1.0 KEY FUND INFORMATION

1.1 Shariah Concept

Wakalah

1.2 Investment Currency

Ringgit Malaysia

1.3 Fund Inception

May 2016 (Corporate)

September 2016 (Retail)

1.4 Product Classification

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

1.5 Investment Objectives

To generate moderate returns over an agreed period of the investment based on the underlying risk profile of the assets.

1.6 Investment Strategies

- To ensure investment is within the investment objective of the Fund with its asset allocation safeguarding the investment portfolio.
- Currently, the Bank invests in its existing House & Fixed Asset Financing (HFA), Personal Financing (PF) Portfolio and Securities that are Guaranteed by the Government of Malaysia (GG) aimed at providing stable profits.

1.7 Nature of Investment Account

Term Investment Account. For retail customers, the tenure offered is from 1 month to 24 months. For corporate customers, the minimum tenure is 1 day to a maximum of 10 years or as specified by the Bank on a case-to-case basis.

1.8 Investment Asset Allocation

The Bank will allocate IAH's funds in its existing HFA, PF and GG Portfolio that generate stable profits.

1.9 Valuation of Allocated Asset

To be carried out on a monthly basis as part of the process to determine the returns to the IAH. The returns on this investment account will be affected by the performance of the allocated assets including, but not limited to, the quality of assets (i.e. impairment) and movement of Effective Profit Rate (EPR) in relation to financing assets that are priced based on floating rate methods etc. The principal and returns are not guaranteed and an IAH may be exposed to a risk of no returns at all. This investment account is not protected by Perbadanan Insurans Deposit Malaysia (PIDM).

However, the product structure was designed to mitigate the risk of losing the principal amount. In the event of a liquidation scenario, the IAHs are ranked ahead of depositors.

1.10 Payment Policy

Profit will be paid upon maturity or any payment frequency (for investment with tenure over 15 months), as agreed by the Bank and IAH (e.g. monthly / quarterly / half-yearly / yearly basis).

1.11 Statement on Any Changes

There have been changes in the investment strategies and asset allocation as per items 1.6 and 1.8 above during the quarter period.

1.12 Investor Profile

- Category of investors:
  - <u>Retail:</u>
    - Individuals (Residents and Non-Residents)
    - Small and Medium Enterprises (SMEs)
  - <u>Corporate:</u>
    - Corporate
    - Government Agencies
    - Government Accounts
    - Universities
    - Companies and Partnerships
    - Other Business & Non- Business Entities
- Investors with either a short- or medium-term investment horizon
- Investors who require a portfolio of Shariah- compliant investments
- Investors with low to medium risk tolerance
- Investors who seek stable profits

Note: Investors are advised to carefully consider all risk factors before making an investment decision. Investors will be exposed to the following risks: market risk, credit risk, liquidity risk, operational risk, legal risk and shariah non-compliance risk. Please visit Bank Islam's website for further explanation of each risk.

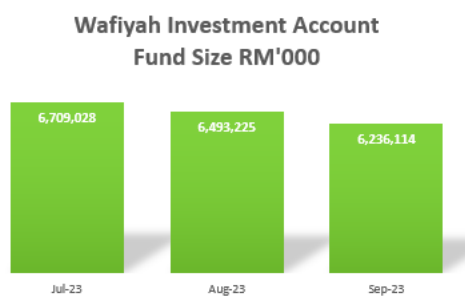
2.0 RISK STATEMENT

The Board of Directors of Bank Islam has the ultimate responsibility to manage risks related to its 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, which is assisted by the Group Risk Management Division, ensures that there is an effective oversight on development of strategies, policies, procedures and infrastructure to manage the Bank's risks.

3.0 FUND PERFORMANCE

3.1 Fund Size and Growth

As at September 2023, Wafiyah Investment account fund balance was recorded at RM6.2 billion.



