AFFIN ISLAMIC

AFFIN TERM INVESTMENT ACCOUNT-i (AFFIN TIA-i)

Performance Report for the Quarter Ended 30 June 2025

1.0 Product Type

AFFIN TIA-i is an unrestricted investment account with a specific investment amount and tenure where the Investor provides the Bank with the mandate to make the ultimate investment decision without specifying any particular restrictions or conditions. AFFIN TIA-i is offered based on the Shariah concept of Mudarabah where the Investor provides capital to be managed by the Bank. Any profit generated from the capital is shared between the Investor and the Bank according to a mutually agreed profit-sharing-ratio. AFFIN TIA-i was launched on 2 November 2024.

2.0 Investor Profile

Type of Investor: Individual and Non-Individual.

3.0 Investment Currency

Subscription into AFFIN TIA-i must be in Ringgit Malaysia.

4.0 Investment Objective

To provide stable returns through low to moderate risk investments.

5.0 Investment Strategies

AFFIN TIA-i strategically allocates its funds into a range of Personal Financing-i portfolios that are not only competitively priced but also exhibit high asset quality. This approach ensures that the investment account benefits from both cost-effective opportunities and robust, reliable asset performance. By carefully selecting and managing these portfolios, AFFIN TIA-i aims to optimize returns while maintaining a balanced risk profile, ultimately providing investors with a stable and potentially rewarding investment experience.

6.0 Investment Asset Allocation

The AFFIN TIA-i funds are invested by the Bank into the pool of Shariah compliant personal financing portfolios of the Bank.

7.0 Analysis of Fund Performance and Asset Valuation

AFFIN TIA-i fund balance was recorded as follows:

Investor Type	April 2025		May 2025		June 2025	
	No. of Account	Investment Amount (RM)	No. of Account	Investment Amount (RM)	No. of Account	Investment Amount (RM)
Individual	1,894	124,020,801.82	2,357	361,111,806.75	2,677	493,771,579.54
Non-Individual	27	4,662,487.48	38	16,179,853.37	48	33,375,562.09
TOTAL	**1,921**	**128,683,289.30**	**2,395**	**377,291,660.12**	**2,725**	**527,147,141.63**

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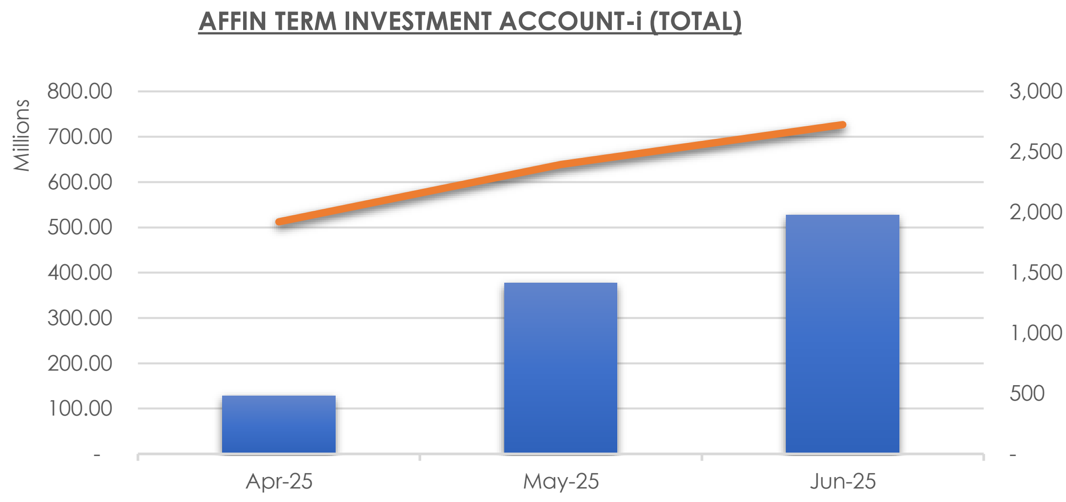

	Apr-25	May-25	Jun-25
Outstanding (RM)	128,683,289.30	377,291,660.12	527,147,141.63
No of Account	1,921	2,395	2,725

The Bank will perform valuation of the underlying assets of the Investment Asset in accordance with the Malaysian Financial Reporting Standards (MFRS) which will be carried out on a monthly basis.

