

## 1.0 KEY FUND INFORMATION

### 1.1 Shariah Concept      1.2 Investment Currency      1.3 Fund Inception

Wakalah Bil Istithmar      Ringgit Malaysia      15 July 2024

### 1.4 Product Classification

Unrestricted Investment Account refers to a type of investment account whereby the Investment Account Holder (IAH) provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions.

### 1.5 Overview of Product

A value-based impact investment which is designed to foster a nature-positive economy, enhance environmental resilience and promote inclusive growth across society, while ensuring financial returns for investors, financing customers and donation/Zakat recipients.

The growing impact investment market provides capital to address the nation's pressing challenges, supporting sectors such as renewable energy, clean transportation and affordable and accessible basic services including housing, healthcare, utilities and education.

### 1.6 Investment Objectives

To provide differentiated investment solutions based on new asset classes, focusing on non-retail financing and aligned to the United Nations' (UN) Sustainable Development Goals (SDG).

### 1.7 Investment Strategies

Moderate risk investment to achieve capital preservation and steady returns.

### 1.8 Nature of Investment Account

Term Investment Account where customers can invest in a fixed tenure of twenty-four (24) months or thirty-six (36) months.

### 1.9 Description of Underlying Assets

The fund will be invested in a diversified portfolio of the Bank's non-retail assets aligned with the UN's SDG and the Climate Change and Principle Based Taxonomy (CCPT) classification as per Bank Negara Malaysia's (BNM) framework.

The sectors include renewable energy, green financing, clean transportation, clean water and sanitation as well as other sectors contributing to sustainable cities and communities.

### 1.10 Valuation of Allocated Asset

Valuation will be conducted at least on monthly basis, in accordance with the recognition and measurement criteria of the applicable Malaysian Financial Reporting Standards (MFRS). The returns on this investment account will be affected by the performance of the allocated assets including, but not limited to, the asset's quality (i.e. impairment) and movement of Effective Profit Rate (EPR) in relation to financing assets that are priced based on floating rate methods.

The principal and returns are not guaranteed, and an IAH may be exposed to the risk of no returns at all. This investment account is not protected by Perbadanan Insurans Deposit Malaysia (PIDM). However, the product structure is designed to mitigate the risk of losing the principal amount. In the event of liquidation, the IAHs are ranked ahead of depositors.

### 1.11 Profit Payment Frequency

Profits will be paid semi-annually.

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### 1.12 Statement on Any Changes

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

### 1.13 Investor Profile

**Non-Retail:** Exclude interbank counterparties, sole proprietorship, and Small & Medium Enterprise (SME).

**Retail:** Limited to High-Net-Worth Individuals.

### 1.14 Investment Risk

Investors are advised to carefully consider all risk factors before making an investment decision. These include credit risk, concentration risk, market risk, liquidity risk, legal risk and Shariah non-compliance risk. For further explanation of each risk, please visit Bank Islam's website.

One key risk unique to this fund is the investment concentration risk. This risk arises from excessive exposure to a particular type of asset, a single counterparty, a single geographical location or other factors, which result in substantial losses that could threaten the financial condition of the fund or entity. Due to the investment in non-retail assets, the fund's exposure to a single counterparty is higher, leading to greater investment concentration risk and consequently greater adverse impact on investment returns in the event of asset impairment. To mitigate this risk, investment concentration is closely monitored at the asset level on a monthly basis to ensure it does not exceed 25% as guided by the Bank Negara Malaysia Investment Account Framework.

## 2.0 RISK STATEMENT

The Board of Directors of Bank Islam holds the ultimate responsibility for managing risks associated with the Bank's operations and business activities by setting risk appetite and tolerance levels that are consistent with the Bank's overall business objectives and desired risk profile. The Board Risk Committee, supported by the Management Risk Control Committee, ensures effective oversight of the development of strategies, policies, procedures, and infrastructure to manage the Bank's risks.

## 3.0 FUND PERFORMANCE

### 3.1 Fund Size

There are a few different Offer Periods and Investment Periods as follows:

No	Offer Period	Investment Period	
		2 Years Tenure	3 Years Tenure
1	15 Jul '24 – 30 Jul '24	31 Jul '24 – 31 Jul '26	31 Jul '24 – 31 Jul '27
2	1 Aug '24 – 10 Sep '24	11 Sep '24 – 11 Sep '26	11 Sep '24 – 11 Sep '27
3	12 Sep '24 – 15 Oct '24	16 Oct '24 – 16 Oct '26	16 Oct '24 – 16 Oct '27
4	19 Nov '24 – 24 Dec '24	26 Dec '24 – 26 Dec '26	26 Dec '24 – 26 Dec '27

As at December 2024, ISIA 2.0 fund balance registered at RM0.66 billion.

