

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) 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 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 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

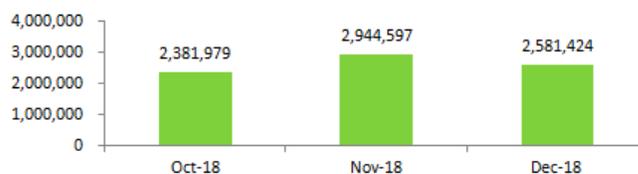
The Board of Directors of Bank Islam has the ultimate responsibility to manage risks related to its operations and business activities by setting risk appetite and tolerance levels that are consistent with the Bank's overall business objectives and desired risk profile. The Board Risk Committee, which 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 December 2018, Wafiyah account fund balance was recorded at RM 2.58 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.)
October	5.43%	Based on the agreed expected return upon placement of fund, subject to Terms & Conditions
November	5.50%	
December	5.57%	

* 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



	2016			2017			2018				
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ROI	4.09	3.65	3.75	3.74	3.68	3.75	3.63	3.71	3.84	3.85	3.78
ROA	5.13	4.90	4.95	5.06	5.10	5.19	5.21	5.35	5.46	5.44	5.50

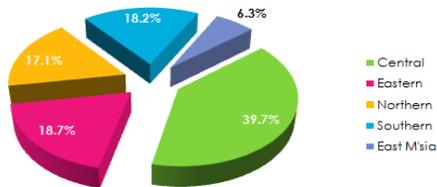
Note: The rates above are average annual rate of return on quarterly basis in percentage (%)

3.4 Income Statement

Profit & Loss Statement for the Quarter ended 31 December 2018			
	October	November	December
	RM'000	RM'000	RM'000
Profit from financing	11,552	12,492	13,184
Direct expenses*	-	-	-
Allowance for impairment on financing	(732)	(800)	(780)
Total Profit	10,820	11,692	12,404
Return on Asset (p.a.)	5.43%	5.50%	5.57%
Return on Investment (p.a.)	Based on the agreed expected return upon placement of fund, subject to Terms & Conditions		

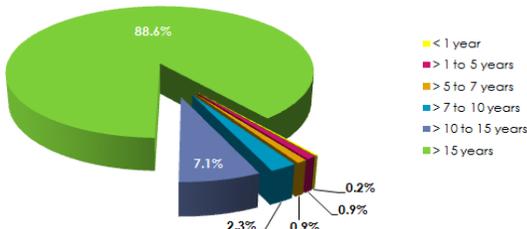
*Currently there are no charges imposed to this fund

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



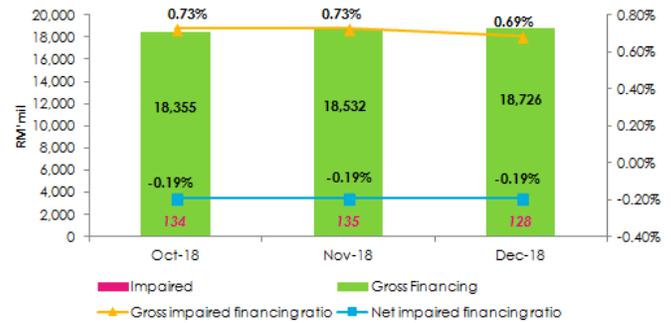
A total of 39.7% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects the concentration of HFA portfolio to the developed areas such as the Klang Valley.

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



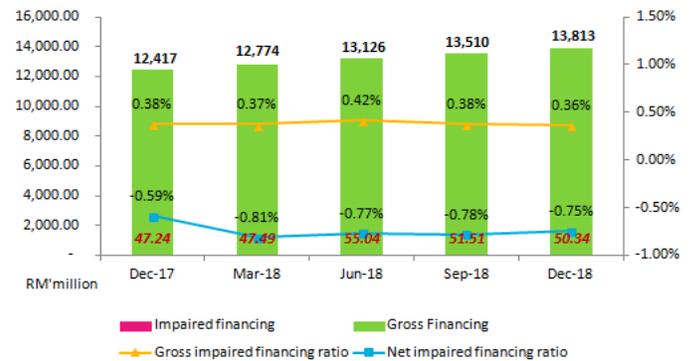
The majority of the House and Fixed Asset Financing Portfolio has a maturity of more than 15 years. This will ensure stability in profit stream of HFA portfolio which can then benefit the investment return profile especially for long-term IAH.

