11520000	10340000
property, plant and equipment	63547000	51054000	55360000	63612000

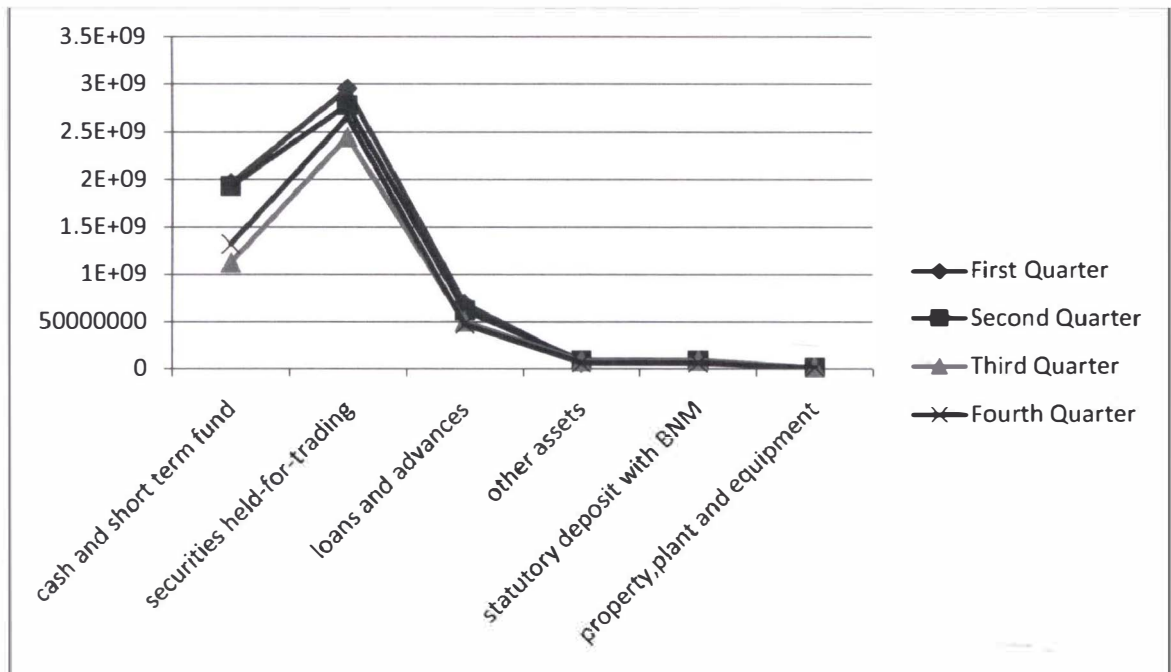**Figure 1.4   Total Assets of CIMB Investment Bank Year 2007**
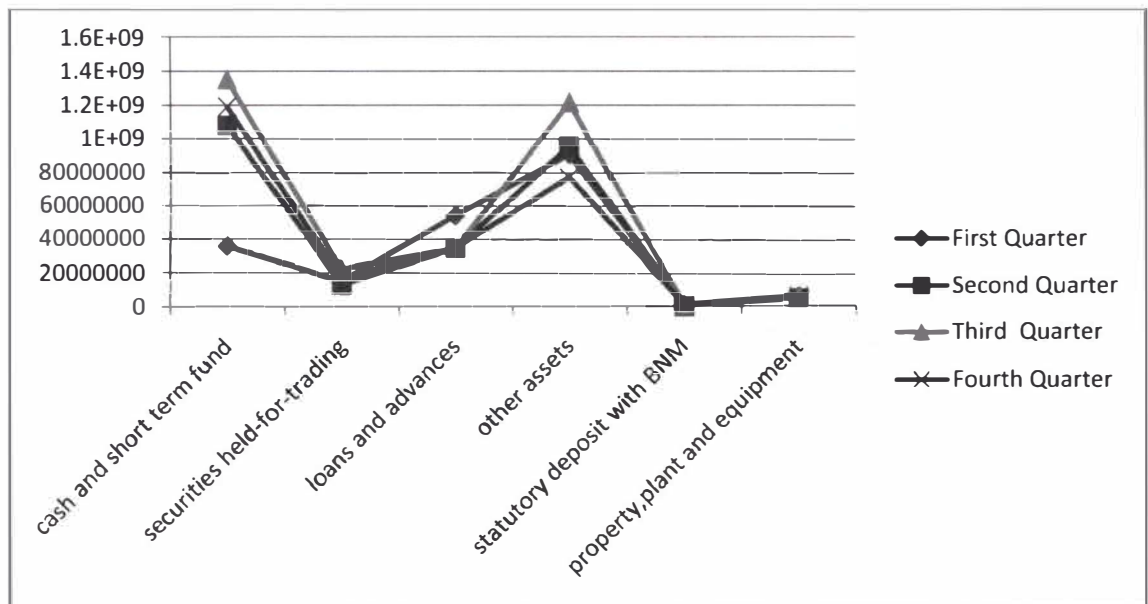
Source: Quarterly Report of CIMB Investment Bank Year 2007

Table 1.5   Data of Total Assets CIMB Investment Bank Year 2008

	First Quarter(RM)	Second Quarter(RM)	Third Quarter(RM)	Fourth Quarter(RM)
cash and short term fund	1666359000	1733565000	2181383000	2721873000
securities held-for-trading	94506000	186130000	659408000	676555000
loans and advances	199432000	51703000	49701000	50083000
other assets	1015857000	1142717000	452936000	274647000
statutory deposit with BNM	10280000	8750000	9175000	12805000
property, plant and equipment	64598000	66815000	66685000	67570000

