



# Wafiyah Investment Account

Fund Performance Report  
for the Quarter Ended 31 March 2017

BANK ISLAM





# Wafiyah Investment Account

Fund Performance Report for the Quarter Ended 31 March 2017

## 1.0 Key Fund Information

### Dear Investment Account Holder,

Congratulations on becoming Bank Islam's Wafiyah Investment Account holder, an investment account (IA) designed to meet your investment needs. The investment account was introduced to the Malaysian market in May 2016 (for Corporate customers) and September 2016 (for Retail customers) in line with the implementation of the Islamic Financial Services Act (IFSA 2013).

We are pleased to present the following Fund Performance Report of the Wafiyah Investment Account for the Quarter ended 31 March 2017.

### 1.1 Product Name

#### Wafiyah Investment Account (Wafiyah) -

Under this Wafiyah Investment Account, the investment account holder, as the muwakkil or principal, authorises the Bank as its agent to undertake investment activities to achieve certain expected returns from the investment.

### 1.2 Investment Account Type

Unrestricted Investment Account - refers to a type of investment account where the investment account holder provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions.

### 1.3 Fund Investment Objective

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

### 1.4 Fund 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 an existing House & Fixed Asset Financing and Personal Financing Portfolio which is aimed to provide stable profit over financing assets.

### 1.5 Nature of Investment Account

Term Investment Account. For retail customers the tenure offered are 1 month, 3 months or 6 months. For corporate customer the minimum tenure is 1 day to a maximum of 10 years or as specified by the Bank on case to case basis.

### 1.6 Investment Asset Allocation

The Bank will allocate investors' funds in an existing House & Fixed Asset Financing and Personal Financing Portfolio that generates stable profit.

### 1.7 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 profit

**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.

### 1.8 Valuation of the Allocated Asset

To be carried out on a monthly basis as part of the process to determine the returns to the investors. The returns on this investment account will be affected by the performance of the allocated assets. The principal and returns are not guaranteed and an investment account holder risks earning 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 principal. In the event of a liquidation scenario, the Investment Account Holders are ranked ahead of depositors.

### 1.9 Profit Payment Policy

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

### 1.10 Statement on Any Changes

There have been no changes in the investment objectives, strategies, restrictions and limitations during the quarter period.

## 2.0 Risk Statement

In Bank Islam, the Board of Directors 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 Performance for the Quarter Ended 31 March 2017

Position	Fund Size RM'000	Return on Assets (ROA) %	Return on Investment (ROI)* %			Distribution Period
			1 month	3 months	6 months	
January	2,485,732	5.04	3.50	3.60	3.70	16 Feb 17 - 15 Mar 17
February	2,509,872	5.04	3.50	3.60	3.70	16 Mar 17 - 15 Apr 17
March	2,271,194	5.11	3.50	3.60	3.70	16 Apr 17 - 15 May 17

\* 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).

### 3.2 Asset Allocation

House & Fixed Asset Financing and Personal Financing Portfolio

## 4.0 Profit Payout

### 4.1 Profit & Loss Statement

WAFIYAH INVESTMENT ACCOUNT			
Profit & Loss Statement for the Quarter ended 31 March 2017			
	January 2017	February 2017	March 2017
	RM'000	RM'000	RM'000
Profit from financing	11,047	10,545	11,286
Direct expenses*	-	-	-
Allowance for impairment on Financing	(771)	(742)	(653)
<b>Total profit</b>	<b>10,276</b>	<b>9,803</b>	<b>10,633</b>
Return on Asset	5.04%	5.04%	5.11%
Return on Investment	<b>Based on the mutually agreed expected return upon placement of fund, subject to Terms &amp; Conditions</b>		

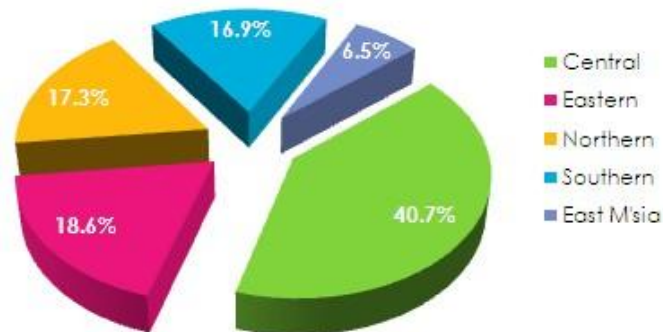
#### Note:

- The Return on Investment (ROI) for Wafiyah Investment Account is based on the mutually agreed expected return upon placement of fund, subject to Terms & Conditions.
- In general, due to the investment nature of the product, the ROI is expected to be higher than the Bank's deposit rates.

