

**1.0 KEY FUND INFORMATION**

1.1 Shariah Concept	1.2 Investment Currency	1.3 Fund Inception
Wakalah Bil Istithmar	Ringgit Malaysia	15 April 2025

**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, thirty-six (36) months, or sixty (60) 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 once a month, in accordance with the recognition and measurement criteria outlined in the 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 quality (e.g. impairment) and fluctuations in the Effective Profit Rate (EPR), particularly for financing assets priced using 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.

**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 at [www.bankislam.com](http://www.bankislam.com).

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 may 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 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

#### Ihsan Sustainability Investment Account (ISIA) 3.0 Fund Size RM'billion



As at September 2025, ISIA 3.0 fund balance registered at RM1.34 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	5 Years Tenure
July	4.20%	4.30%	4.40%
August	4.20%	4.30%	4.40%
September	4.20%	4.30%	4.40%

<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 3.0 will be channeled 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.

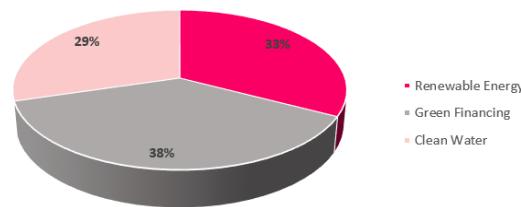
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### 3.4 Income Statement

#### Income Statement for the Quarter Ended 30 September 2025

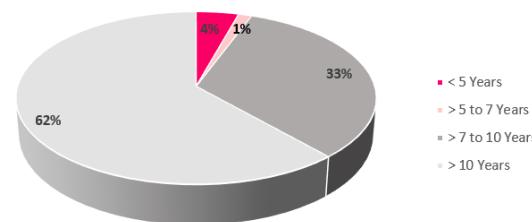
	Jul	Aug	Sep
	RM'000	RM'000	RM'000
Total Gross Income	495	3,344	5,269
Net Distributable Income	494	3,367	10,502
Amount attributable to IAH (before social impact contribution)	426	2,995	4,701

### 3.5 Asset Allocation by Sectors



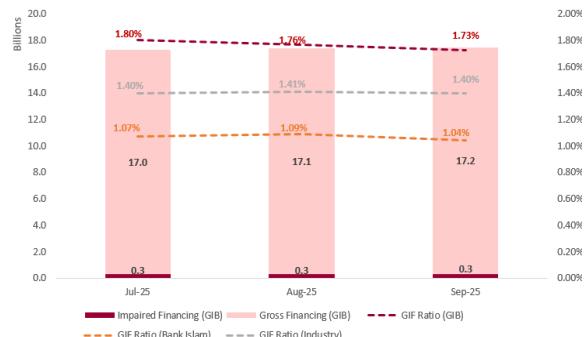
This allocation adheres to the approved investment objective and strategy.

### 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 September 2025, the Gross Impaired Financing (GIF) ratio for Bank Islam's Group Institutional Banking (GIB) stood at 1.73%. ISIA Underlying Assets portfolio remains strong, with robust asset quality and no signs of deterioration.

## 4.0 SOCIAL IMPACT CONTRIBUTION

ISIA 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 strives to deliver meaningful impact to its beneficiaries, alongside sustainable wealth creation for investors.

ISIA features a unique mechanism in which 2.5% of investment returns are channelled annually to either Zakat or Sadaqa House. Bank Islam, acting as agent for the IAHs, manages the allocation and disbursement of these contributions on their behalf.

- **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:** 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, a globally recognised social finance driver, mobilizes philanthropic funds such as sadaqah and zakat to generate positive impact and tangible change for the unbanked and vulnerable groups within Malaysia's inclusive Islamic economic ecosystem.

Since its establishment in January 2018 until September 2025, Sadaqa House has raised more than **RM69.45** million and disbursed over **RM70.96** million to more than **12,780** beneficiaries. Sadaqa House operates with two core agendas:

- **Entrepreneurship (including microfinancing, grants and development programs):** **RM4.49 million** was disbursed in Q3 2025 to **113** micro-entrepreneurs. Our iTEKAD portfolio maintains a deterioration rate below 5%.
- **Education (including scholarships and financial aid):** In Q3 2025, **RM1.15 million** was awarded to **138** students pursuing higher education.

### Impact Highlights for Q3 2025

#### Entrepreneurship

A total of **350 micro-entrepreneurs** advanced to higher stages of business growth, achieving Upward Social Mobility. This progress is assessed across three grades:

- **Grade 1:** Upgraded to SME status
- **Grade 2:** Improved creditworthiness
- **Grade 3:** Demonstrated improvement in other key business dimensions

## Education

Most recently, the Sadaqa House Education Scholarship Fund expanded its programme through the Master's in Islamic Finance Practice (MIFP) postgraduate programme, in collaboration with INCEIF University. This initiative aims to nurture future Islamic finance scholars who will continue advancing the industry. For the inaugural cohort, scholarships were awarded to four students, with a total sponsorship amounting to **RM158,140**.

## 5.0 MARKET OUTLOOK

### 5.1 Economic Outlook

Malaysia's economy maintained a steady growth rate of 4.4% year-on-year in Q2 2025, unchanged from the previous quarter, resulting in an average expansion for H1 2025 to 4.4%. This performance reflects a gradual moderation in momentum as both external and domestic headwinds begin to weigh on activity.