Figure 1.5   Total Assets of CIMB Investment Bank Year 2008
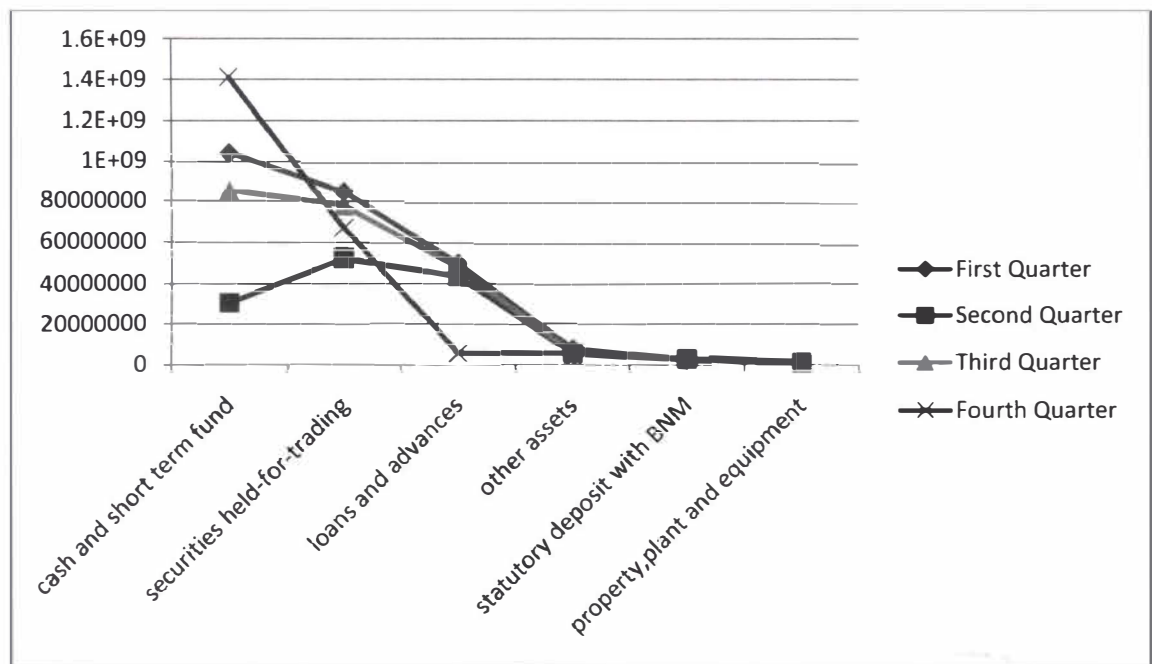

Source: Quarterly Report of CIMB Investment Bank Year 2008

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Table 1.6   Data of Total Assets CIMB Investment Bank Year 2009

	First Quarter(RM)	Second Quarter(RM)	Third Quarter(RM)	Fourth Quarter(RM)
cash and short term fund	2831265000	306965000	1953367000	4135886000
securities held-for-trading	528268000	525120000	213817000	8628000
loans and advances	48933000	436738000	45489000	44940000
other assets	745663000	57269000	786887000	1031578000
statutory deposit with BNM	3855000	32811000	200000	1900000
property, plant and equipment	66140000	11924000	59302000	55950000

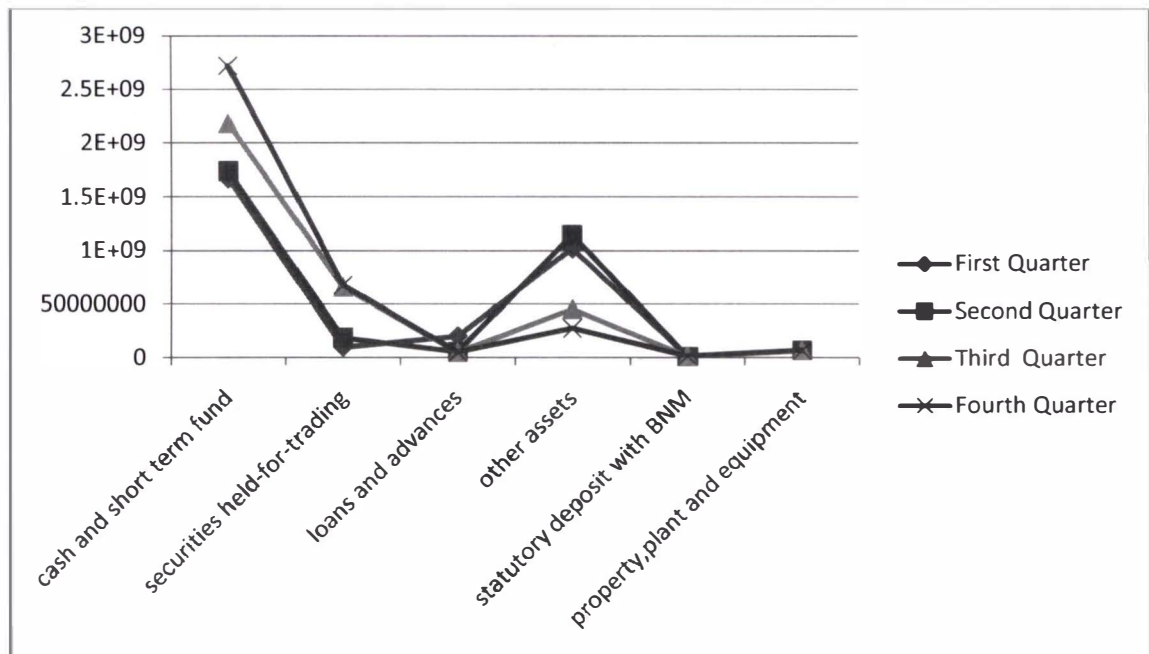**Figure 1.6   Total Assets of CIMB Investment Bank Year 2009**
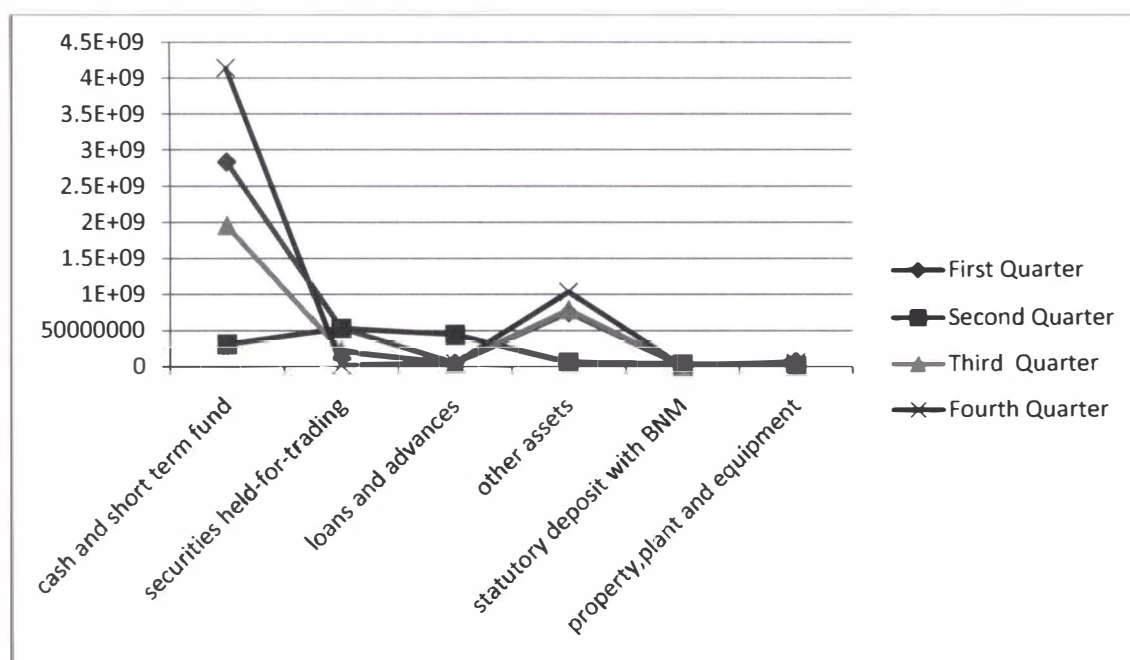
Source: Quarterly Report of CIMB Investment Bank Year 2009

The Six sets of data and figures above show that total assets of RHB Investment Bank and total assets CIMB Investment Bank from year 2007 until year 2009.We can notice that there are about six types of assets can shows the performances of the investment bank, Securities held-for-trading is the highest income for the RHB Investment Bank, is it evidences strongly influencing to the performances of the RHB Investment Bank. Cash and short term fund is the higher in total assets of CIMB Investment Bank, is it evidences strongly influencing to the performances of the CIMB Investment Bank.

