

RHB Islamic Bank Berhad

Basel II Pillar 3 Quantitative Disclosures

30 June 2014

**RHB ISLAMIC BANK
BASEL II PILLAR 3 DISCLOSURES AS AT 30 JUNE 2014**

Statement by Managing Director

In accordance with the requirements of Bank Negara Malaysia's Guideline on 'Capital Adequacy Framework for Islamic Bank ('CAFIB') – Disclosure Requirements ('Pillar 3'), and on behalf of the Board and Senior Management of RHB Islamic Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 Quantitative Disclosures of RHB Islamic Bank Berhad as at 30 June 2014 are complete.

Ibrahim Bin Hassan
Managing Director

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INTRODUCTION

This document discloses RHB Islamic Bank's quantitative disclosure in accordance with the disclosure requirements as outlined in the Capital Adequacy Framework for Islamic Bank ('CAFIB') – Disclosure Requirements ('Pillar 3') issued by Bank Negara Malaysia ('BNM').

This document covers only quantitative information as at 30 June 2014 with comparative quantitative information of the preceding financial year as at 31 December 2013. This disclosure report has been verified and approved internally in line with the RHB Banking Group Pillar 3 Disclosure Policy.

RHB Islamic Bank's Pillar 3 disclosure report will be made available under the Investor Relations section of the Bank's website at www.rhb.com.my and as a separate report in the half-yearly condensed financial statements, after the notes to the financial statements.

SCOPE OF APPLICATION

In this Pillar 3 document, RHB Islamic Bank's information is presented at entity level, RHB Islamic Bank is a wholly owned subsidiary of RHB Bank Berhad as at 30 June 2014 and is referred to as 'the Bank'.

The total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (Capital Components) and Capital Adequacy Framework for Islamic Bank (Risk-weighted Assets) dated 28 November 2012.

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Table 1: Capital Adequacy Ratios

	RHB Islamic Bank	
	As at	As at
	30.06.2014	31.12.2013
Common Equity Tier I capital ratio	12.681%	13.864%
Tier I capital ratio	12.681%	13.864%
Total capital ratio	16.264%	14.424%

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

<u>Risk Types</u>	RHB Islamic Bank	
	As at	As at
	30.06.2014	31.12.2013
	RM'000	RM'000
Credit RWA	18,536,668	14,818,230
Credit RWA Absorbed by PSIA	(2,942,101)	(1,307,029)
Market RWA	121,258	160,838
Operational RWA	836,179	783,884
Total	16,552,004	14,455,923

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

<u>Risk Types</u>	RWA		Minimum Capital Requirements at 8%	
	As at	As at	As at	As at
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Credit Risk	15,594,567	13,511,201	1,247,565	1,080,896
<i>Under Standardised Approach</i>	18,536,668	14,818,230	1,482,933	1,185,458
<i>Absorbed by PSIA under Standardised Approach</i>	(2,942,101)	(1,307,029)	(235,368)	(104,562)
Market Risk				
<i>Under Standardised Approach</i>	121,258	160,838	9,701	12,867
Operational Risk				
<i>Under Basic Indicator Approach</i>	836,179	783,884	66,894	62,711
Total	16,552,004	14,455,923	1,324,160	1,156,474

Note: The Bank do not have any capital requirement for Large Exposure Risk as there was no exposure arising from equity holdings.

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Table 4: Capital Structure

	RHB Islamic Bank	
	As at	As at
	30.06.2014	31.12.2013
	RM'000	RM'000
<u>Common Equity Tier I Capital (CET I) / Tier I Capital</u>		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	488,981	441,401
Other reserves	489,188	441,609
Unrealised losses on AFS financial instruments	(32,314)	(29,302)
Less:		
Deferred tax assets	(17,693)	(17,281)
Other intangibles	(2,529)	(5,580)
Ageing Reserves and Liquidity Reserve	(2)	(92)
Total CET I Capital / Tier I Capital	2,099,055	2,004,179
<u>Tier II Capital</u>		
Subordinated sukuk	500,000	-
Collective impairment allowance [^]	92,984	81,059
Total Tier II Capital	592,984	81,059
Total Capital	2,692,039	2,085,238

[^] Excludes collective assessment impairment allowance attributable to loans, advances, and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on 'Classification and Impairment Provisions for Loans/Financing'.

