Mudarabah Term Investment Account-i (MTIA-i)

Fund Performance Report for the Quarter Ended 30 September 2023

Dear Valued Investment Account Holder,

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

1.9. Profit Payment Policy

Profit distribution is upon maturity.

1.10. Statement on Any Changes

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

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 September 2023

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

	July (RM '000)	August (RM '000)	September (RM '000)
Total Profit	10	10	9
Return on Asset (p.a.) % *	4.95	5.00	5.00
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 September 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
July	2,428	1 month: 5.00%	2.34 (46.89: 53.11)		
		3 months: 4.93%		2.43 (49.26: 50.74)	
		6 months: 4.85%			2.47 (50.87: 49.13)
Aug	2,393	1 month: 5.00%	2.34 (46.89: 53.11)		
		3 months: 5.00%		2.46 (49.26: 50.74)	
		6 months: 4.89%			2.49 (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
Sept	2,165	1 month: 5.00%	2.34 (46.89: 53.11)		
		3 months: 5.00%		2.46 (49.26: 50.74)	
		6 months: 4.93%			2.51 (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

During second quarter of 2023, Malaysia's economy expanded by 2.9%, slower pace compared to the previous quarter's 5.6% and Bloomberg consensus of 3.3%. The slower growth was due to a combination of slowing external trade and slower-than-expected domestic demand growth. The manufacturing sector, a significant contributor to the economy, also grew marginally by 0.1%. However, domestic-oriented sectors such as services and private consumption continued to support growth.

We expect the global economic condition for the remainder of the year until the early part of 2024 will continue to be subdued, as most economies are still adjusting to the high interest rates environment implemented by most central banks. Globally, the outlook on the manufacturing sector remains pessimistic, reflected in the latest Global Purchasing Manager's Index ("PMI") that has been under the contractionary level since March 2023. In the United States, the Federal Reserve's ("Fed") fight against inflation seems successful as inflation and core inflation are receding. However, it comes with a price as interest rates are likely to stay elevated at above 5.00% until the end of 2024 as indicated by the Fed's recent projections. Similarly, rates are likely to remain high in the UK and Eurozone and signs of softer economic activity have already become apparent in those economy. The upside risk to inflation is seen coming from recent uptick in global oil prices and if the situation persists as we step into 2024 later, consumer purchasing would be eroded further. In China, economic performance has been disappointing throughout the year, where the latest second quarter of 2023 Gross Domestic Product ("GDP") grew by 6.3%, below of market's expectation of 7.2%.

We anticipate continued support for growth from domestic demand this year. Wage growth in both the services and manufacturing sectors appears to have peaked, and employment growth has slowed to 2.3% in July 2023. However, the vacancy-to-unemployment ratio remains higher than pre-pandemic levels, suggesting room for improvement in private spending. Furthermore, tourism and related sectors are still improving and have yet to reach its pre-pandemic level. On the downside, subdued global trading activities is expected to persist and constraint Malaysia's economic growth. We now expect the domestic economy to grow by 4.0% in 2023 and 4.5% in 2024 but balance if risks is tilted towards the downside.

On another note, the government released New Industrial Master Plan 2030 ("NIMP 2030") recently which aims to transform industries to the next level in accordance with emerging global trends i.e., capitalising the changing geopolitical landscape, digitalisation and environmental, social, and governance ("ESG") compliances. At the same time, the government also tabled the new 12th Malaysia Plan in which the GDP growth target was revised to 5.0% - 6.0% per annum, compared to previous goal of 4.5% - 5.5%. Also, in its recent Budget 2024 tabling, the government set out RM393.8 billion spending for next year. The Budget reflects the government's commitment in consolidating its fiscal position, supporting the People through subsidies and assistances, and embracing ESG into its sustainable economic plan.

In the Malaysia's banking industry, the overall outstanding loans/financings expanded by 4.2% year-on-year ("yoy") in August 2023, the same as prior month's reading. While the non-household segment loans/financings expanded slower at 2.2%, household loans/financings remained healthy at 5.5%. As the economy is expected to soften in 2023, we expect relatively subdued loan/financing growth in the range of 4.0% to 5.0% for 2023 given that loan/financing growth typically tracks GDP growth. The overall banking system remains healthy underpinned by strong liquidity. This is reflected by the liquidity coverage ratio which was at 149.3% in August 2023 (July 2023: 154.8%). The funding profile was also well-diversified with August 2023's loan/financing-to-fund ratio and loan/financing-to-fund-and-equity ratio at 82.3% and 71.6%, respectively (July 2023: 82.0% and 71.2%, respectively).

On the Overnight Policy Rate ("OPR"), with core inflation being modest so far due to slower hiring activities and the lag effect from the 125 bps cumulative rate hikes, we expect the OPR to stay at 3.00% until the end of 2024. Given that core inflation easing further to 2.5% in August 2023 coupled with contraction in exports, there is no immediate pressure to alter the policy rate. Nevertheless, the upside risk to inflation is expected to come from subsidiary rationalisation which is currently in the pipeline. Should the situation later translate into persistently high inflation, then there is a case to revisit our current OPR call.

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 was reflected with the increasing ROA due to the previous revision of OPR in May 2023. However, Monetary Policy Committee (MPC) of Bank Negara Malaysia have decided to maintain the OPR level since the last revision citing the need to support the recovery of the economy. Consequently, the underlying assets ROA recorded a more stable and consistent level.

The rest of the page is intentionally left blank.