\* Expenses are identifiable, measurable, compulsory and must be incurred in order to complete a specific investment activity (including financing).

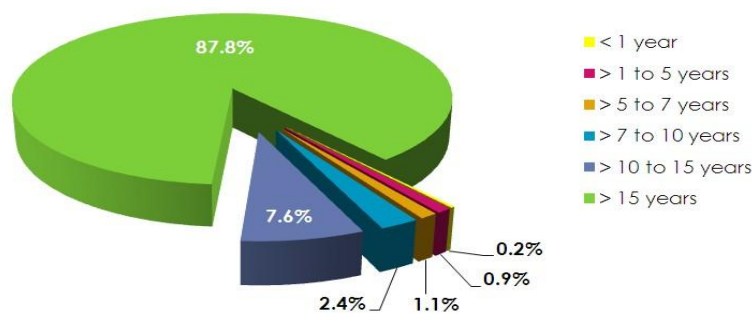
## 4.2 House and Fixed Asset Financing Portfolio Review as at 31 March 2017

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



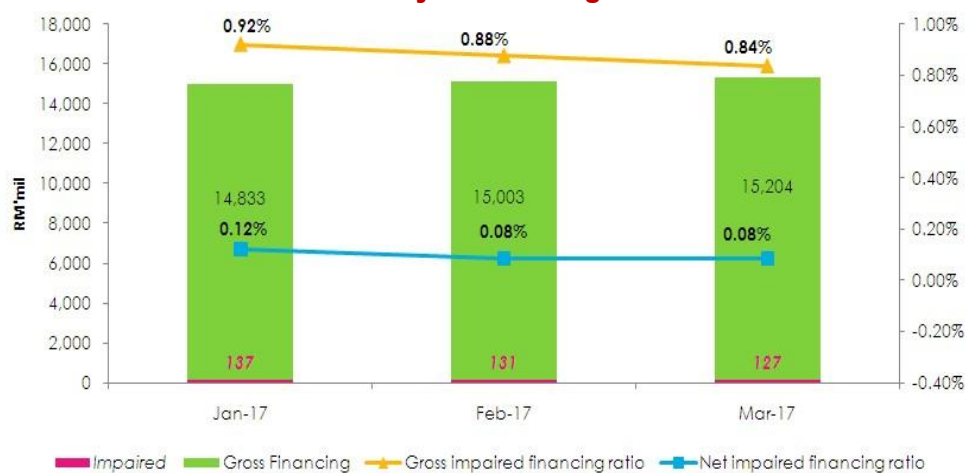
A total of 40.7% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration to developed areas such as the Klang Valley.

### 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 our profit stream which can then be beneficial to the investment return profile especially for long-term investors.

