

RHB Islamic Bank Berhad
Basel II Pillar 3 Disclosures
31 December 2025

RHB ISLAMIC BANK
BASEL II PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2025

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STATEMENT BY MANAGING DIRECTOR

In accordance with the requirements of Bank Negara Malaysia's Guideline on Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Islamic Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of RHB Islamic Bank Berhad for the year ended 31 December 2025 are accurate and complete.

DATO' ADISSADIKIN BIN ALI
Managing Director

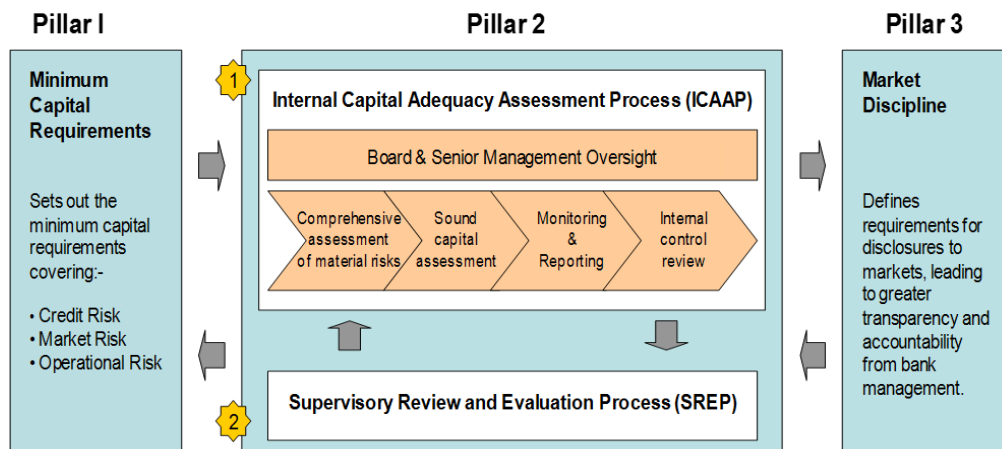
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1.0 INTRODUCTION

This document describes RHB Islamic Bank Berhad’s risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM’s Pillar 3 Guidelines).

BNM’s guidelines on Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) provide and specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

Effective 1 January 2025, BNM implemented new Basel III Capital Adequacy Framework (CAF) policy documents for Operational Risk and Exposures to Central Counterparties (CCPs):

- Capital Adequacy Framework (Operational Risk) sets out the capital requirements based on Standardised Approach, superseding all existing approaches in the Basel II framework.
- Capital Adequacy Framework (Exposures to Central Counterparties) sets out the requirements to manage the risks arising from exposures to central counterparties in the capacity as a clearing member or as a client of a clearing member.

For the purposes of complying with regulatory requirements under Pillar 1 of the Basel framework, as implemented by BNM, the approaches adopted by the Bank are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Islamic Bank Berhad	Internal Ratings-Based Approach	Standardised Approach	Standardised Approach (previously Basic Indicator Approach)

Pillar 2 comprises two components as follows:

- Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution’s risk profile and control environment; and
- Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

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Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

Basis of Disclosure

The annual Pillar 3 disclosure report is published in accordance with BNM's Pillar 3 Guidelines. This disclosure report has been verified and approved internally in line with the RHB Banking Group: Basel II Pillar 3 Disclosure Policy.

Comparative Information

This document covers the qualitative and quantitative information for financial year ended 31 December 2025 with comparative quantitative information of the preceding financial year ended 31 December 2024.

Frequency of Disclosure

The qualitative disclosures contained herein are updated on an annual basis and more frequently, if there are significant changes in the interim reporting period. The disclosures on capital adequacy and structure are made on a quarterly basis and all other quantitative disclosures are made on a semi-annual basis in accordance to the Group's reporting period.

Medium and Location of Disclosure

RHB Islamic Bank Berhad's Pillar 3 disclosure report is made available under the Investor Relations section of the Group's website at www.rhbgroup.com as a separate report in the Bank's Annual Report 2025, after the notes to the financial statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Islamic Bank Berhad's information is presented at entity level and is referred to as the "Bank". The Bank is a wholly owned subsidiary of RHB Bank Berhad as at 31 December 2025.

The Bank's capital requirements are as guided by BNM's Guideline on Capital Adequacy Framework for Islamic Banks (Capital Components).

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently and to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and to be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Bank's balance sheet are sufficient to cover current business capital requirements and in the foreseeable future. It also indicates the ability of the Bank to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Bank aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With comprehensive capital management, the Bank strives for a sound capital management that is aligned to BNM's ICAAP requirements. Key activities of our capital management involves the following:

- **Capital Strategy**

Capital strategy includes the determination of capital targets under both normal and stressed market conditions whereby considerations are given to business strategic objectives and the associated risks, external ratings and regulatory capital adequacy requirements. A comprehensive capital adequacy assessment is conducted semi-annually to ensure that the target capital level is appropriate.

- **Capital Planning**

Based on strategic direction and regulatory requirements, the Bank formulates a comprehensive and forward looking capital plan to:

- (i) support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate and aligned with the Bank's risk appetite; and
- (ii) provide adequate capital for business growth, changes in asset mix or to cover unanticipated losses.

The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Bank maintains adequate capital on a forward-looking basis.

The Bank also establishes a capital contingency plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the respective committees before submission to the Board for approval.

- **Capital Allocation/Structuring/Optimisation**

The Bank determines the amount of capital allocated to each business line based on capital performance target and available funding. An efficient allocation of capital drives returns for the Bank's shareholders.

Capital structuring affects the Bank through its impact on cash flow and cost of capital. The Bank adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Bank determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

The Bank optimises its capital by integrating risk-based capital into strategy and aligning this with performance measurement.

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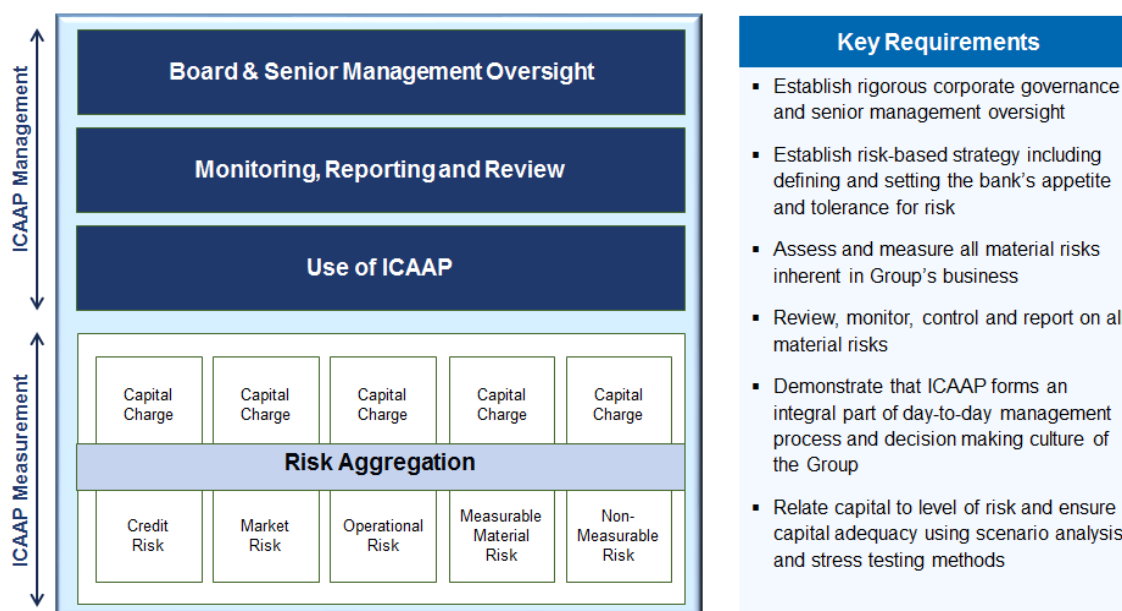
By leveraging on the capital assessment process and reporting tools as well as aligning to recovery planning process based on BNM requirements, the Bank developed early warning triggers and recovery triggers to monitor its risk profile, capture early deterioration, and assess how that affects capital consumption/requirement. The monitoring process ensures that effective capital restoration strategies are activated and implemented on timely basis.

The Bank also aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM’s Guideline on ICAAP under the Capital Adequacy Framework for Islamic Banks (CAFIB) – Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has implemented ICAAP with the objective of forging a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Bank’s risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Bank summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



3.2 Basel III Implementation

Basel III is a comprehensive set of reform measures introduced by the Basel Committee on Banking Supervision since 2010 to strengthen the regulation, supervision, and risk management of the banking sector. The measures include both liquidity and capital reforms.

The Bank has implemented Basel III for the management of both capital and liquidity. The Bank capital ratios; Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are set above the regulatory requirements as required under Basel III. The Bank is able to maintain the LCR and NSFR above the Basel III regulatory requirements of 100%.

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Additionally, the Bank has adopted Basel III methodology effective January 2025 for:

- 1) Operational Risk; and
- 2) Exposures to Central Counterparties.

As the Bank applies Internal Ratings-Based (IRB) approach for Credit Risk, the implementation of Credit Risk – Standardised Approach (SA) will be together with Credit Risk – Internal Ratings Based Approach at a later date that will be determined once the policy document has been finalised.

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Common Equity Tier I (CET I) Capital Ratio	4.5%
Tier I Capital Ratio	6.0%
Total Capital Ratio	8.0%

In addition, the Group is required to maintain additional capital buffers in the form of CET I capital above the minimum CET I, Tier I and total capital ratios set out above. The capital buffers shall comprise of capital conservation buffer (CCB) of 2.50% and countercyclical capital buffer (CCyB) ranging from 0% to 2.50%. The CCB is intended to enable the banking system to withstand future periods of stress whilst CCyB is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. CCyB is determined based on the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

On top of CCB and CCyB, financial institutions that are designated as Domestic Systemically Important Bank (D-SIB) is required to maintain higher capital buffers that ranges between 0.5% to 1.0% of risk-weighted assets, at the consolidated level. Based on the latest D-SIB listing published by BNM in the Financial Stability Review for First Half 2025, RHB Islamic Bank is not designated as D-SIB.

The capital ratios of the Bank as at 31 December 2025 and 31 December 2024 are:

Table 1: Capital Adequacy Ratios

RHB Islamic Bank		
<u>Capital Ratios</u>	<u>2025</u>	<u>2024</u>
<u>Before proposed dividends</u>		
Common Equity Tier I Capital Ratio	15.443%	16.028%
Tier I Capital Ratio	15.443%	16.028%
Total Capital Ratio	17.823%	18.580%
<u>After proposed dividends</u>		
Common Equity Tier I Capital Ratio	14.934%	15.477%
Tier I Capital Ratio	14.934%	15.477%
Total Capital Ratio	17.315%	18.029%

The above capital ratios are above the minimum level required by BNM.

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3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

The following table shows the breakdown of RWA by risk types as at 31 December 2025 and 31 December 2024:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

RHB Islamic Bank		
<u>Risk Types</u>	<u>2025</u>	<u>2024</u>
	RM'000	RM'000
Credit RWA	44,828,821	38,636,523
Credit RWA Absorbed by Profit Sharing Investment Account (PSIA)	(6,345,660)	(3,236,571)
Market RWA	731,554	533,669
Operational RWA	3,558,325	3,534,619
Total	42,773,040	39,468,240

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2025 and 31 December 2024:

Table 3: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements

RHB Islamic Bank		RWA		Minimum Capital Requirements	
<u>Risk Types</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	
	RM'000	RM'000	RM'000	RM'000	
Credit Risk	38,483,161	35,399,952	3,078,653		2,831,996
Under Foundation Internal Ratings-Based (F-IRB) Approach	19,950,122	16,983,068	1,596,010		1,358,645
Under Advanced Internal Ratings-Based (A-IRB) Approach	16,744,086	12,528,542	1,339,527		1,002,284
Under Standardised Approach	8,134,613	9,124,913	650,769		729,993
Absorbed by PSIA under F-IRB Approach	(2,442,774)	(1,024,127)	(195,422)		(81,930)
Absorbed by PSIA under A-IRB Approach	(1,557,245)	(22,648)	(124,580)		(1,812)
Absorbed by PSIA under Standardised Approach	(2,345,641)	(2,189,796)	(187,651)		(175,184)
Market Risk					
Under Standardised Approach	731,554	533,669	58,524		42,694
Operational Risk					
Under Standardised Approach	3,558,325	-	284,666		-
Under Basic Indicator Approach	-	3,534,619	-		282,769
Total	42,773,040	39,468,240	3,421,843		3,157,459

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

Credit RWA for RHB Islamic Bank increased due to the growth in corporate exposures as well as the growth in Home Financing and Hire Purchase portfolios.

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4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework for Islamic Banks (Capital Components). These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Bank. Tier I capital consists primarily of share capital, retained profits and other reserves. Tier II capital consists of subordinated obligations, surplus eligible provisions over expected losses and general provisions. Refer to Note 44 in the Financial Statements for the terms of these capital instruments.

The following table represents the capital position of the Bank as at 31 December 2025 and 31 December 2024:

Table 4: Capital Structure

RHB Islamic Bank	2025	2024
	RM'000	RM'000
<u>Common Equity Tier I Capital/Tier I Capital</u>		
Paid up ordinary share capital	1,673,424	1,673,424
Retained profits	5,185,862	4,765,880
Other reserves	1,560	1,775
Fair value through other comprehensive income (FVOCI) reserves	13,163	(38,571)
Less:		
Other intangible assets	(5,005)	(3,903)
Deferred tax assets	(240,659)	(72,134)
55% of cumulative gains arising from change in value of FVOCI instruments	(7,240)	-
Other deductions*	(15,818)	(352)
Total Common Equity Tier I Capital/Tier I Capital	6,605,287	6,326,119
<u>Tier II Capital</u>		
Subordinated obligations	749,812	749,761
Surplus eligible provisions over expected losses	196,165	170,789
General provisions [^]	72,362	86,689
Total Tier II Capital	1,018,339	1,007,239
Total Capital	7,623,626	7,333,358

* Pursuant to the Basel II Market Risk para 5.18 and 5.19 – Valuation Adjustments, the Capital Adequacy Framework for Islamic Banks (Basel II - Risk Weighted Assets) calculation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

[^] Pursuant to BNM's policy document on Financial Reporting for Islamic Banking Institutions, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 Financial Instruments; and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures, determined under standardised approach.

Includes the qualifying regulatory reserve of the Bank of RM62,064,000 (31 December 2024: RM68,891,000).

