

1.0 KEY FUND INFORMATION

1.1 Shariah Concept	1.2 Investment Currency	1.3 Fund Inception
Wakalah	Ringgit Malaysia	May 2016 (Corporate Customer) Sept 2016 (Retail Customer)

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) and Personal Financing (PF) Portfolio aimed at providing stable profits.

1.7 Nature Of Investment Account

Term Investment Account. For retail customers, the tenure offered is 1 month, 3 months or 6 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 House & Fixed Asset Financing and Personal Financing 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 Distribution 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, and Legal risk. Please visit Bank Islam's website for further explanation of each risk.

2.0 RISK STATEMENT

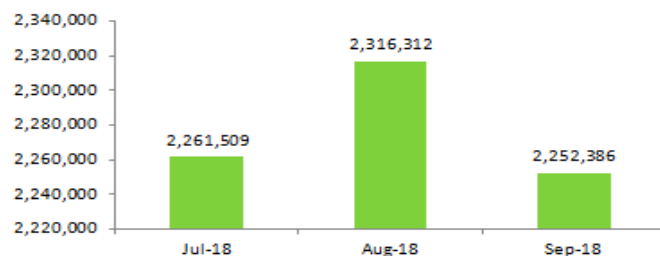
The Board of Directors of Bank Islam has the ultimate responsibility to manage risks related to its operations and business activities by setting risk appetite and tolerance levels that are consistent with the Bank's overall business objectives and desired risk profile. The Board Risk Committee, which is assisted by the 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 2018, Wafiyah account fund balance was recorded at RM 2.25 billion.

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



3.2 Rate of Return

Position 2018	Return on Asset (ROA)* % (p.a.)	Return on Investment (ROI)** % (p.a.)		
		1 month	3 months	6 months
July	5.50%	3.60	3.80	3.90
August	5.43%	3.60	3.80	3.90
September	5.38%	3.60	3.80	3.90

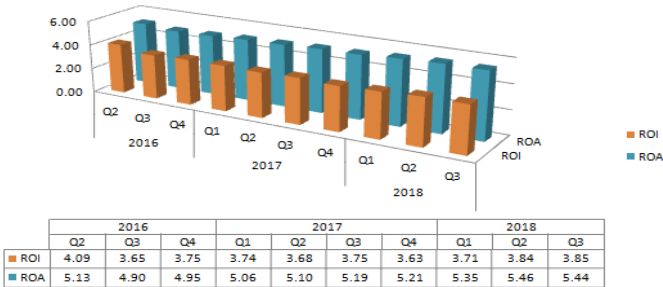
* ROA - allocated assets of the fund.

** Or as mutually agreed based on negotiation with the Bank subject to the Terms and Conditions.

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



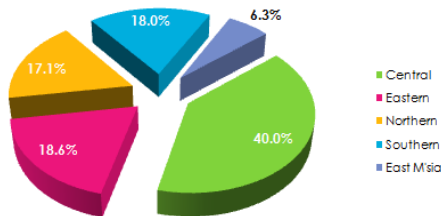
Note: The rates above are average annual rate of return on quarterly basis in percentage (%)

3.4 Income Statement

Profit & Loss Statement for the Quarter ended 30 September 2018			
	July	August	September
	RM'000	RM'000	RM'000
Profit from financing	11,124	11,178	11,198
Direct expenses*	-	-	-
Allowance for impairment on financing	(596)	(638)	(815)
Total Profit	10,528	10,540	10,383
Return on Asset (p.a.)	5.50%	5.43%	5.38%
Return on Investment (p.a.)	Based on the agreed expected return upon placement of fund, subject to Terms & Conditions		

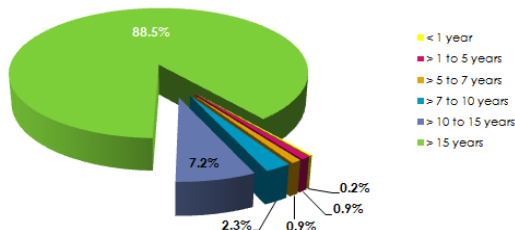
*Currently there are no charges imposed to this fund

3.5 House and Fixed Asset Financing Portfolio by Geographical Location in Malaysia



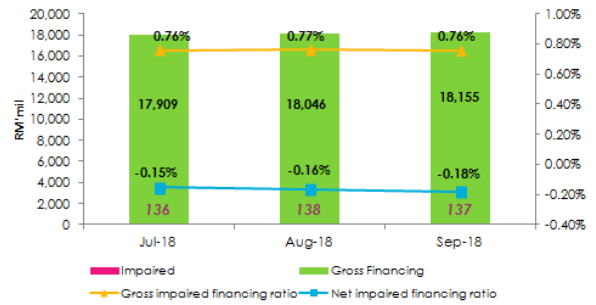
A total of 40.0% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects the concentration of HFA portfolio to the developed areas such as the Klang Valley.