There are few problems need to identify:

a) Is the activity securities held-for-trading main asset to influence performance of each investment bank?
b) How to improve the performance of investment banks?

1.6 OBJECTIVE STUDY

They are two types of objectives, general objective and specific objective.

1.6.1 GENERAL OBJECTIVE:

This research will investigate the main activities influencing the performances of investment banks, and find the ways of how to improve the performances of the investment banks.

1.6.2 SPECIFIC OBJECTIVE:

1) To identify the factors that will affect the performances of the investment banks.
2) To recognize the ways to improve the performances of investment banks.

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1.7 METHODOLOGY

In this study, I will use the secondary data. I will use data from the quarterly report of both CIMB investment bank and RHB investment bank and the data will be time series. Simple regression analysis will used in this project whereby an independent variable is hypothesized to affect one dependent variable. After that, I use the SPSS software to run my data and find the result.

1.8 CONCLUSION

This chapter has discussed the history of investment banks and different types of activities that are influencing the performances of investment banks. This chapter also mentioned the objectives of the study.

CHAPTER 2

LITERATURE REVIEW

2.1   INTRODUCTION

This chapter discusses studies that have been studied by other researchers. It intended to identify methodologies and findings from research conducted. From these literatures review, they are included objective of the studies, methodology studies and the result or conclusion of those studies.

2.2   LITERATURE REVIEW

First literature reviewed is "Factor influencing the performance of foreign-owned banks in New Zealand" (Huong Minh To, David Tripe, 2002). This article reviews that are factors affecting the performance of the foreign banks in New Zealand. The authors uses two sets of pooled cross-sectional time-series data, seven banks over the 10 year period 1991-2000 and eight banks over the 8 year period 1991-1998 to provide the basic for the econometric analysis. The most important variables for bank performance were the length of time the foreign bank had been in New Zealand and the parent bank's return on assets.

This study addresses empirically evaluating factors affecting the performance of foreign bank in New Zealand in terms of their size and their profitability. In this studies suggest a number of ownership-specific factors and location-specific factors as important determinants.

Although the most important measure of performance is overall profitability, but for dependent variables in this study, each foreign bank's total assets(LNZASSETS) and each foreign bank's after tax return on assets(NZROA) was used to measure the performance.

For explanatory variables, these study uses sever variables to capture the impacts of bank or ownership-specific and location-specific factors on the performance of the foreign-owned banks in New Zealand. LNHTIER1 is log of the parent bank's Tier 1 capital and is a measure of the size of the parent bank. HOMEROA is the parent bank's return on assets, it may proxy for the opportunity cost for banks when making decision on allocating resources between different markets. LTDV is a dummy variable based on the duration of foreign bank's presence in New Zealand. GRODIFF is the different between the growth rates of GDP in New Zealand and in the foreign banks' home countries. INTDIFF is the difference between 3-month Treasury Bill rate in New Zealand and in the home country. LNTRADE is the natural logarithm of the sum of New Zealand's exports and imports to each foreign bank's home country. Trade between host and home countries may correlate with home country banking presence in host countries for two reasons, first reason is that financing trade is itself an important activity for banks and the second reason is that investment tends to follow trade and banks from home countries are often in better position to serve the financial needs. TREND is a linear time trend.

They estimate the following relationship:

$$DV_{it} = \alpha + \beta_1 LNHTIER1_{it} + \beta_2 HOMEROA_{it} + \beta_3 LTDV_{it} + \beta_4 GRODIFF_{it} + \beta_5 INTDIFF_{it} + \beta_6 LNTRADE_{it} + \beta_7 TREND_{it}$$

In this equation, 'i' is represents the bank and 't' represent the year. This equation is discussing the relative economic significance of the explanatory variables.

The resulted of this study is the generally negligible impact of the parent bank's size on the size and performance of their New Zealand operations reflect the fact that the parent banks of major foreign-owned banks in New Zealand are mainly from Australia and smaller globally than parent banks of more recent entrants.

The negligible impact of the parent bank's ROA on the size of its New Zealand operations provides no support for the hypothesis that foreign banks consider opportunity costs when allocating resources to the host banking market. The minimal and inconsistent impact of the GDP growth differential between New Zealand and that of the foreign bank' home countries indicates that neither the host market opportunity nor opportunity cost hypotheses apply to foreign banks in New Zealand. The interest rate differential between New Zealand and home countries had a large negative effect on ROA and NII in the shorter panel.

In conclusion, this study is the first to examined the performance of foreign-owned MNBs in New Zealand and this study has investigated and developed a number of hypotheses relating to the impact of various advantages on the performance of foreign banks. Around seven explanatory variables examined, they are two variables with consistent positive impacts on the size and profitability of foreign banks are whether a bank has been in New Zealand for a long time and its parent bank's return on assets. By contrast location-specific factors appear to have no consistent significant impacts on the performance of foreign banks in New Zealand. Nominal interest rate differentials, relative GDP growth rates and bilateral trade flows do not appear to matter.

The second literature reviewed is "Are good financial advisors really good? The performance of investment banks in the M&A market" (Ahmad Ismail, 2009). This study examines whether prestigious investment banks deliver quality gains to their clients. The evidence indicates that investment banks might have different incentives when they advise on large deals vs. small deal. The result entail that market share based reputation league tables, could be misleading and the selection of investment banks should be based on their track record in generating gains to their clients. The selection of M&A financial advisors is mainly driven by their perceived reputation and quality service. If financial advisors continue providing such high quality products to their clients, their reputation is

increase. In turn, the demand for their products increases resulting in increased market share.

To analysis this study, the sample was collected searching the Thomson Financial SDC Database for all M&A deals completed by US public acquirers between 1985 until 2004. Financial institutions were excluded from the sample and only deals with at least $1 million of disclosed value were selected. The target firm is either a public, private or a subsidiary firm. Other filtering criteria necessitated that acquirers and public targets had share price data available on the Center for Research in Security Prices (CRSP) database and on Data- Stream and that the financial advisors for either party are publicly disclosed.