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5.0 RISK MANAGEMENT

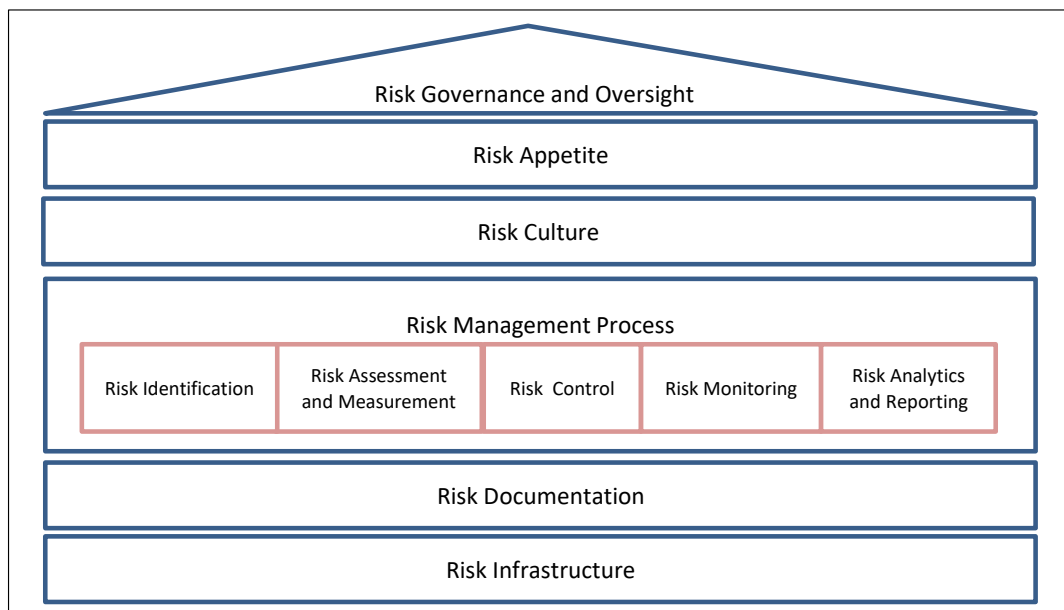
Risk is inherent in the Bank’s activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Bank is exposed to a range of other risk types such as market, liquidity, operational, legal, reputational, Shariah, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

Effective risk management is fundamental to drive sustainable growth and shareholders’ value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Bank’s operating environment.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (the Group), as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against unexpected losses which may occur through, principally, the failure of effective checks and balances in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The Group Risk Management Framework is represented in the following diagram:



Key features of the framework are:

Risk Governance and Oversight

The Board of Directors sits at the apex of the risk governance structure and is ultimately responsible for the Group’s/respective entities’ risk management strategy, appetite, framework and oversight of risk management activities.

Group-level committees have been established to oversee the management of risks across all entities/subsidiaries on an integrated basis. These committees serve a critical function in setting strategic direction, establishing governance frameworks and promoting best practices. However, the Group maintains entity-specific committees to facilitate focused deliberation on entity specific issues e.g. the Board Risk Committee of RHB Islamic Bank Berhad, RHB Investment Bank Berhad and RHB Insurance Berhad. These BRCs report directly to their respective Board, provides oversight and assists in reviewing the Group’s overall risk management philosophy, frameworks, policies and models, as well as risk issues relevant and unique to its business.

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The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee comprising the senior management of the Group and which reports to the relevant board committees and the Group Management Committee. The Investment Bank Risk Management Committee is responsible for oversight of risk management matters relating to RHB Investment Bank Group's business whilst the Group Asset and Liability Committee (Group ALCO) oversees market risk, liquidity risk and balance sheet management.

The Group Chief Risk Officer (GCRO) who reports directly to the Group Managing Director; is responsible for the risk management function. The main roles and responsibilities of GCRO are:

1. Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group;
2. Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
3. Developing proactive, balanced and risk attuned culture within the Group; and
4. Advising senior management, management level committees, board level risk committees and Board of Directors of the Group's entities on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

GCRO is supported by the entities chief risk officers and various teams within risk management function:

1. The main function of entities' chief risk officers is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under their purview. They are supported by their respective risk management teams with support from the risk management function from the Group.
2. The risk management function comprises of the teams who specialise in the respective risks and responsible for the active oversight of the Group-wide risk management function and support the respective entities/chief risk officers. Group Risk and Credit Management consist of Group Wholesale Banking Credit Management, Group Community Banking Credit Management, Enterprise Risk Management, Group Wholesale Credit Risk Management, Group Climate Risk Management, Group Community Banking Credit Risk Management, Group Market Risk Management, Group Asset and Liability Management, Group Non-Financial Risk Management, Group Technology and Cyber Risk Management, Group Shariah Risk Management, Risk Strategy & Transformation and Enterprise Risk Insights and Insurance Risk Management.

Risk Appetite

The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

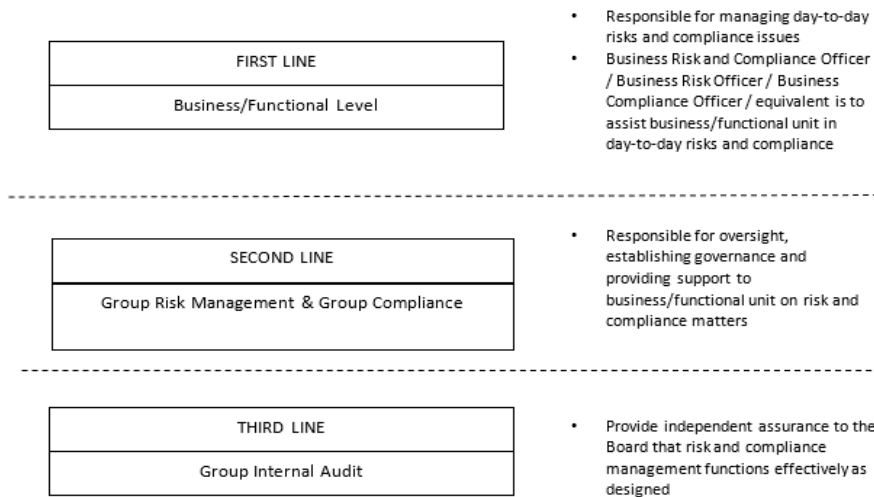
The defined risk appetite and risk tolerance are periodically reviewed by the Management and the Board in line with the Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for the business entity or removal of risk appetite metrics that are no longer applicable as well as updates on the risk appetite thresholds to be in line with the Group's business strategy and risk posture.

Risk Culture

The Group subscribes to the principle of 'Risk and Compliance is Everyone's Responsibility' and risk management is managed via a 'three lines of defence' model. Business/functional units of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk.

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The approach is based on the ‘three lines of defence’ model as depicted below:



RHB Group leverages on behavioural analytics and insights in our differentiated approach to cultivate the desired risk culture behaviours. In 2025, we further enhanced our support to the Business Risk and Compliance Officer (BRCO)s/Business Risk Officer (BRO)s/Business Compliance Officer (BCO)s via an expanded risk culture dashboard at the Group level, enabling near to real-time access to actionable insights for preventing and correcting undesirable behaviours. Additionally, the Group continued developing Machine Learning based behavioural analytics models with early warning capabilities to strengthen oversight of the second Line of Defence and overlay existing controls at the first line of defence. These were complimented by targeted messaging via trainings, awareness campaigns, roadshows and tone from the top messaging via graphic illustrations to shape the desired risk culture behaviours.

Risk Management Process

The risk management process identifies, assesses and measures, controls, monitors and reports/analyses risk. This ensures that risk exposures are adequately managed and that the expected return compensates for the risk taken.

- **Identification:** The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate proactive and timely identification of risk within the Group’s business operations, including emerging risks. This ensures that risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- **Assessment and Measurement:** Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- **Controlling:** Risks identified during the risk identification process must be adequately managed and mitigated to control the risk of loss. This is also to ensure risk exposures are managed within the Group’s or entity’s risk appetite.
- **Monitoring:** Effective monitoring process ensures that the Group is aware of the condition of its exposures vis-à-vis its approved appetite and emerging risk trend to facilitate early identification of potential problem on a timely basis by using continuous and on-going monitoring of risk exposures and risk control/mitigation measures.
- **Analytics and Reporting:** Risk analysis and reports are prepared by the respective entities and at a consolidated level as well as business level; and are regularly escalated to the senior management and relevant Boards of the Group’s entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process. Reporting and analytics are also being continuously enhanced to provide the necessary information to relevant stakeholders within the Group to facilitate more effective decision making.

In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives and within the risk appetite.

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Risk Documentation

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. To this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group. Documents are subject to a robust review process to ensure they remain current.

Risk Infrastructure

The Group has organised its resources and talents into specific functions, and invested in the technology, including data management to support the Group's risk management activities. Staff have clear roles and responsibilities, given access to relevant and up-to-date risk information, and the latitude to continuously enhance competency through learning and development programmes.

Risk systems and tools are designed to provide accessibility of risk information that complement the risk management process. The availability of data for analytics and monitoring, and dashboards and reporting assists in continuously enhancing risk management capabilities. The Group's Risk Management Report has evolved to be more analytically driven with dashboards that include elements of quantitative and qualitative forward looking projections.

Effective risk management requires the Group to continuously review its risk management capabilities to effectively manage risk and to improve risk management practices across the Group. Therefore, the Group has embarked on transformation journeys striving for improvements for better efficiency and effectiveness.

In line with the Group's PROGRESS 27 strategy, Group Risk & Credit Management has developed a comprehensive three-year strategic plan to strengthen resilience, improve agility, meet regulatory expectations, and support RHB's growth and cost optimisation initiatives.

6.0 CREDIT RISK

Credit Risk Definition

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's and the Bank's financing, trade finance, placement, underwriting, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not typically happen in isolation as depending on certain risk events (e.g. fluctuation of interest rate, foreign exchange) presence of other risks may also arise.

6.1 Credit Risk Management Oversight and Organisation

Group Credit Committee (GCC)/Group Investment Underwriting Committee (GIUC) are the senior management committee empowered to (i) deliberate, approve or reject all financial investments, counterparty credit, financing and stockbroking/equities/futures business related proposals up to the defined threshold limits, and (ii) direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Group's asset book.

The Board Credit Committee's (BCC) main functions are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC, (ii) overseeing the management of impaired and high risk accounts, and (iii) approving credit transactions to connected parties up to the defined threshold limits. BCC also endorses policy financing and financing required by BNM to be referred to the respective members of the Boards for approval.

The Group Community Banking Credit Management and Group Wholesale Banking Credit Management have the functional responsibility to ensure that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are firstly assessed for its credit worthiness by the originating business units before being evaluated by an independent credit manager and decided upon by delegated financing authority/relevant committees.

All financing exposure limits are approved within a defined credit approval authority framework. The Group Community Banking Credit Risk Management and Group Wholesale Credit Risk Management have the functional responsibility for credit risk management, portfolio risk monitoring, risk reporting and development of credit policies and guidelines. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

6.2 Credit Risk Management Approach

The Group's credit risk management framework is founded upon the circulars, policies and guidelines issued by BNM and any other relevant statutory bodies/host country regulators where RHB has footprint in. The Group abides by its Group Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return.

The Bank's credit risk management process is documented in the Group Credit Guidelines (GCG) and Group Credit Procedures Manual (GCPM) which sets out the operational procedures and guidelines governing the credit processes within the Group.

Financing to Corporate and Institutional Customers

Financing to corporate and institutional customers are individually evaluated and risk-rated. Credit underwriters identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment activities, the Bank is also exposed to credit risks from trading, derivative and debt securities activities. Relevant credit guidelines are established to govern the credit risk via guidance on derivatives, hedging and investment related activities of the different exposures.

Financing to Consumers and Small Businesses

For retail and small business' program financing, credit risk is managed on a portfolio basis leveraging on internal credit rating models. For retail and small businesses, credit risk is assessed and extended based on a set of clearly defined credit risk acceptance criteria, regular post approval review and credit risk monitoring to enable rigorous risk assessment, objective decision making, cost efficient processing and effective portfolio management.

Financing to Islamic Share Margin Financing

Financing to Islamic share margin clients are based on credit/financing facilities made available to these clients for trading or redemption of securities that are listed in Bursa Malaysia Berhad in accordance with the Islamic Rules of Bursa Malaysia Securities. Credit risk is mitigated through the establishment of appropriate approving authority structure/matrix for the extension of trading/credit limits and assessment performed on the customer and Islamic shares which will be taken as collateral. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

Credit Risk Mitigation

The Group generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the customer, source of repayment and debt/financing servicing ability. Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Group's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. The Group also accepts non-tangible securities as credit support. Tables 15a, 15b, 16a and 16b show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2025 compared with 31 December 2024.

The Group has an established mechanism to monitor credit and market concentration within its credit mitigation.

Credit Concentration Risk

Risk concentrations can materialise from excessive exposure to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment. The Group manages the diversification of its portfolio to avoid undue credit concentration risk. To manage these concentration risks, appropriate exposure thresholds/limits are established accordingly.

6.3 Credit Monitoring and Annual Reviews

The Group regularly monitors credit exposure, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports generated for senior management, respective risk committees and Board, and include information on portfolio quality, credit rating migration and concentration risk exposures. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

Reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Specific financings may be reviewed more frequently under appropriate circumstances.

Within Group Risk and Credit Management, there is a mechanism in place for credit monitoring to flag out problematic financing (watch list accounts) for intensive monitoring under Watchlist Credit Management. These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default. For these cases, Group Community Banking Watchlist Credit Management and Early Care & Reporting, Group Wholesale Banking Credit Management will conduct independent assessments and work closely with the business units to implement strategies to address business relationships. The aim is to rehabilitate these accounts following discussions with the customer to determine the root cause of the problem which may result in rescheduling, restructuring or "exit" strategies to be applied. For the larger or selected accounts, regular position update meetings are held with business units to review or revise these strategies. The relevant guidelines are refined from time to time, to better identify, monitor and resolve such accounts.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Group's management, and relevant laws and regulations.

Credit Risk Measurement

Along with judgement and experience, risk measurement or quantification plays a critical role in making informed risk taking and portfolio management decisions. As the nature of credit risk varies by financing type, the Group applies different credit risk measuring tools, so that the credit risk of each financing type is appropriately reflected. These measurement tools are developed for the material credit exposures, which fall under the IRB Approach.

The following represents the dimensions considered in the credit risk measurement:

1.0 Probability of Default (PD)

Probability of default refers to likelihood that a customer is unable to meet its debt obligation. For corporate/non-retail financing, the probability of default is measured from obligor (or customer) rating obtained from the risk rating system to determine obligor's level of default risk. The risk rating of each obligor is regularly reviewed to ensure that it actually reflects the debtor's/customer's updated default risk. For retail exposures/financing, the default risk is measured via respective scoring model i.e. application scorecard, behavioural scorecard and customer centric scorecard.

