

BANK ISLAM



Al Awfar Account

Fund Performance Report
for the Quarter Ended 30 September 2017

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Al Awfar Account

Fund Performance Report for the Quarter Ended 30 September 2017

1.0 Key Fund Information

Dear Valued Customer,

Congratulations on becoming Bank Islam's Al Awfar Account holder, an investment account that is the first of its kind under the Mudarabah contract. Designed to offer multiple opportunities to win prizes sponsored by the Bank while generating profit, Al Awfar as an investment account was introduced to the Malaysian market in June 2015 in line with the implementation of the Islamic Financial Services Act (IFSA 2013).

We are pleased to present the following Fund Performance Report of Al Awfar Account for the Quarter Ended 30 September 2017.

1.1 Product Name

Al Awfar Account (Mudarabah-based Investment Account).

1.2 Investment Account Type

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.

1.3 Fund Investment Objective

Offers the IAH multiple opportunities to win over RM9,000,000 prizes via monthly, quarterly, and regional draws and at the same time generates profit.

1.4 Fund Investment Strategies

Invests in secured retail financial assets. Currently, the Bank invests in its existing House and Fixed Asset Financing Portfolio aimed at protecting the investment.

1.5 Nature of Investment Account

On demand, whereby IAHs are able to withdraw at any point of time.

1.6 Investment Asset Allocation

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

1.7 Investor Profile

- Category of investors:
 - Individuals (Residents and Non-Residents)
 - Non-Individuals (Business/Other entities)
- Investors with low risk tolerance
- Investors who desire to win prizes

- Investors with either a short or medium term investment horizon
- Investors who require a portfolio of Shariah-compliant investments

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 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 the principal amount. In the event of a liquidation scenario, the IAHs are ranked ahead of depositors.

1.9 Distribution Policy

Profit will be distributed on a monthly basis, but will be calculated on a daily basis. The profit is based on the performance of the House and Fixed Asset Financing Portfolio.

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 Prize Structure

Based on the given investment objective, IAH will be entitled to participate in the monthly, quarterly, and regional prize draws. As such, they are able to enjoy multiple opportunities to win valuable cash prizes as stated below:

3.1 Prize Structure

Monthly Draws:

Prize	Cash Prizes (RM)	No. of Winners
1	100,000	1
2	10,000	1
3	1,000	20

Quarterly Draws:

Prize	Cash Prizes (RM)	No. of Winners
1	1,000,000	1
2	10,000	20

Regional Monthly Draws:

Prize	Cash Prizes (RM)	No. of Winners
1	50,000	5

Note: All cash prizes are provided by the Bank and subject to change from time to time.

3.2 Eligibility Units

Every RM100 worth of investment shall be entitled to one (1) eligibility unit for the draw. However, the Bank has the discretion to review the number of eligibility unit(s) from time to time.

3.3 Draw Committee Members

Internal Committee Members	External Committee Members
Shariah Division	Jabatan Kemajuan Islam Malaysia (JAKIM)
Risk Management Division	Persatuan Pengguna Islam Malaysia (PPIM)

3.4 Winners of Al Awfar Prize Draw for the Quarter Ended 30 September 2017

Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
July	1	100,000	Azizah Binti Ibrahim
	2	10,000	Surina Binti Md Said
	3	1,000	20 winners*
August	1	100,000	Adam Bin Alias
	2	10,000	Zulbahri Bin Long
	3	1,000	20 winners*
September	1	100,000	Aqil Haikal Zulkafly
	2	10,000	Muhammad Izz Zarif Iman Bin Mohd Khairi
	3	1,000	20 winners*

Quarterly Draw:

Prize	Cash Prize (RM)	Winners
1	1,000,000	Alexius Lucas Yundor
2	10,000	20 winners*

Regional Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
July	1	50,000	<ul style="list-style-type: none"> Mohd Elmy Ismail Bin Abdul Samad Lee Lai Yin Ali Bin Muhammad Wan Maridana Binti Hj Najib Dayang Norinata Binti Awang Ali
August	1	50,000	<ul style="list-style-type: none"> Rasimah Binti Deraman Fadhli Bin Abdullah Rozaima Bin Mohammad Wan Ramlah Binti Jaafar Benedik @ Bakri Bin Awang
September	1	50,000	<ul style="list-style-type: none"> Khairudin Bin Mohd Thani Salmah Binti Halim Mohamed Hisham Bin Ibrahim Mariatul Asmah Binti Razak Margaret Mary Chan

From July until September 2017, Al Awfar has awarded cash prizes to 102 winners.

