

1.0 KEY FUND INFORMATION

1.1 Shariah Concept	1.2 Investment Currency	1.3 Fund Inception
Wakalah	Ringgit Malaysia	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 the 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 no changes in the investment objectives, strategies, restrictions and limitations during the quarter period.

1.12 Investor Profile

- Category of investors:
 - Retail:
 - Individuals (Residents and Non-Residents)
 - Small and Medium Enterprises (SMEs)
 - Corporate:
 - 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

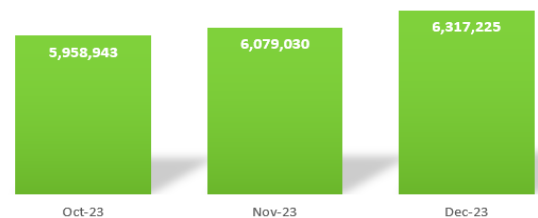
Note: Investors are advised to carefully consider all risk factors before making an investment decision. Investors will be exposed to the following risks: market risk, credit risk, liquidity risk, operational risk, legal risk and shariah non-compliance risk. Please visit Bank Islam's website for further 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 December 2023, Wafiyah Investment account fund balance was recorded at RM6.3 billion.

**Wafiyah Investment Account
Fund Size RM'000**

3.2 Rate of Return

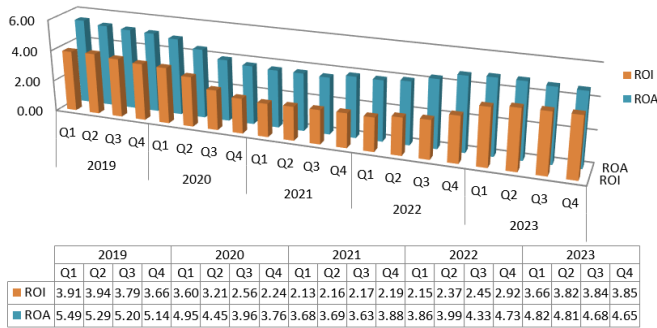
Position 2023	Return on Asset (ROA)* % (p.a.)	Return on Investment (ROI) % (p.a.)
October	4.61%	Based on the agreed expected return upon placement of fund or actual return (whichever is lower), subject to Terms & Conditions
November	4.68%	
December	4.66%	

*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).

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3.3 Historical Rate of Return



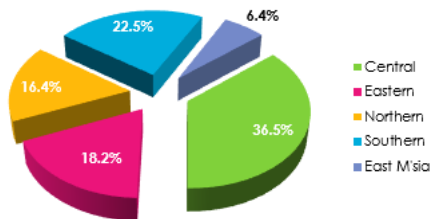
Note: The rates above are average annual rate of return on quarterly basis in percentage (%)

3.4 Income Statement

Profit & Loss Statement for the Quarter ended 31 December 2023			
	October	November	December
	RM'000	RM'000	RM'000
Profit from financing	25,480	25,208	26,640
Direct expenses*	-	-	-
Allowance for impairment on financing	(1,659)	(1,904)	(3,054)
Total Profit	23,821	23,304	23,586
Return on Asset (p.a.)	4.61%	4.68%	4.66%
Return on Investment (p.a.)	Based on the agreed expected return upon placement of fund, subject to Terms & Conditions		

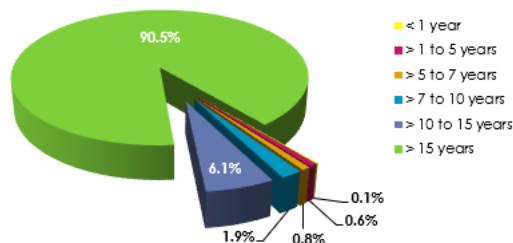
*Currently there are no charges imposed to this fund.

3.5 HFA Financing Portfolio by Geographical Location in Malaysia



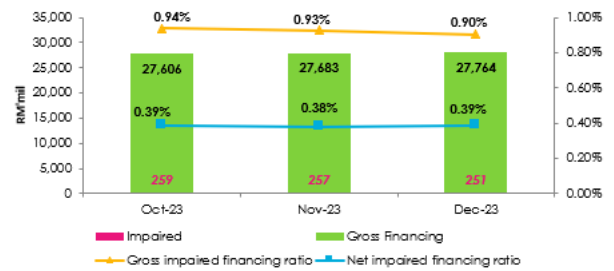
A total of 36.5% of the total HFA Financing Portfolio originates from the Central region. This reflects the concentration of the HFA portfolio to developed areas such as the Klang Valley.