They are some aspects resulted in this study:

i.   Performance of acquirer advisors
      There are no consistency between acquirer advisors' ranking and the gain generated by their clients.

ii.   Does the performance around the internet bubble explain the results?
      The speculative internet bubble is believed to have occupied roughly the period of 1998 to 2000. The result of showing during the bubble period tier-one and tier two acquirer advisors generated large total gains to their clients and that tier-one advisor outperformed tier-two advisors in that period. Besides, the performance outside the bubble period shows huge acquirer losses irrespective of the advisor. The results for the bear market period lead to very interesting conclusions.

iii. Does size matter?
      It does not seem that the earlier results reported were driven by size.

iv.   Do the advisors' incentives differ when they take on large deals vs. small deals?
      Reason that perhaps the trade-off between hurting the reputation in the future, and receiving a one-time higher fee today, differ between large and small deals. For a

large enough deal, the investment banks might want to maximize the fee they receive even if that means that their reputation will suffer in the future.

v.   Are the result affects by large loss deals?
The authors showed that these losses are caused by a few large loss deals. Therefore, the possibility that the results from this study are driven by large loss deals is examined, adopting the criteria for large loss deals used by Moeller et al, (2005).

vi.   Determinants of acquirer abnormal wealth gains
The result are presented where the coefficients for the acquirer reputation dummy in model 1 and 2 are not significantly different from zero, which indicates that employing highly reputed advisors does not result in larger abnormal dollar gains to the acquiring firm shareholder. The negative coefficient for the target advisor and it might have negotiated a higher premium for his client which resulted in a lower return for the acquirer.

vii.   Performance of target advisors
Contrary to the ranking of the acquirers' advisors, the comparisons based on the mean dollar gains and even the total dollar gains were very much consistent with the advisors' reputation. It is found 8 tier-one banks rank among the top 10 target advisors by mean dollar gains earned by their clients.

viii. Determinants of target abnormal wealth gains
The acquirer advisor reputation does not seem to have a significant effect on the target wealth gain.

ix.   Can inference be drawn from the differential reputation of acquirer and target advisors?

These results imply that target advisors are able to extract more gains for their clients, which lead to a higher combined gain at the expense of the acquirer. This is consistent with the superior deal hypothesis for the target advisors and with the deal completion hypothesis for the acquirer advisors.

x.   Determinants of combined abnormal wealth gains

The positive coefficient of hostile deal dummy denotes that such deals result in larger wealth gains as well.

The study investigated whether employing high quality financial advisors results in larger gains to targets, bidders and the combined entity. Six of top ten advisors wiped out the gains created by remaining four investment banks. These results hold irrespective of the acquirer size and the deals size (large or small). The larger premiums are paid in larger deal as compared to small deals, which indicated that investment banks might have different incentives when they advise on large deals as opposed to small ones. Moreover, the ranking of investment banks showed that less prestigious advisors occupied the highest positions in term of the mean dollar gains earned by acquirers, however, tier-one advisors rarely occupied high rankings.

On the other hand, the results for target advisors were consistent with the superior deal hypothesis as tier-one investment banks' clients generated larger gains. The ranking of target advisors showed that most of the tier-one investment banks were at the top of the league table. Additionally, this paper found that the existence of a prestigious advisor on at least one side of an M&A transaction results in higher wealth gains to the combined entity.

The third title of literature reviewed is "Comparing the stock recommendation performance of investment banks and independent research firms" (Brad M. Barber, Reuven Lehavy, Brett Trueman, 2005). From January 1996 through June 2003, the average daily abnormal return to independent research firm buy recommendations exceeds that of investment bank buy recommendations by 3.1 basis point. Investment bank buy recommendations underperformance is more pronounced following the NASDAQ market peak and strikingly so for buy recommendations on firms that recently conducted equity offerings.

In this study, first is directly comparing the recommendation performance of investment banks and independent research firms to provide empirical support for analyst conflict-of-interest claims behind the Global Research Analyst Settlement. Second is to recognize that all investment banking analysts face potential conflicts of interest. Third, it documents similarities between the recommendation performance of the sanctioned banks and other investment banks, thus calling into question the appropriateness of requiring only the sanctioned banks to provide independent research to their clients.

Lastly, this study finds sharp differences between the performance of analyst recommendations during the bull and bear markets. The source for analyst recommendations in this study is Thomas Financial's First Call database, whose data come directly from securities firms. They partition into four categories:

i.   The ten investment banks sanctioned by the Securities and Exchange Commission (SEC).

ii.   Non-sanctioned investment banks that were lead or joint-lead managers of at least one equity offering during the sample period.

iii. Investment banks that were syndicate members of one or more equity offerings during the sample period, but were never a lead or joint-lead underwriter.

iv.   Non-investment-banking securities firms that produce equity research.

They initial set of analyses compares the recommendation return of the independent research firms and those of our entire set of investment banks. They form two portfolios of each category of securities, a buy portfolio and a hold/sell portfolio. To understand how these portfolios are constructed, the recommended stock enters the buy portfolio at the close of trading on the day the recommendation is announced. By waiting until the close of trading, they explicitly exclude the first trading day recommendation returns.

Assuming an equal dollar investment in each recommendation, the portfolio return on date t is given by

$$\frac{\sum_{i=1}^{n_t} X_{it} \cdot R_{it}}{\sum_{i=1}^{n_t} X_{it}}$$

Where R_{it} is the gross date t return on recommendation i, n_t is the number of recommendations in the portfolio and X_{it} is the compounded daily return of recommended stock i from the close of trading on the day of the recommendation through day t-1.

Abnormal return performance is calculated as the intercept, α_j from the four-factor model developed by Carhart (1997), found by estimating the following daily time-series regression for each portfolio j

$$R_t^j - R_{ft} = \alpha_j + \beta_j(R_{mt} - R_{ft}) + s_j SMB_t + h_j HML_t + w_j WML_t + \varepsilon_{jt,}$$

Motivated by the requirement that ten of the largest investment banks begin providing independent securities research to their clients, this study has compared the performance of recommendations issued by analysts at investment banks with those prepared by analysts at independent research firms. The result find at this study is buy recommendations of independent research firms outperform those of the investment banks by an average of 3.1 basis points per day between year 1996 to 2003.

The outperformance of independent research firms' buy recommendations is concentrated in the bear market period, where they generate an average daily abnormal

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return that is 6.9 basis points greater than that of the investment banks' buy recommendations. Overall, they are find that the buy recommendations of each investment banking category significantly underperform those of the independent research firms.

The fourth literature reviewed is "Does IT investment improve bank performances? Evidence from Europe "(Elena Beccalli, 2007). In this paper discussed whether investment in information technology (IT) influences the performance of banks. They are using a sample of 737 European banks over the period 1995-2000 to analysis whether IT investment is reflected in improved performance. Despite banks being major investors in IT they find little relationship between total IT investment and improved bank profitability of efficiency indicating the existence of a profitability paradox.