8.0 Analysis of Historical Performance and Rate of Returns

AFFIN TIA-i Non-Promotional Actual Rate of Return to Investors

Period (Month)	April	May	June
1	1.58%	1.56%	1.57%
3	2.16%	2.14%	2.14%
6	2.37%	2.34%	2.35%
9	2.42%	2.40%	2.41%
10	2.42%	2.40%	2.41%
12	2.42%	2.40%	2.41%

AFFIN TIA-i Campaign Actual Rate of Return to Investors

AFFIN TIA-i Campaign 1.0

Period (Month)	1 month	3 months	6 months	9 months	12 months
April	3.32%	3.69%	3.85%	3.90%	3.95%
May	3.28%	3.65%	3.80%	3.86%	3.91%
June	3.29%	3.66%	3.82%	3.87%	3.92%

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AFFIN TIA-i Campaign 2.0

Period (Month)	3 months	6 months	10 months	12 months
April	3.43%	3.79%	3.85%	3.90%
May	3.39%	3.75%	3.80%	3.86%
June	3.40%	3.77%	3.82%	3.87%

AFFIN TIA-i Campaign 2.1

Period (Month)	3 months	6 months	10 months	12 months
April	3.48%	3.85%	3.90%	3.95%
May	3.44%	3.80%	3.86%	3.91%
June	3.45%	3.82%	3.87%	3.92%

AFFIN TIA-i Campaign 3.0

Period (Month)	Minimum Investment Amount	April	May	June
12	RM50,000	3.79%	3.75%	3.77%
	RM100,000	3.85%	3.80%	3.82%
	RM500,000	3.90%	3.86%	3.87%
	RM1,000,000	3.95%	3.91%	3.92%

AFFIN TIA-i Campaign 3.1

Period (Month)	Minimum Investment Amount	April	May	June
12	RM50,000	NA	3.91%	3.92%
	RM100,000	NA	3.96%	3.97%
	RM500,000	NA	4.01%	4.03%
	RM1,000,000	NA	4.06%	4.08%

AFFIN TIA-i Campaign 4.0

Period (Month)	Minimum Investment Amount	April	May	June
3	RM50,000	NA	3.44%	3.45%
6	RM50,000	NA	3.91%	3.92%
	RM100,000	NA	3.96%	3.97%
	RM500,000	NA	4.01%	4.03%
	RM1,000,000	NA	4.06%	4.08%
9	RM50,000	NA	3.75%	3.77%
	RM100,000	NA	3.80%	3.82%
	RM500,000	NA	3.86%	3.87%
	RM1,000,000	NA	3.91%	3.92%
12	RM50,000	NA	3.59%	3.61%

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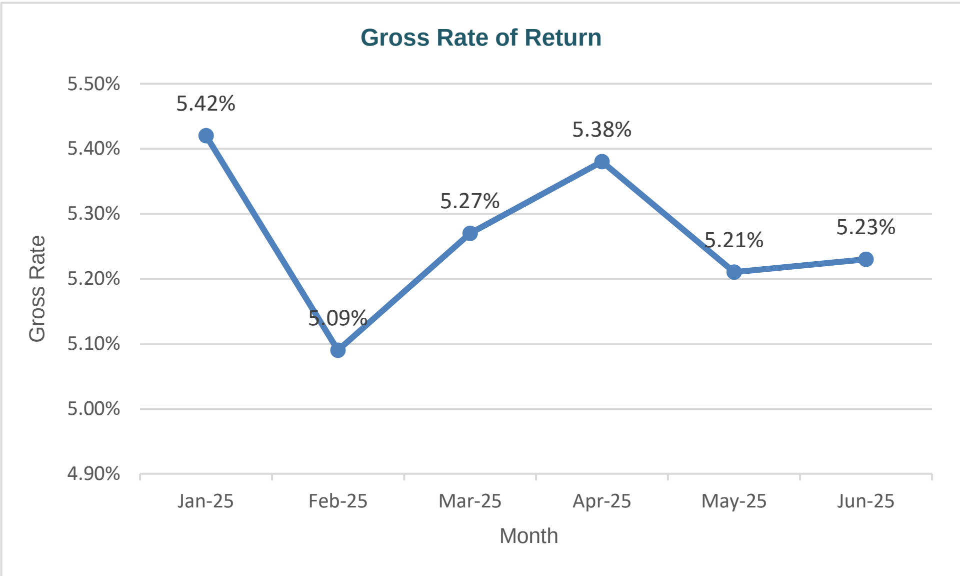
Period (Month)	Minimum Investment Amount	April	May	June
	RM100,000	NA	3.65%	3.66%
	RM500,000	NA	3.70%	3.71%
	RM1,000,000	NA	3.75%	3.77%