3.7 Asset Quality of House and Fixed Asset Financing Portfolio



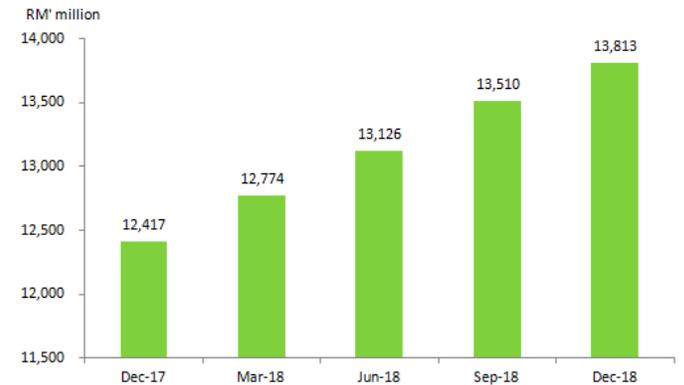
The portfolio's low impaired financing ratio reflects strong asset quality.

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 11.24% per annum. Asset Allocation for Wafiyah only comprises Personal Financing customers employed in the public sector.

4.0 ECONOMIC REVIEW AND PROSPECTS

Business sentiments have weakened during the course of quarter 4,2018. The JP Morgan Global Manufacturing Purchasing Managers' Index (PMI) decreased to 51.5 points in December 2018 from 52.0 points in the preceding month, the lowest level since September 2016. The decline in the index was primarily driven by lower output in intermediate and investment goods, suggesting businesses scaling down their production activities. Going forward, the outcome from the trade discussion between the US and China will be the main factor for global growth alongside with the gradual increase in the US interest rate in 2019.

5.0 PROPERTY MARKET AND HFA PORTFOLIO REVIEW

According to the National Property Information Centre's (NAPIC), quarter 3,2018 recorded an increase of 4.2% in transaction volume (Q32018:78,978 ; Q32017:75,763). However, the value of transactions indicated a decline of 3.86% (Q32018:RM33.11 billion ; Q32017:RM34.44 billion). With regard to residential properties, 50,117 transactions worth RM17.79 billion were recorded in quarter 3,2018, an increase of 5.5% in volume and 5.07% in value compared to quarter 3,2017. The overhang residential properties have increased in terms of volume and value for a few years with the exception of quarter 3,2015 when the number of overhang decreased to 8,804 units. As at quarter 3,2018, residential overhang raised to 30,115 units an increase of 48.35% compared to quarter 3,2017.

Bank Islam's HFA portfolio continues to grow. Total HFA financing expanded from RM18.355 billion in October 2018 to RM18.726 billion during the month of December 2018. This represents an increase of 2.0% between the two periods. At the same time, impaired financing ratio decreased from 0.73% in October 2018 to 0.69% in December 2018, indicating superior asset quality. In view of challenging prospect in the property markets, Bank Islam will continue to exercise prudence in its underwriting standards. This is reflected in our impaired ratio which remains below the industry average of 1.07% as of December 2018.

6.0 PERSONAL FINANCING (PF) PORTFOLIO REVIEW

Bank Islam's Personal Financing portfolio posted a double digit growth of 11.2% year-on-year to RM13.813 billion in December 2018. This is higher compared to the industry's growth rate of 7.8% as of November 2018. While Personal Financing portfolio has been growing at a respectable speed, asset quality has never been compromised with impaired ratio fell from 0.38% in September 2018 to 0.36% in December 2018. The impaired ratio is also lower relative to the industry level of 2.10% as of November 2018. Going forward, Bank Islam will continue to be vigilant in view of the challenging economic prospect. This would be done through stringent credit underwriting standard in order to ensure asset quality will remain intact.