



# Wafiyah Investment Account

Fund Performance Report  
for the Quarter Ended 31 March 2018

BANK ISLAM



# Wafiyah Investment Account

Fund Performance Report for the Quarter Ended 31 March 2018

## 1.0 Key Fund Information

### Dear Investment Account Holder,

Congratulations on becoming Bank Islam's Wafiyah Investment Account holder, an investment account 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 2013 (IFSA).

We are pleased to present the following Fund Performance Report of the Wafiyah Investment Account for the Quarter ended 31 March 2018.

### 1.1 Product Name

**Wafiyah Investment Account (Wafiyah)** - Under this Wafiyah Investment Account, the Investment Account Holder (IAH), as the muwakkil or principal, authorises the Bank as his/her 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 whereby the IAH, without specifying any particular restrictions or conditions, provides the Bank with the mandate to make the ultimate decision to invest.

### 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 its existing House & Fixed Asset Financing and Personal Financing Portfolio aimed at providing stable profits.

### 1.5 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.

### 1.6 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.

### 1.7 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 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.

### 1.8 Valuation of the Allocated Assets

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 expose 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.

### 1.9 Profit 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).

### 1.10 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

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 Performance for the Quarter Ended 31 March 2018

Position	Fund Size RM'000	Return on Assets (ROA)* % (p.a.)	Return on Investment (ROI)** % (p.a.)			Distribution Period
			1 month	3 months	6 months	
January	2,378,115	5.22%	3.50	3.60	3.70	16 Feb 18 - 15 Mar 18
February	2,308,937	5.34%	3.60	3.70	3.80	16 Mar 18 - 15 Apr 18
March	2,218,580	5.48%	3.60	3.80	3.90	16 Apr 18 - 15 May 18

\* 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).

### 3.2 Asset Allocation

House & Fixed Asset Financing and Personal Financing Portfolios.

## 4.0 Profit Payout

### 4.1 Profit & Loss Statement

WAFIYAH INVESTMENT ACCOUNT			
Profit & Loss Statement for the Quarter ended 31 March 2018			
	January	February	March
	RM'000	RM'000	RM'000
Profit from financing	10,647	10,267	11,136
Direct expenses*	-	-	-
Allowance for impairment on financing	(549)	(572)	(546)
<b>Total Profit</b>	<b>10,098</b>	<b>9,695</b>	<b>10,590</b>
Return on Asset (p.a.)	5.22%	5.34%	5.48%
Return on Investment (p.a.)	<b>Based on the mutually agreed expected return upon placement of fund, subject to Terms &amp; Conditions</b>		

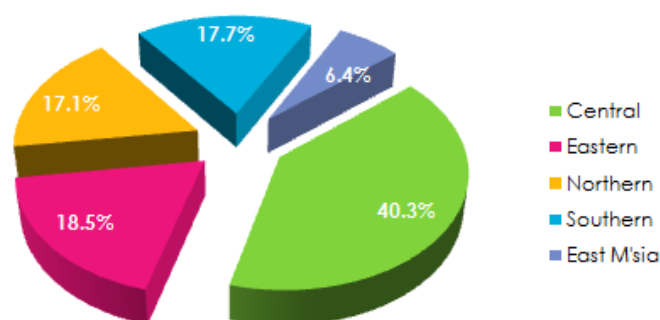
\* Expenses are identifiable, measurable and must be incurred in order to complete a specific investment activity (including financing).

#### 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.

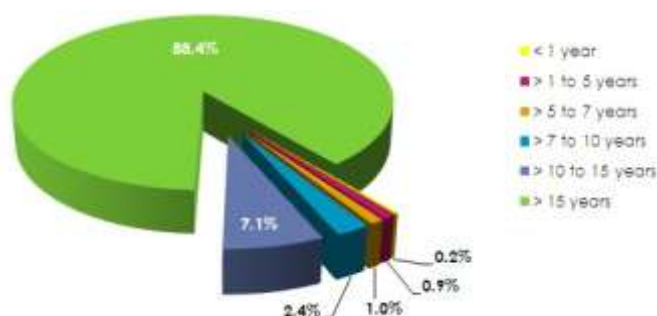
**4.2 House and Fixed Asset Financing Portfolio Review as at 31 March 2018**