*For a complete list of winners, please refer to the corporate website.

4.0 Fund Performance

4.1 Performance for the Quarter Ended 30 September 2017

Position 2017	Fund Size RM'000	Return on Asset (ROA)* % (p.a.)	Profit Sharing Ratio (Customer: Bank)	Return on Investment (ROI) % (p.a.)	Distribution Period
July	1,752,342	5.39	2 : 98	0.11	16 Aug 17 - 15 Sep 17
August	1,836,071	5.15	2 : 98	0.10	16 Sep 17 - 15 Oct 17
September	1,875,572	5.20	2 : 98	0.10	16 Oct 17 - 15 Nov 17

* ROA - allocated asset of the fund.

4.2 Asset Allocation

House and Fixed Asset Financing Portfolio.

5.0 Profit Payout

5.1 Profit & Loss Statement (P&L)

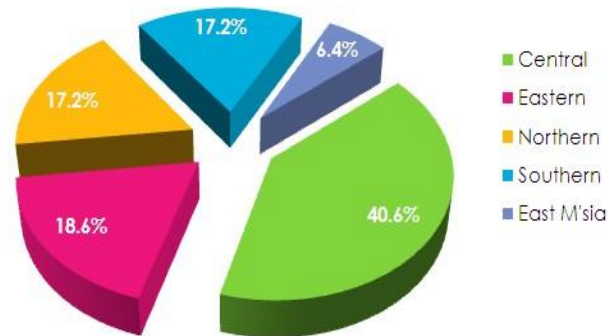
AL AWFAR ACCOUNT			
Profit & Loss Statement for the Quarter ended 30 September 2017			
	July 2017	August 2017	September 2017
	RM'000	RM'000	RM'000
Profit from financing	7,976	7,874	7,841
Direct expenses*	-	-	-
Allowance for impairment on financing	(146)	(178)	(141)
Total Profit	7,830	7,696	7,700
Return on Asset (p.a.)	5.39%	5.15%	5.20%
Return on Investment (p.a.)	0.11%	0.10%	0.10%

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

Note: The profit is based on the performance of the House and Fixed Asset Financing Portfolio.

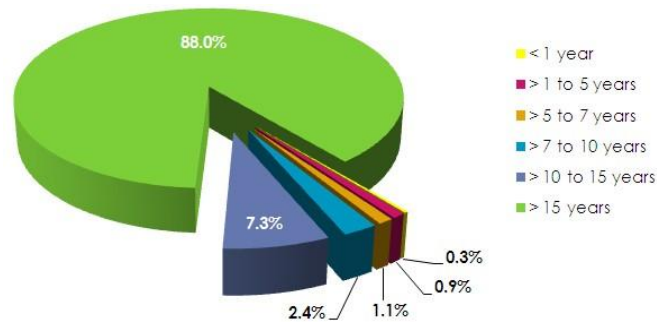
5.2 House and Fixed Asset Financing Portfolio Review as at 30 September 2017

House and Fixed Asset Financing Portfolio by Geographical Location in Malaysia



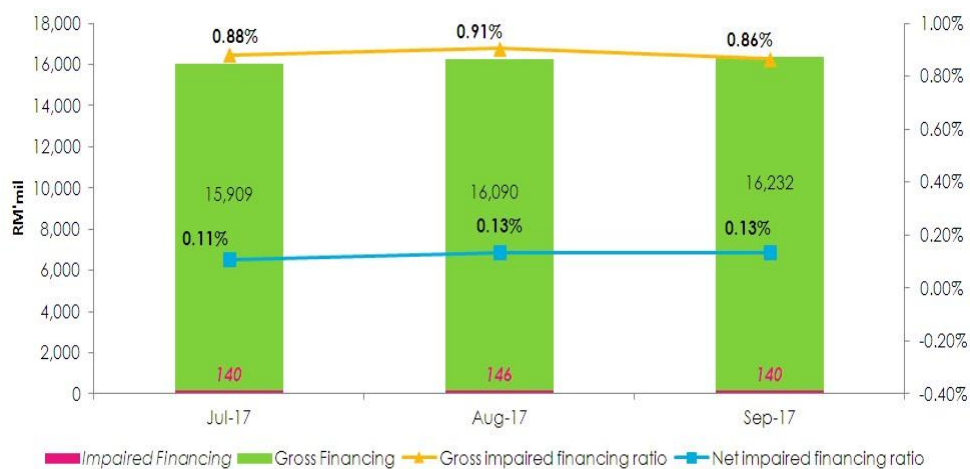
A total of 40.6% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration on developed areas such as the Klang Valley.