To further examine the relationship between IT investment and performance they estimate the following cross-country model:

$$P_{j,t+i} = \beta_0 + \beta_{jt}IT_{jt} + \varepsilon_{jt}$$

Where $P_{j,t+i}$ =either annual accounting performance ratios or annual X-efficiency; IT_{jt}= either IT capital investment or IT ration; ϵ_{jt} = error term. Each variable refers to the banking industry of country j at time t+i (where i = 0 and 1)

An analysis of these models is performed by using both ordinary least squares (OLS) regressions, and two-stage least squares (TSLS) regressions. The TSLS regressions are employed with the use of one-year lagged independent variable as instruments.

To control for risk, the standard deviation of ROA of each bank industry was used as a control variable.

$$P_{jt} = \beta_0 + \beta_{jt}IT_{jt} + \beta_{ji}St.dev.(ROA) + \varepsilon_{jt}$$

Because data on multiple countries is available, indicating control variables (expressed by country dummies), the estimated regression equation is as follows:

$$P_{jt} = \beta_0 + \beta_{jt}IT_{jt} + \beta_{jt}FR + \beta_{jt}GE + \beta_{jt}ITA + \beta_{jt}SP + \varepsilon_{jt}$$

Where FR, GE, ITA, SP = dummy variable for France, Germany, Italy, Spain.

To consider the impact on performance of the various categories of IT investments, the estimated equation is:

$$P_{j,t+i} = \beta_0 + \beta_{jt}HA_{jt} + \beta_{jt}SO_{jt} + \beta_{jt}SE_{jt} + \varepsilon_{jt}$$

Where HA_{jt} = computer hardware investment; SO_{jt} = software investment; SE_{jt} = IT services investment.

This study used the balance sheet and income statement data for a sample of 737 commercial banks based in five EU countries (France, Germany, Italy, Spain and UK).

They are examining the relationship between IT investments and bank performance by investigating simple correlation coefficients. There is a positive and statistically significant correlation between profit efficiency and ROA, and a negative and statistically significant between cost efficiently and both ROA and ROE.

In the conclusion, despite banks being major investor in IT they find little relationship between total IT investment and improved bank profitability of efficiency indicating the existence of a profitability paradox. Investment in IT services from external providers appears to have a positive influence on accounting profits and profit efficiency to reduce banks' profit performance.

The fifth journal is "Factors affecting the performance of foreign-owned banks in Australia: A cross-sectional study" (Barry Williams, 1997). This study extends the existing literature of international banking by constructing a model of foreign intermediaries in Australia. An unresolved question is establishing those factors that result in banking across borders. This paper concludes that foreign bank size is explained well by the existing theories of international banking, but a wider model is appropriate for foreign bank profits.

This paper identifies the impact of both time-series properties and institutional features upon the size and profits of foreign banks operating in Australia. Profits in the host nation are found to be a function of firm characteristics and nation-specific factors, with the nation-specific factors of least relative importance.

They are few hypothesis in these study:

Hypothesis 1: Foreign banks in Australia with a full bank license will outperform those foreign banks operating in Australia as merchant banks.

Hypothesis 2: There will be a positive relationship between the size of the foreign bank's (merchant bank's) parent and the performance of the foreign bank's (merchant bank's) operations in Australia.

Hypothesis 3: There will be a negative relationship between the foreign bank's net interest margin in its home country and the performance of that bank's Australian operations.

Hypothesis 4: There will be a positive relationship between the number of years a foreign bank has operated in Australia and the performance of that bank's Australian operations.

Hypothesis 5: There will be a negative relationship between growth of the foreign bank's home country GDP and that bank's performance in Australia.

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Hypothesis 6: There will be a positive relationship between a foreign bank's performance in Australia and the level of Australia's trade and investment relationship with that bank's home country.

The result of these hypotheses is the following relationship:

$$\text{Performance}_{Aust} = \alpha + \beta_1 \text{ Licence} + \beta_2 \text{ Parent Size} + \beta_3 \text{ NIM}_{Aust}$$
$$+ \beta_4 \text{ NIM}_{Home} + \beta_5 \text{ Time}_{Aust} + \beta_6 \Delta \text{ GNP}_{Home}$$
$$+ \beta_7 \text{ Investment} + \beta_9 \text{ Fees}_{Aust}.$$

This study uses single year cross-sectional regressions for foreign banks had merchant banks in Australia between 1987 and 1993.

The resulted of hypothesis 1 state that foreign banks with a full banking license will have superior profits and be larger, compared to foreign-owned merchant banks. The result of hypothesis 2 stated that those foreign banks and merchant banks with larger parents would be larger and more profitable in Australia. Hypothesis 3 stated that foreign banks considered opportunity costs when allocating resources to the host banking market and that one measure of opportunity costs was home net interest margins.

This study found no evidence to support the international experience hypothesis 4, that time in the host market results in higher profits and a larger intermediary. Little evidence was found to support the host opportunities hypothesis 5, home GDP was used as an alternative measure of opportunity costs. Hypothesis 6 stated that foreign banks follow their client into the host market as defensive expansion.

In the conclusion, foreign bank size in Australia was found to be a positive function of possession of bank license and parent size and a negative function of exports, net interest margins, scaled fees, and home net interest margins.

2.3   CONCLUSION

There are a lot of studies have been done before the performance of the investment banks. Many factors have been shown that will influence of the performance investment bank. There are parent bank's capital, parent bank's return on asset, the growth rates of GDP, export and import to each foreign bank's home country and so on. Besides, investment in IT service from external providers appears to have a positive influence on the performance investment banks.

CHAPTER 3

METHODOLOGY

3.1   INTRODUCTION

Investment banking is a complicated industry of traders, analysts brokers, managers, hedgers, "quant jocks," retirement planners, and even banker. At times its name has donated wealth and power, while at other times its mention has provoked unprintable expletives hurled by government, the press, and the public alike.

The business of an investment bank is to service both issuing and investing client and deliver a broad range of products. Nowadays, the main purpose of a investment bank was to raise capital and to advise on mergers and acquisition.

Investment banks not only give us know all about comparable markets that will give clients a chance to come out on top over their competitors, it also have market knowledge and understand legal processes.

For Malaysia, there are fifteen investment banks are registered. Investment banks have a very tight relationship with the country's economy. FULL method (Kmenta, 1986) will selected because which can deal with heteroskedasticity, cross-sectional dependence and autoregression.

3.2   DATA SOURCES

To succeed my project, the secondary data will used. My data will focus to the total assets in data quarterly report of the two selected investment banks in Malaysia. They are CIMB investment Bank and RHB investment Bank. Data of annual report will be time

series from the quarterly report between year 2007 until year 2009 in each investment bank.

