

Mudarabah Term Investment Account-i (MTIA-i)

Fund Performance Report for the Quarter Ended 30 September 2022

Dear Valued Investment Account Holder,

Congratulations on becoming AmBank Islamic's ("Bank") Mudarabah Term Investment Account-i holder. We are pleased to present the following fund performance report for the quarter ended 30 September 2022.

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 and 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 2022

3.1. Profit and Loss Statement for the Quarter ended 30 September 2022

	July	August	September
	(RM '000)	(RM '000)	(RM '000)
Total Profit	97	82	69
Return on Asset (p.a.) %	4.06*	4.13*	4.30*
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 2022

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	23,676	1 month: 4.18%	1.96 (46.89: 53.11)		
		3 months: 4.12%		2.03 (49.26: 50.74)	
		6 months: 4.06%			2.07 (50.87: 49.13)
Aug	23,189	1 month: 4.38%	2.05 (46.89: 53.11)		
		3 months: 4.25%		2.09 (49.26: 50.74)	
		6 months: 4.12%			2.10 (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	14,538	1 month: 4.38%	2.05 (46.89: 53.11)		
		3 months: 4.31%		2.12 (49.26: 50.74)	
		6 months: 4.19%			2.13 (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 global economy is in a very tight spot with a real risk of recession. Right now, all the main parts of the global economy are slowing down or are heading into recession. The prolonged effects from Russia's invasion in Ukraine, combined with the cost-of-living crisis, aggressive tightening by the global central banks, slowdown in China, highly volatile commodity prices, and emerging tension in geopolitical stage are putting downside pressure over the already deteriorating global economic climate and prospects.

While the global supply chain disruption and commodity prices are seen getting off from their peaks, the entrenched inflation in many parts of the world is forcing the central banks to act compellingly to slow down the price growth and anchor the inflation expectation. But the restrictive financial condition leads to highly uncertain direction in the financial market, prompting investors to flock to safe-haven US dollar assets and will further impact importing countries. Such narrative is expected to stay for the rest of 2022 and will extend into the early months of 2023.

But we think the price spikes would unwind into a deflationary rush in 2023 from the aggressive rate hikes, slowing down of the global economy, improving supply chain constraints and freight chargers, supply and demand imbalances improves, and weakening of dollar. So, the current high inflation will undershoot the 2% target in US, Euro, and UK in 2023 and 2024. High demand, supply constraints plus rise in energy and commodity prices will eventually resolve. For the year 2022, global GDP would slow down to 2.8% in 2022 (6.1% in 2021) and 2.5% in 2023, before recovers to 3% in 2024.

On the domestic side, the economy has shown a robust post-Covid recovery so far, boosted mainly by the strong domestic demand and well-positioned external trade. Looking at the monthly GDP data, the economy expanded by 5.6% y/y in April, 5.0% in May, and 16.5% in June particularly boosted by the low base effects. Throughout the quarter, the exports value grew by double digit and reached new highs, distributive trades rose by double digit as well while the unemployment rate dipped to 3.7%, the lowest level since the start of pandemic.

We have revised upwards our 2022 projection to 7.5% from the previous 6.4% on the view that 3Q22 GDP would be better than 2Q22 GDP growth of 8.9%. This is despite facing a weaker global economy as well as the rising US dollar. Upside to our full year GDP is 8.5% based on the outcome of 2H22 performance.

We expect the 4Q22 GDP to lose some steam from the ongoing external uncertainties added with domestic challenges more so with the Parliament being dissolved that paved way for General Election 15 ("GE15"). Nonetheless, the overall GDP for 2022 would be around 7.5% to 8.5%. The economy will continue to be supported by domestic activities spearheaded by private expenditure, public spending, Foreign Direct Investments ("FDIs") approved and implemented, trade, Domestic Direct Investments ("DDIs"), firm commodity prices, and green investments.

Heading into 2023, there are more downside risks to the economic growth. External headwinds and domestic challenges especially on the outcome of GE15 will weigh on the economic performer. We expect first half of 2023 would be far noisier as opposed to second half 2023. We project the GDP in 2023 should grow around 4.5%.

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 July 2022 & September 2022. The gradual rate hikes are expected 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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