

BANK ISLAM



Al Awfar Account

Fund Performance Report for the Quarter
Ended 30 June 2016

Al Awfar Account

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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. 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 June 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 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 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. For further explanation of each risk, kindly visit Bank Islam's website.

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).

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 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 June 2016

Monthly Draws:

Month	Prize	Cash Prize (RM)	Winners
April	1	100,000	Wan Hafsah Binti Haron
	2	10,000	Noramila Binti Omar
	3	1,000	*20
May	1	100,000	Lamsiah Binti Ahmad
	2	10,000	Mohd Elmy Ismail Bin Abdul Samad
	3	1,000	*20
June	1	100,000	Muhammad Husnul Fathi Bin Zakaria
	2	10,000	Asma Binti Mohd Rizal
	3	1,000	*20

Quarterly Draws:

Prize	Cash Prize (RM)	Winners
1	1,000,000	Mohd Ghazali Bin Mohd Noor
2	10,000	*20

Regional Monthly Draw:

Month	Prize	Cash Prize (RM)	Winners
April	1	50,000	<ul style="list-style-type: none"> Shaniah Binti Abd Rani Abu Hassan Bin Abu Bakar Abdul Aziz Bin Redwan Janipa Hana Binti Madiyah Fazillah Hamzah
May	1	50,000	<ul style="list-style-type: none"> Hamiyaton Binti Sulaiman Shuid Bin Abdul Rahman Nor Ainah Binti Ahmad Ab Rashid Bin Yunus Tunku Aidayuhanna Binti Raja Mafuzin
June	1	50,000	<ul style="list-style-type: none"> Noor Indalinna Binti Mohd Nor Zainal Bin Mohamad Najmah Binti Mohamed Sidek Salina Binti Mustaman Kassim Bin Yunus

From April until June 2016, Al Awfar has awarded 103 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 June 2016

Period	Position 2016	Fund Size RM'000	Return on Asset (ROA) %	Profit Sharing Ratio (Customer : Bank)	Return on Investment (ROI) %
16 Apr 16 – 15 May 16	March	691,170	6.57	2 : 98	0.13
16 May 16 - 15 Jun 16	April	870,176	6.74	2 : 98	0.13
16 Jun 16 - 15 Jul 16	May	922,685	6.58	2 : 98	0.13
16 Jul 16 - 15 Aug 16	June	988,712	6.56	2 : 98	0.13

4.2 Asset Allocation

House Financing Portfolio

5.0 Profit Payout

5.1 Profit & Loss Statement (P&L)

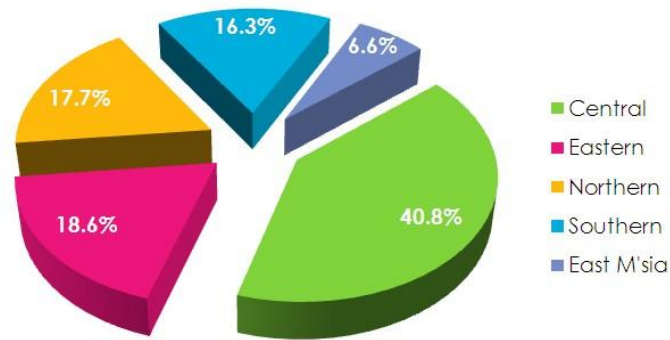
AL AWFAR ACCOUNT			
Profit & Loss Statement for the Quarter ended 30 June 2016			
	April 2016	May 2016	June 2016
	RM'000	RM'000	RM'000
Profit from financing	4,790	5,192	5,239
Direct Expenses*	-	-	-
Allowance for impairment on Financing	(116)	(104)	(104)
Total Profit	4,674	5,088	5,135
Return on Asset	6.74%	6.58%	6.56%
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 Financing Portfolio.

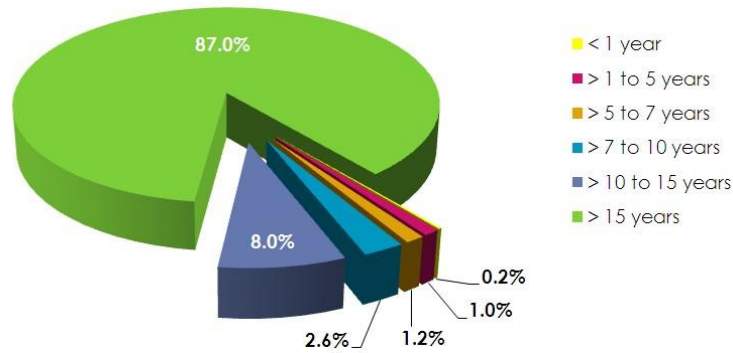
5.2 House Financing Portfolio Review as at 30 June 2016