Looking ahead, we remain cautious for H2 2025 and into 2026, given persistent tariff risks, elevated geopolitical tensions and the ongoing implementation of domestic fiscal reforms.

Policy support measures – including cash assistance, higher civil service wages and continued infrastructure spending – are expected to underpin domestic demand. However, business sentiment is likely to remain subdued as fiscal adjustments take effect, tempering the recovery in private consumption and investment in the near term.

Consequently, Malaysia's 2025 GDP growth forecast has been revised to 4.2% (from 4.4%; 2024: 5.1%).

### 5.2 Sustainability & Climate Outlook

Bank Islam's sustainability commitment is firmly anchored in the principles of Maqasid Shariah and guided by the Value-Based Intermediation (VBI) framework. These foundational values shape the Bank's mission to deliver long-term, responsible value that extends beyond financial returns, creating meaningful impact across social, environmental and economic dimensions.

By upholding the preservation of faith, life, intellect, lineage and property, the Bank embeds fairness, transparency and responsible risk-sharing across its financial offerings, while avoiding practices involving excessive uncertainty (gharar) or non-permissible sectors (haram). Through this values-driven approach, Bank Islam continues to position itself as a leader in ethical finance, fostering inclusive growth, empowering communities and advancing Malaysia's transition towards a resilient, low-carbon economy.

#### **Finance with Purpose: VBI-Led Growth in Ethical & Sustainable Finance**

Bank Islam's sustainable finance is closely aligned with national aspirations, regulatory requirements and innovative industry-leading practices. This reinforces the ISIA, which focuses on financing initiatives that support Malaysia's shift toward a green, circular and innovation-led economy.

ISIA, a value-based impact investment offering, provides Shariah-

compliant investors with a unique avenue to support UN SDG-aligned assets while contributing to social impact through a built-in zakat and Sadaqa House feature. ISIA allocates 2.5% of investors' profits to charitable causes via Pusat Pungutan Zakat and Sadaqa House, ensuring tangible social impact alongside competitive returns.

Since inception, ISIA has attracted strong investor participation, raising over RM1.8 billion through ISIA 1.0 and 2.0, contributing meaningfully toward Bank Islam's RM28 billion Sustainable Finance target by 2025. Building on this momentum, ISIA 3.0, launched in 2025, enhances impact transparency, investor reporting and alignment with national frameworks such as BNM's Climate Change and Principle-based Taxonomy (CCPT). It continues to adopt the Wakalah Bil Istithmar structure, reinforcing Shariah compliance while deepening ESG integration.

As of Q2 2025, Bank Islam has surpassed its Sustainable Finance target of RM28 billion, achieving a total outstanding portfolio of RM28.8 billion across financing and treasury assets aligned with sustainability criteria. These assets are channelled into investments and projects promoting renewable energy, energy efficiency, affordable housing and community development, reinforcing the Bank's commitment to mobilising capital for a just and inclusive transition.

#### **National Energy Shift: Transition Signals & Opportunity**

Malaysia's Thirteenth Malaysia Plan (13MP), launched in July 2025 under the Ekonomi MADANI framework, marks a bold step in reshaping national development priorities. Central to this plan is the National Energy Transition Roadmap (NETR), which sets the direction for Malaysia's low-carbon transition.

Key NETR initiatives – including a commitment to no new approvals for unabated coal power – signal an accelerated pivot toward clean energy systems.

Bank Islam echoes this national direction by pledging a complete exit from coal financing by 2030, reinforcing its role in supporting Malaysia's low-carbon transition. This pledge forms part of the Bank's broader effort to mitigate exposure to high-risk sustainability sectors, in alignment with its Group Climate Risk Management Framework and Net Zero 2050 commitment.

This proactive approach safeguards financial stability by reducing climate-related risks while strengthening the Bank's reputation as a responsible, Shariah-compliant institution dedicated to long-term value creation and sustainable economic growth.

To complement its climate and net zero ambitions, Bank Islam has implemented a comprehensive operational emissions management strategy to achieve carbon neutrality by 2030. Through initiatives such as energy efficiency retrofitting and solar photovoltaic (PV) installations, the Bank has achieved a 55% reduction in operational carbon emissions compared to the 2023 baseline of 12,099 tCO<sub>2</sub>e – tangible progress in decarbonising operations while promoting responsible environmental practices.

#### **Regulatory Alignment & Climate Governance**

The Bank continues to integrate climate considerations into its governance and risk frameworks in response to evolving regulations, including Climate Change and Principle-based Taxonomy (CCPT), Climate Risk Management and Scenario Analysis (CRMSA 2.0) and National Sustainability Reporting Framework (NSRF).

These regulatory shifts encourage financial institutions to strengthen oversight of climate risks and opportunities, quantify financed emissions and establish effective transition strategies.

In response, Bank Islam has embarked on its Climate Transition Plan (CTP) project, aimed at prioritising high-emission exposures, setting decarbonisation targets and expanding green and transition finance.

Looking ahead, the Bank will continue to scale up ethical and responsible financing, strengthen climate risk governance and support Malaysia's transition to low-carbon, sustainable economy. Through ISIA, investors are empowered to drive inclusive prosperity, enhance environmental resilience, and foster ethical, long-term value creation.