3.3   STATIONARY TEST

Stationary test is the best method of identifying data stationary tests based on unit root tests for stationary time series which describes the mean, variance and heteroskedasticity structure of time series constant over time. Stationary of time series may be in contrast between the two levels of differentiation and differentiation of the first distinction. When the time series are not stationary at different levels, different levels of stationary time series are not to be taken.

Importance of testing for stationary is to ensure that the regression estimation is right and there is no falsification of data. Falsification of this data will directly affect the decisions that will be awarded at the end of the study. This study will use the Augmented Dickey-Fuller test (ADF) and Philip-Perron test (PP) to measure the strength of the data. It aims to strengthen the stationary of data for more accurate results.

3.4   FULL METHOD (Kmenta, 1986)

FULL Method is the method can deal with heteroskedasticity, cross-sectional dependence and autoregression. Because this method is only capable of processing data with the same number of time series observations across different cross-sections, we could only include in the sample banks that had data available for all explanatory variables during all time periods. The FULL method also requires that the dimension of the time series be greater than of equal to the dimension of the cross section. I estimate the following relationship:

$$TS_{it} = \alpha + \beta_1 CSTF_{it} + \beta_2 SHFT_{it} + \beta_3 LA_{it} + \beta_4 OS_{it} + \beta_5 STBNM_{it} + \beta_6 PPE_{it}$$

Where 'i' represents the bank,

't' represents the year,

'TS' represent total assets,

'CSTF' represent cash and short term fund,

'SHFT' represent the securities held-for-trading,

'LA' represent the loans advances,

'OS' represent the other assets,

'STBNM' represent the statutory deposit with Bank Negara Malaysia,

'PPE' represent the property, plant and equipment.

3.5 CONCLUSION

The conclusion of this chapter is the overall result of the formation of a model specification of this study was closer study of the concept of a more empirical estimate to complete this thesis. FULL method can deal with heteroskedasticity, cross-sectional dependence and autoregression. In this, we can know that which factor is more affect the total asset in each investment bank. To obtain a more accurate model of the study, stationary tests must be done first to ensure there had been no falsification of data.

CHAPTER 4

RESULTS AND DISCUSSION

4.1 INTRODUCTION

My project used the secondary data. The data focuses to the total assets in data quarterly report of the two selected investment banks in Malaysia. They are CIMB investment Bank and RHB investment Bank. Data of annual report will be time series from the quarterly report between year 2007 until year 2009 in each investment bank. Simple regression analysis will used in this project whereby an independent variable is hypothesized to affect one dependent variable.

4.2 RESULT

First of all, I want to indentify the relationship between statutory deposit with Bank Negara Malaysia, property, plant and equipment, other assets, loans and advance, securities held-for-trading, cash and short term fund and total assets in CIMB bank.

Table 4.1 Relationship between statutory deposit with BNM and total assets CIMB.

Dependent Variable: LOG(TOTALCB)
Method: Least Squares
Date: 03/05/11   Time: 15:52
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22.33928	0.976816	22.86949	0.0000
LOG(DEPOCB)	-0.028339	0.063523	-0.446127	0.6650

R-squared	0.019515	Mean dependent var	21.90481
Adjusted R-squared	-0.078534	S.D. dependent var	0.253591
S.E. of regression	0.263360	Akaike info criterion	0.320425
Sum squared resid	0.693587	Schwarz criterion	0.401243
Log likelihood	0.077448	F-statistic	0.199030
Durbin-Watson stat	1.014661	Prob(F-statistic)	0.665010

The result indicates that the coefficient for statutory deposit with BNM is -0.028, which means 1% increase in statutory deposit with BNM will cause the total assets decrease 0.028. Besides, the statutory deposit with BNM is not significant because 0.6650 > 0.05 at 95% significant. R-squared in the table 4.1 shows 0.019515, which means statutory deposit with BNM does not fully fit the data because small value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is weak.

Table 4.2 Relationship between cash & short term fund and total assets CIMB.

Dependent Variable: LOG(TOTALCB)
Method: Least Squares
Date: 03/05/11   Time: 15:52
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.88766	0.910722	15.24907	0.0000
LOG(KSCB)	0.376986	0.042807	8.806657	0.0000
R-squared	0.885789	Mean dependent var		21.90481
Adjusted R-squared	0.874368	S.D. dependent var		0.253591
S.E. of regression	0.089884	Akaike info criterion		-1.829575
Sum squared resid	0.080792	Schwarz criterion		-1.748757
Log likelihood	12.97745	F-statistic		77.55722
Durbin-Watson stat	2.264724	Prob(F-statistic)		0.000005

The result indicates that the coefficient for cash and short term fund is 0.376986, which means 1% increase in cash and short term fund will cause the total assets increase 0.028. Besides, the cash and short term fund is significant because 0.000 < 0.05 at 95% significant. R-squared in the table 4.2 shows 0.885789, which means cash and short term fund is fully fit the data because big value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is strong.

Table 4.3 Relationship between loans and advances and total assets CIMB.

Dependent Variable: LOG(TOTALCB)
Method: Least Squares
Date: 03/05/11   Time: 15:53
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25.47981	0.896263	28.42894	0.0000
LOG(LOANSCB)	-0.193186	0.048364	-3.994429	0.0025
R-squared	0.614725	Mean dependent var		21.90481
Adjusted R-squared	0.576197	S.D. dependent var		0.253591
S.E. of regression	0.165088	Akaike info criterion		-0.613664
Sum squared resid	0.272541	Schwarz criterion		-0.532846
Log likelihood	5.681985	F-statistic		15.95546
Durbin-Watson stat	2.072185	Prob(F-statistic)		0.002541

The result indicates that the coefficient for loans and advances is -0.193186, which means 1% increase in loans and advances will cause the total assets decrease 0.193186. Besides, the loans and advances is significant because $0.025 < 0.05$ at 95% significant. R-squared in the table 4.3 shows 0.614725 which means loans and advances is fully fit the data because big value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is strong.

Table 4.4 Relationship between others assets and total assets CIMB.

Dependent Variable: LOG(TOTALCB)
Method: Least Squares
Date: 03/05/11   Time: 15:53
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	24.49301	3.784971	6.471123	0.0001
LOG(OTHRCB)	-0.126458	0.184896	-0.683944	0.5095
R-squared	0.044688	Mean dependent var		21.90481
Adjusted R-squared	-0.050844	S.D. dependent var		0.253591
S.E. of regression	0.259958	Akaike info criterion		0.294416
Sum squared resid	0.675780	Schwarz criterion		0.375234

Log likelihood	0.233504	F-statistic		0.467780
Durbin-Watson stat	1.038608	Prob(F-statistic)		0.509548

The result indicates that the coefficient for other assets is -0.126458, which means 1% increase in other assets will cause the total assets decrease 0.126458. Besides, the other assets is not significant because 0.5095 > 0.05 at 95% significant. R-squared in the table 4.4 shows 0.044688, which means other assets does not fully fit the data because small value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is weak.