2.0 Loss Given Default (LGD)

LGD is the amount of loss incurred when a customer defaults. For corporate financing, LGD is determined via the credit risk mitigation adjustment, in which the coverage of collateral and security will determine the level of LGD for a specific transaction. For retail financing, LGD is determined at respective segment (or pool) level.

3.0 Exposure at Default (EAD)

EAD is calculated from the current outstanding balance and availability of committed financing line. In this regard, the key factor is the Group's obligation related to the available financing line. For corporate financing, the EAD is measured at an individual obligor exposure as per BNM's Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). For retail financing, the principle of credit risk measurement is similar, but measured on a pooled basis, based on internal models.

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6.4 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Bank is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that its customer cannot meet its obligations to third-parties. These exposures carry the same credit risk as financing even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend financing, which includes the unutilised or undrawn portions of financing facilities;
- Unutilised credit card lines; and
- Credit equivalent amount of derivative financial instruments.

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a financing, where the exposure to credit risk is unilateral and only the bank providing financing faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

Counterparty risk is typically associated with two broad classes of financial products:

- Over-the-counter derivatives such as profit rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities selling and buying.

Derivative financial instruments are entered into for hedging or proprietary trading purposes governed by Board approved limits and internal controls.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Bank monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches

All credit exposures of the Bank are booked in Malaysia. The following tables show the credit exposures or Exposure at Default (EAD) as at 31 December 2025 compared with 31 December 2024, segregated by:

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- industry sector;
- residual maturity; and
- disclosures under the Standardised Approach by risk weights.

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Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2025

RHB Islamic Bank	Gross Exposures/ EAD Before CRM	Net Exposures/ EAD After CRM	Risk-Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets After Effect of PSIA	Minimum Capital Requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach (SA)						
On-Balance Sheet Exposures						
Sovereigns & Central Banks	7,951,951	7,951,951	-	-	-	-
Public Sector Entities	9,080,524	9,079,924	210,571	(3,019)	207,552	16,604
Banks, Development Financial Institutions & MDBs	803,098	803,098	157,598	-	157,598	12,608
Takaful Cos, Securities Firms & Fund Managers	39,979	39,979	39,979	-	39,979	3,198
Corporates	1,623,284	1,500,527	754,759	-	754,759	60,381
Regulatory Retail	6,264,815	6,229,869	6,176,280	(2,327,872)	3,848,408	307,873
Residential Financing	100,653	100,597	45,277	(1)	45,276	3,622
Higher Risk Assets	201	201	302	-	302	24
Other Assets	152,786	152,786	152,730	-	152,730	12,218
Defaulted Exposures	70,090	70,052	79,392	(14,749)	64,643	5,172
Total On-Balance Sheet Exposures	26,087,381	25,928,984	7,616,888	(2,345,641)	5,271,247	421,700
Off-Balance Sheet Exposures						
OTC Derivatives	1,161,990	1,066,210	218,495	-	218,495	17,480
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,020,542	961,464	299,030	-	299,030	23,922
Defaulted Exposures	426	401	200	-	200	16
Total Off-Balance Sheet Exposures	2,182,958	2,028,075	517,725	-	517,725	41,418
Total On and Off-Balance Sheet Exposures under SA	28,270,339	27,957,059	8,134,613	(2,345,641)	5,788,972	463,118
Exposures under F-IRB Approach						
On-Balance Sheet Exposures						
Corporates, of which	29,000,496	29,000,496	17,093,831	(2,304,503)	14,789,328	1,183,146
Corporate Exposures (excluding exposures with firm size adjustments)	17,070,103	17,070,103	9,425,714	(2,262,864)	7,162,850	573,028
Corporate Exposures (with firm size adjustments)	8,936,520	8,936,520	5,260,556	(41,639)	5,218,917	417,513
Specialised Financing Exposures (Slotting Approach)						
Project Finance	221,246	221,246	163,506	-	163,506	13,081
Income Producing Real Estate	2,772,627	2,772,627	2,244,055	-	2,244,055	179,524
Defaulted Exposures	364,438	364,438	-	-	-	-
Total On-Balance Sheet Exposures	29,364,934	29,364,934	17,093,831	(2,304,503)	14,789,328	1,183,146
Off-Balance Sheet Exposures						
OTC Derivatives	121,158	121,158	124,387	-	124,387	9,951
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,012,682	3,012,682	1,602,651	-	1,602,651	128,212
Defaulted Exposures	260	260	-	-	-	-
Total Off-Balance Sheet Exposures	3,134,100	3,134,100	1,727,038	-	1,727,038	138,163
Exposures under A-IRB Approach						
On-Balance Sheet Exposures						
Retail, of which	64,110,696	64,110,696	13,235,023	(1,027,485)	12,207,538	976,604
Residential Financing Exposures	35,102,013	35,102,013	5,193,340	(321)	5,193,019	415,442
Qualifying Revolving Retail Exposures	545,956	545,956	317,575	-	317,575	25,406
Hire Purchase Exposures	12,768,955	12,768,955	3,929,057	-	3,929,057	314,325
Other Retail Exposures	15,693,772	15,693,772	3,795,051	(1,027,164)	2,767,887	221,431
Defaulted Exposures	1,454,925	1,454,925	1,849,756	(441,615)	1,408,141	112,651
Total On-Balance Sheet Exposures	65,565,621	65,565,621	15,084,779	(1,469,100)	13,615,679	1,089,255
Off-Balance Sheet Exposures						
OTC Derivatives	-	-	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,589,222	4,589,222	692,518	-	692,518	55,401
Defaulted Exposures	18,684	18,684	19,011	-	19,011	1,521
Total Off-Balance Sheet Exposures	4,607,906	4,607,906	711,529	-	711,529	56,922
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	102,672,561	102,672,561	34,617,177	(3,773,603)	30,843,574	2,467,486
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			36,694,208	(4,000,019)	32,694,189	2,615,535
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	130,942,900	130,629,620	44,828,821	(6,345,660)	38,483,161	3,078,653

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Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2024

RHB Islamic Bank	Gross Exposures/ EAD Before CRM	Net Exposures/ EAD After CRM	Risk-Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets After Effect of PSIA	Minimum Capital Requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach (SA)						
On-Balance Sheet Exposures						
Sovereigns & Central Banks	7,389,344	7,389,344	-	-	-	-
Public Sector Entities	8,368,252	8,365,652	23,042	(3,011)	20,031	1,603
Banks, Development Financial Institutions & MDBs	1,780,826	1,780,826	347,141	-	347,141	27,771
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	1,900,382	1,772,751	819,968	-	819,968	65,597
Regulatory Retail	7,394,104	7,367,571	7,300,642	(2,150,011)	5,150,631	412,050
Residential Financing	37,481	37,473	15,401	(36)	15,365	1,229
Higher Risk Assets	-	-	-	-	-	-
Other Assets	70,827	70,827	67,321	-	67,321	5,386
Defaulted Exposures	86,670	86,642	110,069	(36,737)	73,332	5,867
Total On-Balance Sheet Exposures	27,027,886	26,871,086	8,683,584	(2,189,795)	6,493,789	519,503
Off-Balance Sheet Exposures						
OTC Derivatives	779,083	748,950	152,042	-	152,042	12,163
Off-balance sheet exposures other than OTC derivatives or credit derivatives	805,645	738,116	289,159	(1)	289,158	23,133
Defaulted Exposures	256	256	128	-	128	10
Total Off-Balance Sheet Exposures	1,584,984	1,487,322	441,329	(1)	441,328	35,306
Total On and Off-Balance Sheet Exposures under SA	28,612,870	28,358,408	9,124,913	(2,189,796)	6,935,117	554,809
Exposures under F-IRB Approach						
On-Balance Sheet Exposures						
Corporates, of which	25,211,525	25,211,525	14,631,788	(966,158)	13,665,630	1,093,250
Corporate Exposures (excluding exposures with firm size adjustments)	14,260,522	14,260,522	7,828,328	(718,841)	7,109,487	568,759
Corporate Exposures (with firm size adjustments)	8,245,984	8,245,984	4,531,628	(87,520)	4,444,108	355,528
Specialised Financing Exposures (Slotting Approach)						
Project Finance	245,272	245,272	218,250	-	218,250	17,460
Income Producing Real Estate	2,459,747	2,459,747	2,053,582	(159,797)	1,893,785	151,503
Defaulted Exposures	1,601,821	1,601,821	1,761	-	1,761	141
Total On-Balance Sheet Exposures	26,813,346	26,813,346	14,633,549	(966,158)	13,667,391	1,093,391
Off-Balance Sheet Exposures						
OTC Derivatives	43,712	43,712	55,134	-	55,134	4,411
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,132,217	3,132,217	1,333,079	-	1,333,079	106,646
Defaulted Exposures	204	204	-	-	-	-
Total Off-Balance Sheet Exposures	3,176,133	3,176,133	1,388,213	-	1,388,213	111,057
Exposures under A-IRB Approach						
On-Balance Sheet Exposures						
Retail, of which	57,153,730	57,153,730	10,560,872	(19,415)	10,541,457	843,316
Residential Financing Exposures	31,241,156	31,241,156	4,659,602	(18,494)	4,641,108	371,288
Qualifying Revolving Retail Exposures	428,813	428,813	257,559	-	257,559	20,605
Hire Purchase Exposures	11,694,285	11,694,285	3,618,240	-	3,618,240	289,459
Other Retail Exposures	13,789,476	13,789,476	2,025,471	(921)	2,024,550	161,964
Defaulted Exposures	1,044,791	1,044,791	537,036	(1,951)	535,085	42,807
Total On-Balance Sheet Exposures	58,198,521	58,198,521	11,097,908	(21,366)	11,076,542	886,123
Off-Balance Sheet Exposures						
OTC Derivatives	-	-	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,500,814	4,500,814	707,999	-	707,999	56,640
Defaulted Exposures	17,182	17,182	13,472	-	13,472	1,078
Total Off-Balance Sheet Exposures	4,517,996	4,517,996	721,471	-	721,471	57,718
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	92,705,996	92,705,996	27,841,141	(987,524)	26,853,617	2,148,289
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			29,511,610	(1,046,775)	28,464,835	2,277,187
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	121,318,866	121,064,404	38,636,523	(3,236,571)	35,399,952	2,831,996

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Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2025

RHB Islamic Bank	Principal/ Notional Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
<u>Nature of Item</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Transaction related contingent items	872,273		436,136	243,398
Short term self liquidating trade related contingencies	437,853		87,571	83,984
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	-		-	-
Commitment to buy back the Islamic securities arising from the Sell and Buy Back (SBBA) transaction	562,648		562,648	-
Foreign exchange related contracts	2,354,873	42,944	117,023	75,740
1 year or less	1,979,095	34,220	66,963	24,233
Over 1 year to 5 years	375,778	8,724	50,060	51,507
Over 5 years	-	-	-	-
Profit rate related contracts	7,917,737	46,628	159,587	71,501
1 year or less	5,173,000	28,204	36,524	11,299
Over 1 year to 5 years	2,494,737	16,900	109,039	60,202
Over 5 years	250,000	1,524	14,024	-
Commodity contracts	50,172	-	-	-
1 year or less	39,039	-	-	-
Over 1 year to 5 years	11,133	-	-	-
Over 5 years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	48,523,927	286,936	1,006,538	195,641
Other commitments, such as formal standby facilities and financing lines, with original maturity of over 1 year	9,389,672		7,519,119	2,285,157
Other commitments, such as formal standby facilities and financing lines, with original maturity of up to 1 year	36,342		36,342	871
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	3,143,904		-	-
Total	73,289,401	376,508	9,924,964	2,956,292

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Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2024

RHB Islamic Bank	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Nature of Item</u>				
Transaction related contingent items	669,444		334,722	187,279
Short term self liquidating trade related contingencies	268,789		53,758	64,311
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	-		-	-
Commitment to buy back the Islamic securities arising from the Sell and Buy Back (SBBA) transaction	-		-	-
Foreign exchange related contracts	1,140,514	9,368	28,055	30,606
1 year or less	1,140,514	9,368	28,055	30,606
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Profit rate related contracts	4,545,107	611	73,166	23,498
1 year or less	2,765,000	-	1,055	211
Over 1 year to 5 years	1,680,107	611	67,111	22,287
Over 5 years	100,000	-	5,000	1,000
Commodity contracts	68,098	-	-	-
1 year or less	17,926	-	-	-
Over 1 year to 5 years	50,172	-	-	-
Over 5 years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	43,610,630	240,265	721,574	153,072
Other commitments, such as formal standby facilities and financing lines, with original maturity of over 1 year	10,201,094		8,020,621	2,091,824
Other commitments, such as formal standby facilities and financing lines, with original maturity of up to 1 year	47,217		47,217	423
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	2,882,091		-	-
Total	63,432,984	250,244	9,279,113	2,551,013

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Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2025

RHB Islamic Bank	Mining & Quarrying		Electricity, Gas & Water	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance/ Takaful, Real Estate & Business	Education, Health & Others	Household	Others	Total	
Exposure Class	Agriculture	Quarrying	Manufacturing	Supply	Construction	& Hotels	Real Estate	Others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach											
Sovereigns & Central Banks	-	-	-	-	-	-	2,110,723	6,403,877	-	-	8,514,600
Public Sector Entities	458,618	-	-	-	-	-	-	9,012,792	-	-	9,471,410
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	1,659,655	-	-	-	1,659,655
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	45,930	-	-	-	45,930
Corporates	8,910	3,210	28,366	1,871	43,334	350,188	135,479	1,123,524	11,094	72,702	1,778,678
Regulatory Retail	3,719	3,139	30,299	1,938	34,963	69,516	9,982	27,301	4,141	6,360,625	6,545,623
Residential Financing	-	-	-	-	-	-	-	-	-	101,456	101,456
Higher Risk Assets	-	-	-	-	-	-	-	-	-	201	201
Other Assets	-	-	-	-	-	-	-	-	-	152,786	152,786
Total Exposures under Standardised Approach	471,247	6,349	58,665	3,809	78,297	419,704	145,461	4,967,133	15,431,904	6,534,984	28,270,339
Exposures under IRB Approach											
Corporates, of which	1,324,502	394,234	2,102,569	1,268,333	5,576,340	2,681,652	3,335,776	14,488,494	1,327,134	-	32,499,034
Corporate Exposures (excluding exposures with firm size adjustments)	504,239	300,617	1,070,281	972,707	2,594,031	714,547	1,985,097	9,204,157	853,491	-	18,199,167
Corporate Exposures (with firm size adjustments)	820,263	93,617	1,032,288	65,359	1,536,441	1,811,321	1,350,679	3,484,210	430,925	-	10,625,103
Specialised Financing Exposures (Slotting Approach)	-	-	-	209,412	82,840	-	-	77,999	-	-	370,251
Project Finance	-	-	-	20,855	1,363,028	155,784	-	1,722,128	42,718	-	3,304,513
Income Producing Real Estate	149,776	42,245	875,636	67,671	590,351	2,700,550	482,776	820,665	168,037	64,275,820	70,173,527
Retail, of which	-	-	-	-	-	-	-	-	-	36,355,389	36,355,389
Residential Financing Exposures	-	-	-	-	-	-	-	-	-	901,908	901,908
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	12,827,740	12,827,740
Hire Purchase Exposures	149,776	42,245	875,636	67,671	590,351	2,700,550	482,776	820,665	168,037	14,190,783	20,088,490
Other Retail Exposures	-	-	-	-	-	-	-	-	-	-	-
Total Exposures under IRB Approach	1,474,278	436,479	2,978,205	1,336,004	6,166,691	5,382,202	3,818,552	15,309,159	1,495,171	64,275,820	102,672,561
Total Exposures under Standardised and IRB Approaches	1,945,525	442,828	3,036,870	1,339,813	6,244,988	5,801,906	3,964,013	20,276,292	16,927,075	70,810,804	130,942,900