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Table 5a: Portfolios under the Standardised Approach by Risk-Weights as at 30 June 2014

Exposure Class	Exposure After Credit Risk Mitigation Risk Weight (%)							Total Exposures
	0%	20%	35%	50%	75%	100%	150%	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach								
Sovereigns & Central Banks	5,966,431	10,785	-	-	-	-	-	5,977,216
Public Sector Entities	2,396,411	2,164	-	-	-	-	-	2,398,575
Banks, Development Financial Institutions & MDBs	4,848	1,323,369	-	112,515	-	-	-	1,440,732
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	104,653	-	104,653
Corporates	661,149	2,656,282	-	665,502	-	6,258,596	24,817	10,266,346
Regulatory Retail	61,311	9,001	-	8,693	12,261,630	1,214,477	71,907	13,627,019
Higher Risk Assets	-	-	-	-	-	-	200,587	200,587
Other Assets	18,248	-	-	-	-	123,078	-	141,326
Total Exposures after Credit Risk Mitigation	9,108,398	4,001,601	-	786,710	12,261,630	7,700,804	297,311	34,156,454
Total Risk-Weighted Assets	-	800,320	-	393,355	9,196,223	7,700,804	445,966	18,536,668

Table 5b: Portfolios under the Standardised Approach by Risk-Weights as at 31 December 2013

Exposure Class	Exposure After Credit Risk Mitigation Risk Weight (%)							Total Exposures
	0%	20%	35%	50%	75%	100%	150%	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach								
Sovereigns & Central Banks	8,361,466	-	-	-	-	-	-	8,361,466
Public Sector Entities	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	9,786	1,524,411	-	107,866	-	-	-	1,642,063
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-
Corporates	684,202	2,546,915	-	802,785	-	3,868,583	51,291	7,953,776
Regulatory Retail	54,782	5,495	-	5,148	11,000,359	815,165	93,894	11,974,843
Higher Risk Assets	-	-	-	-	-	-	214,422	214,422
Other Assets	8,590	-	-	-	-	71,539	-	80,129
Total Exposures after Credit Risk Mitigation	9,118,826	4,076,821	-	915,799	11,000,359	4,755,287	359,607	30,226,699
Total Risk-Weighted Assets	-	815,364	-	457,899	8,250,269	4,755,287	539,411	14,818,230

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Table 6a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On & Off-Balance Sheet Exposures) as at 30 June 2014

<u>Exposure Class</u>	Gross	Net Exposures /	Risk-Weighted	Risk-Weighted	Total Risk	Minimum Capital
	Exposures / EAD before CRM	EAD after CRM	Assets	Assets Absorbed by PSIA	Weighted Assets After Effect of PSIA	Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Exposures under the Standardised Approach (SA)</u>						
<u>On-Balance Sheet Exposures</u>						
Sovereigns/Central Banks	5,977,216	5,977,216	2,157	-	2,157	173
Public Sector Entities	2,398,575	2,398,575	433	-	433	35
Banks, Development Financial Institutions & MDBs	1,311,302	1,311,302	261,419	-	261,419	20,913
Insurance Cos, Securities Firms & Fund Managers	104,653	104,653	104,653	-	104,653	8,372
Corporates	8,931,375	8,931,375	5,855,175	(1,981,467)	3,873,708	309,897
Regulatory Retail	12,084,667	12,084,667	9,309,061	(960,634)	8,348,427	667,874
Higher Risk Assets	200,587	200,587	300,881	-	300,881	24,070
Other Assets	141,326	141,326	123,078	-	123,078	9,846
Defaulted Exposures	231,172	231,172	253,169	-	253,169	20,254
Total On-Balance Sheet Exposures	31,380,873	31,380,873	16,210,026	(2,942,101)	13,267,925	1,061,434
<u>Off-Balance Sheet Exposures</u>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,775,581	2,775,581	2,326,642	-	2,326,642	186,131
Total Off-Balance Sheet Exposures	2,775,581	2,775,581	2,326,642	-	2,326,642	186,131
Total On and Off-Balance Sheet Exposures	34,156,454	34,156,454	18,536,668	(2,942,101)	15,594,567	1,247,565