Table 4.5 Relationship between property, plant & equipment and total assets CIMB.

Dependent Variable: LOG(TOTALCB)
Method: Least Squares
Date: 03/05/11   Time: 15:54
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.70952	15.99920	1.169404	0.2694
LOG(PROPCB)	0.178124	0.891878	0.199718	0.8457
R-squared	0.003973	Mean dependent var		21.90481
Adjusted R-squared	-0.095630	S.D. dependent var		0.253591
S.E. of regression	0.265439	Akaike info criterion		0.336152
Sum squared resid	0.704581	Schwarz criterion		0.416970
Log likelihood	-0.016912	F-statistic		0.039887
Durbin-Watson stat	0.863979	Prob(F-statistic)		0.845704

The result indicates that the coefficient for property, plant and equipment is 0.178124, which means 1% increase in property, plant and equipment will cause the total assets increase 0.1781. Besides, the property, plant and equipment is not significant because 0.8457 > 0.05 at 95% significant. R-squared in the table 4.5 shows 0.003973, which means property, plant and equipment does not fully fit the data because small value of R^2

indicate that the proportion of variation in the dependent variable explained by the regression model is weak.

Table 4.6 Relationship between securities held-for-trading and total assets CIMB.

Dependent Variable: LOG(TOTALCB)
Method: Least Squares
Date: 03/05/11   Time: 15:54
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22.65191	1.292784	17.52181	0.0000
LOG(SECCB)	-0.039205	0.067725	-0.578889	0.5755

R-squared	0.032425	Mean dependent var		21.90481
Adjusted R-squared	-0.064333	S.D. dependent var		0.253591
S.E. of regression	0.261621	Akaike info criterion		0.307171
Sum squared resid	0.684455	Schwarz criterion		0.387989
Log likelihood	0.156975	F-statistic		0.335112
Durbin-Watson stat	0.710928	Prob(F-statistic)		0.575470

The result indicates that the coefficient for securities held-for-trading is -0.039205, which means 1% increase in securities held-for-trading will cause the total assets decrease 0.039205. Besides, the securities held-for-trading is not significant because $0.5755 > 0.05$ at 95% significant. R-squared in the table 4.6 shows 0.032425, which means securities held-for-trading does not fully fit the data because small value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is weak.

Then, I want to indentify the relationship between statutory deposit with Bank Negara Malaysia, property, plant and equipment, other assets, loans and advance, securities held-for-trading, cash and short term fund and total assets in RHB bank. The result show at below.

Table 4.7 Relationship between statutory deposit with BNM and total assets RHB.

Dependent Variable: LOG(TOTAL)
Method: Least Squares
Date: 03/05/11   Time: 15:47
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.957320	2.794939	2.131467	0.0589
LOG(DEPO)	0.905980	0.156793	5.778209	0.0002
R-squared	0.769520	Mean dependent var		22.10095
Adjusted R-squared	0.746472	S.D. dependent var		0.528896
S.E. of regression	0.266308	Akaike info criterion		0.342683
Sum squared resid	0.709198	Schwarz criterion		0.423501
Log likelihood	-0.056096	F-statistic		33.38770
Durbin-Watson stat	2.242080	Prob(F-statistic)		0.000178

The result indicates that the coefficient for statutory deposit with BNM is 0.905980, which means 1% increase in statutory deposit with BNM will cause the total assets increase 0.905980. Besides, the statutory deposit with BNM is significant because 0.0002 < 0.05 at 95% significant. R-squared in the table 4.7 shows 0.769520 which means statutory deposit with BNM is fully fit the data because big value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is strong.

Table 4.8 Relationship between cash and short term fund and total assets RHB.

Dependent Variable: LOG(TOTAL)
Method: Least Squares
Date: 03/05/11   Time: 15:48
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.119635	3.047972	1.351599	0.2063
LOG(KS)	0.856162	0.145081	5.901252	0.0002
R-squared	0.776909	Mean dependent var		22.10095
Adjusted R-squared	0.754600	S.D. dependent var		0.528896
S.E. of regression	0.262004	Akaike info criterion		0.310098
Sum squared resid	0.686461	Schwarz criterion		0.390915
Log likelihood	0.139414	F-statistic		34.82477
Durbin-Watson stat	1.160183	Prob(F-statistic)		0.000151

The result indicates that the coefficient for cash and short term fund is 0.856162, which means 1% increase in cash and short term fund will cause the total assets increase 0.856162. Besides, the cash and short term fund is significant because 0.0002 < 0.05 at 95% significant. R-squared in the table 4.8 shows 0.776909 which means cash and short term fund is fully fit the data because big value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is strong.

Table 4.9 Relationship between loans and advances and total assets RHB.

Dependent Variable: LOG(TOTAL)
Method: Least Squares
Date: 03/05/11   Time: 15:49
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.42597	3.827284	3.507962	0.0057
LOG(LOANS)	0.432995	0.190921	2.267927	0.0467
R-squared	0.339650	Mean dependent var		22.10095
Adjusted R-squared	0.273615	S.D. dependent var		0.528896

S.E. of regression	0.450769	Akaike info criterion	1.395288
Sum squared resid	2.031925	Schwarz criterion	1.476105
Log likelihood	-6.371726	F-statistic	5.143495
Durbin-Watson stat	0.868449	Prob(F-statistic)	0.046735

The result indicates that the coefficient for loans and advances is 0.432995, which means 1% increase in loans and advances will cause the total assets increase 0.432995. Besides, the loans and advances is significant because 0.0467 < 0.05 at 95% significant. R-squared in the table 4.9 shows 0.339650 which means loans and advances is not fully fit the data because small value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is weak.

Table 4.10   Relationship between other assets and total assets RHB.

Dependent Variable: LOG(TOTAL)
Method: Least Squares
Date: 03/05/11   Time: 15:49
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.63475	18.88597	0.669002	0.5186
LOG(OTHR)	0.526662	1.050703	0.501247	0.6270
R-squared	0.024509	Mean dependent var		22.10095
Adjusted R-squared	-0.073040	S.D. dependent var		0.528896
S.E. of regression	0.547871	Akaike info criterion		1.785459
Sum squared resid	3.001630	Schwarz criterion		1.866277
Log likelihood	-8.712755	F-statistic		0.251248
Durbin-Watson stat	0.376145	Prob(F-statistic)		0.627047

The result indicates that the coefficient for other assets is 0.526662, which means 1% increase in other assets will cause the total assets increase 0.526662. Besides, the other assets is not significant because 0.6270 > 0.05 at 95% significant. R-squared in the table 4.10 shows 0.024509, which means other assets does not fully fit the data because small value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is weak.