House Financing Portfolio by Geographical Location in Malaysia



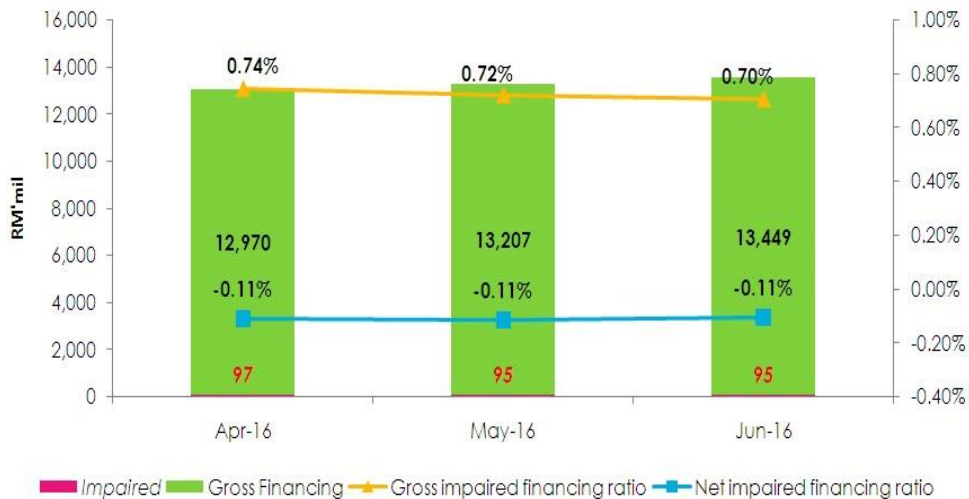
A total of 40.8% from the total House Financing Portfolio originates from the Central region. This reflects our concentration to developed areas such as the Klang Valley.

House Financing Portfolio by Remaining Maturity of Facilities



The bulk of the House 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 economic outlook is expected to be more challenging going forward as weak sentiments among the businesses and consumers are likely to exert downward pressures to aggregate demand. External events such as the UK referendum on June 23 and US interest rates could result in uncertain global growth prospects. Domestically, rising operational costs such as minimum wages, gas prices, steel prices, fuel prices and levy on foreign labour are expected to have a negative impact on profit margins. This would result in businesses becoming more cautious particularly in areas relating to capital expenditure and labour hiring as they seek to rely on productivity gains as a means to cost control and preserving bottom lines. Meanwhile, consumers are anticipated to tighten their wallets as softening labour market conditions and higher cost of living will constrain spending on discretionary goods and services. However, a weaker currency should help to sustain export growth. In addition, Bank Negara Malaysia (BNM) has the necessary means to stimulate the economy by way of reductions in the Overnight Policy Rate (OPR) and Statutory Reserve Requirement (SRR). As it stands, BNM has already announced a 25 basis point reduction in the policy rate on July 13 which brought the OPR from 3.25% to 3.00% while SRR was reduced by 50 basis points in February to 3.50%. Additionally, the reduction in EPF members' contribution rate from 11% to 8% beginning March 2016 should help sustain consumer spending. Malaysia's GDP is poised to grow between 4.0% and 4.5% in 2016 in view of stability in domestic demand amidst uncertainty in the external sector.

7.0 Property Market Outlook

Based on the latest preliminary Property Market Report released by National Property Information Centre (NAPIC), property market transaction value declined by 18% year-on-year to RM32.0 billion in the Q1'2016. The negative growth in transaction value is consistent with the 14% fall in volume to 80,029 units in the first quarter of this year. For affordable residential properties, the decline was at a less severe rate. Transaction value for properties below RM500,000 declined 11% year-on-year compared with a 23% decline for properties worth RM500,000 to RM1.0 million and a 20% decline for properties worth RM1.0 million and above. The soft property market also saw total new launches of residential property falling to 3,847 units in the 1Q'2016 from 9,258 units in the preceding quarter. This represents a decline of 58.4% quarter-on-quarter and 75.6% in comparison to launches in the 1Q'2015 (15,738 units). House prices ranging between RM150,001 – RM200,000 and RM300,001 – RM400,000 accounted for the lion share with new launches standing at 1,119 units (29.1% of total) and 1,087 units (28.3% of total) respectively. The Klang Valley property market is expected to remain soft in the short term. However, the economy - and by extension - the property market is expected to recover gradually due to the effects of government's spending on mega infrastructure works as well as the government's introduction of growth stabilization measures which are beginning to take place. The opening of the remaining three stations in the LRT Kelana Jaya Line Extension – Puchong Perdana, Puchong Prima and Putra Heights – at the end of June 2016 would provide good accessibility to these areas. Earlier on, eight new stations were opened along the Sri Petaling Line which also terminates at the Putra Height station. The on-going transport infrastructure projects in the Klang Valley such as the LRT Sri Petaling Line, LRT Kelana Jaya Extension Line, MRT SBK Line, MRT SBP Line, BRT Sunway, BRT KL-Klang, Sungai Besi – Ulu Kelang Elevated Expressway (SUKE), Damansara – Shah Alam Expressway (DASH) and Eastern Klang Valley Expressway (EKVE) will not only enhance the existing property but will also become the catalyst for Transit Oriented Development along the alignments and within the vicinity of the stations.

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