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Table 6b: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On & Off-Balance Sheet Exposures) as at 31 December 2013

<u>Exposure Class</u>	Gross	Net Exposures /	Risk-Weighted	Risk-Weighted	Total Risk	Minimum Capital
	Exposures / EAD before CRM	EAD after CRM	Assets	Assets Absorbed by PSIA	Weighted Assets After Effect of PSIA	Requirement at 8%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Exposures under the Standardised Approach (SA)</u>						
<u>On-Balance Sheet Exposures</u>						
Sovereigns/Central Banks	8,361,466	8,361,466	-	-	-	-
Public Sector Entities	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,534,521	1,534,521	305,200	-	305,200	24,416
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	7,276,141	7,276,141	4,192,357	(258,097)	3,934,260	314,741
Regulatory Retail	9,925,538	9,925,538	7,595,143	(1,026,675)	6,568,468	525,477
Higher Risk Assets	200,619	200,619	300,928	-	300,928	24,074
Other Assets	80,129	80,129	71,539	-	71,539	5,723
Defaulted Exposures	262,245	262,245	326,393	(22,257)	304,136	24,331
Total On-Balance Sheet Exposures	27,640,659	27,640,659	12,791,560	(1,307,029)	11,484,531	918,762
<u>Off-Balance Sheet Exposures</u>						
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,586,040	2,586,040	2,026,670	-	2,026,670	162,134
Total Off-Balance Sheet Exposures	2,586,040	2,586,040	2,026,670	-	2,026,670	162,134
Total On and Off-Balance Sheet Exposures	30,226,699	30,226,699	14,818,230	(1,307,029)	13,511,201	1,080,896

Table 7a: Exposures for Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 30 June 2014

<u>Nature of Item</u>	Principal / Notional Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	-		-	-
Transaction-related contingent items	100,288		50,144	37,229
Short-term self-liquidating trade-related contingencies	91,697		18,339	18,318
Assets sold with recourse	-		-	-
NIFs and obligations under underwriting agreement	76,000		38,000	38,000
Foreign exchange related contracts	497,449	2,870	11,735	8,160
1 year or less	497,449	2,870	11,735	8,160
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Profit rate related contracts	4,025,000	24,183	122,282	55,939
1 year or less	600,000	-	600	300
Over 1 year to 5 years	3,125,000	20,903	103,403	46,499
Over 5 years	300,000	3,280	18,279	9,140
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	4,121,381		2,060,691	1,739,796
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,919,963		383,993	361,402
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 borrower's creditworthiness	451,987		90,397	67,798
Total	11,283,765	27,053	2,775,581	2,326,642

Table 7b: Exposures for Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2013

<u>Nature of Item</u>	Principal / Notional Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	-		-	-
Transaction-related contingent items	102,870		51,435	34,486
Short-term self-liquidating trade-related contingencies	103,292		20,658	20,472
Assets sold with recourse	758,566		758,566	574,137
NIFs and obligations under underwriting agreement	76,000		38,000	38,000
Foreign exchange related contracts	662,085	694	3,165	2,041
1 year or less	662,085	694	3,165	2,041
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Profit rate related contracts	3,425,000	23,457	105,607	52,803
1 year or less	-	-	-	-
Over 1 year to 5 years	3,425,000	23,457	105,607	52,803
Over 5 years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	2,381,882		1,190,941	927,183
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,685,436		337,087	317,112
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 borrower's creditworthiness	402,904		80,581	60,436
Total	9,598,035	24,151	2,586,040	2,026,670

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Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 30 June 2014

