

BANK ISLAM



Al Awfar Account

Fund Performance Report for the Quarter
Ended 30 September 2016

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Al Awfar Account

Fund Performance Report for the Quarter Ended 30 September 2016

1.0 Key Fund Information

Dear Valued Customer,

Congratulations on becoming Bank Islam's Al Awfar Account holder, an investment account (IA) that is the first of its kind under the Mudarabah contract, designed to offer multiple opportunities to win cash prizes. Al Awfar 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 2016.

1.1 Product Name

Al Awfar Account (Mudarabah-based IA)

1.2 Investment Account Type

Unrestricted Investment Account: refers to a type of investment account where mandate is given to the Bank to manage a portfolio of Financing Accounts.

1.3 Fund Investment Objective

To offer multiple opportunities to win over RM9,000,000 in cash prizes via monthly, quarterly, and regional draws while generating profit.

1.4 Fund Investment Strategies

Invest in a secured retail financial asset. Currently, the Bank invests in an existing House and Fixed Asset Financing Portfolio which is aimed to protect the principal.

1.5 Nature of Investment Account

On demand, where investors are able to withdraw at any time.

1.6 Investment Asset Allocation

The Bank will allocate investors' funds in an existing performing House and Fixed Asset Financing Portfolio that is generating stable profit.

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 cash 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 Assets

To be carried out on a monthly basis as part of the process to determine the return 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 is ranked ahead of depositors.

1.9 Distribution Policy

Profit to be distributed on a monthly basis, but the profit 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, investors 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	External Committee
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 2016

Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
July	1	100,000	Nik Mohamad Farid Bin Hj Nik Ismail
	2	10,000	Nik Mohamad Farid Bin Hj Nik Ismail
	3	1,000	20*
August	1	100,000	Samsiah Binti Mohd Yusof
	2	10,000	Muhammad Akif Nazhan Alauddin Bin Mohd Rahmat
	3	1,000	20*
September	1	100,000	Nurfatin Insyirah Binti Mohammad Shahril
	2	10,000	Rania Imtiaz Binti Ikbal
	3	1,000	20*

Quarterly Draws:

Prize	Cash Prize (RM)	Winners
1	1,000,000	Hasiah Binti Man
2	10,000	20*

Regional Monthly Draw:

Month	Prize	Cash Prize (RM)	Winners
July	1	50,000	<ul style="list-style-type: none"> Hayati Binti Idris Mohammed Abdullahi Umar Noritah Binti Rahmat Norizan Binti Mohd Yussof Erie Anak Sinkin
August	1	50,000	<ul style="list-style-type: none"> Shabana Jan Azmi Bin Mat An-Nur Fatehah Binti Ismail Abdul Wahid Ayub Bin Annuar
September	1	50,000	<ul style="list-style-type: none"> Zainun Binti Jaafar Zakaria Bin Othman Seenivasan A/L Veerasamy Sie Choo Yeng Chiew Lee Lee @ Lily Chiew Chong Lee

From July until September 2016, Al Awfar has awarded 102 cash prize 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 2016

Position 2016	Fund Size RM'000	Return on Asset (ROA) %	Profit Sharing Ratio (Customer : Bank)	Return on Investment (ROI) %	Distribution Period
July	1,002,777	6.37	2 : 98	0.13	16 Aug 16 - 15 Sept 16
August	1,078,032	6.47	2 : 98	0.13	16 Sept 16 - 15 Oct 16
September	1,096,000	6.40	2 : 98	0.13	16 Oct 16 - 15 Nov 16

4.2 Asset Allocation

House and Fixed Asset Financing Portfolio

5.0 Profit Payout

5.1 Profit & Loss Statement (P&L)

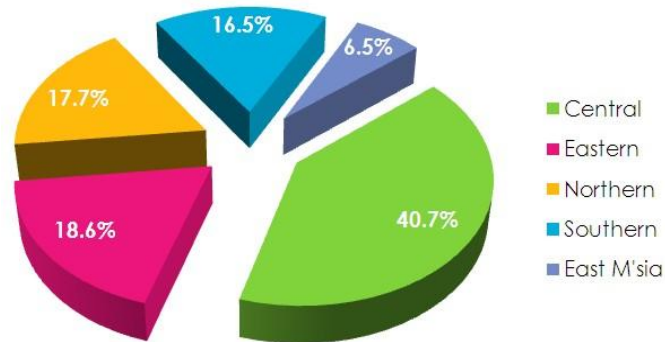
AL AWFAR ACCOUNT			
Profit & Loss Statement for the Quarter ended 30 September 2016			
	July 2016	August 2016	September 2016
	RM'000	RM'000	RM'000
Profit from financing	5,555	5,776	5,832
Direct Expenses*	-	-	-
Allowance for impairment on Financing	(175)	(157)	(187)
Total Profit	5,380	5,619	5,645
Return on Asset	6.37%	6.47%	6.40%
Return on Investment	0.13%	0.13%	0.13%

