

BANK ISLAM



Al Awfar Account

Fund Performance Report
for the Quarter Ended 31 March 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 (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 March 2017.

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 March 2017

Monthly Draws:

Month	Pri	Cash Prize (RM)	Winners
January	1	100,000	Ikbal Bin Salam
	2	10,000	Jaafar Bin Idris
	3	1,000	20 winners*
February	1	100,000	Nirmala Devi A/P Nadaraja
	2	10,000	YB Rus'sele Bin Eizan
	3	1,000	20 winners*
March	1	100,000	Nur Fawha Adeena Binti Mohammad Shahril
	2	10,000	Arisa Farzana Binti Raphy
	3	1,000	20 winners*

Quarterly Draws:

Prize	Cash Prize (RM)	Winners
1	1,000,000	Faridah Binti Safri
2	10,000	20 winners*

Regional Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
January	1	50,000	<ul style="list-style-type: none"> Abdul Rahim Bin Taslim Mohamad Zahir Chai Bin Abdullah Che Mat Bin Ali Abd Rahman Bin Yunus Mohd Suffley Bin Matawali
February	1	50,000	<ul style="list-style-type: none"> Khainarida Binti Manan @ Seman Mazenah Binti Zakaria Ahmad Bin Abu Hanizah Binti Ghazali Neo Wen Ting
March	1	50,000	<ul style="list-style-type: none"> Rohana Binti Ibrahim Mohd Shukri Bin Mohd Salleh Maimunah Binti Kassim Rabaiah Binti Napiah Leonie Vitus

From January until March 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 31 March 2017

Position 2017	Fund Size RM'000	Return on Asset (ROA) %	Profit Sharing Ratio (Customer: Bank)	Return on Investment (ROI) %	Distribution Period
January	1,533,724	5.53	2 : 98	0.11	16 Feb 17 - 15 Mar 17
February	1,589,898	5.60	2 : 98	0.11	16 Mar 17 - 15 Apr 17
March	1,661,902	5.60	2 : 98	0.11	16 Apr 17 - 15 May 17

4.2 Asset Allocation

House and Fixed Asset Financing Portfolio

5.0 Profit Payout

5.1 Profit & Loss Statement (P&L)

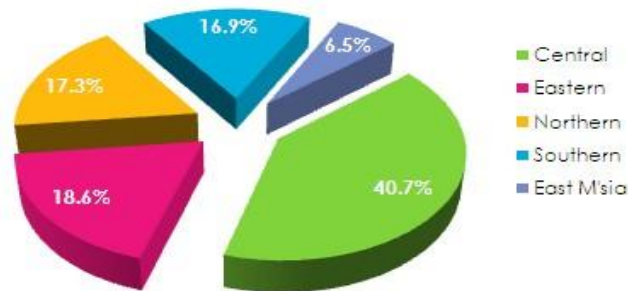
AL AWFAR ACCOUNT			
Profit & Loss Statement for the Quarter ended 31 March 2017			
	January 2017	February 2017	March 2017
	RM'000	RM'000	RM'000
Profit from financing	7,412	6,748	7,740
Direct Expenses*	-	-	-
Allowance for impairment on Financing	(270)	(232)	(158)
Total Profit	7,142	6,516	7,582
Return on Asset	5.53%	5.60%	5.60%
Return on Investment	0.11%	0.11%	0.11%

* 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.

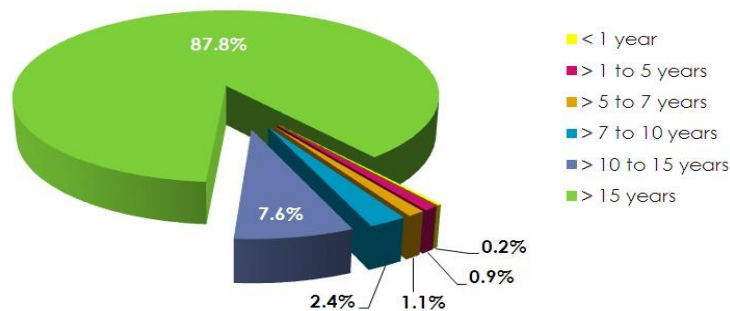
5.2 House and Fixed Asset Financing Portfolio Review as at 31 March 2017