RHB ISLAMIC BANK
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Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2024

RHB Islamic Bank <u>Exposure Class</u>	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance/ Takaful, Real Estate & Business	Education, Health & Others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	1,895,190	5,494,154	-	-	7,389,344
Public Sector Entities	475,475	-	-	-	-	-	-	-	8,398,191	-	-	8,873,666
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	2,426,783	-	-	-	2,426,783
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	2,284	-	-	-	2,284
Corporates	7,156	3,712	20,568	2,311	42,134	289,807	130,061	1,521,060	31,731	69,972	-	2,118,512
Regulatory Retail	3,348	597	25,533	2,013	31,292	46,723	7,257	20,704	1,977	7,554,520	-	7,693,964
Residential Financing	-	-	-	-	-	-	-	-	-	37,490	-	37,490
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	70,827	70,827
Total Exposures under Standardised Approach	485,979	4,309	46,101	4,324	73,426	336,530	137,318	5,866,021	13,926,053	7,661,982	70,827	28,612,870
Exposures under IRB Approach												
Corporates, of which	1,665,466	1,443,144	2,337,392	996,121	6,355,169	2,516,945	3,905,144	8,347,901	2,422,197	-	-	29,989,479
Corporate Exposures (excluding exposures with firm size adjustments)	921,994	1,348,987	1,263,332	812,269	3,010,631	826,283	2,136,644	5,044,797	1,894,177	-	-	17,259,114
Corporate Exposures (with firm size adjustments)	743,472	67,480	1,074,060	80,905	1,384,551	1,551,364	1,768,500	2,513,828	379,512	-	-	9,563,672
Specialised Financing Exposures (Slotting Approach)	-	-	-	-	-	-	-	-	-	-	-	-
Project Finance	-	26,677	-	75,719	6,610	-	-	65,055	148,508	-	-	322,569
Income Producing Real Estate	-	-	-	27,228	1,953,377	139,298	-	724,221	-	-	-	2,844,124
Retail, of which	121,516	28,823	862,767	55,659	607,704	2,881,988	519,346	871,832	165,192	56,601,690	-	62,716,517
Residential Financing Exposures	-	-	-	-	-	-	-	-	-	32,285,095	-	32,285,095
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	712,097	-	712,097
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	11,752,360	-	11,752,360
Other Retail Exposures	121,516	28,823	862,767	55,659	607,704	2,881,988	519,346	871,832	165,192	11,852,138	-	17,966,965
Total Exposures under IRB Approach	1,786,982	1,471,967	3,200,159	1,051,780	6,962,873	5,398,933	4,424,490	9,219,733	2,587,389	56,601,690	-	92,705,996
Total Exposures under Standardised and IRB Approaches	2,272,961	1,476,276	3,246,260	1,056,104	7,036,299	5,735,463	4,561,808	15,085,754	16,513,442	64,263,672	70,827	121,318,866

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BASEL II PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2025

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2025

RHB Islamic Bank	One Year or Less	More Than One to Five Years	Over Five Years	Total
<u>Exposure Class</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Exposures under Standardised Approach</u>				
Sovereigns & Central Banks	1,684,648	2,352,977	4,476,975	8,514,600
Public Sector Entities	730,446	5,943,617	2,797,347	9,471,410
Banks, Development Financial Institutions & MDBs	993,622	238,431	427,602	1,659,655
Takaful Cos, Securities Firms & Fund Managers	1,366	44,564	-	45,930
Corporates	721,448	733,606	323,624	1,778,678
Regulatory Retail	141,491	1,030,218	5,373,914	6,545,623
Residential Financing	-	154	101,302	101,456
Higher Risk Assets	-	-	201	201
Other Assets	56	-	152,730	152,786
Total Exposures under Standardised Approach	4,273,077	10,343,567	13,653,695	28,270,339
<u>Exposures under IRB Approach</u>				
Corporates, of which	7,643,419	12,229,846	12,625,769	32,499,034
Corporate Exposures (excluding exposures with firm size adjustments)	4,772,432	7,602,095	5,824,640	18,199,167
Corporate Exposures (with firm size adjustments)	2,550,927	3,499,689	4,574,487	10,625,103
Specialised Financing Exposures (Slotting Approach)				
Project Finance	81,359	39,649	249,243	370,251
Income Producing Real Estate	238,701	1,088,413	1,977,399	3,304,513
Retail, of which	875,643	7,395,149	61,902,735	70,173,527
Residential Financing Exposures	4,625	74,083	36,276,681	36,355,389
Qualifying Revolving Retail Exposures	88,489	800,442	12,977	901,908
Hire Purchase Exposures	58,768	3,248,644	9,520,328	12,827,740
Other Retail Exposures	723,761	3,271,980	16,092,749	20,088,490
Total Exposures under IRB Approach	8,519,062	19,624,995	74,528,504	102,672,561
Total Exposures under Standardised and IRB Approaches	12,792,139	29,968,562	88,182,199	130,942,900

RHB ISLAMIC BANK
BASEL II PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2025

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2024

RHB Islamic Bank	One Year or Less	More Than One to Five Years	Over Five Years	Total
<u>Exposure Class</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Exposures under Standardised Approach</u>				
Sovereigns & Central Banks	193,351	2,601,779	4,594,214	7,389,344
Public Sector Entities	1,188,402	2,109,287	5,575,977	8,873,666
Banks, Development Financial Institutions & MDBs	1,815,529	254,664	356,590	2,426,783
Takaful Cos, Securities Firms & Fund Managers	2,284	-	-	2,284
Corporates	519,217	1,152,161	447,134	2,118,512
Regulatory Retail	98,391	1,280,939	6,314,634	7,693,964
Residential Financing	-	119	37,371	37,490
Higher Risk Assets	-	-	-	-
Other Assets	4,097	-	66,730	70,827
Total Exposures under Standardised Approach	3,821,271	7,398,949	17,392,650	28,612,870
<u>Exposures under IRB Approach</u>				
Corporates, of which	7,476,455	11,867,801	10,645,223	29,989,479
Corporate Exposures (excluding exposures with firm size adjustments)	4,762,764	7,720,795	4,775,555	17,259,114
Corporate Exposures (with firm size adjustments)	2,310,108	3,495,923	3,757,641	9,563,672
Specialised Financing Exposures (Slotting Approach)				
Project Finance	23,280	26,104	273,185	322,569
Income Producing Real Estate	380,303	624,979	1,838,842	2,844,124
Retail, of which	891,903	6,524,936	55,299,678	62,716,517
Residential Financing Exposures	2,959	63,133	32,219,003	32,285,095
Qualifying Revolving Retail Exposures	61,820	646,477	3,800	712,097
Hire Purchase Exposures	48,375	2,887,552	8,816,433	11,752,360
Other Retail Exposures	778,749	2,927,774	14,260,442	17,966,965
Total Exposures under IRB Approach	8,368,358	18,392,737	65,944,901	92,705,996
Total Exposures under Standardised and IRB Approaches	12,189,629	25,791,686	83,337,551	121,318,866

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Standardised Approach for other Portfolios

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB approach, and those portfolios that are currently in transition to the IRB approach. Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

The following tables show the Bank's credit exposures for its portfolios with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation (CRM):

Table 9a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2025

RHB Islamic Bank													
Exposure Class	Sovereigns	Public	Banks,	Takaful Cos,	Corporates	Regulatory	Residential	Higher Risk	Other	Total	Total Risk-		
	& Central	Sector	Development	Securities								Exposures	Weighted
	Banks	Entities	Financial	Firms & Fund								After Credit	Assets
	RM'000	RM'000	MDBs	Managers	RM'000	Retail	Financing	Assets	Assets	Risk	Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Supervisory Risk Weights (%)													
0%	8,514,600	8,119,032	15,107	-	-	-	-	-	56	16,648,795	-		
20%	-	1,289,356	1,602,674	-	934,709	-	-	-	-	3,826,739	765,348		
35%	-	-	-	-	-	-	33,486	-	-	33,486	11,720		
50%	-	-	13,538	-	122	532	67,913	-	-	82,105	41,053		
75%	-	-	-	-	-	237,619	-	-	-	237,619	178,214		
100%	-	-	-	41,345	670,602	6,243,713	-	-	152,730	7,108,390	7,108,390		
150%	-	-	-	-	68	19,656	-	201	-	19,925	29,888		
Total Exposures	8,514,600	9,408,388	1,631,319	41,345	1,605,501	6,501,520	101,399	201	152,786	27,957,059	8,134,613		

Table 9b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2024

RHB Islamic Bank													
Exposure Class	Sovereigns	Public	Banks,	Takaful Cos,	Corporates	Regulatory	Residential	Higher Risk	Other	Total	Total Risk-		
	& Central	Sector	Development	Securities								Exposures	Weighted
	Banks	Entities	Financial	Firms & Fund								After Credit	Assets
	RM'000	RM'000	MDBs	Managers	RM'000	Retail	Financing	Assets	Assets	Risk	Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Supervisory Risk Weights (%)													
0%	7,389,344	8,625,111	45,123	-	-	-	-	-	3,506	16,063,084	-		
20%	-	245,506	2,351,252	-	1,277,479	185	-	-	-	3,874,422	774,884		
35%	-	-	-	-	-	-	22,240	-	-	22,240	7,784		
50%	-	-	315	-	404	14,424	15,241	-	-	30,384	15,192		
75%	-	-	-	-	-	287,753	-	-	-	287,753	215,815		
100%	-	-	-	2,284	654,877	7,294,619	-	-	67,321	8,019,101	8,019,101		
150%	-	-	-	-	18	61,406	-	-	-	61,424	92,137		
Total Exposures	7,389,344	8,870,617	2,396,690	2,284	1,932,778	7,658,387	37,481	-	70,827	28,358,408	9,124,913		

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6.6 Use of External Ratings

For exposures such as sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to the standards prescribed by BNM. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

The following tables show the Bank's credit exposures for 31 December 2025 compared with 31 December 2024, according to the ratings by ECAIs:

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Table 10a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2025

RHB Islamic Bank	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
Ratings of Corporates by Approved ECAIs	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated	
<u>Exposure Class</u>	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Public Sector Entities		-	-	-	-	9,408,388	
Takaful Cos, Securities Firms & Fund Managers		-	-	-	-	41,345	
Corporates		934,709	-	-	-	670,792	
Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
<u>Exposure Class</u>	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns & Central Banks		-	8,514,600	-	-	-	-
Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>Exposure Class</u>	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Banks, Development Financial Institutions & MDBs		1,443,289	16,034	1,838	-	-	170,158

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Table 10b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2024

RHB Islamic Bank	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
Ratings of Corporates by Approved ECAIs	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated	
<u>Exposure Class</u>	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Public Sector Entities		-	-	-	-	8,870,617	
Takaful Cos, Securities Firms & Fund Managers		-	-	-	-	2,284	
Corporates		1,277,479	-	-	-	655,299	
Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
<u>Exposure Class</u>	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns & Central Banks		-	7,389,344	-	-	-	-
Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<u>Exposure Class</u>	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance Sheet Exposures</u>							
Banks, Development Financial Institutions & MDBs		2,263,017	67,632	1,733	-	-	64,308

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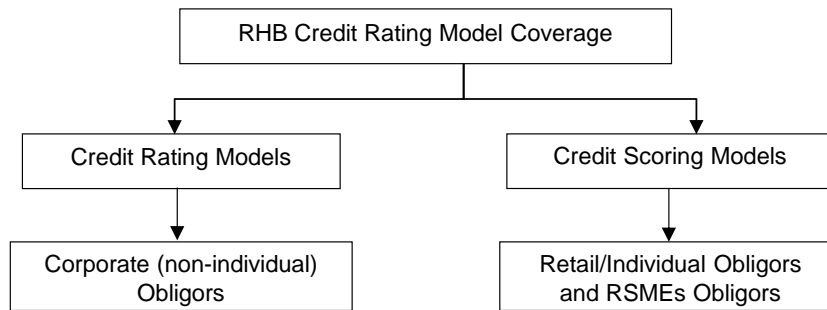
6.7 Internal Credit Rating Models

Internal credit rating models are an integral part of the Bank’s credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed by Enterprise Risk Management with active participation by the relevant credit experts from the Bank’s functional units and/or business units. Group Risk Modelling also continuously explores other techniques or methodologies to enhance the model development process such as implementation of artificial intelligence or machine learning.

Internal rating model development, validation and implementation process have been established to govern the development and validation of rating models and the application of these models. Specifically, all newly developed models prior to implementation, material changes of the rating systems and validation results must be endorsed by GCRC and approved by Board Risk Committee of RHB Islamic Bank (BRC-i). All models are also subject to independent validation by the Model Risk Management before implementation to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual validation by the Model Risk Management to ensure that they are performing as expected.

Credit risk/rating models can be broadly classified into:

- Credit Rating Models
- Credit Scoring Models



The credit rating models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied subject to the obligor’s asset and sales volume to create further risk differentiation.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program financing for RSMEs. These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

Application of Internal Ratings

The three components of risk parameters, the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

- Credit Approval : PD models are used in the credit approval process in both retail and non-retail portfolios. In high volume retail portfolios, application scorecard, behaviour scorecard and customer centric scorecard are used as one of the risk management tools.
- Policy : Policies are established to govern the use of ratings in credit decisions and monitoring.
- Reporting : Model performance monitoring report is submitted to senior management on periodic basis.
- Capital Management : The capital management and allocation plan takes into consideration the projected RWA computed based on internal rating.
- Risk Limits : The internal ratings are used in establishing the Group’s various internal limits (such as industry risk limit).
- Risk Reward and Pricing : PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-informed pricing considerations and strategic decisions.

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F-IRB for Non-Retail Portfolios

The major non-retail portfolios of the Bank are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Specialised financing uses supervisory slotting criteria. Under this approach, internal rating models are used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD models are developed with combination of quantitative and qualitative factors.