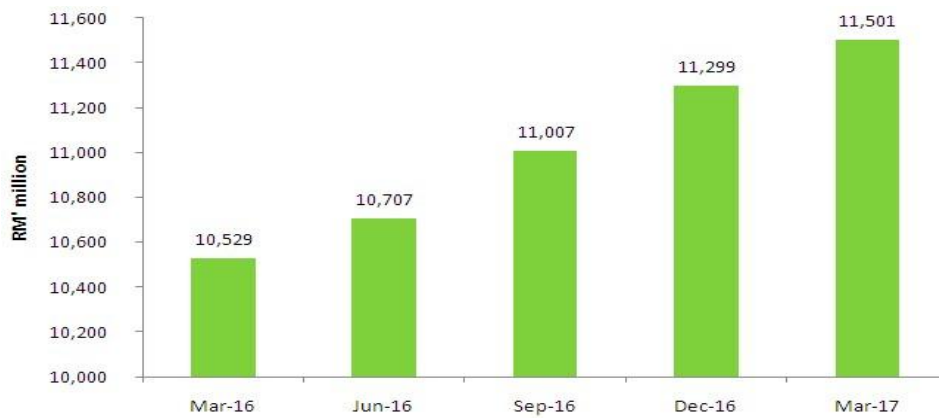
### Asset Quality for Housing Portfolio



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

### 4.3 Personal Financing Portfolio Review as at 31 March 2017

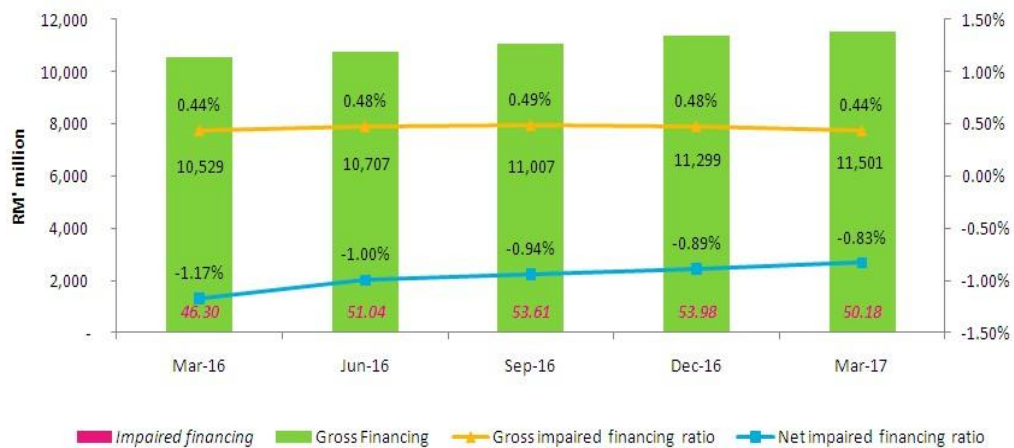
#### Personal Financing Portfolio Growth in Bank Islam



The Personal Financing Portfolio has grown at a rate of 9.23% per annum.

Asset Allocation for Wafiyah only comprises Personal Financing customers employed in the public sector.

#### Asset Quality for Personal Financing Portfolio



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

## 5.0 Economic Review and Prospects

The uncertainties arising from the new US administration's policies have taken center stage. The proliferation of the perceived populist measures and somewhat inward looking trade policies by Donald Trump has resulted in anxiety in financial markets. Meanwhile, the economic indicators continue to show that the US economy is firming up, leading to further normalisation in the Federal Funds Rate by an increment of 25 basis points in March. In addition, business sentiments as indicated by the Global Purchasing Managers Index suggest that the world economy may hold a promising outlook this year. As in the case of Malaysia, capital flows were volatile especially funds in the bond markets. A total of RM37 billion worth of debt securities have flown out in the 1Q:2017, leading to higher MGS and GII yields during the period. However, institutional foreign investors were generally net buyers in the equities markets, totaling RM5.8 billion in the 1Q:2017 compared to net sales of RM5.3 billion in the preceding quarter. Going forward, the economy is expected to be sustained by improving external demand amidst implementation of infrastructure projects as announced by the government. Despite that, consumers are anticipated to be more cautious in their spending plans following higher cost of living and weak sentiments. As such, the economy is poised to grow between 4.3% and 4.8% in 2017 based on the latest projection by the BNM.

## 6.0 Property Market Outlook

The state of Malaysia's residential property market is still soft as new launches remaining slow amidst cautions stance among the developer and house buyer. Notwithstanding, the government continue to be steadfast to prescribe policy especially for the low and middle income segment through the provision of affordable house. Housing initiatives to address affordability housing issues for the lower and middle income groups would continue to be the main focus by the public and private sectors. For example, affordable houses costing less than RM300,000.00 per unit under PR1MA would now include various programs and incentives. Among others, these include raising the eligibility level from a household monthly income of RM10,000 to RM15,000 'House-for Rent' program, "Special PR1MA End Financing Scheme" program, exemption on stamp duty on the instruments of transfer and financing agreement for first time house buyers and also the reduction on the moratorium on the sale and rental from 10 years to 5 years only. In conclusion, the residential market sector will continue to dominate the market segment, with "affordable housing" taking the limelight. Price adjustments and consolidation can be expected as an increasing supply of affordable housing by both the public and private sectors enter the market.

## 7.0 Personal Financing Outlook

Since the adoption of BNM guidelines to reduce the excessive indebtedness among households in 2013, growth in household's loans/ financings have softened. Credit Cards and Personal Uses loans/ financings recorded slower growth to 1.6% and 4.5% in March 2017 from 2.5% and 4.7% respectively during the month of December 2016. Meanwhile, asset impairment trend seen in the sector is well contained as banks become more vigilant in their underwriting. As a result, the industry's gross impairment ratio for household loans/ financings fell further to 1.04% in March 2017 from 1.07% in December 2016. While the banking industry has been very cautious, Bank Islam Personal Financing (PF) portfolio managed to record a respectable growth of 9.23% in March 2017. Correspondingly, the quality of PF assets was carefully assessed in accordance to BNM's guideline. The gross impairment ratio for Bank Islam PF stands at 0.44% as of March 2017. This was below the industry's impairment ratio for Personal Use financing of 2.15% in March 2017. All in all, Bank Islam is cognizance on the challenges faced by Malaysians especially in the areas of rising cost of living and a slight increase in the unemployment rates. We continue to uphold our prudent underwriting standards and 'secured payment arrangement' exposures to government civil servants to mitigate the potential risks to Bank Islam's PF portfolio.



Prepared by:

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