3.6 HFA Financing Portfolio by Remaining Maturity of Facilities



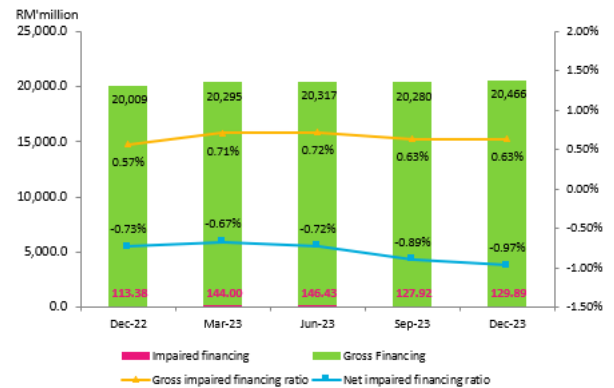
The majority of the HFA Financing Portfolio has a maturity of more than 15 years. This will ensure stability in the profit stream of the HFA portfolio which can then benefit the investment return expectations, especially for long-term IAH.

3.7 Asset Quality of HFA Financing Portfolio



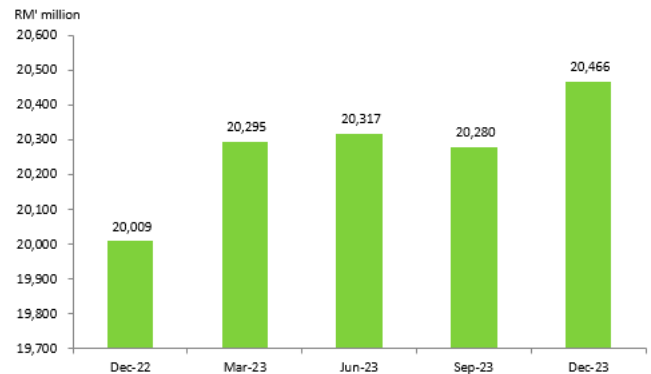
The portfolio's low impaired financing ratio reflects strong asset quality.

3.8 Asset Quality for PF Portfolio



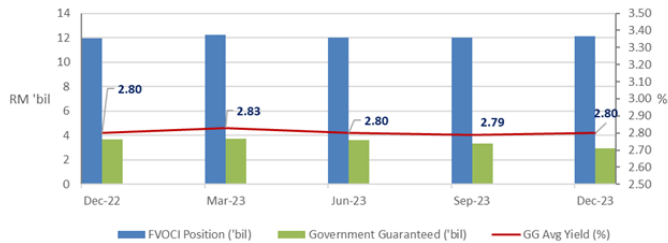
The portfolio's low impaired financing ratio reflects strong asset quality.

3.9 PF Portfolio Growth in Bank Islam



The PF Portfolio has grown at a rate of 2.29% 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 economy grew at 3.3% in 3Q2023 (2Q2023: 2.9%), a tad higher than our forecast of 3.2%, mainly driven by private consumption (3Q2023: 4.6% vs. 2Q2023: 4.3%). Overall, the Malaysian economy expanded by 3.9% in the first three quarters of 2023, and we are of the view that the government's expectation for 2023 full-year GDP growth of around 4.0% is achievable.

As for 2024, we anticipate growth to pick up to 4.7%, aligning with the official projection range of between 4.0% and 5.0%. Resilient labour market conditions, subdued inflation and the government's cash transfers should see the strength of consumer spending to persist into 2024. The faster-than-expected recovery in tourism sector, likely boosted further by the visa-free entry to citizens from China, India and several Middle Eastern countries beginning December 1, 2023, could represent an upside risk to the economy.