A-IRB for Retail Portfolios

For regulatory capital requirements, the Bank has adopted the Advanced Internal Ratings-Based (A-IRB) approach for the retail portfolios, i.e. residential home financing, credit cards, auto financing, commercial property financing, personal financing, term financing collateralised by ASB and RSMEs. The Bank is continuously working on migrating its relevant significant portfolio under the Standardised Approach towards IRB compliance. The risk estimates – PD, LGD and EAD; are calibrated for these retail portfolios/pools. In addition, credit application scorecard, behavioural scorecard and customer centric scorecard are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

The following tables set out:

- Exposures subject to the Supervisory Risk Weights;
- Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights;
- Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weights; and
- Exposures under IRB Approach by Actual Losses versus Expected Losses.

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Table 11a: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2025

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<u>Supervisory Categories/Risk Weights</u>	Exposure After Credit Risk Mitigation					<u>Total</u>
	<u>Strong</u>	<u>Good</u>	<u>Satisfactory</u>	<u>Weak</u>	<u>Default</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Financing Exposures						
Project Finance	9,942	84,637	150	-	69,285	164,014
Income Producing Real Estate	804,727	2,051,581	159,605	-	20,855	3,036,768
Total Exposures After Credit Risk Mitigation	814,669	2,136,218	159,755	-	90,140	3,200,782
Total Risk-Weighted Assets	555,341	1,804,010	183,718	-	-	2,543,069

Table 11b: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2024

RHB Islamic Bank

<u>Supervisory Categories/Risk Weights</u>	Exposure After Credit Risk Mitigation					<u>Total</u>
	<u>Strong</u>	<u>Good</u>	<u>Satisfactory</u>	<u>Weak</u>	<u>Default</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Financing Exposures						
Project Finance	5,285	244,809	-	-	56,792	306,886
Income Producing Real Estate	522,442	1,632,265	153,599	-	-	2,308,306
Total Exposures After Credit Risk Mitigation	527,727	1,877,074	153,599	-	56,792	2,615,192
Total Risk-Weighted Assets	346,838	1,601,675	176,639	-	-	2,125,152

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Table 12a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2025

RHB Islamic Bank	Exposure At Default After Credit Risk Mitigation	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn Commitments
Probability of Default (PD) Range (%)	RM'000	%	%	RM'000
<u>Non Retail Exposures</u>				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	14,337,597	36.34	49.70	1,589,276
>1 to 4	3,240,458	29.04	74.14	568,566
>4 to 12	1,037,905	24.15	85.82	770,434
>12 to <100	8,523	39.74	219.77	96,744
Default or 100	48,666	37.75	0.00	-
Total Corporate Exposures (excluding exposures with firm size adjustments)	18,673,149			3,025,020
Corporate Exposures (with firm size adjustments)				
0 to 1	5,915,975	38.20	44.04	1,818,100
>1 to 4	2,456,321	31.71	68.73	504,649
>4 to 12	1,072,070	33.52	92.44	168,614
>12 to <100	954,845	13.26	58.18	511,138
Default or 100	225,892	36.97	0.00	-
Total Corporate Exposures (with firm size adjustments)	10,625,103			3,002,501
Total Non Retail Exposures	29,298,252			6,027,521
<u>Retail Exposures</u>				
Residential Financing Exposures				
0 to 3	33,253,550	16.73	10.67	541,246
>3 to 10	1,056,151	16.79	48.31	16,562
>10 to 20	261,434	16.69	80.17	57
>20 to <100	1,089,465	16.78	90.48	722
Default or 100	694,789	16.69	93.64	3,774
Total Residential Financing Exposures	36,355,389			562,361
Qualifying Revolving Retail Exposures				
0 to 3	474,874	59.05	23.96	665,782
>3 to 10	324,354	57.75	68.25	142,030
>10 to 20	62,305	55.11	117.13	21,903
>20 to <100	21,438	54.77	156.06	4,358
Default or 100	18,937	49.42	463.26	-
Total Qualifying Revolving Retail Exposures	901,908			834,073
Hire Purchase Exposures				
0 to 3	12,266,626	44.13	28.49	-
>3 to 10	253,177	45.75	72.65	-
>10 to 20	205,735	44.95	99.72	-
>20 to <100	43,417	45.08	105.42	-
Default or 100	58,785	45.35	63.30	-
Total Hire Purchase Exposures	12,827,740			-
Other Retail Exposures				
0 to 3	13,395,442	17.47	13.69	3,917,147
>3 to 10	4,875,289	23.84	36.12	58,560
>10 to 20	479,579	31.82	60.49	5,567
>20 to <100	637,082	27.45	65.43	17,443
Default or 100	701,098	28.16	155.93	10,219
Total Other Retail Exposures	20,088,490			4,008,936
Total Retail Exposures	70,173,527			5,405,370
Total Non Retail & Retail Exposures under IRB Approach	99,471,779			11,432,891

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Table 12b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2024

RHB Islamic Bank	Exposure At Default After Credit Risk Mitigation	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn Commitments
Probability of Default (PD) Range (%)	RM'000	%	%	RM'000
<u>Non Retail Exposures</u>				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	11,792,237	40.13	56.68	1,442,181
>1 to 4	1,964,730	20.93	54.58	1,002,431
>4 to 12	2,679,614	12.20	40.92	1,038,243
>12 to <100	24,718	28.90	151.82	3,869
Default or 100	1,349,317	44.53	0.13	-
Total Corporate Exposures (excluding exposures with firm size adjustments)	17,810,616			3,486,724
Corporate Exposures (with firm size adjustments)				
0 to 1	5,377,285	38.31	43.88	1,548,987
>1 to 4	2,124,625	27.21	57.16	642,039
>4 to 12	747,386	35.82	112.19	157,634
>12 to <100	1,118,459	12.34	52.96	275,853
Default or 100	195,916	36.61	0.00	-
Total Corporate Exposures (with firm size adjustments)	9,563,671			2,624,513
Total Non Retail Exposures	27,374,287			6,111,237
<u>Retail Exposures</u>				
Residential Financing Exposures				
0 to 3	29,564,699	16.67	10.80	464,974
>3 to 10	942,913	16.76	48.30	12,220
>10 to 20	248,516	16.74	80.48	125
>20 to <100	963,096	16.72	89.67	748
Default or 100	565,871	16.59	74.56	3,450
Total Residential Financing Exposures	32,285,095			481,517
Qualifying Revolving Retail Exposures				
0 to 3	365,521	59.05	24.01	525,324
>3 to 10	254,167	57.60	68.89	110,609
>10 to 20	59,435	55.47	118.97	23,764
>20 to <100	17,234	54.45	155.60	3,022
Default or 100	15,740	48.85	143.74	-
Total Qualifying Revolving Retail Exposures	712,097			662,719
Hire Purchase Exposures				
0 to 3	11,239,637	44.06	28.67	-
>3 to 10	224,474	45.88	72.85	-
>10 to 20	190,293	45.08	100.00	-
>20 to <100	39,881	45.38	106.12	-
Default or 100	58,075	45.66	41.26	-
Total Hire Purchase Exposures	11,752,360			-
Other Retail Exposures				
0 to 3	13,633,973	18.26	14.59	3,976,740
>3 to 10	3,092,187	7.47	11.08	46,044
>10 to 20	348,769	14.51	29.30	6,588
>20 to <100	469,749	12.25	30.57	22,726
Default or 100	422,287	22.01	19.43	12,886
Total Other Retail Exposures	17,966,965			4,064,984
Total Retail Exposures	62,716,517			5,209,220
Total Non Retail & Retail Exposures under IRB Approach	90,090,804			11,320,457

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Table 13a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2025

RHB Islamic Bank	Exposure At Default After Credit Risk Mitigation	Exposure Weighted Average Risk Weights	Undrawn Commitments
<u>Expected Losses (EL) Range (%)</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>
<u>Retail Exposures</u>			
Residential Financing Exposures			
0 to 1	34,596,678	13.50	561,581
>1 to 10	1,191,645	92.86	737
>10 to <100	551,002	23.18	43
100	16,064	0.00	-
Total Residential Financing Exposures	36,355,389		562,361
Qualifying Revolving Retail Exposures			
0 to 1	434,453	41.76	625,886
>1 to 10	438,687	70.78	202,419
>10 to <100	28,768	129.99	5,768
100	-	0.00	-
Total Qualifying Revolving Retail Exposures	901,908		834,073
Hire Purchase Exposures			
0 to 1	12,020,530	28.06	-
>1 to 10	711,573	76.95	-
>10 to <100	85,352	53.82	-
100	10,285	0.00	-
Total Hire Purchase Exposures	12,827,740		-
Other Retail Exposures			
0 to 1	16,820,758	18.03	3,968,017
>1 to 10	2,532,388	79.13	26,990
>10 to <100	646,009	55.62	13,716
100	89,335	0.00	213
Total Other Retail Exposures	20,088,490		4,008,936
Total Retail Exposures	70,173,527		5,405,370

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Table 13b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2024

RHB Islamic Bank	Exposure At Default After Credit Risk Mitigation	Exposure Weighted Average Risk Weights	Undrawn Commitments
<u>Expected Losses (EL) Range (%)</u>	RM'000	%	RM'000
<u>Retail Exposures</u>			
Residential Financing Exposures			
0 to 1	30,557,473	12.31	480,433
>1 to 10	1,209,636	103.62	1,028
>10 to <100	501,057	23.91	56
100	16,929	0.00	-
Total Residential Financing Exposures	32,285,095		481,517
Qualifying Revolving Retail Exposures			
0 to 1	322,133	22.27	491,104
>1 to 10	353,611	72.63	166,908
>10 to <100	36,352	149.75	4,707
100	1	0.00	-
Total Qualifying Revolving Retail Exposures	712,097		662,719
Hire Purchase Exposures			
0 to 1	11,003,356	27.94	-
>1 to 10	651,048	77.04	-
>10 to <100	91,029	72.81	-
100	6,927	0.00	-
Total Hire Purchase Exposures	11,752,360		-
Other Retail Exposures			
0 to 1	16,636,556	13.08	4,010,278
>1 to 10	836,717	46.96	37,332
>10 to <100	413,780	21.71	17,204
100	79,912	0.00	170
Total Other Retail Exposures	17,966,965		4,064,984
Total Retail Exposures	62,716,517		5,209,220

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Table 14: Exposures under IRB Approach by Actual Losses versus Expected Losses

RHB Islamic Bank	Actual Losses as at	Expected Losses as at	Actual Losses as at	Expected Losses as at
<u>Exposure Class</u>	<u>31 December 2025</u>	<u>31 December 2024</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
	RM'000	RM'000	RM'000	RM'000
Corporates, of which				
Corporate Exposures (excluding exposures with firm size adjustments)	723	52,795	572	47,937
Corporate Exposures (with firm size adjustments)	2,410	72,200	9,403	65,077
Specialised Financing Exposures (Slotting Approach)				
- Project Finance	-	1,958	9,603	1,713
- Income Producing Real Estate	-	16,400	-	12,169
Retail, of which				
Residential Financing Exposures	49,224	93,594	44,522	83,801
Qualifying Revolving Retail Exposures	6,849	17,221	6,343	14,413
Hire Purchase Exposures	36,602	61,905	33,945	57,606
Other Retail Exposures	43,133	63,202	46,302	58,050
Total	138,941	379,275	150,690	340,766

Actual losses are derived from impairment allowances and write-offs during the year, while expected losses (EL) measures the loss expected from the Bank's credit exposures as at 31 December of the preceding year.

A comparison of actual losses and EL provides some insight of the predictive power of the IRB approach models used by the Bank; however the two metrics are not directly comparable due to the differences in methodology. In particular, the EL used in this comparison is the forecast credit loss from the counterparty defaults of the Bank's exposures over a one-year period and is computed as the product of PD, LGD and EAD for the Bank's exposures as at 31 December of the preceding year.

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The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2025 compared with 31 December 2024:

Table 15a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2025

RHB Islamic Bank	Gross Exposures Before Credit Risk Mitigation	Gross Exposures Covered by Guarantees/ Credit Derivatives	Gross Exposures Covered by Eligible Financial Collateral
<u>Exposure Class</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>On-Balance Sheet Exposures</u>			
Sovereigns & Central Banks	7,951,951	-	-
Public Sector Entities	9,080,524	8,027,069	600
Banks, Development Financial Institutions & MDBs	803,098	15,107	-
Takaful Cos, Securities Firms & Fund Managers	39,979	-	-
Corporates	1,623,284	-	122,757
Regulatory Retail	6,264,815	-	34,946
Residential Financing	100,653	-	56
Higher Risk Assets	201	-	-
Other Assets	152,786	-	-
Defaulted Exposures	70,090	-	38
Total On-Balance Sheet Exposures	26,087,381	8,042,176	158,397
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	1,161,990	-	95,780
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,020,542	91,963	59,078
Defaulted Exposures	426	-	25
Total Off-Balance Sheet Exposures	2,182,958	91,963	154,883
Total On and Off-Balance Sheet Exposures	28,270,339	8,134,139	313,280

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Table 15b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2024

RHB Islamic Bank	Gross Exposures Before Credit Risk Mitigation	Gross Exposures Covered by Guarantees/ Credit Derivatives	Gross Exposures Covered by Eligible Financial Collateral
<u>Exposure Class</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>On-Balance Sheet Exposures</u>			
Sovereigns & Central Banks	7,389,344	-	-
Public Sector Entities	8,368,252	8,250,440	2,600
Banks, Development Financial Institutions & MDBs	1,780,826	45,123	-
Takaful Cos, Securities Firms & Fund Managers	-	-	-
Corporates	1,900,382	-	127,631
Regulatory Retail	7,394,104	185	26,533
Residential Financing	37,481	-	8
Higher Risk Assets	-	-	-
Other Assets	70,827	-	-
Defaulted Exposures	86,670	-	28
Total On-Balance Sheet Exposures	27,027,886	8,295,748	156,800
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	779,083	-	30,133
Off-balance sheet exposures other than OTC derivatives or credit derivatives	805,645	374,671	67,529
Defaulted Exposures	256	-	-
Total Off-Balance Sheet Exposures	1,584,984	374,671	97,662
Total On and Off-Balance Sheet Exposures	28,612,870	8,670,419	254,462

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Table 16a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2025