Gross Rate of Return



Note: As disclosed via AFFIN TIA-i's Terms and Conditions, the Investor agree that if:

(a) the Actual Profit is equivalent or below the Indicative Profit, the Actual Profit shall be shared based on the agreed PSR; or

(b) the Actual Profit exceeds the Indicative Profit, the Investor agrees to waive the excess profit and the excess amount shall be paid to the Bank.

(c) Notwithstanding clause (b) above, the Bank may, at its discretion, relinquish its entitlement to the excess profit.

9.0 Statement of Any Changes

During the quarter, the investment objectives, strategies, restrictions, and limitations remained unchanged.

10.0 Profit Distributions made and Proposed during the Period, and the Effects in Terms of the Valuation of the Investment Account Before and After the Distribution

Profit distribution is made upon maturity.

11.0 Any Charge imposed on AFFIN TIA-i

AFFIN TIA-i does not impose any fees or charges.

12.0 Commentary on the Fund Performance Up to Date and A Review of Future Prospects of the Investment Asset and Proposed Strategies

MALAYSIA'S ECONOMIC OUTLOOK IN Q2 2025: NAVIGATING TARIFF SHOCKS AND TRADE UNCERTAINTY

Global risk and trade uncertainty

On April 2, 2025, U.S. President Donald Trump declared a global "Liberation Day", announcing sweeping tariffs ranging from 10% to 45% on all countries trading with the United States. Malaysia was hit with a 24% reciprocal tariff, a significant blow given that the U.S. is Malaysia's second-largest trading partner, accounting for over 13.2% of total exports in 2024.

Just a week later, on April 9, President Trump temporarily paused the reciprocal tariffs until July 9, allowing time for trade negotiations. However, he simultaneously imposed a 10% baseline tariff on all countries, including Malaysia, which took immediate effect. This move introduced a new layer of uncertainty for Malaysian exporters, particularly in sectors like palm oil, oil and gas products, rubber products, and textiles. However, the electronics (E&E) and pharmaceuticals sectors were not affected, as they were excluded. The E&E sector is especially important to Malaysia, contributing 45% of total exports, with 65% of E&E exports coming from US companies operating in Malaysia.

Government policy and strategic response

The Malaysian government has opted against retaliatory tariffs, instead focusing on:

- Bilateral negotiations with the U.S. to secure sectoral exemptions.
- Diversifying export markets, particularly within ASEAN, the Middle East and other high growth regions.
- Enhancing investment incentives to retain foreign investors and attract new capital.

US demands to Malaysia

Reduce the US – Malaysia Trade Deficit	Addressing Non-Tariff Barriers (NTBs)	Strengthen Technology Safeguards	Increase Investment in US
The US cites a $25 billion (RM105.25 billion) trade deficit with Malaysia in 2024, driven by $52.5 billion in imports from Malaysia versus $27.7 billion in export to Malaysia. Malaysia is open to negotiating ways to narrow this deficits, exploring alternative approaches to ensure mutually beneficial trade flows. The deficits has narrowed by 7.6% from 2023, indicating a more balanced relationship and Malaysia aims to address US concerns without retaliatory tariffs.	The US seeks removal or reduction of NTBs such as lengthy processes for halal certification, high exercise taxes on alcoholic beverages and motor vehicles and restrictive import policies, which the US claims equate to a 47% effective tariff on its goods.	The US wants Malaysia to prevent its technology, particularly semiconductors from being shipped or smuggled to countries the US disapproves of, emphasizing export controls on chips. Malaysia is exploring a Technology Safeguards Agreement with the US to facilitate high-tech cooperation in semiconductors, aerospace and digital sectors.	The US requests Malaysia to investments in certain strategic sectors in US. The Malaysian Government Linked Companies (GLC) as to date had invested close to $45 billion (RM189.4 billion) in US bond and equity markets.

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During high level negotiations in Washington D.C., on April 23-24, 2025, the U.S. had presented 4 key demands : a) to reduce the trade deficit between US – Malaysia, b) to easing the Non-Trade Barriers (NTBs), c) ensuring the technology safeguards and d) boosting US investments.