**3.2 Rate of Return**

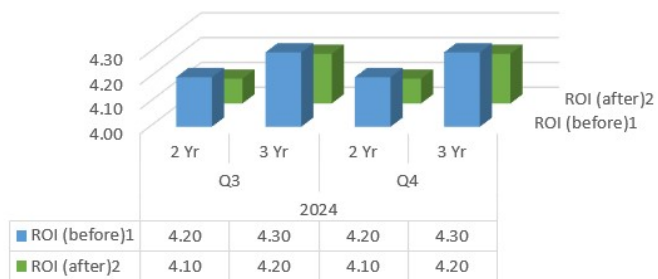
Period	Return on Investment (ROI) <sup>1</sup> % (p.a.)	
	Before Social Impact Contribution*	
	2 Years Tenure	3 Years Tenure
October	4.20%	4.30%
November	4.20%	4.30%
December	4.20%	4.30%

<sup>1</sup> ROI - Based on the Expected Profit Rate (EPR) upon placement of fund or Actual Profit Rate (APR) (whichever is lower), subject to the Terms and Conditions.

\*Social impact contribution of 2.50% from the investment return of ISIA 2.0 will be channelled to either Zakat or Sadaqa House.

**Note:** For further illustration, please refer to the Product Disclosure Sheet (PDS) and Terms & Conditions (where applicable).

**3.3 Historical Rate of Return**



<sup>1</sup> ROI (before) - Return on Investment (ROI) % (p.a.) before social impact contribution

<sup>2</sup> ROI (after) - Return on Investment (ROI) % (p.a.) after social impact contribution

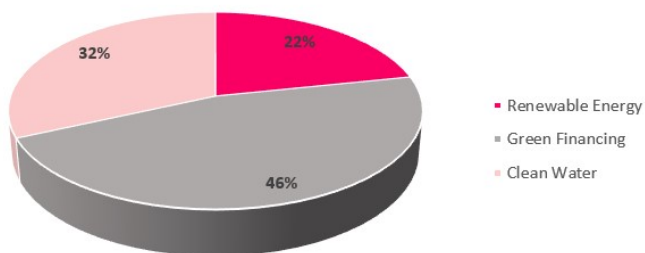
**Note:**

The rates above are average the annual rate of return in percentage(%) for each quarter.

**3.4 Income Statement**

Income Statement for the Quarter ended 31 December 2024			
	October	November	December
	RM'000	RM'000	RM'000
Total Gross Income	2,349	2,788	2,896
Net Distributable Income	2,391	2,903	4,174
Amount attributable to IAH (before social impact contribution)	2,105	2,300	2,376

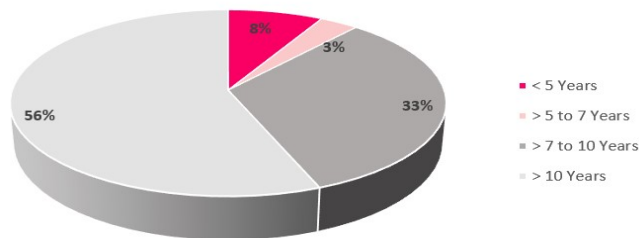
**3.5 Asset Allocation by Sectors**



This allocation adheres to the approved investment objective and strategy.

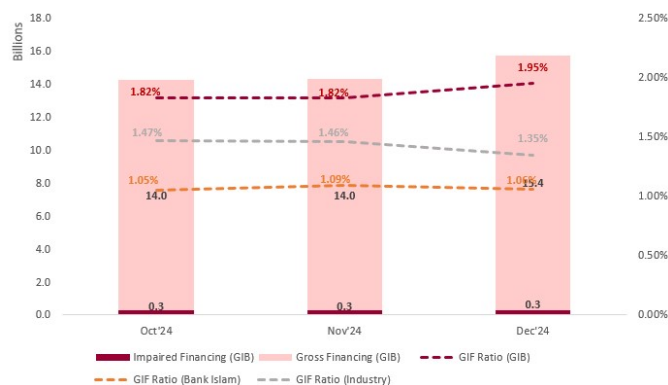
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**3.6 Financing Portfolio by Remaining Maturity of Facilities**



Majority of the Financing Portfolio has maturity of more than 10 years. This will ensure stability in the profit stream of the portfolio for the 2-year investment tenure, which can then benefit the investment return expectations of the IAHs.

**3.7 Asset Quality Overview**



As at December 2024, the Gross Impaired Financing (GIF) ratio for Bank Islam's Group Institutional Banking (GIB) stood at 1.95% primarily due to the deterioration of asset quality in the construction sector. However, further improvement in the GIB GIF is expected in Q1 2025, as the construction sector normalises.

