

BANK ISLAM



Al Awfar Account

Fund Performance Report for the Quarter
Ended 31 December 2016



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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 while generating profit. 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 31 December 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 investment.

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 House and Fixed Asset Financing Portfolio that generates 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 are 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 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 31 December 2016

Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
October	1	100,000	Faizah Binti Ibrahim
	2	10,000	Muhamad Zulkiflee Bin Shafiee
	3	1,000	20 winners*
November	1	100,000	Zarina Binti Mohd Dewa
	2	10,000	Syed Ab Rahman Bin Syed Abdullah
	3	1,000	20 winners*
December	1	100,000	Nur A'isyah Zahidah Binti Hatim
	2	10,000	Taufiq Bin Sh Faisal
	3	1,000	20 winners*

Quarterly Draws:

Prize	Cash Prize (RM)	Winners
1	1,000,000	Ainul Husna Binti Mohamed
2	10,000	20 winners*

Regional Monthly Draw:

Month	Prize	Cash Prize (RM)	Winners
October	1	50,000	<ul style="list-style-type: none"> Muzafar Shah Bin Abdul Rahman Abdul Rahman Bin Jusoh Kamariah Binti Md Rasip Meriam @ Latifah Binti Sahak Lily Lim Li Thing
November	1	50,000	<ul style="list-style-type: none"> Mohd Zulrushdi Bin Mohamad Nur Syafira Binti Bilaluddin Nor Hashim Bin Ahmad Zaitom Binti Yusof Lim Poh Ling
December	1	50,000	<ul style="list-style-type: none"> Tjut Intan Binti Mahmood Abd Hamid Bin Abd Karim Nursiah Binti Nawi Intan Ramlah Binti Maalim Abdul Wahed Bin Ameran

From October until December 2016, 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 31 December 2016

Position 2016	Fund Size RM'000	Return on Asset (ROA) %	Profit Sharing Ratio (Customer : Bank)	Return on Investment (ROI) %	Distribution Period
October	1,172,688	6.11	2 : 98	0.13	16 Nov 16 - 15 Dec 16
November	1,310,602	5.86	2 : 98	0.13	16 Dec 16 - 15 Jan 17
December	1,516,843	5.93	2 : 98	0.12	16 Jan 17 - 15 Feb 17

4.2 Asset Allocation

House and Fixed Asset Financing Portfolio

5.0 Profit Payout

5.1 Profit & Loss Statement (P&L)

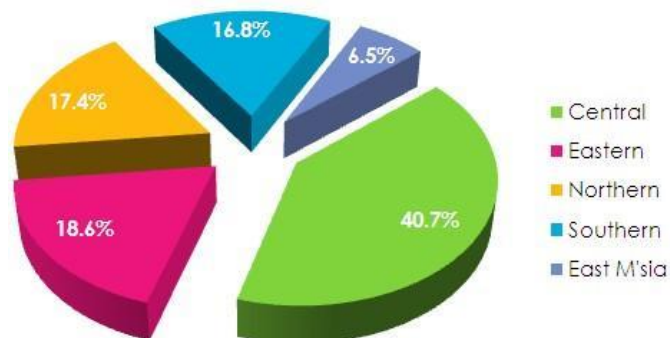
AL AWFAR ACCOUNT			
Profit & Loss Statement for the Quarter ended 31 December 2016			
	October 2016	November 2016	December 2016
	RM'000	RM'000	RM'000
Profit from financing	6,171	6,131	7,623
Direct Expenses*	-	-	-
Allowance for impairment on Financing	(196)	(217)	(258)
Total Profit	5,975	5,914	7,365
Return on Asset	6.11%	5.86%	5.93%
Return on Investment	0.13%	0.13%	0.12%

* 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.

