

Mudarabah Term Investment Account-i (MTIA-i)

Fund Performance Report for the Quarter Ended 30 June 2023

Dear Valued Investment Account Holder,

We are pleased to present the following fund performance report for the quarter ended 30 June 2023.

1.0 Key Fund Information

1.1. Product Name

Mudarabah Term Investment Account-i (MTIA-i): MTIA-i is a type of an unrestricted investment account opened and maintained by the Investment Account Holder (“IAH”) with the Bank. Monies placed in MTIA-i (“Investment Amount”) is mandated by IAH to be utilized by the Bank, to fund its stable retail Shariah-compliant financing as investment assets of the Bank (“Investment Asset”). Distribution of returns of the Investment is based on the pre-agreed Profit Sharing Ratio (“PSR”), the amount of which dependent on the performance of the Investment Asset.

1.2. Investment Account Type

The MTIA-i is a form of an unrestricted investment account in which the Bank invests in the Investment Asset in accordance with the investment mandate given by IAH.

1.3. Fund Investment Objective

MTIA-i presents the opportunity to the public to invest in a low risk investment account product that funds the Investment Asset.

1.4. Fund Investment Strategies

MTIA-i fund is invested in Investment Asset with competitive pricing and good asset quality. The Investment Asset subscribes to the Bank’s internal credit controls as regulated by Bank Negara Malaysia (“BNM”).

1.5. Nature of Investment Account

Term Investment Account. For retail IAH, the tenure offered is 1 month, 3 months or 6 months. For corporate IAH, the minimum tenure is 1 day to a maximum of 6 months or

as specified by the Bank on a case-to-case basis.

1.6. Investment Asset Allocation

Investment Asset allocated is Shariah-compliant retail mortgage portfolio of the Bank. The Bank shall manage the investment return in a manner that is consistent with IAH investment objective and the related governing rules and regulations.

1.7. Investor Profile

Type of Investor:

- Individuals (Residents and Non-Residents)
- Small and Medium Enterprises (“SMEs”)
- Corporate
- Corporate Agencies
- Universities
- Companies & Partnerships
- Government
- Government Agencies
- Statutory Bodies
- Government-Linked Companies (“GLC”)
- Other Business & Non-Business Entities deemed fit by the Bank

1.8. Valuation of the Allocated Asset

Valuation methodology employed is in accordance with sound industry practice and consistent with the Malaysian Financial Reporting Standards (“MFRS”). The Bank will be monitoring the performance of the Investment Asset on monthly basis. The net returns/loss on the MTIA-i will be displayed at our branches and published on our website at www.ambank.com.my every 16th of the month.

In the event of any impairment assessment on illiquid Investment Asset, such

assessment shall be reflected in its current valuation. Adequate mechanism will be put in place by the Bank to ensure timely and fair recognition and measurement of impairment loss during the period in which it arises.

1.10. Statement on Any Changes

There have been no changes in the investment objectives, strategies, restrictions and limitations during the quarter period.

1.9. Profit Payment Policy

Profit distribution is upon maturity.

2.0 Risk Statement

The Board of Directors of AmBank Group, being the ultimate governing body, has the overall risk oversight responsibility within the AmBank Group. Amongst others, to manage risks in relation to the Group business strategy through desired target ratings, earnings volatility and risk limits, by setting risk appetite and tolerance levels, that are employed for the Bank's overall business objectives and desired risk profile to ensure preservation of capital and optimization of profit.

Notwithstanding, for safe and minimal risk investment strategy, the Bank shall ensure that the risk oversight for the major risk categories on development of strategies, core policies, procedures and infrastructure to manage credit risk, market risk, liquidity risk, operational risk, investment-decision risk, risk of capital loss, regulatory non-compliance risk, Shariah non-compliance risk, country risk, industry/sector risk and other industry-specific risk for the Bank are consistent and effective.

3.0 Fund Performance for the Quarter ended 30 June 2023

3.1. Profit and Loss Statement for the Quarter ended 30 June 2023

	April (RM '000)	May (RM '000)	June (RM '000)
Total Profit	10	10	10
Return on Asset (p.a.) % *	4.78	4.78	4.94
Return on Investment (p.a.) %	As mutually agreed based on Profit Sharing Ratio (PSR) between the Bank and the IAH, subject to the Terms and Conditions.		

*Average returns of all tenures of placement

3.2. Performance for the Quarter ended 30 June 2023

Month	Fund Size (RM' 000)	Return on Asset (ROA)* % p.a.	Return on Investment (ROI) **% p.a. based on Board PSR		
			1 month	3 months	6 months
April	2,517	1 month: 4.78%	2.24 (46.89: 53.11)		
		3 months: 4.78%		2.35 (49.26: 50.74)	
		6 months: 4.75%			2.42 (50.87: 49.13)
May	2,483	1 month: 4.78%	2.24 (46.89: 53.11)		
		3 months: 4.78%		2.35 (49.26: 50.74)	
		6 months: 4.78%			2.43 (50.87: 49.13)

Month	Fund Size (RM' 000)	Return on Asset (ROA)* % p.a.	Return on Investment (ROI) **% p.a. based on Board PSR		
			1 month	3 months	6 months
June	2,435	1 month: 5.00%	2.34 (46.89: 53.11)		
		3 months: 4.85%		2.39 (49.26: 50.74)	
		6 months: 4.82%			2.45 (50.87: 49.13)

*ROA: Return on Asset of the allocated portfolio to the Investment Account fund.