3.2 Rate of Return

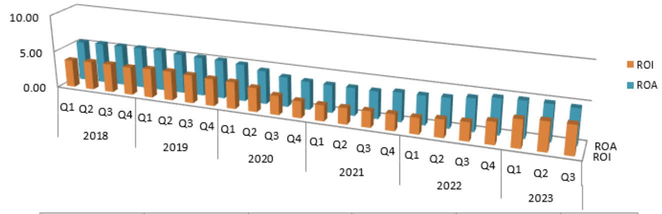
Position 2023	Return on Asset (ROA)* % (p.a.)	Return on Investment (ROI) % (p.a.)
July	4.82%	Based on the agreed expected return upon placement of fund or actual return (whichever is lower), subject to Terms & Conditions
August	4.61%	
September	4.61%	

* ROA - allocated assets of the fund.

Note:

For further illustration, please refer to the Product Disclosure Sheet (PDS), Terms & Conditions and Investment Confirmation Notice (where applicable).

3 .3 Historical Rate of Return



	2018				2019				2020				2021				2022				2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
ROI	3.71	3.84	3.85	3.78	3.91	3.94	3.79	3.66	3.60	3.21	2.56	2.24	2.13	2.16	2.17	2.19	2.15	2.37	2.45	2.92	3.66	3.82	3.84
ROA	5.35	5.46	5.44	5.50	5.49	5.29	5.20	5.14	4.95	4.45	3.96	3.76	3.68	3.69	3.63	3.88	3.86	3.99	4.33	4.73	4.82	4.81	4.68

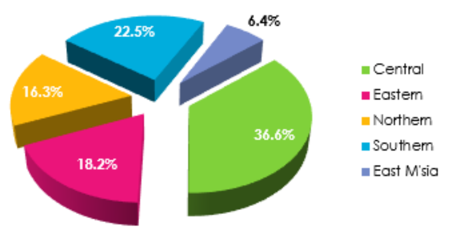
Note: The rates above are average annual rate of return on quarterly basis in percentage (%)

3.4 Income Statement

Profit & Loss Statement for the Quarter ended 31 September 2023			
	July RM'000	August RM'000	September RM'000
Profit from financing	26,823	27,338	25,025
Direct expenses*	-	-	-
Allowance for impairment on financing	(1,520)	(1,739)	(1,628)
Total Profit	25,304	25,599	23,397
Return on Asset (p.a.)	4.82%	4.61%	4.61%
Return on Investment (p.a.)	Based on the agreed expected return upon placement of fund, subject to Terms & Conditions		

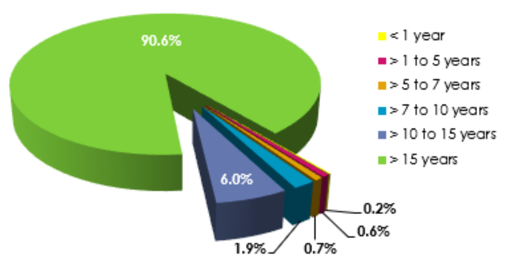
*Currently there are no charges imposed to this fund.

3.5 HFA Financing Portfolio by Geographical Location in Malaysia



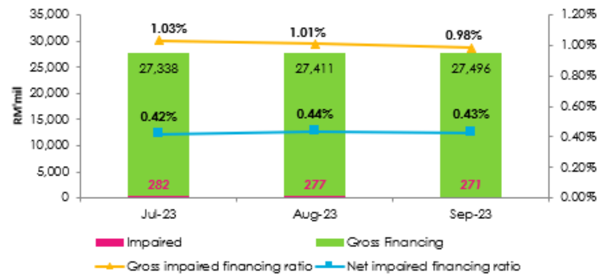
A total of 36.6% of the total HFA Financing Portfolio originates from the Central region. This reflects the concentration of the HFA portfolio to developed areas such as the Klang Valley.

