

BANK ISLAM



Al Awfar Account

Fund Performance Report
for the Quarter Ended 31 December 2017



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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 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 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 Al Awfar Account for the Quarter Ended 31 December 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

To invest in a low risk IA that encourage savings while having opportunity to win prizes via monthly, quarterly and regional draws.

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 given point in 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

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 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 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

3Xtra Drive Campaign:

Campaign Period	Prizes	No. of Winner
October, November and December	Audi A4	1

GO Umrah Campaign:

Campaign Period	Prizes	No. of Winner
October, November and December	Umrah Package	15

Note:

- Monthly draws for the month of March, June, September and December are for Al Awfar Trust Account.
- All prizes are provided by the Bank and subject to change from time to time.

3.2 Eligibility Units

3.2.1 Cash Prizes

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.

3.2.2 Campaigns

For further information, please refer to Terms and Conditions (T&C) of respective campaign.

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 2017

Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
October	1	100,000	Nor Munirah Binti Awang
	2	10,000	Haslina Binti Mohd Isa
	3	1,000	20 winners*
November	1	100,000	Nor Binti Badar
	2	10,000	Siti Haminah Binti Sidek
	3	1,000	20 winners*
December (Draws for Trust Account)	1	100,000	Alia Sofiya Binti Alaswade
	2	10,000	Muhammad Haziq Bin Mohd Rizal
	3	1,000	20 winners*

Quarterly Draw:

Prize	Cash Prize (RM)	Winners
1	1,000,000	Siti Majelah Binti Moin
2	10,000	20 winners*

Regional Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
October	1	50,000	<ul style="list-style-type: none"> Norliza Binti Mokhtar Roni Binti Hasan Burok Binti Ali Mohd Nasir Bin Ya Saptuyah Binti Marjan
November	1	50,000	<ul style="list-style-type: none"> Aminuddin Bin Md Yassin @ A Bakar Ghazali Bin Ahmad Alias Bin Yunus Mohd Yasin Bin Zulkipli Abd Hakim Bin Abd Kadir
December	1	50,000	<ul style="list-style-type: none"> Zainal Bin Shahdan Mohd Noor Bin Arshat Fatimah Wati Binti Sata Zamri Nur Amirah Syahirah Hazli Salmiah Bt Mohamad

Campaign Winners:

Prize	Winners
Audi A4	1 winners*
Go Umrah	15 winners*

From October until December 2017, Al Awfar has awarded prizes to 118 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 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
October	1,892,753	5.22	2 : 98	0.10	16 Nov 17 - 15 Dec 17
November	1,929,564	5.18	2 : 98	0.10	16 Dec 17 - 15 Jan 18
December	1,986,005	5.22	2 : 98	0.10	16 Jan 18 - 15 Feb 18

* 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 31 December 2017			
	October	November	December
	RM'000	RM'000	RM'000
Profit from financing	8,598	8,121	8,673
Direct expenses*	-	-	-
Allowance for impairment on financing	(169)	(150)	(138)
Total Profit	8,429	7,971	8,535
Return on Asset (p.a.)	5.22%	5.18%	5.22%
Return on Investment (p.a.)	0.10%	0.10%	0.10%

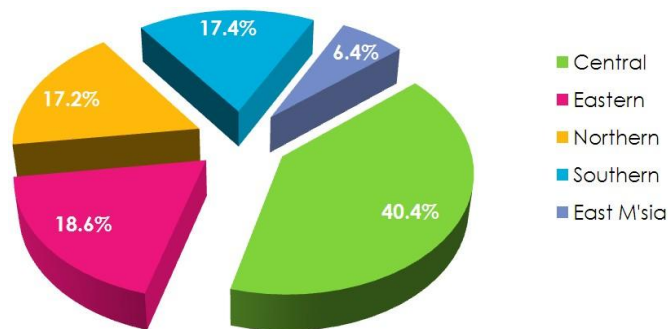
* Expenses are identifiable, measurable and must be incurred in order to complete a specific investment activity (including financing).

Note:

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

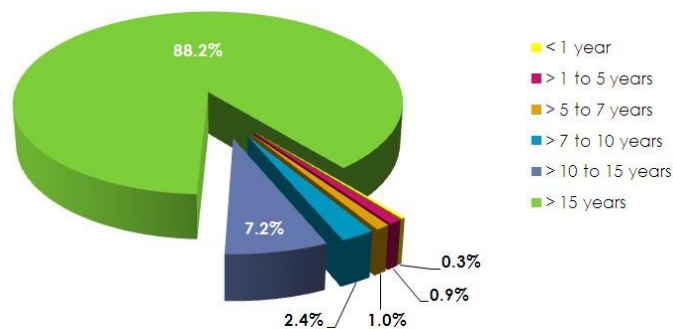
5.2 House and Fixed Asset Financing Portfolio Review as at 31 December 2017