Table 4.11   Relationship between property, plant & equipment and total assets RHB.

Dependent Variable: LOG(TOTAL)
Method: Least Squares
Date: 03/05/11   Time: 15:50
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	21.36384	16.48381	1.296050	0.2241
LOG(PROP)	0.045554	1.018676	0.044719	0.9652
R-squared	0.000200	Mean dependent var		22.10095
Adjusted R-squared	-0.099780	S.D. dependent var		0.528896
S.E. of regression	0.554656	Akaike info criterion		1.810074
Sum squared resid	3.076430	Schwarz criterion		1.890891
Log likelihood	-8.860442	F-statistic		0.002000
Durbin-Watson stat	0.351259	Prob(F-statistic)		0.965212

The result indicates that the coefficient for property, plant and equipment is 0.045554, which means 1% increase in property, plant and equipment will cause the total assets increase 0.9652. Besides, the property, plant and equipment is not significant because 0.9652 > 0.05 at 95% significant. R-squared in the table 4.11 shows 0.000200, which means property, plant and equipment does not fully fit the data because small value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is weak.

Table 4.12   Relationship between securities held-for-trading and total assets RHB.

Dependent Variable: LOG(TOTAL)
Method: Least Squares
Date: 03/05/11   Time: 15:50
Sample: 2007:1 2009:4
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.968639	0.867824	8.030014	0.0000
LOG(SEC)	0.709352	0.040659	17.44652	0.0000
R-squared	0.968191	Mean dependent var		22.10095
Adjusted R-squared	0.965011	S.D. dependent var		0.528896
S.E. of regression	0.098932	Akaike info criterion		-1.637747
Sum squared resid	0.097876	Schwarz criterion		-1.556930
Log likelihood	11.82648	F-statistic		304.3812
Durbin-Watson stat	2.021311	Prob(F-statistic)		0.000000

The result indicates that the coefficient for securities held-for-trading is 0.709352, which means 1% increase in securities held-for-trading will cause the total assets increase 0.709352. Besides, the securities held-for-trading is significant because $0.0000 > 0.05$ at 95% significant. R-squared in the table 4.12 shows 0.968191, which means securities held-for-trading is fully fit the data because small value of R^2 indicate that the proportion of variation in the dependent variable explained by the regression model is strong.

4.3   CONCLUSION

Lastly, the results mention about in CIMB Bank, variables of loans and advances and cash and short term fund are strongly related with the total assets of CIMB Bank. The result shows us these two variables fit the data well. On the other hands, statutory deposit with Bank Negara Malaysia, property, plant and equipment, other assets and securities held-for-trading are not so strong affect by the total assets of CIMB Bank.

The result of RHB Bank, variable of statutory deposit with BNM, securities held-for-trading and cash and short term fund are strong relationship with the total assets of RHB

Bank. These three variables fit the data well. Others, property, plant and equipment, other assets and loan and advances are not so fit to the data and weak to affect total assets of RHB Bank.

Types of assets	CIMB Investment Bank	RHB Investment Bank
Statutory deposit with BNM	weak	strong
Property, plant and equipment	weak	weak
Other assets	weak	weak
Loans and advances	strong	weak
Securities held-for-trading	weak	strong
Cash and short term fund	strong	strong

Table 4.13   The influences of the types of assets towards the total assets in CIMB and RHB Investment Bank

CHAPTER 5

CONCLUSION

5.1   INTRODUCTION

Investment banks have huge network of financial contacts. Investment banks are not only giving us to know all about comparable markets that will give clients a chance to come out on top over their competitors, it also possess market knowledge and understand legal processes. When a corporation needs capital in order to grow, an investment bank will sell securities issued by that corporation to investors order to raise the money that the corporation needs. Similarity, a commercial bank lends money to the corporation, rather than raising it. The main functions of investment banking include raising capital, advising on corporate mergers and acquisitions and trading securities.

Investment banks have a very tight relationship with the country's economy. For Malaysia, there are fifteen investment banks registered. I choose two of investment banks in Malaysia to do comparing of them. They are RHB investment bank and CIMB investment bank. In order to measure the performances of investment bank, total assets showed from the quarterly report for three years in each other investment bank will be comparing. Total asset of the investment bank include by cash and short term fund, loans advances and financing, tax recoverable, securities purchased under resale agreement, statutory deposits with Bank Negara Malaysia, and so on. I selected some kind of assets to help me compare which kind of asset is most strongly influencing to the performances between selected investment banks in Malaysia.

5.2 RESEARCH SUMMARY

To compare which kinds of asset are more strongly influencing to the performances between CIMB Bank and RHB Bank in Malaysia. From the result, variables of loans and advances and cash and short term find are strong relationship with the total assets of CIMB Bank. On the other hand, statutory deposit with Bank Negara Malaysia, property, plant and equipment, other assets and securities held-for-trading are not so strong influent to the total assets of CIMB Bank.

Result of RHB Bank, variable of statutory deposit with BNM, securities held-for-trading and cash and short term fund are strong relationship with the total assets of RHB Bank. These three variables fit the data well. It means these three variables are strongly influencing to the performance of RHB Bank. Others, property, plant and equipment, other assets and loan and advances are not so fit to the data and weak to affect total assets of RHB Bank.

5.3 SUGGESTION

From the journal *Does IT Investment Improve Bank Performances? Evidence from Europe* (Elena Beccalli, 2007), they find little relationship between total IT investment with the improvement in bank performance of efficiency indicating the existence of a profitability paradox. Investment in IT services from external providers appears to have a positive influence on accounting profits and profit efficiency which will reduce bank's profit performance.

Besides, from my study, CIMB Investment Bank is more emphasize in loans & advance and cash & short term fund. It is because these two types of assets strongly influence the performances of CIMB Investment Bank. So, CIMB Investment Bank can continue to promote these two types of services to public to maintain their profit and performance. On the other words, CIMB Investment Bank also can improve more in other variables to increase their performance of the investment Bank.

Besides, from my study, RHB Investment Bank is more emphasize in statutory deposit with BNM, Securities held-for-trading and cash & short term fund. It is because these three types of assets strongly influence the performances of CIMB Investment Bank. So, RHB Investment Bank can continue to promote these three types of services to public to maintain their profit and performance.

5.4   CONCLUSION

In this research, we know that Investment banks have a very tight relationship with the country's economy. In the CIMB Investment Bank, loans & advances and cash & short term fund are strongly influencing performance of CIMB Investment Bank. On the other hand, statutory deposit with Bank Negara Malaysia, Securities held-for-trading and cash and short term fund are strongly influencing performance of RHB Investment Bank.

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