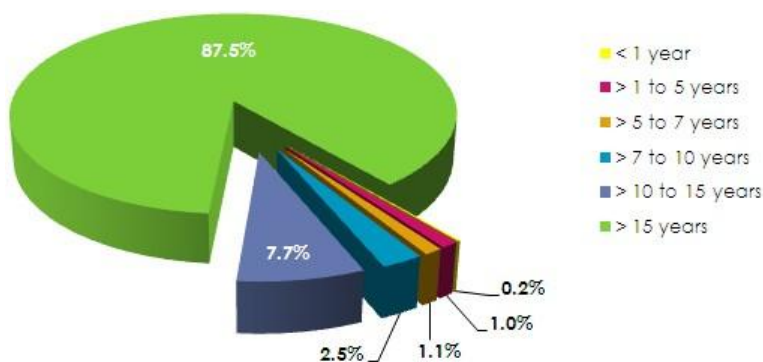
5.2 House and Fixed Asset Financing Portfolio Review as at 31 December 2016

House and Fixed Asset Financing Portfolio by Geographical Location in Malaysia



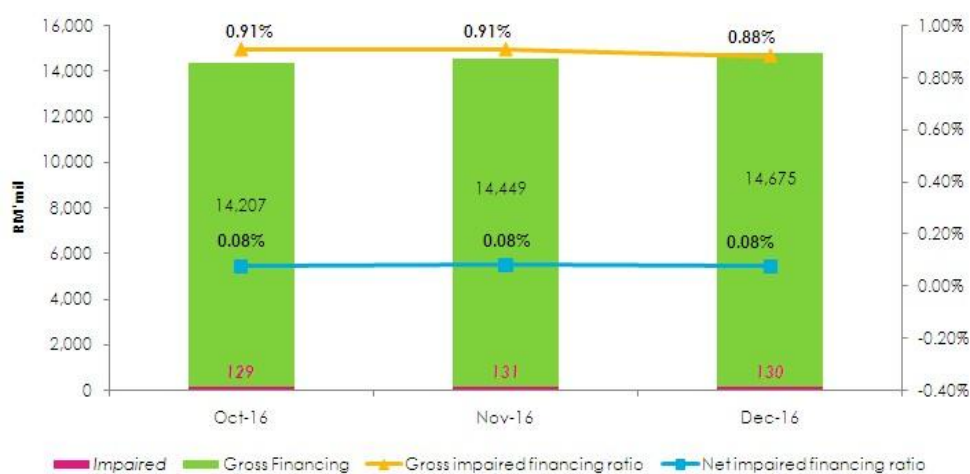
A total of 40.7% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration to developed areas such as the Klang Valley.

House and Fixed Asset Financing Portfolio by Remaining Maturity of Facilities



The 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



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

6.0 Economic Review and Prospects

The global economy remains challenging in 2016. The normalisation of US interest rates, economic slowdown in China and the uncertainty of crude oil prices are some of the common denominators. To a large degree the unexpected outcome of the recent US Presidential election had contributed to the volatility of foreign exchange rates and the shifting of global capital in favour of more developed markets. Consequently, most Asian currencies depreciated against the US dollar, whereby Malaysian Ringgit depreciated by 6.8%. In the domestic economy, consumer sentiment was lethargic for the most part of 2016. This is premised on the Consumer Sentiment Index (CSI) which continues to hover below the 100 point threshold for nine consecutive quarters. The rise in general prices as well as weaknesses in the labour market is the main reason for such pessimism. Despite that, consumer spending appears to be normalising with private consumption growing by 6.4% in the 3Q:2016 after a sharp fall of 4.1% in the 3Q:2015 (2Q:2015 6.4%) when the Goods and Service Tax (GST) was introduced in April 2015. As such, the 2017 GDP growth is expected to reach 4.4% from an estimated 4.3% in 2016.

7.0 Property Market Outlook

The residential property market continued to remain soft throughout 2016. According to the National Property Information Centre (NAPIC), 3Q:2016 witnessed a decline of 14% Quarter-on-Quarter in the volume of transactions of residential properties. The value of transactions in 3Q:2016 also indicated a decrease of 12% compared to 3Q:2015 and 6.6% compared to 2Q:2016. Total new launches declined to 10,655 unit in H1:2016 compared to 70,646 units launched in 2015. House prices rose at a slower pace with the House Price Index decelerated to 5.3% year-on-year in 2Q:2016. With regard to Klang Valley Area, the residential market is expected to experience stability in price with minimal growth. The completion and the on-going construction of infrastructure projects in Klang Valley such as the LRT/ MRT and Expressways will enhance the connectivity and the property prices of the surrounding housing areas. These public transport services and the highways will become the catalyst for Transit Oriented Development along their alignments. In general, based on the current economic conditions, weak property market sentiment and the oversupply situation, the overall residential market activity in the near term is expected to slow down. There will also be some price adjustments and consolidation to reflect the continuous softening of the market.

Prepared by:

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