Meanwhile, ISIA has no exposure to the construction sector, ensuring that the ISIA Underlying Assets portfolio to remains strong, with robust asset quality and no signs of deterioration.

**4.0 SOCIAL IMPACT CONTRIBUTION**

ISIA 2.0 empowers investors to foster a nature-positive economy that strengthens environmental resilience and promotes inclusive societal growth, embedding a unique feature of social impact contribution. Aligned with its objective as a purposeful investment, ISIA 2.0 aspires to make a meaningful difference for the relevant beneficiaries, while creating wealth for investors.

ISIA 2.0 includes a special feature whereby 2.50% of the investment return will be channelled to either Zakat or Sadaqa House annually. Bank Islam acts as an agent to the IAH in managing the allocation and payment of Zakat or Sadaqa House contributions on behalf of the IAHs:

- **For Muslim Individuals:** 2.5% of the profit will be contributed to Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan (PPZ MAIWP) as Zakat payment on a yearly basis.

• **For non-Muslims:**

- **Individuals:** 2.5% of the profit will be contributed to selected changemakers via Sadaqa House.
- **Non-Individuals:** May opt to contribute to Sadaqa House, where 2.5% of the profit will be contributed to selected changemakers via Sadaqa House. Alternatively, non-Individuals may opt to contribute 2.5% of the profit to the iTEKAD fund via Sadaqa House.

**Sadaqa House at a Glance**

Sadaqa House is a globally recognised social finance driver that mobilises the philanthropic capitals of *sadaqah* (voluntary charity) and *zakat* (tithe) to create positive outcomes and tangible differences for the country's unbanked and underserved segments within an inclusive Islamic economic ecosystem in Malaysia.

Initially launched in 2018, Sadaqa House continuously enhanced every facet of fund delivery within the Islamic banking framework, aiming to achieve upward mobility for our beneficiaries. Sadaqa House has helped bring to life Bank Islam's vision for Value-based Intermediation (VBI), impacting over 20,000 beneficiaries throughout Malaysia as of 2024.

Since inception in 2018 until 31 December 2024, Sadaqa House has accumulated over RM55 million in philanthropic funds and disbursed over RM50 million. This includes more than RM30 million allocated to the iTEKAD entrepreneurship and funding escalator programme, which has supported about 1,600 microentrepreneurs between 2020 and 2024. Through Sadaqa House, Bank Islam also funds education for over 171 students annually, supports underprivileged students across 70 universities, sponsors 38 first-generation university students via Program Sulung at Universiti Malaysia Kelantan and assists 33 aspiring accountants from vulnerable backgrounds.

In addition to the Scholarship Programme, Sadaqa House has upgraded suraus in 36 rural schools and 20 orphanages, creating a more conducive environment for children to study and live in these institutions. In 2025, Bank Islam will focus its efforts on entrepreneurship and education to help break the cycle of poverty.

**5.0 MARKET OUTLOOK**

**5.1 Economic Outlook**

Malaysia's GDP growth moderated to 5.3% YoY in Q3 2024, down from 5.9% in Q2 2024. The slowdown was primarily attributed to weaker household spending and a subdued mining sector, though it was partially offset by higher investments, rising manufacturing output, and a robust construction sector.

Despite this moderation, Malaysia's economic outlook for 2024 remains optimistic, underpinned by solid sectoral and demand-side performance in Q3 2024. Growth across key sectors, including manufacturing, construction, and services, showcased resilience, supported by strong domestic demand and improving exports, particularly in agriculture and electronics.

For the first three quarters of 2024, the economy expanded by 5.2%. While a slight moderation in growth is expected in Q4 2024, the sustained economic momentum has led to an upward revision of our 2024 GDP growth forecast from 4.7% to 5.0%. This adjustment reflects robust domestic consumption, a stable labor market, and the continued expansion of tourism and investment activities, all of which are expected to drive growth into the new year.

However, downside risks persist, including weaker-than-expected global demand, volatile commodity prices, and ongoing geopolitical tensions,

which could pose challenges to Malaysia's growth trajectory in Q4 2024.

**5.2 Sustainability & Climate Outlook**

The outlook for sustainability and climate is closely tied to efforts by governments and the private sector in advancing sustainability targets as outlined in the Sustainable Development Goals. Amidst escalating climate issues and focus on ensuring a just climate transition, key stakeholders are in the spotlight to align strategies and enhance collaborative efforts for equitable and sustainable growth.

**Dynamic & Evolving Regulatory Landscape**

With the regulatory environment evolving and shaping sustainability and climate priorities, industries and sectors need to develop coherent long-term climate transition plans that consider sustainable growth. Priority is being placed on effective climate risk management including scenario analysis, which enables the financial sector to identify opportunities for sustainable finance and align with global climate goals.