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



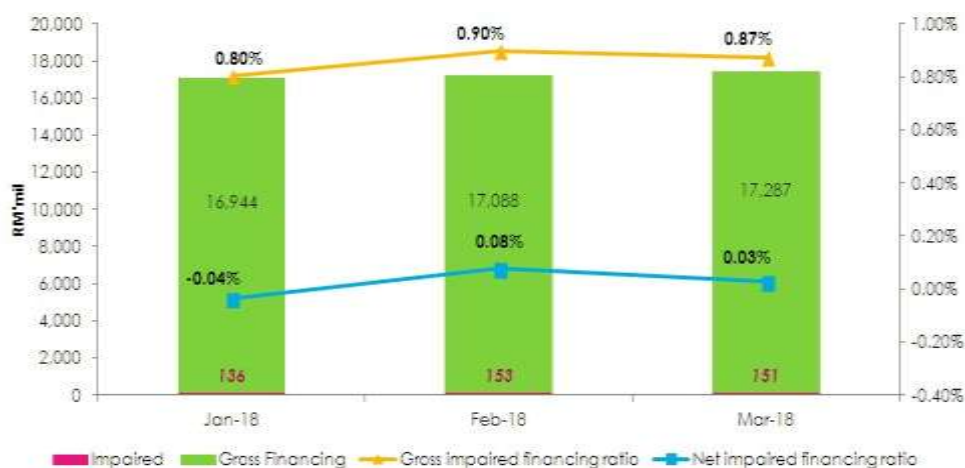
A total of 40.3% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration on developed areas such as the Klang Valley.

**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 benefit the investment return profile especially for long-term investment accounts.

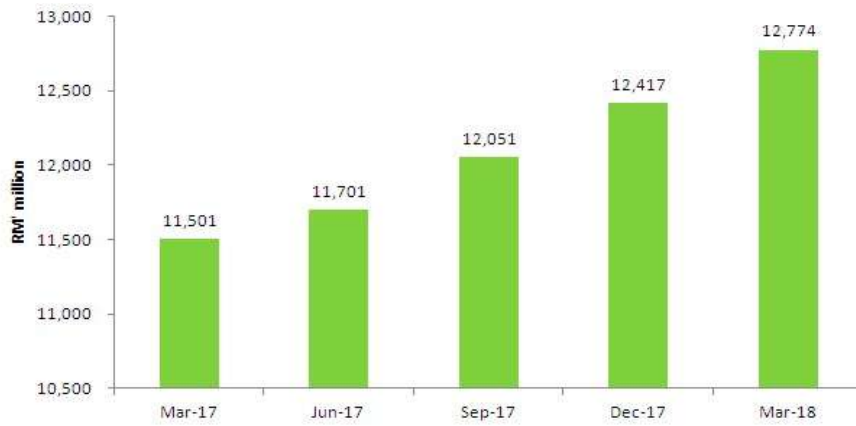
**Asset Quality for Housing Portfolio**



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

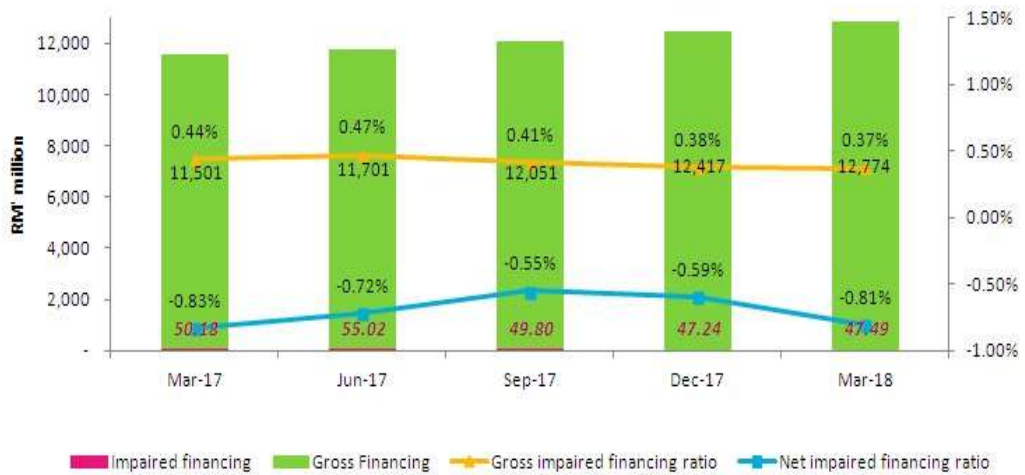
### 4.3 Personal Financing Portfolio Review as at 31 March 2018

#### Personal Financing Portfolio Growth in Bank Islam - RM' Million



The Personal Financing Portfolio has grown at a rate of 11.07% 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 strong asset quality.