Economic Impact in Q2 2025

The announcement of 'Liberation Day' tariffs triggered a **broad sell-off in Malaysian equities**, with the **FBM KLCI** and **FBM Small Cap Index** falling sharply in early April. Market sentiment was dampened by fears of prolonged trade disruptions and weaker global demand.

Despite these headwinds, Malaysia's economy showed **resilience.** Q2 advance GDP estimate recorded 4.5% growth, slightly better than Q1'25 growth at 4.4%. The economic resilience was mainly supported by:

- **Strong domestic consumption**, bolstered by wage growth and targeted subsidies.
- **Public infrastructure spending**, which continued to drive investment.
- **Semiconductor exports**, which were **exempted from the U.S. tariffs**, providing a buffer for the manufacturing sector.
- Strong economic policies, such as the National Energy Transition Roadmap (NETR) and New Industrial Master Plan (NIMP)

Sectoral Performance

The services sector remained the primary driver of economic growth in Q2'25, registering a 5.3 per cent growth (Q1'25: 5.0%) fueled by tourism, retail trade and business services sub-sectors.

Two other sectors that performed well were construction and agriculture. The construction sector recorded its sixth consecutive quarter of double-digit growth at 11.0% (Q1'25: 14.2%), supported by non-residential buildings and specialised construction activities. The agriculture sector grew by 2.0% (Q1'25: 0.6%), driven by stronger demand in palm oil and rubber output.

The manufacturing sector's growth slowed slightly to 3.8% (Q1'25: 4.1%) supported by continued demand for electrical and electronic (E&E) products. Meanwhile, the mining and quarrying sectors declined further to -7.4% (Q1'25: -2.7%), amid falling energy demand and production cuts.

Monetary Policy: Statutory Reserve Requirement (SRR) and Overnight Policy Rate (OPR)

On May 16, Bank Negara decided to support the economy by reducing the **Statutory Reserve Requirement (SRR)** from 2% to 1% and subsequently providing RM19 billions of excess liquidity into the banking sector. The increase in liquidity allowed banks to boost lending to households and businesses, helping to sustain domestic spending and investment.

The Overnight policy Rate (OPR) was kept unchanged at 3.00% during the 3rd Monetary Policy Meeting (MPC) on 8 May 2025 (the 12th consecutive pause since Jul`23 meeting). Strong domestic demand and front loading of trade activities supported this decision. With inflation and unemployment remaining low, BNM retained room for dovish policy maneuvers.

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Trade performance

Despite Malaysia's economy showing domestic strength in Q225, external headwinds persisted. Exports recorded a decline for two consecutive months in May (-1.1%) and June (-3.5%) 2025 reflecting weaker global demand. However, demand for Malaysia's E&E products remained resilient, as they were exempted from tariffs and benefited from importers front loading their purchases during the 90 days tariff pause.

Labour Market

Malaysia's employment market remained healthy supported by sustained employment demand across various sectors, particularly in the private sector. In April and May 2025, the unemployment rate recorded the lowest rate in a decade at 3.0%.

Asset Quality

Asset quality across Malaysian financial institutions remains sound. The banking system's gross impaired loans (GIL) ratio inched marginally higher to 1.5% in May (April 2025: 1.4%), but net impaired loans ratio remained stable at 0.9%.

In Islamic Banking system, asset quality remained stronger with gross impaired financing (GIF) ratio and net impaired financing (NIF) maintained at 1.4% and 0.9% respectively. This resilience is supported by prudent underwriting and a robust labour market which should help cushion any adverse impacts from subsidy rationalisation.

Islamic Personal Financing Outlook

In Q2 2025, the Islamic personal financing sector in Malaysia remains steady, supported by low profit rates, stable labour market and strong consumer demand. BNM's decision to maintain the OPR rate at 3.00% provided stability and certainty for the economy.

Islamic personal financing grew modestly at 0.38% over five months. The segment is expected to remain resilient supported by strong Islamic finance ecosystem and robust domestic consumption.

Conclusion

Malaysia's Q2'2025 economy demonstrated admirable resilience in its domestic sectors. However, some research houses revised Malaysia's **2025 GDP growth forecast** down from government official projection of **4.5%–5.5%** due to uncertainties surrounding U.S. tariffs. The Malaysian government has maintained its official projection pending further clarity on the impact of the U.S. tariff which had been postponed until July 9.

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