3.6 HFA Financing Portfolio by Remaining Maturity of Facilities



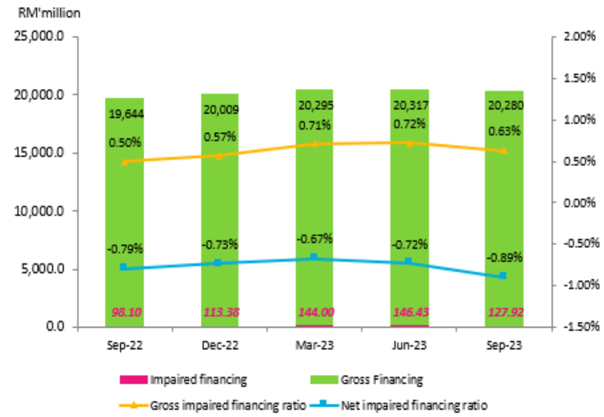
The majority of the HFA Financing Portfolio has a maturity of more than 15 years. This will ensure stability in the profit stream of the HFA portfolio which can then benefit the investment return expectations, especially for long-term IAH.

3.7 Asset Quality of HFA Financing Portfolio



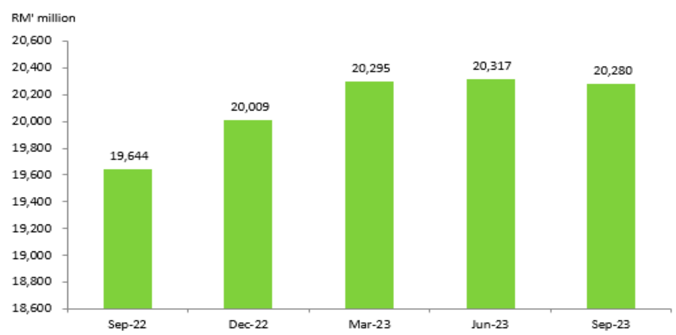
The portfolio's low impaired financing ratio reflects strong asset quality.

3.8 Asset Quality for PF Portfolio



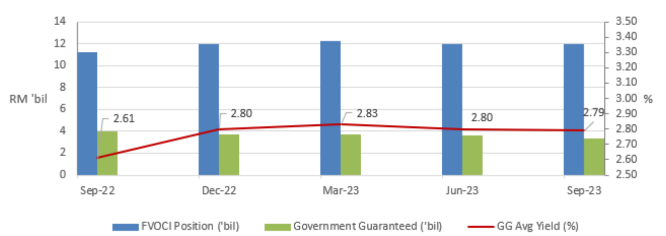
The portfolio's low impaired financing ratio reflects strong asset quality.

3.9 PF Portfolio Growth in Bank Islam



The PF Portfolio has grown at a rate of 3.24% per annum.
Asset Allocation for Wafiyah only comprises PF customers employed in the public sector.

3.10 Asset Quality of Government Guaranteed Securities in FVOCI Portfolio



4.0 ECONOMIC REVIEW & PROSPECT

Malaysia's 2Q2023 GDP growth came in below expectation at 2.9% year-on-year relative to 5.6% in the previous quarter, with net exports as the main drag, given rising external headwinds such as cooling global demand and the global electronics downcycle. Recent data releases continue to point to moderating economic conditions, in line with our in-house view amid the challenging global environment characterised by higher interest rates, persistent inflation and tighter credit conditions.

Exports have recorded double-digit contractions since June, reflecting a weakening external demand and further destocking in inventories. Against this backdrop, the manufacturing Purchasing Managers' Index (PMI) dipped deeper into the negative territory, led by declining new orders. Furthermore, retail sales growth decelerated sharply to 5.5% in July (June: 5.8%) after posting double-digit growth from February 2022 to April 2023, as higher living costs started to bite into consumer demand.

The underwhelming growth in 2Q2023 and the weakening growth triggers will feed into a lower-than-expected 3Q2023 GDP growth performance. The likely continued deteriorating domestic and external demand led us to revise our forecast of GDP growth for FY2023 lower to 3.7% from 4.5% previously, with risks tilted to the downside.