## 5.0 Economic Review and Prospects

The financial market sentiments have been quite volatile during the first quarter of the year. This happened as the trade tension between the United States (US) and China has escalated following series of import tariff announcement by both governments. Geo political event was also in the limelight following the nerve agent attack in the UK in early March. The incidence has led to the expulsion of several Russian diplomats in Europe and the US. Meanwhile, the US Federal Reserve has decided to raise its benchmark interest rate by 25 basis points to 1.75% in March. There seems to be divided view among the Federal Open Market Committee (FOMC) members on the number of rate hike for the coming months. This happened as inflation rate is expected to remain contained amidst improving job markets. On the domestic front, the economic indicators are somewhat mixed. Total exports in February fell 2.0% after surging 17.9% growth in the preceding month. At the same time, the Industrial Production Index (IPI) posted a slower growth of 3.0% for the month of February from 5.5% in the previous month. The appreciation of ringgit against the US dollar by 1.1% may have an impact to the export-oriented industries. This is given the fact that Malaysia's product is deemed to be relatively expensive after taking into account the exchange rate. On the other hand, the rate of inflation was very benign with latest print showed that the general price level only increased by 1.4% for the month of February. This happened as fuel prices were generally lower by 2 cents on average in February. Going forward, the economic growth is expected to remain resilient due to improving demand from the external sector amidst stability in the domestic activities. As such, the Bank Negara Malaysia (BNM) has projected Gross Domestic Product (GDP) growth of between 5.5% and 6.0% for 2018 after recording 5.9% growth in 2017.

## 6.0 Property Market Outlook

According to the Property Market Report 2017 published and released by the Valuation and Property Services Department (VPSD), Ministry of Finance in April 2018, it was reported that the property market sector recorded 311,824 transactions worth RM139.84 billion in 2017, down by 2.7% and 3.8% in volume and value respectively compared to 2016. Meanwhile, Gross Domestic Product (GDP) has increased to 5.9% compared to 4.2% in 2016. The Malaysian House Price Index (MHPI) stood at 187.4 points up by 6.5% against 2016. It was also reported that transaction data in value for the month of January and February 2018 compared to the corresponding months of 2017 improved within the range of about 4.0%. With regard to residential property, the secondary market recorded 194,684 transactions worth RM 68.74 billion, down by 4.1% in volume compared to 2016 but increased by a marginal 4.4% in value. On new launches, 77,570 units were launched in 2017, higher than 2015, (58,411 units) and 2016, (52,713 units). The number of overhang residential property grew by 67.2% to 24,738 units compared to 14,792 units in 2016 while value has increased by 82.2% to RM15.64 billion in 2017 compared to RM8.56 billion in 2016. The large number of unsold properties occurs due to mismatch in the prices of new launches, household's affordability, location and products. For Residential Property in Klang Valley area, the prices showed mix movements across the board. Terraced houses, apartment and condominium units continued to record capital appreciation especially those located along Light Rail Transit (LRT) and Mass Rapid Transit (MRT). Rental firmed up in prominent choice locations especially high rise units located near higher learning institutions, along LRT and MRT routes. The average rental yield for high rise units is between 1.2% and 6.6%. Bank Islam's HFA portfolio progressively expanding from RM16.8 billion in December 2017 to RM17.3 billion as of March 2018. This represents an increase of 3% between the two periods which is higher compared to the industry's average of 1.4%. While expanding, HFA's asset quality remained resilient with Gross Impaired Financing Ratio (GIFR) falls from 0.90% in February to 0.87% in March. In addition, the impairment ratio is also lower compared to the banking industry of 1.07%. This indicates a prudent credit assessment adopted by Bank Islam. Going forward, prospect for residential properties is expected to remain healthy as rapid urbanization and relatively young workforce would result in higher demand for financing. In this regard, Bank Islam will continue to focus on the strategic areas that could potentially be developed into a township while at the same time be mindful on the emerging risks.



## 7.0 Personal Financing (PF) Outlook

Personal Financing (PF) portfolio assets continue to expand to RM12.8 billion in March 2018 from RM12.4 billion in December 2017. This represents an increase of 3.2% between the two periods, higher than the industry average of 0.7%. This reflects higher demand for Bank Islam PF amidst intense competition from the banking and non banking institution. Despite that, asset impairment was well contained with Gross Impaired Financing Ratio declined further to 0.37% at the end March 2018 from 0.38% in December 2017. This was significantly lower from the industry's level of 2.18%, suggesting stringent credit assessment adopted by the Bank Islam. Stable labour markets and predictable income stream among the borrowers as well as sustainable economic growth are the key factors for improving credit quality. Against such a backdrop, the PF portfolio is set to expand further in 2018 along with sustainable economic growth during the year.





Prepared by:

BANK ISLAM MALAYSIA BERHAD

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