House and Fixed Asset Financing Portfolio by Geographical Location in Malaysia



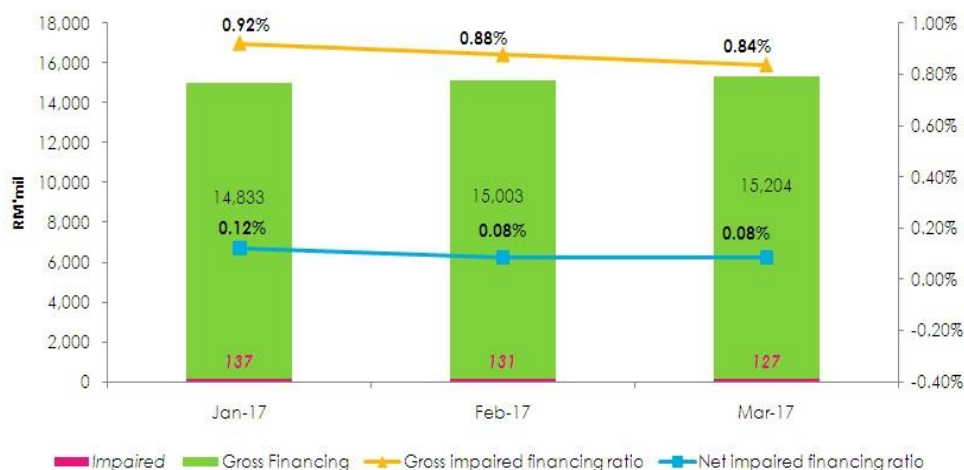
A total of 40.7% from the total House and Fixed Asset Financing Portfolio originates from the Central region. This reflects our concentration to developed areas such as the Klang Valley.

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 uncertainties arising from the new US administration's policies have taken center stage. The proliferation of the perceived populist measures and somewhat inward looking trade policies by Donald Trump has resulted in anxiety in financial markets. Meanwhile, the economic indicators continue to show that the US economy is firming up, leading to further normalisation in the Federal Funds Rate by an increment of 25 basis points in March. In addition, business sentiments as indicated by the Global Purchasing Managers Index suggest that the world economy may hold a promising outlook this year. As in the case of Malaysia, capital flows were volatile especially funds in the bond markets. A total of RM37 billion worth of debt securities have flown out in the 1Q:2017, leading to higher MGS and GII yields during the period. However, institutional foreign investors were generally net buyers in the equities markets, totaling RM5.8 billion in the 1Q:2017 compared to net sales of RM5.3 billion in the preceding quarter. Going forward, the economy is expected to be sustained by improving external demand amidst implementation of infrastructure projects as announced by the government. Despite that, consumers are anticipated to be more cautious in their spending plans following higher cost of living and weak sentiments. As such, the economy is poised to grow between 4.3% and 4.8% in 2017 based on the latest projection by the BNM.

7.0 Property Market Outlook

The state of Malaysia's residential property market is still soft as new launches remaining slow amidst cautions stance among the developer and house buyer. Notwithstanding, the government continue to be steadfast to prescribe policy especially for the low and middle income segment through the provision of affordable house. Housing initiatives to address affordability housing issues for the lower and middle income groups would continue to be the main focus by the public and private sectors. For example, affordable houses costing less than RM300,000.00 per unit under PR1MA would now include various programs and incentives. Among others, these include raising the eligibility level from a household monthly income of RM10,000 to RM15,000 'House-for Rent' program, "Special PR1MA End Financing Scheme" program, exemption on stamp duty on the instruments of transfer and financing agreement for first time house buyers and also the reduction on the moratorium on the sale and rental from 10 years to 5 years only. In conclusion, the residential market sector will continue to dominate the market segment, with "affordable housing" taking the limelight. Price adjustments and consolidation can be expected as an increasing supply of affordable housing by both the public and private sectors enter the market.

Prepared by:

BANK ISLAM MALAYSIA BERHAD

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