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

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

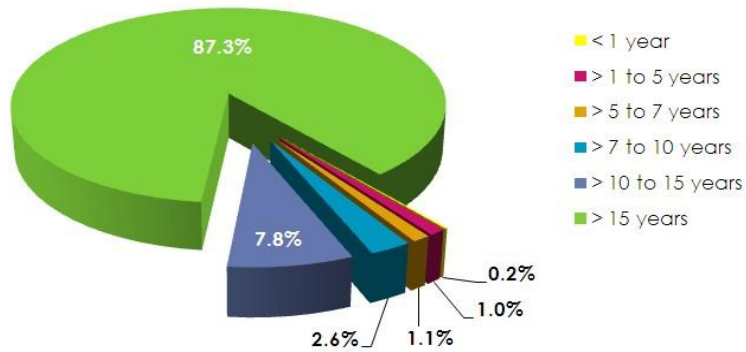
5.2 House and Fixed Asset Financing Portfolio Review as at 30 September 2016

House and Fixed Asset Financing Portfolio by Geographical Location in Malaysia



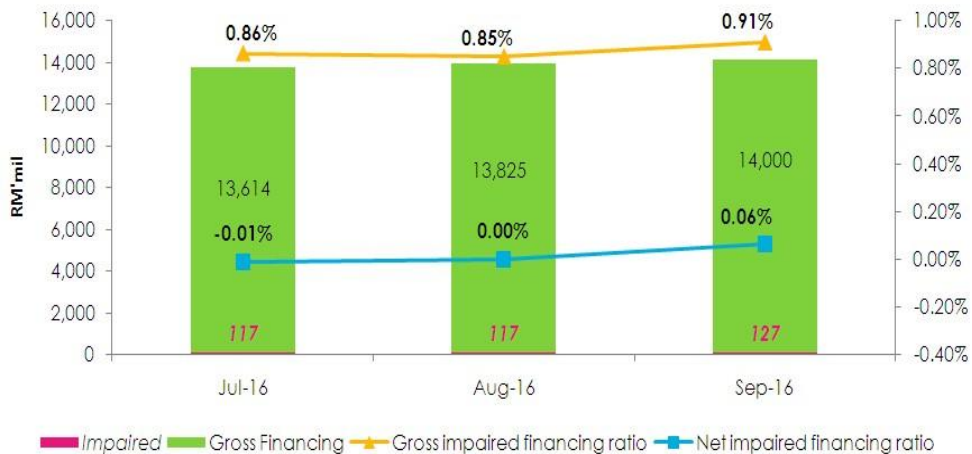
A total of 40.7% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration to developed areas such as the Klang Valley.

House and Fixed Asset Financing Portfolio by Remaining Maturity of Facilities



The bulk 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



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

6.0 Economic Review and Prospects

Global economy remains highly uncertain premised on the recent forecast revision by the International Monetary Fund (IMF) in October. Based on the latest forecast, the US economy is projected to grow by 1.6% in 2016. This represents 0.8% points decline compared to the April's projection. The reason for the revision was due to weaknesses in the private investment growth whereby it continues to contract for three consecutive quarters. However, the US Federal Reserve is on the verge of normalising its policy rate in December as labour market continues to improve amidst progressive gains in wage growth. In addition, risks arising from UK Brexit appear to be fairly contained at this juncture and the policy makers have indicated that it will invoke the Article 50 of Lisbon Treaty in the first quarter of 2017 in order to begin formal discussion on the eventual exit from the European Union (EU). There was also talks the European Central Bank (ECB) would begin its Quantitative Easing (QE) tapering in 2017, a sign that the economy is gaining more traction, and all that appears to be supportive to Malaysia's external demand. As it is, Malaysia's export grew by 1.5% in August after declining by 5.5% in the prior month led by exports to major economies such as the US, the EU and ASEAN. Similarly, the Industrial Production Index (IPI) posted 4.9% gain in August underpinned by production by export-oriented industries such as Electrical & Electronic (E&E) and chemical related products. A solid gain in consumer spending has improved, based on the rise in private consumption growth to 6.3% in the 2Q'2016. The recent reduction in the Overnight Policy Rate (OPR) by 25 basis points in July should also help to spur domestic spending particularly among businesses in view of lower cost of borrowings. Apart from that, the implementation of infrastructure projects will spearhead activities in the construction, manufacturing and service sectors as more contracts were awarded during the year. Against such backdrop, the economy is poised to grow between 4 and 4.5% in 2016 contributed by both domestic and external demand.

7.0 Property Market Outlook

The downtrend of the residential property market in 2015 which continued into 1H'2016 is expected to remain for the rest of 2016. Based on the data from National Property Information Centre (NAPIC), softer market in 1H'2016 recorded double digit declines against 2H'2015, both in term of volume as well as value of transactions. During 1H'2016, there were only 101,777 residential property transactions taking place with a combined value of RM32.98 billion compared to 116,521 transactions with a combined value of RM37.01 billion during 2H'2015. This represents a decline of 12.65% in volume and 10.88% in value of transaction. In the present uncertain economic conditions, the overall residential market activity is anticipated to be further toned down. However, the residential sector will continue to dominate the market segment, with "affordable housing" - a house unit priced up to a maximum of RM300,000- taking the limelight. Price adjustments and consolidation can be expected as more supply of affordable housing by both public and private sectors entering the market. Properties located in the Klang Valley are expected to experience stability with some moderate growth due to the net impact of the on-going infrastructure projects which increases the mobility and connectivity of the population.

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