RHB Islamic Bank	Gross Exposures Before Credit Risk Mitigation	Gross Exposures Covered by Guarantees/ Credit Derivatives	Gross Exposures Covered by Eligible Financial Collateral	Gross Exposures Covered by Other Eligible Collateral
<u>Exposure Class</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>On-Balance Sheet Exposures</u>				
Corporates, of which	29,000,496	6,967,793	1,347,804	5,492,526
Corporate Exposures (excluding exposures with firm size adjustments)	17,070,103	5,437,521	269,620	2,194,383
Corporate Exposures (with firm size adjustments)	8,936,520	1,231,114	1,078,184	3,298,143
Specialised Financing Exposures (Slotting Approach)				
Project Finance	221,246	144,892	-	-
Income Producing Real Estate	2,772,627	154,266	-	-
Retail, of which	64,110,696	42,949	5,132,526	39,242,910
Residential Financing Exposures	35,102,013	-	-	35,020,700
Qualifying Revolving Retail Exposures	545,956	-	-	-
Hire Purchase Exposures	12,768,955	-	-	-
Other Retail Exposures	15,693,772	42,949	5,132,526	4,222,210
Defaulted Exposures	1,819,363	14,509	6,022	915,486
Total On-Balance Sheet Exposures	94,930,555	7,025,251	6,486,352	45,650,922
<u>Off-Balance Sheet Exposures</u>				
OTC Derivatives	121,158	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,601,904	1,027,497	200,506	3,813,949
Defaulted Exposures	18,944	-	161	12,826
Total Off-Balance Sheet Exposures	7,742,006	1,027,497	200,667	3,826,775
Total On and Off-Balance Sheet Exposures	102,672,561	8,052,748	6,687,019	49,477,697

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Table 16b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2024

RHB Islamic Bank	Gross Exposures Before Credit Risk Mitigation	Gross Exposures Covered by Guarantees/ Credit Derivatives	Gross Exposures Covered by Eligible Financial Collateral	Gross Exposures Covered by Other Eligible Collateral
<u>Exposure Class</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>On-Balance Sheet Exposures</u>				
Corporates, of which	25,211,525	6,276,547	1,533,773	5,039,469
Corporate Exposures (excluding exposures with firm size adjustments)	14,260,522	4,816,582	258,298	2,099,589
Corporate Exposures (with firm size adjustments)	8,245,984	1,019,806	1,275,475	2,939,880
Specialised Financing Exposures (Slotting Approach)				
Project Finance	245,272	6,377	-	-
Income Producing Real Estate	2,459,747	433,782	-	-
Retail, of which	57,153,730	61,891	4,598,858	35,655,055
Residential Financing Exposures	31,241,156	-	-	31,188,966
Qualifying Revolving Retail Exposures	428,813	-	-	-
Hire Purchase Exposures	11,694,285	-	-	-
Other Retail Exposures	13,789,476	61,891	4,598,858	4,466,089
Defaulted Exposures	2,646,612	9,616	3,499	777,536
Total On-Balance Sheet Exposures	85,011,867	6,348,054	6,136,130	41,472,060
<u>Off-Balance Sheet Exposures</u>				
OTC Derivatives	43,712	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,633,031	1,340,450	180,942	3,862,539
Defaulted Exposures	17,386	-	154	14,804
Total Off-Balance Sheet Exposures	7,694,129	1,340,450	181,096	3,877,343
Total On and Off-Balance Sheet Exposures	92,705,996	7,688,504	6,317,226	45,349,403

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6.8 Impairment Allowances for Financing

The Group adopts BNM's guidelines on Financial Reporting. The principles in these guidelines are in line with the Malaysian Financial Reporting Standards 9 (MFRS 9), which is in compliance with the International Financial Reporting Standards framework.

MFRS 9 impairment model requires the recognition of expected credit loss (ECL) for all financial assets, except for financial assets classified or designated as Fair Value Through Profit & Loss or FVTPL and equity securities classified under Fair Value through Other Comprehensive Income or FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn financing commitments.

MFRS 9 does not distinguish between individual assessment and collective assessment. The Group first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group determine that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, level of collateralisation and other relevant factors) for collective assessment. Collectively, the individual assessment allowance and collective assessment allowance form the total expected credit allowance for the Group.

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

Stage 1: 12 months ECL – not credit impaired

For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cashflows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

The changes in ECL between two-periods will be recognised in profit and loss.

The assessment of significant deterioration in credit risk since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the PD, LGD and EAD models. Certain ECL models are leveraging on the existing Group's Basel II Internal Ratings-Based model, where feasible or available, with necessary adjustment to meet MFRS 9 requirements.

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Individual Assessment - Impairment Triggers

The customer assessed under Impairment Allowances (IA) shall be classified as impaired under any one of the following situations:

1. When the principal or profit or both, of any facility(s) of the customer is past due for 90 days or 3 months and above.
2. In the case of revolving facilities (e.g. overdraft facilities), the customer of the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for 90 days or 3 months and above.
3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for less than 90 days or 3 months, the financing exhibits weaknesses (refer to impairment triggers) that would render it to be classified as impaired.
4. Where payments of the financing are scheduled on intervals of 3 months or longer, the customer is classified as impaired as soon as a default occurs.
5. Upon occurrence of any one Mandatory Status Triggers (MSTs), both Ancillary Status Trigger (AST) 1 and AST 4 or any three ASTs and above. These MSTs and ASTs are pre-defined trigger events approved by the Group to facilitate impairment classification.
6. In the case of share margin facilities, the customer shall be classified as impaired where the force selling ratio is triggered and after a period of time after force selling has commenced or where margin of finance exceeds the pre-set threshold.

Note:

For R&R facilities, the customer shall be classified as impaired in accordance with paras 1 to 4 above based on the revised or restructured terms.

Individual Impairment Provisions

Customers under individual assessment and triggered either by any one MSTs, both AST 1 and AST 4, or any three ASTs and above will be classified as impaired. Consequently, impairment assessment is to be carried out on these impaired customers, based on reasonable and well documented estimates of the future cashflows/realisations of collateral that is expected to recover from the impaired customers i.e. net present value of future cashflows are discounted based on original effective profit rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

Re-classification and Write Back of Impairment Provision

An impaired customer may be re-classified as a non-impaired status under the following situations:

1. When the financing payment of the impaired customer has improved with the principal or profit or both, of its facilities with the Bank being past due less than 90 days or 3 months.
2. Where the customer exhibits weakness(es) that render it to be classified as impaired, even though the financing is past-due less than 90 days or 3 months, such customers may be reclassified as non-impaired status when these weaknesses have been subsequently addressed or resolved.
3. Where the customer has been individually assessed as impaired due to either any one MSTs, both AST 1 and AST 4, or any three ASTs and above, the customer may be reclassified as non-impaired status when these triggers have since been addressed and resolved.
4. For customer with R&R facilities - when the customer has complied with the revised repayment terms under cooling period requirement.
5. When the margin account's equity exceeds 130% of the outstanding balance, as determined in accordance with Chapter 7 Rule 7.30 of Bursa Malaysia Securities Berhad at the end of the calendar month of that occurring.

Write-Off of Impaired Financing

The policy of writing off impaired financial assets is intended to provide a timely and consistent methodology for financial assets to be written off, and to reflect the true value of assets in the books of the Bank.

1. All impaired financial assets which are deemed irrecoverable, worthless, slim in prospect of recovery, or under approved composite settlement schemes, may be recommended for write off.
2. Accelerated write-off based on time based approach is allowed for Retail and programmed impaired financial assets.
3. Partial write-offs of impaired financial assets is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and the Bank is in the final stage of realising the security/collateral; or in the case of approved settlement arrangement, the waiver portion.

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The following tables show the impaired and past due financing and allowance for credit losses by industry sector as at 31 December 2025 compared with 31 December 2024:

Table 17a: Impaired and Past Due Financing and Allowance for Credit Losses by Industry Sector as at 31 December 2025

RHB Islamic Bank			
Industry Sector	Impaired Financing	Past Due Financing	Allowance for Credit Losses
	RM'000	RM'000	RM'000
Agriculture	5,650	8,444	11,280
Mining & Quarrying	2,548	234	1,600
Manufacturing	32,661	43,972	31,777
Electricity, Gas & Water Supply	79,025	1,378	33,065
Construction	24,309	29,623	23,834
Wholesale, Retail Trade, Restaurants & Hotels	131,187	99,004	81,770
Transport, Storage & Communication	11,959	15,289	20,197
Finance, Takaful, Real Estate & Business	61,219	34,629	70,826
Education, Health & Others	130,960	15,140	23,728
Household	629,818	3,268,465	456,094
Others	-	54,578	2,906
Total	1,109,336	3,570,756	757,077

Table 17b: Impaired and Past Due Financing and Allowance for Credit Losses by Industry Sector as at 31 December 2024

RHB Islamic Bank			
Industry Sector	Impaired Financing	Past Due Financing	Allowance for Credit Losses
	RM'000	RM'000	RM'000
Agriculture	3,892	1,161	12,853
Mining & Quarrying	2,489	2,415	1,419
Manufacturing	26,436	37,512	31,200
Electricity, Gas & Water Supply	6,123	2	12,784
Construction	15,663	26,403	24,656
Wholesale, Retail Trade, Restaurants & Hotels	96,755	71,561	77,992
Transport, Storage & Communication	20,681	6,733	80,501
Finance, Takaful, Real Estate & Business	67,287	20,995	39,861
Education, Health & Others	88,742	13,447	17,985
Household	524,468	2,950,240	321,859
Others	-	76,664	1,625
Total	852,536	3,207,133	622,735

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The following table shows the net charges/(write back) and write-offs for financing impairment by industry sector as at 31 December 2025 compared with 31 December 2024:

Table 18: Net Charges/(Write back) and Write-Offs for Financing Impairment by Industry Sector

RHB Islamic Bank	Twelve Months Period Ended 2025		Twelve Months Period Ended 2024	
	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000
<u>Industry Sector</u>				
Agriculture	2,341	-	1,464	-
Mining & Quarrying	21	-	739	-
Manufacturing	2,968	(1,728)	3,739	(1,526)
Electricity, Gas & Water Supply	30,787	(197)	(294)	-
Construction	3,227	(549)	(1,338)	(21,623)
Wholesale, Retail Trade, Restaurants & Hotels	16,445	(8,612)	17,767	(6,521)
Transport, Storage & Communication	(2,746)	(1,239)	(78,071)	(11,655)
Finance, Takaful, Real Estate & Business	(34)	(3,011)	762	(833)
Education, Health & Others	9,046	(305)	(5,052)	(4,367)
Household	142,862	(113,448)	120,932	(112,016)
Others	1,314	(163)	395	(343)
Total	206,231	(129,252)	61,043	(158,884)

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The following tables show the movement in financing allowance for credit losses as at 31 December 2025 compared with 31 December 2024:

Table 19a: Movement in Financing Allowance for Credit Losses as at 31 December 2025

RHB Islamic Bank	Lifetime ECL		Lifetime ECL	Total
	12-month ECL (Stage 1)	Not Credit Impaired (Stage 2)	Credit Impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	133,953	236,111	252,671	622,735
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	54,727	(42,211)	(12,516)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(9,442)	53,652	(44,210)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(1,000)	(27,154)	28,154	-
	44,285	(15,713)	(28,572)	-
Changes in credit risk	(75,480)	(19,641)	257,405	162,284
Purchases and origination	56,702	9,945	6,194	72,841
Bad debts written off	-	-	(129,252)	(129,252)
Changes in model methodologies	50,691	21,895	(3,090)	69,496
Derecognition	(6,285)	(9,313)	(25,706)	(41,304)
Other movements	-	-	277	277
Balance as at the end of the financial year	203,866	223,284	329,927	757,077

Table 19b: Movement in Financing Allowance for Credit Losses as at 31 December 2024

RHB Islamic Bank	Lifetime ECL		Lifetime ECL	Total
	12-month ECL (Stage 1)	Not Credit Impaired (Stage 2)	Credit Impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year	110,166	171,483	361,064	642,713
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	68,856	(53,885)	(14,971)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(10,017)	120,866	(110,849)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(1,176)	(18,013)	19,189	-
	57,663	48,968	(106,631)	-
Changes in credit risk	(55,876)	16,499	191,794	152,417
Purchases and origination	27,029	8,107	7,074	42,210
Bad debts written off	-	-	(158,884)	(158,884)
Changes in model methodologies	-	-	-	-
Derecognition	(5,029)	(8,946)	(31,194)	(45,169)
Other movements	-	-	(10,552)	(10,552)
Balance as at the end of the financial year	133,953	236,111	252,671	622,735

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7.0 MARKET RISK

Market risk is the risk of losses arising from adverse movements in market drivers, such as profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- the profit rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

The Bank transacts in financial instruments such as debt papers and derivative instruments such as futures, forwards, swaps, and options. Derivative instruments are contracts whose characteristics and value are derived from the underlying assets which may include profit rates, exchange rates, debt securities, equities, indices and commodities.

The Group Market Risk Management within Group Risk Management operates as a working level centralised function that supports senior management in the development of market risk framework, establishment of risk limits, operationalisation of the processes and implementation of measurement methodologies to ensure adequate risk control and oversight are in place. The primary responsibility for managing market risk as the first line of defence remains at the respective business units.

The Group Asset and Liability Committee (ALCO) and GCRC play a critical role in the management of market risk and support the board risk committees in their oversight of the market risk management. These management committees meet regularly and serve as the key forum for strategic and tactical decision-making related to market risk. This includes the development of the Bank's market risk strategy, the establishment of market risk management structure and the formulation of policies and measurement techniques to be put in place.

The Bank has established Group Trading Book Policy Statement, frameworks and risk limits as guidance for market risk management. These documents are reviewed regularly and/or upon change in significant event that has a material impact on policy compliance or regulatory changes.

Market Risk Measurement and Control

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing market risks based on the types of instruments and nature of exposure. Market risk is primarily monitored and controlled through a structure of limits and triggers i.e. Price Value of a Basis Point (PV01), cut loss, VaR, trading limit and notional limit, which are set in accordance with the size of positions and risk tolerance appetites. In addition, the Bank conducts periodic stress testing of its respective portfolios to assess market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities can be undertaken by the authorised/relevant business units within the allocated limits. All trading positions are independently monitored on a daily basis and in accordance with the established escalation procedures and predefined key actions. Market risk exposure reports are presented to the senior management, relevant committees and the Board.

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Group's Hedging Policy which prescribes the overall hedging activities that can be executed by the Bank along with the associated control procedures such as effectiveness measurement and reporting to Group ALCO. Hedging instruments used to mitigate these risks include options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Bank's treasury functions with the approval of Group ALCO.