3.6 House and Fixed Asset Financing Portfolio by Remaining Maturity of Facilities



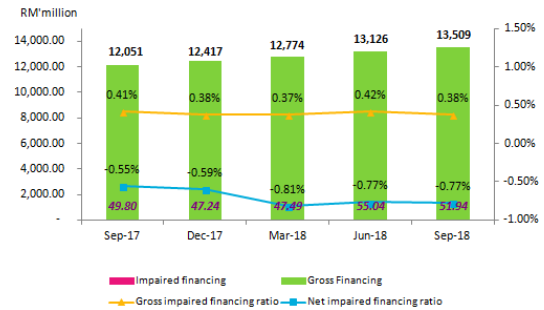
The majority of the House and Fixed Asset Financing Portfolio has a maturity of more than 15 years. This will ensure stability in profit stream of HFA portfolio which can then benefit the investment return profile especially for long-term IAH.

3.7 Asset Quality of House and Fixed Asset Financing Portfolio



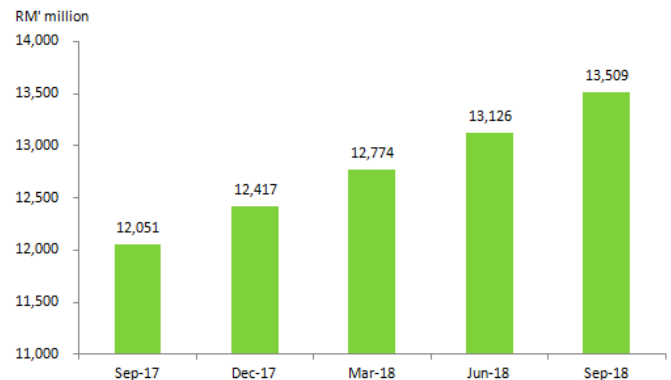
The portfolio's low impaired financing ratio reflects strong asset quality.

3.8 Asset Quality for Personal Financing Portfolio



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

3.9 Personal Financing Portfolio Growth in Bank Islam



The Personal Financing Portfolio has grown at a rate of 12.10% per annum. Asset Allocation for Wafiyah only comprises Personal Financing customers employed in the public sector.

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4.0 ECONOMIC REVIEW AND PROSPECTS

External events have been increasingly volatile during the third quarter following the escalation of the trade war instigated by the US government. The trade friction was more apparent with China as the US government has continued to increase the tariff coverage since July this year. Meanwhile, the Malaysian economy grew 4.5% y-o-y in the 2Q2018 (1Q2018: 5.4%), lower than the consensus estimates of 5.2%. During the announcement of the third quarter GDP, the BNM has revised its 2018 GDP forecast from 5.5% - 6.0% to 5.0% as the external environment has become uncertain.

5.0 PROPERTY MARKET AND HFA PORTFOLIO REVIEW

According to the National Property Information Centre's (NAPIC) 1H2018 report, it was reported that the property market sector recorded 149,889 transactions worth RM67.74 billion, down by 2.4% and 0.1% in volume and value respectively compared to 1H2017. The residential segment remains the mainstay of the property market with 62.8% of total transactions and 46.7% of total value. However, the residential segment saw some pressure from soft market conditions as 1H2018 transaction volume and value dropped by 0.8% and 3.6% respectively year-on-year. Residential overhang stood at 29,277 units with a value of RM17.24 billion, increasing by 18.3% and 10.2% in volume and value respectively compared to end of 2017, of which the majority of the units are houses priced above RM300,000. Flats/ Condos/ Apartments and terraced houses contributed the highest number of overhang residential properties. Due to rising supply of residential properties, particularly condominium and apartment units in Kuala Lumpur, there have been drops in rental rates, generally by around 5%-10%. Nevertheless, rental firmed up in prominent choice locations especially high rise units located in the proximity of higher learning institutions and along LRT and MRT routes.

Bank Islam's HFA portfolio continues to grow amidst the excess supply conditions in the property market. Total HFA financing expanded from RM18,046 million in August 2018 to RM18,155 million in September 2018, representing an increase of 0.6% month-on-month. While expanding, the impaired financing ratio fell from 0.77% in August to 0.76% in September, suggesting asset quality remains intact. In view of challenging prospects in the property market, Bank Islam will continue to exercise prudence in its underwriting standards. This is reflected in Bank Islam's impaired ratio which remains below the industry standard of 1.07% as of August 2018.

6.0 PERSONAL FINANCING (PF) PORTFOLIO REVIEW

Bank Islam's PF portfolio continued to record stellar growth in September when it grew by 12.1% year-on-year. This is higher compared to the industry's growth rate of 4.9% as of August this year. Despite the strong growth, asset quality has never been compromised with the impaired ratio improving from 0.42% in August 2018 to 0.38% in September 2018. The impaired ratio is also lower relative to the industry level of 2.17% as of August 2018. Going forward, Bank Islam will continue to be mindful in light of the challenging economic conditions. This would be done through prudent credit underwriting standard in order to ensure asset quality will remain intact.

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