Investment will likely sustain its positive momentum in the coming quarters with the ongoing infrastructure projects and construction developments such as the East Coast Rail Link (ECRL), the Pan-Borneo Highway and the Penang Light Rail Transit (LRT) project in the pipeline. This will be added by the kick start of long-awaited mega projects like the MRT3, Flood Mitigation Plan, proposed Subang Regeneration Plan. The upswing will also be driven by the revival of the high-speed rail (HSR) and potential light rail transit (LRT) lines projects, encompassing a span of approximately 30km length in and around Johor Bahru. The LRT lines would complement the ongoing Johor Bahru-Singapore Rapid Transit System Link (RTS Link), set to conclude by early 2027, with planned extensions reaching Senai International Airport in Kulai. Net exports, which have been the main drag to growth in 2023, are bound to improve and even turn into a positive growth driver in the coming quarters as the global semiconductor downcycle has seemingly bottomed out.

Nevertheless, there are downside risks to our projections, mainly stemming from external developments. Global growth could slow sharper than we expect, and the intensifying geopolitical tensions as well as the resulting fragmentation could amplify the slowdown. Growth risk from China is also a major concern amid the country that is facing with rising bad debt on property and local government's non-performing loans (NPLs).

5.0 PROPERTY MARKET & HFA PORTFOLIO REVIEW

According to latest data published by National Property Information Centre's (NAPIC), Property market sector recorded 108,955 transactions worth RM57.15 billion in Q32023, up by 3.6% in volume and 22.5% in value as compared to Q32022 (105,204;RM46.63bil).

The residential segment remains the mainstay of the property market with 62.9% of total transaction. The residential sub-sector's market recorded 68,561 transactions worth RM28.36 billion in Q32023, an increase of 5.5% in volume and 13.3% in value as compared to Q3 2022 (64,989;RM25.03bil). Newly launched houses priced below RM300,000 leading the supply with

5,075 units (73.8%). By property type, high-rise dominated the new launches with 3,572 units (51.9%) of the total units. The primary market saw fewer new launches in Q32023. There were 6,881 units launched, down by 16.3% compared 8,226 units in Q32022. Sale performance for new launches recorded at 37.6%, higher compared to Q32022(26.0%).As at Q32023, the number of residential overhang dropped in terms of volume and value. There were 25,311 units worth RM17.40 billion, a decrease of 3.7% in volume and 4.9% in value as compared to Q22023 (26,286;RM18.3bil). Johor retained the highest number of overhangs in the country with 17.7% (4,500 units). The Malaysian House Price Index (MHPI) Q32023 stood at 212.6 points (RM458,751), up by 0.1% year-on-year. Bank Islam's Housing and Fixed Asset (HFA) portfolio stood at RM 27.76 billion in December 2023, increasing by 0.29% month-on-month (m-o-m) from RM27.68 billion in the previous month. The Gross Impairment Ratio (GIR) improved slightly to 0.90% in December 2023 from 0.93% in the preceding month. The ratio is considered low compared to the purchase of residential property's industry level of 1.36% in November 2023 (January 2023: 1.37%). The HFA asset yield marginally decreased at 4.54% in December 2023 compared to 4.55% in September 2023 (previous quarter).

6.0 PF PORTFOLIO REVIEW

The PF portfolio stood at RM 20.46 billion in December 2023, increasing by 0.38% month-on-month (m-o-m) from RM 20.38 billion in the previous month. The Gross Impairment Ratio (GIR) decreased by 0.63% in December 2023 from 0.75% in the preceding month. The Bank's GIR remained low compared to the industry level for personal use of 2.32% in November 2023 (January 2023: 2.58%), suggesting the Bank's prudent credit assessment. The PF asset yield marginally decreased at 6.19% in December 2023 compared to 6.22% in September 2023 (previous quarter).

7.0 BOND/SUKUK MARKET REVIEW

The bond market saw extreme bearishness in October with US Treasury yield curve gapped quite significantly, driven by buoyant economic data making the "higher for longer" rates environment likely to persist. The UST 10-year yield surged above 5.00% for the first time since 2007 after US Fed Chairman Powell stated that US's economic strength and tight labour market might warrant tighter financial conditions.

Meanwhile, the local bond market was also on selling mode, tracking the continued UST weakness. However, tentative signs of economic moderation in the US and falling inflation across the developed countries in November saw strong recoveries in the bond markets. Local bonds also had shown strength amid indication of most central banks' tightening cycles may have reached the peak and UST rallies. Bond market continued to appeal to investors towards the year end as rhetoric of end of rate hike cycle and imminent rate cut in 2024 helped boost the overall sentiments.

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