5.0 PROPERTY MARKET & HFA PORTFOLIO REVIEW

According to data published by the National Property Information Centre's (NAPIC), property market sector recorded a stable performance in H12023. It was reported that the property market sector recorded 184,140 transactions worth RM85.37 billion in H12023, down by 2.1% in volume but increased slightly by 1.1% in value compared to H12022 (188,002;RM84.4 billion).

The residential sub-sector led the overall property market with 62.4% contribution. The residential sub-sector's market recorded 114,973 transactions worth RM44.78 billion, decreased slightly by 1.0% in volume and 1.8% in value as compared to H12022 (116,178;RM45.62 billion).

Newly launched houses priced between RM100K to RM500K dominated the market in H12023, with the RM300K to RM500K price segment leading supply with 6,174 units (37.3%). The primary market saw fewer new launches in H12023. There were 16,545 units launched, down by 50.2% compared 33,205 units(revised) in H12022. Sale performance for new launches recorded at 32.2%, higher compared to H12022(revised 14.6%) but slightly lower compared to H22022 (36.8%).

The residential overhang situation improved as the numbers reduced. There were recorded 26,286 units worth RM18.3 billion, down by 5.3% and 0.6%in volume and value respectively against H22022. Residential construction activity slowed down in H12023. The number of completions, starts and new planned supply decreased by 10.4% (28,412 units), 1.2%(41,101 units) and 15.8%(31,139 units) respectively compared H12022. The Malaysian House Price Index (MHPI) continued to increase at a moderating trend. As at Q22023, the MHPI stood at 212.3 points, up by 2.2% on annual basis.

Bank Islam's Housing and Fixed Asset (HFA) portfolio stood RM27.50 billion in September 2023, increasing by 0.31% month-on-month (m-o-m) from RM27.41 billion in the previous month. The Gross Impairment Ratio (GIR) improved slightly to 0.98% in September 2023 from 1.01% in the preceding month. The ratio is considered low compared to the purchase of residential property's industry level of 1.51% in August 2023 (January 2023: 1.37%). The HFA asset yield remained consistent at 4.55% in September 2023 compared to 4.55% in June 2023 (previous quarter).

6.0 PF PORTFOLIO REVIEW

The PF portfolio stood at RM20.28 billion in September 2023, decreasing by 0.18% month-on-month (m-o-m) from RM20.32 billion in the previous month. The Gross Impairment Ratio (GIR) decreased by 0.63% in September 2023 from 0.82% in the preceding month. The Bank's GIR remained low compared to the industry level for personal use of 2.24% in August 2023 (January 2023: 2.58%), suggesting the Bank's prudent credit assessment. The PF asset yield remained consistent at 6.22% in September 2023 compared to 6.22% in June 2023 (previous quarter).

7.0 BOND/SUKUK MARKET REVIEW

In the absence of domestic moving events, the local bond/sukuk market was mostly influenced by external factors with United States Treasury (UST) as the main driver for local yields movement. It was rather bearish and subdued market with the overall yield curve surged upward amid selling pressure following weakening UST. The local yields were traded sideways and eventually spiked up further in September as most global central banks led by the US Fed remained hawkish in their monetary policy approach.

Higher rates are to stay for longer as the Fed continued to fight the stubborn inflation. However, 10-year Malaysia Government Securities (MGS) and Government Investment Issue (GII) yields remained resilient which moved about 15bps higher despite relentless rise of 10-year UST yield that surged about 95bps since June.

Domestic demand seemed to be very supportive that tend to lessen the steepening of the local yield movement as the sell-offs gave the opportunity for bargain hunting and building up longer duration exposure. Foreign inflows to local bond/sukuk had turned negative in August, after seven months of steady positive inflows, with a drawdown of RM5.0 billion that trimmed the YTD total exposure to RM274.2 billion from July's YTD of RM279.2 billion amid concerns about China downturn and souring regional risk sentiment.