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Capital Treatment for Market Risk

The Bank applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for the Bank as at 31 December 2025 and 31 December 2024 are shown in the tables below:

Table 20a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2025

RHB Islamic Bank	Long	Short	Risk- Weighted	Minimum
<u>Market Risk</u>	<u>Position</u>	<u>Position</u>	<u>Assets</u>	<u>Requirements</u>
	RM'000	RM'000	RM'000	RM'000
Profit Rate Risk	39,398,614	39,051,741	631,719	50,537
Foreign Currency Risk	16,206	99,831	99,835	7,987
Total			731,554	58,524

Table 20b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2024

RHB Islamic Bank	Long	Short	Risk- Weighted	Minimum
<u>Market Risk</u>	<u>Position</u>	<u>Position</u>	<u>Assets</u>	<u>Requirements</u>
	RM'000	RM'000	RM'000	RM'000
Profit Rate Risk	35,864,622	35,657,616	442,382	35,391
Foreign Currency Risk	43,588	91,283	91,287	7,303
Total			533,669	42,694

Note:

As at 31 December 2025 and 31 December 2024, RHB Islamic Bank did not have any exposure under equity position risk, commodity risk, inventory risk, options risk, and market risk exposure absorbed by PSIA.

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8.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The fundamental role of financial institutions in the maturity transformation of short-term deposits into long-term financing makes financial institutions inherently vulnerable to liquidity risk, both of institution-specific nature and that which affects financial markets as a whole. Guided by the Group's Liquidity Risk Policy, the Group manages the funding and market liquidity risk to ensure that banking operations continue to be uninterrupted under normal and stressed conditions. The key principles in Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

Early warning indicators and triggers are identified, assessed and monitored to guard off adverse liquidity event. The same is reported to Management and Senior Management Committees to facilitate discussion and development of preventive actions to mitigate potential risk. In addition, the Group's guideline on Liquidity Incident Management Plan (i.e. Contingency Funding Plan) stipulates guidance on managing liquidity crisis. The corresponding remedial action plan is documented with clear roles and responsibilities from relevant business and functional units (including overseas operations). The escalation processes are defined to facilitate orderly and timely execution of liquidity management plans. Simulation exercise on contingency funding plan is carried out periodically to ensure it remains relevant and fit-for-purpose.

Group Asset and Liability Management (Group ALM) undertakes the responsibility of liquidity risk management, including establishing liquidity management policies and risk limits, identify and monitor risk exposures, perform stress testing, and develop and review contingency funding plans. These processes are carried out regularly or as warranted by changes in business or market circumstances. Key liquidity risk ratio/measurement includes but not limited to Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Top Depositor concentration ratio, Liquidity Crisis Trigger and available contingency funding sources.

The Group adopts and adheres to BNM liquidity standards on LCR (ensuring holding of sufficient high-quality liquid assets (HQLA) to withstand an acute liquidity stress scenario over a 30-day horizon at both the entity and consolidated level) and NSFR (i.e. maintaining a stable funding profile to support their assets and off-balance sheet activities). The LCR and NSFR at RHB Banking Group level have been maintained at above regulatory limit of 100%.

The Group ALCO supports the board committees by performing the critical role in oversight of balance sheet risk, liquidity risk, and market risk (both trading and banking book). Group ALCO meets regularly to review and assess potential risk arising from rate of return risk in banking book, liquidity and market risk, deliberate business strategies and risk mitigation plans on the back of prevailing market condition and business landscape. In addition, Group ALCO reviews and approves profit rates for liabilities products as well as reference rates for financing products and services.

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9.0 RATE OF RETURN RISK IN THE BANKING BOOK

Rate of return risk in the banking book refers to the risk of the Group's earnings and economic value of equity due to the adverse movements in benchmark rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Rate of return risk in the banking book comprises:

- Re-pricing risk (mismatch risk) - Arises from timing differences in the maturity (for fixed-rate) and repricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as benchmark rates vary;
- Basis risk - Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When benchmark rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
- Yield curve risk - Arises when unanticipated shifts of the yield curve have adverse effects on the Bank's income or underlying economic value; and
- Embedded optionality risk - Arises primarily from options that are embedded in some banking book products (e.g. Mortgage/home financing products which allow early prepayment without penalty. All deposit which allows customers to withdraw its deposit at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book in accordance to BNM reporting requirement. Assets and liabilities are bucketed based on their remaining maturity or next re-price dates.

EaR measures the impact of benchmark rate on earnings of the bank, over a one-year horizon. Rate of return shock scenarios are determined based on balance sheet structure and repricing gap of the bank/reporting entity to assess the adverse impact to earnings.

EVE measures the impact of benchmark rates changes on the value of net cash flows (covering assets, liabilities and off-balance sheet positions) over the total capital of the bank. It is a long term economic measure in assessing the degree of rate of return rate exposure in relation to the total capital of the bank.

Guided by Group Rate of Return Risk in the Banking Book Policy, Group Asset and Liability Management (Group ALM) manages rate of return risk in banking book in adherence to established governance structure and process. Monthly EaR and EVE are measured, controlled and monitored against risk limits set. These are supplemented with projections to assess potential risk arising from changes in balance sheet structure and market environment. In addition, assessment of EaR and EVE are performed based on stressed scenarios on a regular basis. The Group evaluates the level of capital that it should hold, to ensure it is sufficient to cover rate of return risk in banking book. This is performed via internal capital assessment based on internal methodologies.

The potential risk arising from rate of return risk in banking book is regularly reviewed and assessed by Group ALCO.

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The impact of changes in benchmark rates to net earnings and economic value as at 31 December 2025 and 31 December 2024 are shown in the following tables:

Table 21a: Rate of Return Risk in the Banking Book as at 31 December 2025

RHB Islamic Bank	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
	Impact based on	Impact based on	Impact based on	Impact based on
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Currency	RM'000	RM'000	RM'000	RM'000
MYR - Malaysian Ringgit	290,974	(290,974)	(370,698)	370,698
USD - US Dollar	(60,126)	60,126	14,021	(14,021)
Others ¹	1,697	(1,697)	1,155	(1,155)
Total	232,545	(232,545)	(355,522)	355,522

Table 21b: Rate of Return Risk in the Banking Book as at 31 December 2024

RHB Islamic Bank	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
	Impact based on	Impact based on	Impact based on	Impact based on
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Currency	RM'000	RM'000	RM'000	RM'000
MYR - Malaysian Ringgit	247,233	(247,233)	(364,999)	364,999
USD - US Dollar	(46,664)	46,664	9,103	(9,103)
Others ¹	(7,691)	7,691	(15,822)	15,822
Total	192,878	(192,878)	(371,718)	371,718

Note:

1. Inclusive of GBP, EUR, SGD, etc
2. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.
3. The earnings and economic values were computed based on the standardised approach adopted by BNM.
4. PSIA between RHB Islamic and RHB Bank which qualifies as a risk absorbent, is excluded from the computation of rate of rate of return risk.

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Benchmark rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure, whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point benchmark rate change impact.
- For assets and liabilities without maturity, e.g. current and savings accounts, behavioural assumptions are applied while reporting these in the respective time-buckets.

10.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, which includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, outsourcing risks, technology risks, legal risks, Shariah non-compliance and regulatory breaches as well as employee health and safety hazards. Operational risk may result in direct financial losses as well as indirect financial losses (e.g. loss of business and market share) due to reputational damage.

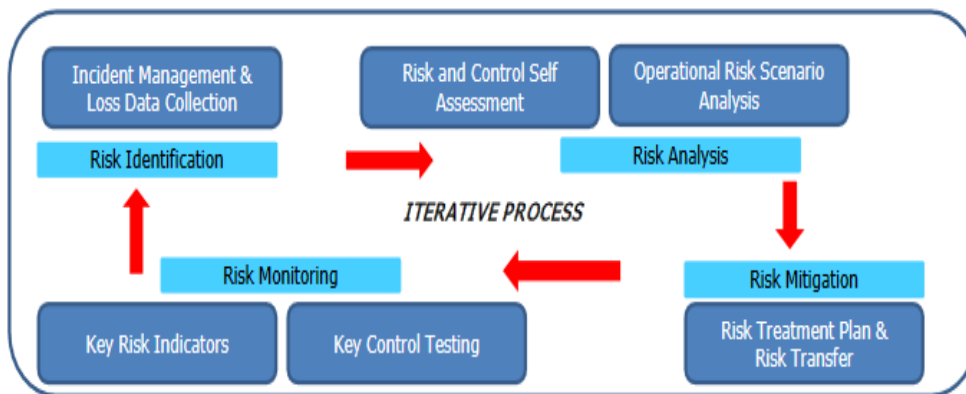
Operational Risk Management Function and Organisation

The Group Non-Financial Risk Management within Group Risk Management has functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated. The respective business and support units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the senior management, respective committees and the Board that includes various operational risk information such as risk analysis, risk mitigation action plans, risk tools outcomes, risk appetite breaches, significant operational risk events and control failures, and lessons learnt. In addition, key operational risk incidents are reported to senior management daily. Such reporting enables senior management to be informed and deliberate on the identified operational lapses, promptness of corrective actions, and to ensure appropriate risk mitigation decision making and action plans are performed.

Operational Risk Management Processes and Tools

The Group establishes and uses the relevant operational risk tools and methodologies to support and ensure an effective operational risk management processes.



1. Incident Management and Data Collection – a process to report and record all operational risk incidents;
2. Risk and Control Self-Assessment – a methodology to build risk profile for each business/ function;
3. Operational Risk Scenario Analysis – a methodology to identify plausible risk scenarios for assessment;
4. Risk Treatment Plan – a register to assist business to monitor the action plans;
5. Key Risk indicators – a methodology for business to track and monitor significant risk areas associated to their business/ function; and
6. Key Control Testing – a methodology to assist business in performing a test on the controls to determine effectiveness.

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Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

Strengthening internal controls

- Internal controls (i.e. control environment, risk assessment, control activities, information and communication, and monitoring) are designed to commensurate operational risk exposures faced by the Group. The Group monitors and regularly evaluates its internal control systems to ensure that they are operating effectively and to take account of changing internal and external conditions.

Business Resilience and Continuity

To mitigate the impact of unforeseen operational risk events, the Group has on-going and actively managed Business Continuity Management (BCM) programme for its major critical business operations and activities at the Head Office, data centre, and branches' locations. There are ongoing continuous improvement initiatives to build operational resilience to ensure sustainability of critical services. The BCM programme is subject to regular testing to validate the adequacy and preparedness of all resources to support critical and essential services in the event of disruption. BCM Programme is under the responsibility of the Operations Resiliency & 3rd-Party Risk Department. The Board of Directors has an oversight function through the Board Risk Committee and Group Capital and Risk Committee (GCRC). The Group Business Continuity Committee, which reports to GCRC, is the committee that oversees the Group's business continuity framework, policies, budget and plans.

Fraud Risk Management

Robust fraud risk management processes to manage threats from external sources and internally, are in place guided by the Group Fraud Risk Management Policy. The Group constantly assesses and monitors fraud risk to ensure consistent organizational behavior through the development, implementation, and regular review of fraud prevention, detection, and response strategies. To help protect our customers against fraud, the Group invests on continuous fraud awareness briefings and fraud risk management training for our frontline employees while also promoting greater customer awareness of prevailing fraud schemes through frequent customer communications via email, our website, mobile banking app, automated teller machines and social media channels.

Outsourcing

Due to the need to outsource for cost and operational efficiency, policy and guidelines are put in place to ensure that the risks arising from outsourcing activities are adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

Insurance/Takaful Management

The Group considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Group has a programme of insurance/Takaful designed to reduce its exposure to liability and to protect its assets. Insurance / takaful arrangement is used to complement the management of operational risk and not as a substitute for a sound internal control environment.

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of Information Technology (IT) within the Group.

The Group recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advanced technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology and Cyber Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for both internal and external customers.

To ensure that the residual risk is acceptable, the Group has established Technology and Cloud Risk Assessment processes to comprehensively identify and assess relevant risks and corresponding controls for IT and digitalisation initiatives.

To support the Group in maintaining a secure, reliable and well-governed technology environment, risk review was conducted on incident and problem management processes to strengthen operational resilience, enhance service reliability and ensure effective risk mitigation.

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Cyber Risk

Cyber risk refers to threats or vulnerabilities arising from the connectivity of internal technology infrastructure to the Internet. As the banking industry increasingly adopts digital channels for service delivery, this risk remains inherent and significant. The Group acknowledges the importance of managing cyber risk and, as part of its governance framework, continuously evaluates and deploys suitable security technologies, strengthens detection and response capabilities, and ensures adequate allocation of skilled resources to safeguard the organisation's technology environment and customer data.

The Group also subscribes to various threat intelligence services to obtain up-to-date information on emerging cyber threat to facilitate proactive risk mitigation measures. To further ensure the security of Internet facing application systems, the Group engages reputable IT security service providers to perform periodic penetration testing, with all identified vulnerabilities remediated and validated through independent attestation by external consultants. To strengthen the internal cyber defences, Red Team and compromise assessment exercises are conducted regularly to evaluate the effectiveness of existing safeguards and incident response capabilities. Phishing simulation exercises are also carried out periodically to enhance staff vigilance and awareness of social engineering threats. To effectively manage third-party/outsourcing risks i.e. partners, vendors as well as the service providers, they are subjected to due diligence exercise which encompasses the attestation of their security controls and fulfilment of requirements as outlined in Bank Negara Malaysia's Risk Management in Technology (RMiT).

In the light of increasing use of artificial intelligence, the New Responsible & Ethical Artificial Intelligence Risk Management (REAIRM) Guideline was established to embed trust, fairness, and accountability into all AI-driven initiative, enabling the Group to harness AI's full potential while maintaining public confidence and ethical integrity.

New Product and Services Approval Process

The Group has established a Group Policy on Product Development & Approval and Group Guideline on Product Development & Approval which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times. The Guideline and Policy also have been enhanced recently to incorporate the BNM requirements on the Fair Treatment of Financial Consumer (FTFC) in ensuring that the products developed are transparent and provide sufficient information to consumers, ensuring they fully understand the products and services.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Bank's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

Capital Treatment for Operational Risk

The Bank adopts the Standardised Approach for the calculation of regulatory operational risk capital requirements since January 2025. The operational risk-weighted assets and the corresponding capital requirements for RHB Islamic Bank as at 31 December 2025 (Basel III) and 31 December 2024 (Basel II), are shown below:

Table 22: Operational Risk-Weighted Assets and Minimum Capital Requirements

RHB Islamic Bank	2025	2024
<u>Operational Risk</u>	<u>RM'000</u>	<u>RM'000</u>
Risk-Weighted Assets	3,558,325	3,534,619
Minimum Capital Requirements	284,666	282,769

Note:

Operational RWA as at December 2025 is calculated using the Standardised Approach (SA) under BNM's Capital Adequacy Framework, while December 2024 figures were based on the Basic Indicator Approach (BIA). Comparative figures are not presented due to the change in methodology in line with BNM's transitional arrangements.