** Subject to Profit Sharing Ratio between the Bank and the IAH as well as the Terms and Conditions.

Note: For further information, please refer to the Specific Terms and Conditions, Product Disclosure Sheet and Term Investment Account Placement Summary/ Confirmation Notice.

4.0 Economic Review and Prospect

The Malaysian economy grew slower by 5.6% year-on-year (4Q2022: 7.1%) in the 1Q2023 due to slower global economic activities following the steep rate hikes implemented by global central banks. Nonetheless, support came from private expenditure which expanded robustly by 5.9%, coincided with festive season and long school holidays during the months of February and March 2023. Furthermore, persistent recovery in the tourism industry with the number of international flights traffic reaching 72% of pre-pandemic level also contributed to the growth.

We expect the situation in the 2H2023 to continue to be challenging, mainly driven by external factors as major economies have to deal with the impact from steep interest rate hikes that had taken place since last year. The latest data showed that business activities will be slower and global trading activities will be modest for 2023. Global central banks spooked the market in June led by the US Federal Reserve with its upward revision to its Fed Funds outlook whereby the median forecast rose from 5.1% to 5.6% by year end, meaning its tightening process has not ended as we stepped into 2H2023. The Bank of England meanwhile delivered a surprise 50 bps hike, bringing the benchmark rate to 5.00%.

On the domestic front, continuous recovery in the tourism industry is expected to persist with domestic demand to continue to be supported by an improved job market situation. Moreover, the realisation of investments following the Foreign Direct Investment ("FDI") inflow back since 2021 and slightly accommodative monetary policy are additional factors to support the Malaysian economy. We expect the Malaysian economy to grow by 4.5% in 2023. Headline inflation is expected to be in the range of 3.0 to 3.5% in 2023, given the impact of easing commodity prices trend and improving supply chain, risk on inflation tilts to the upside, including the potential partial removal of subsidy into a targeted manner. Inflation in Malaysia had in fact declined to 2.8% in May 2023.

On the monetary policy front, interest rate hikes in Malaysia have been gradual compared to the other major central banks which have been much faster and steeper. Since May 2022, The Monetary Policy Committee ("MPC") of Bank Negara Malaysia ("BNM") had already raised the Overnight Policy Rate ("OPR") by a total of 125 bps, bringing the OPR to its pre-pandemic level of 3.00%. There is a case now that the monetary policy normalisation in Malaysia may have ended given the pessimism in the global growth outlook. However, we do think that future rate adjustments cannot be fully discounted just yet, depending on how economy and core inflation indicators evolve during the months to come, considering the possibility of subsidy rationalisation as the country moves towards fiscal consolidation.

5.0 Underlying Asset Outlook

As the current Investment Assets allocated is retail mortgage portfolio, any changes or revision of BNM's Overnight Policy Rate ("OPR") will have impact on the Return on Assets ("ROA") of the underlying assets. This is reflected with the increasing ROA due to the revision of OPR in May 2023. The gradual rate hikes are still likely for the remainder of the year in order to manage the rising inflation and support the weakening ringgit.

IMPORTANT

MTIA-i IS AN INVESTMENT ACCOUNT PRODUCT. THE PROFIT AND LOSS OF WHICH IS BASED ON THE PERFORMANCE OF INVESTMENT ASSETS AND THEREFORE, IS NOT A DEPOSIT PRODUCT. THE RETURNS ON MTIA-i WILL BE BASED UPON THE PERFORMANCE OF THE INVESTMENT ASSETS. THE PRINCIPAL AND RETURNS ARE NOT GUARANTEED AND IAH HAS THE RISK OF EARNING NO RETURNS AT ALL AND AT WORST, RISK OF LOSING THE INVESTMENT AMOUNT AT ANY POINT OF TIME UPON MATURITY OR EARLY WITHDRAWAL. NONETHELESS, SUCH RISKS ARE MITIGATED BY THE BANK'S PRUDENT INTERNAL CREDIT AND RISK POLICIES. MTIA-i IS NOT PROTECTED BY PERBADANAN INSURANS DEPOSIT MALAYSIA (PIDM).

THIS PERFORMANCE REPORT HAS BEEN PREPARED FOR THE BENEFIT AND INTERNAL USE OF THE IAH TO INDICATE, ON A PRELIMINARY BASIS, THE PERFORMANCE OF THE INVESTMENT AS DESCRIBED HEREIN. IT IS FURNISHED SOLELY TO THE IAH AND MAY NOT BE REPRODUCED OR OTHERWISE DISSEMINATED IN WHOLE OR IN PART WITHOUT THE BANK'S PRIOR WRITTEN CONSENT.

THE INFORMATION IN THIS PERFORMANCE REPORT REFLECTS PREVAILING CONDITIONS AND OUR VIEWS AS OF THIS DATE. NOTHING CONTAINED IN THIS REPORT IS, OR SHALL BE, RELIED UPON AS A PROMISE OR REPRESENTATION AS TO THE FUTURE. PAST PERFORMANCE OF THE INVESTMENT IS NOT A GUARANTEE OF FUTURE PERFORMANCE. THE BANK ACCEPTS NO RESPONSIBILITY TO ANYONE OTHER THAN THE PARTIES IDENTIFIED IN THE FUND PERFORMANCE REPORT FOR THE INFORMATION CONTAINED IN THIS DOCUMENT.

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