House and Fixed Asset Financing Portfolio by Geographical Location in Malaysia



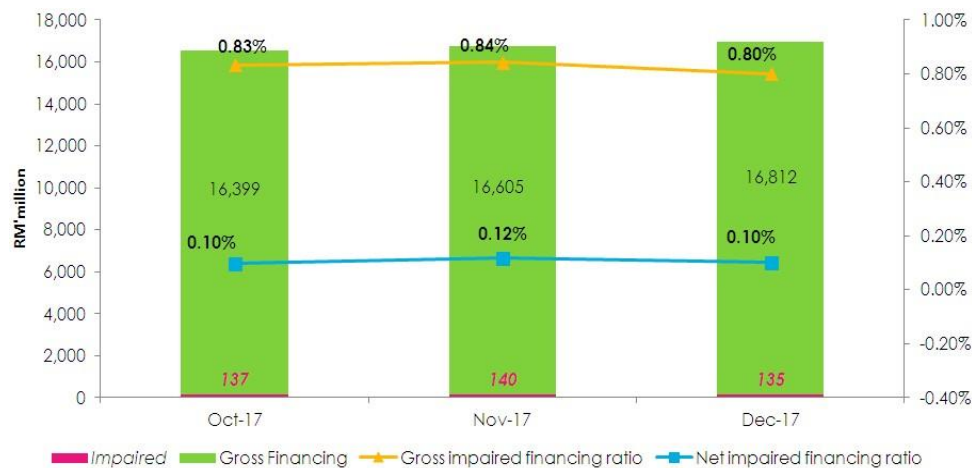
A total of 40.4% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration on developed areas such as the Klang Valley.

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

The rise in US interest rates in December 2017 indicates that the global economy is on firmer footing. Such decision made by the US Federal Reserve was based on the premise of the continuous improvement in the labour market whereby the unemployment rate declined from 4.7% at the end of 2016 to 4.1% as of December 2017. Other central banks were also taking a similar step such as the Bank of England and the Bank of Korea where their policy rates were raised by 25 basis points to 0.50% and 1.50% respectively in November. Additionally, the decision to maintain oil supplies by the OPEC and some of the Non OPEC member countries in November have resulted in Brent Crude prices to increase to USD66.87 per barrel at the end of December 2017 from USD53.72 per barrel in 2016. Against such a backdrop, the Malaysian economy would stand to benefit from improving world economy. Already, export growth for the first eleven months was at 20.7% compared to 0.4% in the same period of 2016. This was largely underpinned by 20.7% growth in the Electrical & Electronics (E&E) exports, which accounted for more than one third of total exports. Commodities related exports such as crude petroleum, liquefied natural gas (LNG) and palm oil were also recording higher growth of 31.5%, 30.9% and 18.3% respectively during the first eleven months of 2017. In view of improving economic growth, the BNM's Monetary Policy Committee (MPC) meeting in November 2017 explicitly indicated that the committee members are considering to review the current degree of monetary policy accommodation. The latest MPC statement has resulted in talks among the private economists of possible increase in the Overnight Policy Rate (OPR) in 2018. It is not surprising given that inflation rate is currently hovering at 3.9% in the first eleven months which is higher than the long term average of 2.8%. Going forward, the Malaysian economy is projected to grow between 5.0% and 5.5% in 2018 from an estimated growth of between 5.2% and 5.7% in 2017 based on the official forecast. The economic performance will be supported by sustained domestic demand amidst improving external sector. (Note: BNM on 25 January 2018 increased the OPR by 25 basis points to 3.25%. Subsequently, Bank Islam increased its Base Rate [BR] by similar quantum to 3.90% effective 1 February 2018).

7.0 Property Market Outlook

The residential property market remained generally mild in 2017. According to latest data published by National Information Center (NAPIC), Q32017 indicated a decline of 1.2% Q-on-Q in the volume of transactions of residential properties. During Q32017, 47,501 transactions took place compared to 48,076 during Q22017 and 49,578 during Q32016. However, the value of transactions in Q32017 indicated an increase of 8.9% compared to Q32016 and 3.0% compared to Q22017. The Malaysian House Price Index (MHPI) up to H12017 continued to rise moderately with the MHPI marked at 184.1 points (2010: base year), up by 5.6% on annual basis in Q22017. The total new launches increase to 28,397 units in H12017 compared to 21,456 units launched in H22016. Although the focus is mainly on affordable house, for H12017, new launches by private developer priced from RM400,001 and above took up 49.8% compared to 18.4% for properties between RM250,001 to RM300,00.00 and 10.5% for those priced between RM300,001 and RM400,000 of the new residential launches. Such a wide disparity between supply and demand of affordable house worsened the imbalances in the market. Despite so, improvement in the overall economy and positive housing policy changes will bring about a positive impact. Residential properties in the Klang Valley area will still be in demand due to growing economy and various incentives support provided by the government under PPA1M, PRIMA, RUMAWIP, "Skim Rumah Pertama Ku" "Rumah Selangor Ku" and "My Deposit 2018" to name a few. For affordable housing, there should be an increase in efficiency in the provision of affordable homes to accelerate the rebalancing of undersupply towards the affordable homes in the market. Bank Islam's HFA portfolio continues to expand from RM16.6 billion in November 2017 to RM16.8 billion in December 2017. Such performance is in line with the banking industry's HFA which increased from RM511.9 billion in October 2017 to RM515.9 billion in November 2017. Meanwhile, HFA's Gross Impaired Financing Ratio fell from 0.84% in November 2017 to 0.80% in December 2017, compared to the industry's level of 1.09%. This indicates a prudent credit assessment adopted by Bank Islam. Moving forward, prospects for residential properties is expected to remain healthy as rapid urbanisation and relatively young workforce would result in higher demand for house financing. In this regard, Bank Islam will continue to focus on the strategic areas that could potentially be developed into a township while mindfully taking note on the emerging risks.

Prepared by:

BANK ISLAM MALAYSIA BERHAD

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