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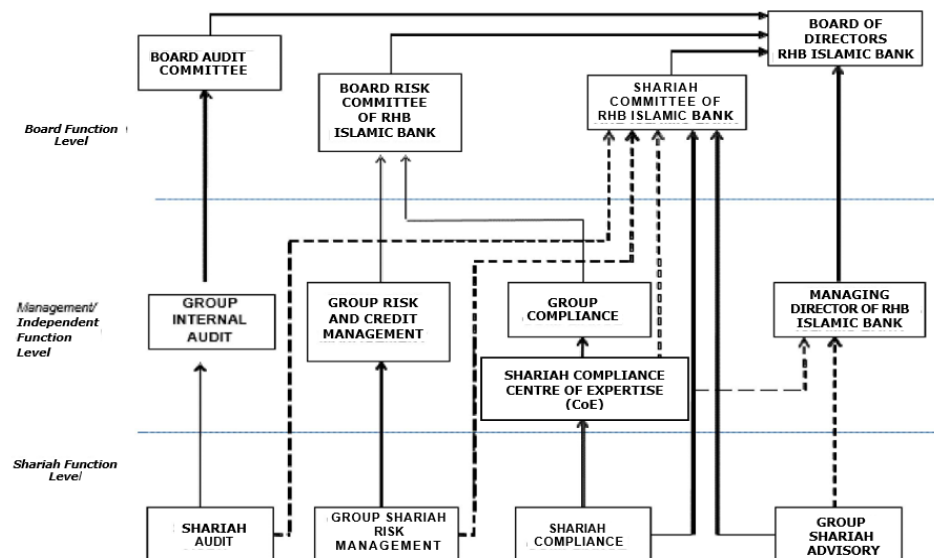
11.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

Shariah non-compliance risk is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which RHB may suffer arising from failure to comply with the rulings of the Shariah Advisory Council (SAC) of local regulatory bodies (such as the SAC of the BNM for Malaysia operations), standards on Shariah matters issued by the local regulator, or decisions or advice of the Shariah committee/adviser appointed by respective RHB entities.

A Shariah Governance Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

- Ensure that the planning, development, and implementation of the Islamic products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the operations do not contravene any of the Shariah principles and authorities' regulations related to the Shariah; and
- Act as a guide on the expectations to all personnel engaged in the Islamic business activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

The reporting structure of Shariah governance is as follows:



The Shariah Committee of RHB Islamic Bank (SCR) was established under BNM's Shariah Governance Policy Document.

The main duties and responsibilities of the SCR are to provide objective and sound advice to the Bank on Shariah matters in relation to Islamic business and operations; deliberating, affirming, and addressing any Shariah non-compliance event; as well as to provide written Shariah opinion on new products and RHB Islamic Bank's financial statements. The other entities within the RHB Banking Group without internal Shariah committee established have given the mandate to the SCR to advise on the Shariah matters, which are ultimately governed by the respective entities' board of directors.

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On a functional basis, the RHB Banking Group Islamic businesses are supported by Group Shariah Advisory, Group Shariah Risk Management, Shariah Compliance Centre of Expertise (CoE) and Shariah Audit.

The Head of Group Shariah Advisory reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank. The main duties and responsibilities of Group Shariah Advisory include, but not limited to, conduct reviews on Islamic products and services; provide internal Shariah advisory support to the management in its daily business and operational matters; assist the SCR in elaborating and discussing on pertinent Shariah issues; provide in-depth research on competitive analysis in order to assist the SCR's decision-making process; ensure the internal Shariah governance, the internal process flow and policies, and Shariah approval processes are well managed and maintained in an efficient manner; ensure the Bank is in compliance with the highest standard of Shariah governance as set by BNM; serve as the secretariat of the SCR and to act as the mediator between the management and the SCR; oversee the computation and distribution of zakat and funds to be channelled to charity; and to represent the management in any Shariah related matters.

The key role and responsibilities of Group Shariah Risk Management is to facilitate the identifying, measuring, monitoring and controlling of Shariah non-compliance risks inherent in the Islamic business and operations to mitigate any potential Shariah non-compliance events. Group Shariah Risk Management also performs independent assessment and provides support and reporting to the senior management committees relating to Shariah non-compliance risk.

Shariah Compliance CoE conducts review and assists the SCR in providing opinions from Shariah perspective in relation to the status of Shariah compliance of products, services and operations of the Islamic business operations. Shariah Audit provides an independent assessment on the adequacy and effectiveness of the Bank's internal control, risk management systems, governance processes including the overall compliance of the Bank's operations, business, affairs and activities with Shariah requirements.

Any incidences of Shariah non-compliance decided by the SCR are reported to the GCRC, BRC-i, BRC, the Board of Directors of respective entities in RHB Banking Group and the BNM (for Malaysia operations). Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of any Shariah non-compliant income.

There were 3 Shariah Non-Compliance events reported in 2025 involving retail and non-retail portfolio. A total of RM782,492.45 is allocated for distribution to charity while RM11,157.55 was refunded to customers.

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12.0 INVESTMENT ACCOUNT

Investment Account (IA)

The Group via RHB Islamic Bank offers two types of Investment Account (IA) namely, Restricted Investment Account (RIA) which refers to an IA where the Investment Account Holder (IAH) provides a specific investment to RHB Islamic Bank, and Unrestricted Investment Account (URIA) which refers to an IA where the customer provides RHB Islamic Bank with a mandate to make the ultimate investment decision without specifying any particular restriction or condition. Each IA product under the RIA and URIA must be structured based on the application of the approved Shariah contract.

RHB Islamic Bank has put in place the necessary risk management framework, policies and guidelines as well as operational manuals and procedures in ensuring the interests of the IAH are protected. The operationalisation of the RIA and URIA products are governed by RHB Islamic Bank's governance component, amongst others:

1. Shariah Governance Framework;
2. RHB Islamic Bank Investment Account Pricing Framework
3. RHB Islamic Bank Investment Account Policy;
4. RHB Islamic Bank Investment Account Guideline;
5. Profit Sharing & Restricted Agency Investment Account-i (PSIA-I & RAIA-i) Operations Manual;
6. Restricted Investment Account-i (RIA-i) Operations Manual; and
7. Treasury Operations Manual.

The roles and responsibilities of various parties in ensuring the proper management of the IAH's funds are described as follows:

- Board of Directors committees - provide the strategic directions and risk appetite for the Bank, approve relevant governance structure, objectives and policy as well as providing oversight on the risk management and overall control activities;
- Shariah Committee - oversee and endorse the overall management and operations of the investment account business to be in compliance with Shariah, assess the work carried out by Shariah Advisory, Shariah Risk and Shariah Review on the investment account operations, and provide opinion on Shariah compliance of the IAs and the related operations;
- Senior management - formulate and implement investment strategies, internal control and risk management system, including profit distribution policy and valuation policy, in line with the investment objectives;
- Group ALCO - approve the structure, pricing and terms of IA based on the approved IA product;
- Other control and support functions - Group Treasury, Strategic Business Group, Group Finance, Group Shariah Business, Group Risk Management, Group Compliance and Group Internal Audit providing the necessary operational functions and independent assessment.

The governing principles as set out in the IA Policy of RHB Islamic Bank include policies related to asset allocations of the IA products which are translated into guidelines and operational document (standard manuals), which help senior management in making the necessary decision during the process. The related policy statements are as below:

1. The management of the assets and funds of the investment accounts must be managed with due care to the rights and safeguarding the interests of the investors.
2. The underlying assets, investment funds and transaction of the various investment accounts must be separated from other funds and assets managed and or owned by the Bank.
3. Transactions between the investment accounts and the Bank, if any, must be conducted in a transparent manner and on an arm's length basis.
4. The records for each investment account must be maintained separately and subjected to the valuation methodology established in accordance with the relevant accounting standards.
5. RHB Islamic Bank shall not implement profit smoothing practices or techniques to manage the Displaced Commercial Risk. The relationship and terms between the parties must be clearly stated in the terms and conditions of each investment account.
6. The Bank shall develop a list of permissible direct expenses that must be approved by the Board and the Shariah Committee. The list must be reviewed at least annually.

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Restricted Investment Account (RIA)

Currently RHB Islamic Bank offers the following products under the RIA category :

1. Profit Sharing Investment Account-i (PSIA-i) which uses Mudharabah as the underlying Shariah contract (counterparty restricted to RHB Bank only); and
2. Restricted Investment Account-i (RIA-i) using the Mudharabah contract for retail and non-retail investors.

The products are offered to investors having the following characteristics:

1. Risk appetite match with investment objectives.
2. Require investment that comply with Shariah requirements.
3. Are willing to accept potential risk of losing the capital invested in order to achieve potential higher profit than normal term deposit rate.
4. IAH must be a legal entity that has legal capacity to enter into the contract.

Unrestricted Investment Account (URIA)

RHB Islamic Bank currently offers the Wakalah Money Market Investment Account-i (WMMIA-i) using the Wakalah bi al-Istithmar contract. This product is offered to corporate investors (resident) having the following characteristics:

1. Risk appetite match with investment objectives.
2. Require investment that comply with Shariah requirements.
3. Are willing to accept potential risk of losing the capital invested in order to achieve potential higher profit than normal term deposit rate.
4. IAH must be a legal entity that has legal capacity to enter into Wakalah bi al-Istithmar contract.

Table 23: Disclosure on Profit Sharing Investment Account

RHB Islamic Bank	2025	2024
<u>Unrestricted Investment Account (URIA)</u>	%	%
Return on Assets (ROA)	5.94	13.33
Average Net Distributable Income	7.75	5.19
Average Net Distributable Income Attributable to the Investment Account Holder (IAH)	3.58	3.94
	RM'000	RM'000
Impaired assets funded by URIA	107	11,781
Impairment provisions funded by URIA	27	9,759

Note:

1. Return on Assets (ROA) refers to total gross income/average amount of assets funded by URIA. The decrease in ROA in 2025 is attributed to expansion of portfolio of underlying assets, whereby additional variable rate Personal Financing-i products with lower gross return were added into the portfolio, which originally only consists of fixed rate high yield assets. Although income continued to increase year-on-year, the growth in underlying assets with a lower weighted-average yield, led to a moderation of ROA compared to 2024.
2. Average Net Distributable Income refers to total average net distributable income/average amount of assets funded by URIA.
3. Impairment provisions funded by URIA cover Stage 1, Stage 2, and Stage 3 ECL.

Restricted Investment Account (RIA)

As at 31 December 2025, there were no financial assets funded by RIA with external investors.

As at 31 December 2024, the Return on Assets and Average Net Distributable Income Ratio were 6.88%, and impaired assets for financial assets funded by RIA with external investors amounted to RM564,169,000.

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13.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Bank faced mainly involving multiple legal requirements in various jurisdictions which in turn result in compliance with different sets of standards. Some of these requirements may be unique to a jurisdiction or may be incompatible with each other, including those with respect to fiduciary duties, securities laws requirements and deal structure.

Additionally, political considerations such as the country's national security interest, offering policies on foreign investment, anti-trust and labor and employment policies may also require careful consideration. Due to this, there is a need for the Bank to set out the policies and underline the expected conduct when venturing into such business activity.

This is to safeguard the Bank's interest and reduce the compliance risk associated with the overseas business activities. In addition, the Bank is also guided by the Country Risk limit, to manage the credit concentration risk arising from changes in the country's business environment where it has exposure in.

14.0 REPUTATIONAL RISK

Reputational risk is defined as the risk that negative publicity regarding the conduct of the Bank, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Bank, affecting the share price.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. The Bank has implemented the Group Reputational Risk Management Policy which outlines the core principles to manage reputational risk.

15.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Bank's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

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Table 24: Glossary of Terms

AI	Artificial Intelligence	HQLA	High-Quality Liquidity Assets
A-IRB	Advanced Internal Ratings-Based Approach	IA	Impairment Allowance
ASB	Amanah Saham Bumiputera	IA	Investment Account
AST	Ancillary Status Trigger	IAH	Investment Account Holder
BCC	Board Credit Committee	ICAAP	Internal Capital Adequacy Assessment Process
BCM	Business Continuity Management	IT	Information Technology
BNM	Bank Negara Malaysia	IRB Approach	Internal Ratings-Based Approach
Board	Board of Directors	LCR	Liquidity Coverage Ratio
BRC	Board Risk Committee	LGD	Loss Given Default
BRC-i	Board Risk Committee of RHB Islamic Bank	MARC	Malaysian Rating Corporation Berhad
CAFIB	Capital Adequacy Framework for Islamic Banks	MATs	Management Action Triggers
CCB	Capital Conservation Buffer	MDBs	Multilateral Development Banks
CCP	Central Counterparties	MFRS 9	Malaysian Financial Reporting Standards 9
CCR	Counterparty Credit Risk	Moody's	Moody's Investors Services
CCyB	Countercyclical Capital Buffer	MST	Mandatory Status Trigger
CET	Common Equity Tier	MYR	Malaysian Ringgit
CET 1	Common Equity Tier 1	NSFR	Net Stable Funding Ratio
CoE	Centre of Expertise	OTC	Over-the-Counter
CRM	Credit Risk Mitigation	PD	Probability of Default
DFIs	Development Financial Institutions	PSIA	Profit Sharing Investment Accounts
D-SIB	Domestic Systemically Important Bank	PV01	Price Value of a Basis Point
EAD	Exposure at Default	R&I	Rating and Investment Information, Inc
EaR	Earnings-at-Risk	RAIA	Restricted Agency Investment Account
ECAIs	External Credit Assessment Institutions	RAM	Rating Agency Malaysia
ECL	Expected Credit Loss	REAIRM	Responsible & Ethical Artificial Intelligence Risk Management
EL	Expected Loss	RIA	Restricted Investment Account
EUR	Euro Dollar	RMiT	Risk Management in Technology
EVE	Economic Value of Equity	RM'000	Malaysian Ringgit in nearest thousand
F-IRB	Foundation Internal Ratings-Based Approach	R&R	Rescheduling and Restructuring
Fitch	Fitch Ratings	ROA	Return on Assets
FTFC	Fair treatment of Financial Consumer	RSME	Retail Small and Medium Sized Enterprises
FVOCI	Fair Value Through Other Comprehensive Income	RWA	Risk-Weighted Assets
FVTPL	Fair Value Through Profit and Loss	SA	Standardised Approach
FX	Foreign Exchange	SAC	Shariah Advisory Council
GBP	Pound Sterling	SCR	Shariah Committee of RHB Islamic Bank
GCC	Group Credit Committee	SGD	Singapore Dollar
GCG	Group Credit Guidelines	S&P	Standard & Poor's
GCPM	Group Credit Procedures Manual	SMEs	Small-and medium-sized enterprises
GCRC	Group Capital and Risk Committee	URIA	Unrestricted Investment Account
GCRO	Group Chief Risk Officer	USD	US Dollar
GIUC	Group Investment Underwriting Committee	VaR	Value-at-Risk
Group ALCO	Group Asset and Liability Committee	WMMIA-i	Wakalah Money Market Investment Account-i
Group ALM	Group Asset and Liability Management		