



Waheed Investment Account

Fund Performance Report
for the Quarter Ended 31 March 2018

BANK ISLAM

T 603 26 900 900 URL bankislam.com.my  facebook.com/bankislamfb



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1.0 Key Fund Information

Dear Investment Account Holder,

Congratulations on becoming Bank Islam's Waheed Investment Account holder, an investment account designed to meet your investment needs. First of its kind based on the Wakalah contract, the Term Investment Account was introduced to the Malaysian market in June 2015 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 Waheed Investment Account for the Quarter ended 31 March 2018.

1.1 Product Name

Waheed Investment Account (Wakalah) - Under this Waheed Investment Account (Wakalah), the Investment Account Holder (IAH), 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 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 and Fixed Asset Financing Portfolio which is aimed at protecting the principal and generating stable returns.

1.5 Nature of Investment Account

Term Investment Account. The minimum investment tenure is 1 day to a maximum of 10 years.

1.6 Investment Asset Allocation

The Bank will allocate IAH's funds in its existing House and Fixed Asset Financing Portfolio that generates stable profits.

1.7 Investor Profile

- Category of investors:
 - Corporate Customers
 - Government Agencies
 - Government Accounts

- Universities
- Companies, SMEs, 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 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 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 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 IAH with tenure over 15 months), as agreed by the Bank and Investor (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 2018 | Fund Size RM'000 | Return on Asset (ROA)* % (p.a.) | Return on Investment (ROI) % (p.a.) | Distribution Period |
|---------------|------------------|---------------------------------|---|-----------------------|
| January | 531 | 4.37% | Based on the agreed expected return upon placement of fund, subject to Terms & Conditions | 16 Feb 18 - 15 Mar 18 |
| February | 533 | 4.61% | | 16 Mar 18 - 15 Apr 18 |
| March | 535 | 4.62% | | 16 Apr 18 - 15 May 18 |

* ROA - allocated asset of the fund.

Note:

For further illustration, please refer to the Product Disclosure Sheet (PDS), Terms & Conditions and Investment Confirmation Notice.

3.2 Asset Allocation

House and Fixed Asset Financing Portfolio (Floating Rate).

4.0 Profit Payout

4.1 Profit & Loss Statement

| WAHEED INVESTMENT ACCOUNT | | | |
|---|--|--------------|--------------|
| Profit & Loss Statement for the Quarter ended 31 March 2018 | | | |
| | January | February | March |
| | RM'000 | RM'000 | RM'000 |
| Profit from financing | 2 | 2 | 2 |
| Direct expenses* | - | - | - |
| Allowance for impairment on financing | (0) | (0) | (0) |
| Total profit | 2 | 2 | 2 |
| Return on Asset (p.a.) | 4.37% | 4.61% | 4.62% |
| Return on Investment (p.a.) | Based on the agreed expected return upon placement of fund, subject to Terms & Conditions | | |

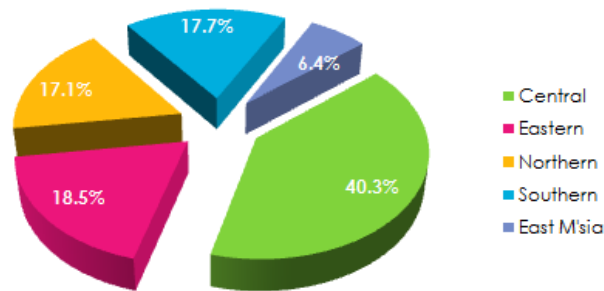
* Expenses are identifiable, measurable and must be incurred in order to complete a specific investment activity (including financing).

Note:

- The Return on Investment (ROI) for Waheed Investment Account (Wakalah) is based on the 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.

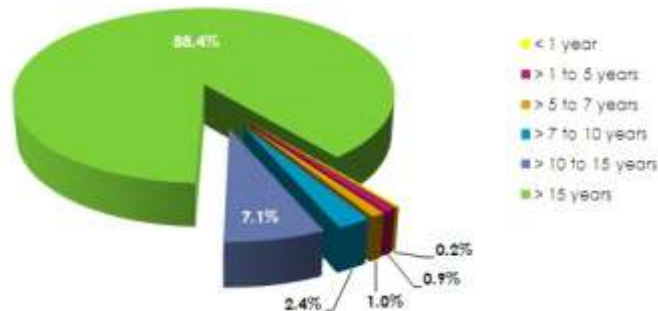
4.2 House and Fixed Asset Financing Portfolio Review as at 31 March 2018

House and Fixed Asset Financing Portfolio by Geographical Location in Malaysia



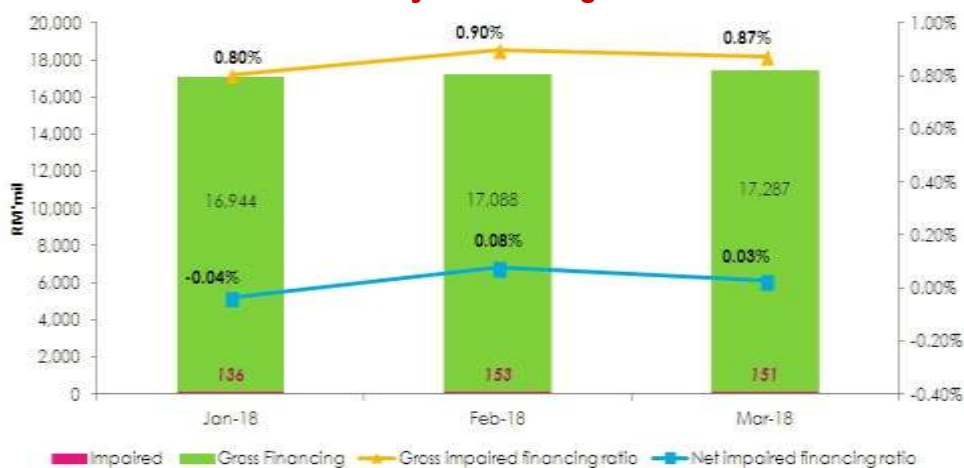
A total of 40.3% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration on developed areas such as the Klang Valley.

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 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.

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.



Prepared by:
BANK ISLAM MALAYSIA BERHAD

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