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.

6.0 Economic Review and Prospects

Current statistics suggest that the Malaysian economy is on the right track to achieve better growth in 2017. This was premised on improving outlook for global demand which has translated into strong export demand. For the month of July, total exports grew by 30.9% mainly underpinned by higher exports to the major advanced economies. Exports to the United States and the European Union both accelerated to 14.4% and 34.1% respectively from 1.8% and 10.0% in the preceding month. Similarly, export growth to Singapore and China rose at a faster clip of 32.3% and 28.8% from 9.2% and 27.3% respectively. As demand from abroad improved, production activities were also on a higher gear. The Industrial Production Index (IPI) during the month of July posted 6.1% growth from 4.0% previously. This was largely due to significant increase in manufacturing output growth of 8.0% from 4.7% in the previous month. Food, Beverages & Tobacco and Electrical & Electronics were the main drivers for IPI growth with both industries recording 19.1% and 10.5% expansion during the month of July. Consequently, demand for labour in the manufacturing sector in July increased with total employment rising by 2.9% from the same month last year to 1.05 million people while total salaries and wages paid to the industries increased by 11.3% to RM3.52 billion. Crude Palm Oil (CPO) prices were also higher during the third quarter as demand continued to be healthy. CPO production also improved from last year when the Fresh Fruit Bunches yield was severely affected by the weather conditions. As of September, CPO prices stood at RM2,866.5 per metric tonne from RM2,600.5 per metric tonne at the end of 2Q2017. Higher commodity prices would benefit the rural income folks which could translate into household spending. In a nutshell, the Malaysian economy is on firmer footing given the improvements in the external sector and stability in domestic demand. BNM has also indicated in their Monetary Policy Statement (MPS) on September 8 that the overall growth in 2017 will likely be higher than anticipated. At the current juncture, the official GDP forecast for 2017 stands between 4.3% and 4.8%.

7.0 Property Market Outlook

National Property Information Centre (NAPIC) has yet to publish the official data pertaining to property market for Q2 2017 and Q3 2017. Based on economic data, the economy grew by 5.8% y-o-y in the Q2 2017 compared with 5.6% in the preceding quarter. Nevertheless, the residential property market continued to remain weak with deteriorating absorption rate. The situation was further aggravated by the oversupply of high-end properties. With regard to Klang Valley area, landed property located in prominent and established areas continued to record capital appreciation. Similarly, apartments and condominiums built under prominent schemes also witnessed capital appreciation especially those along the Mass Rapid Transit (MRT) Line. It is expected that affordable houses will take the limelight in the property market sector. Based on Annual Report 2016 BNM, the shortage of affordable houses in 2014 was estimated to be 960,000 units and set to increase to more than one million units by 2020. There are multiple programmes by the private sector, federal and state government to supply affordable housing since the current level of house-building is not sufficient to meet the demand. Key drivers to a positive year are expected to come from infrastructural developments such as High Speed Rail (HSR), MRT and Light Rail Transit (LRT) additional lines and stations, new highways and expressways. Johor and Negeri Sembilan are expected to gain from the “spillover” effects. Areas such as Selangor Vision City, Nilai, Pajam, Semenyih, Kajang, Putrajaya, Cyberjaya, Rawang, Ijok, Kuang, Sungai Buloh and Kuala Selangor specifically, would greatly benefit from these developments. Bank Islam’s House and Fixed Assets (HFA) portfolio continued to expand to RM16.2 billion in September versus RM15.9 billion during the month of July. This represents an increase of 2% between the two periods. The central region accounted for the largest share of HFA’s portfolio at 40.6% while most of the maturity profile lies in 15 years and above. This signals stability in repayment capacity and lowers the risk of early redemption. In addition, the asset quality continued to exhibit favourable trend with Gross Impaired Financing Ratio (GIFR) improving from 0.91% in July to 0.86% in September. Strict adherence to Bank Islam’s Risks Acceptance Criteria (RAC) and effective monitoring system are the key factors in containing impairment risks. Going forward, the Bank’s HFA portfolio is expected to perform positively in tandem with the improving outlook in affordable residential property market. This was premised on higher financing approval rates for the residential property industry during the year.

Prepared by:

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