<u>Exposure Class</u>	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, 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
<u>Exposures under Standardised Approach</u>												
Sovereigns & Central Banks	-	-	-	-	-	-	-	3,616,781	2,360,435	-	-	5,977,216
Public Sector Entities	-	-	-	-	-	-	-	-	2,398,575	-	-	2,398,575
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	1,440,732	-	-	-	1,440,732
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	104,653	-	-	-	104,653
Corporates	467,986	100,754	552,368	601,015	699,216	781,437	2,498,084	3,774,404	581,369	-	209,713	10,266,346
Regulatory Retail	28,667	5,599	98,307	1,236	125,101	135,783	44,823	108,587	13,517	12,630,496	434,903	13,627,019
Higher Risk Assets	-	-	-	-	200,587	-	-	-	-	-	-	200,587
Other Assets	-	-	-	-	-	-	-	-	-	-	141,326	141,326
Total	496,653	106,353	650,675	602,251	1,024,904	917,220	2,542,907	9,045,157	5,353,896	12,630,496	785,942	34,156,454

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2013

<u>Exposure Class</u>	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, 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
<u>Exposures under Standardised Approach</u>												
Sovereigns & Central Banks	-	-	-	-	-	-	-	3,495,728	4,865,738	-	-	8,361,466
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	1,642,063	-	-	-	1,642,063
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	205,918	28,287	848,204	593,303	279,931	637,178	715,014	4,110,605	357,447	-	177,889	7,953,776
Regulatory Retail	30,195	4,924	101,945	1,029	105,815	131,624	54,484	92,446	13,314	11,155,182	283,885	11,974,843
Higher Risk Assets	-	-	-	-	200,619	-	-	13,803	-	-	-	214,422
Other Assets	-	-	-	-	-	-	-	-	-	-	80,129	80,129
Total	236,113	33,211	950,149	594,332	586,365	768,802	769,498	9,354,645	5,236,499	11,155,182	541,903	30,226,699

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Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 30 June 2014

<u>Exposure Class</u>	<u>One year or less</u>	<u>More than one to five years</u>	<u>Over five years</u>	<u>Total</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	2,777,494	376,032	2,823,690	5,977,216
Public Sector Entities	-	-	2,398,575	2,398,575
Banks, Development Financial Institutions & MDBs	1,314,201	103,403	23,128	1,440,732
Insurance Cos, Securities Firms & Fund Managers	962	103,691	-	104,653
Corporates	311,417	2,977,549	6,977,380	10,266,346
Regulatory Retail	118,027	1,561,503	11,947,489	13,627,019
Higher Risk Assets	-	-	200,587	200,587
Other Assets	-	-	141,326	141,326
Total	<u>4,522,101</u>	<u>5,122,178</u>	<u>24,512,175</u>	<u>34,156,454</u>

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2013

<u>Exposure Class</u>	<u>One year or less</u>	<u>More than one to five years</u>	<u>Over five years</u>	<u>Total</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	2,567,663	365,493	5,428,310	8,361,466
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,526,670	54,515	60,878	1,642,063
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	326,585	1,433,641	6,193,550	7,953,776
Regulatory Retail	93,811	1,343,668	10,537,364	11,974,843
Higher Risk Assets	13,803	-	200,619	214,422
Other Assets	-	-	80,129	80,129
Total	<u>4,528,532</u>	<u>3,197,317</u>	<u>22,500,850</u>	<u>30,226,699</u>

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Table 10a: Rated Exposures According to Ratings by ECAIs as at 30 June 2014

Ratings of Corporates by Approved ECAIs	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
<u>Exposure Class</u>	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	
	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	
<u>On & Off - Balance Sheet Exposures</u>							
Public Sector Entities		-	-	-	-	2,398,575	
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	104,653	
Corporates		2,648,658	630,815	-	-	6,986,873	
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
<u>Exposure Class</u>	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	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 & Off - Balance Sheet Exposures</u>							
Sovereigns & Central Banks		-	5,977,216	-	-	-	-
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
<u>Exposure Class</u>	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
	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 & Off - Balance Sheet Exposures</u>							
Banks, Development Financial Institutions & MDBs		1,328,217	112,515	-	-	-	-

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Table 10b: Rated Exposures According to Ratings by ECAIs as at 31 December 2013

Ratings of Corporates by Approved ECAIs	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
<u>Exposure Class</u>	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	
	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	
<u>On & Off - Balance Sheet Exposures</u>							
Public Sector Entities		-	-	-	-	-	
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	
Corporates		2,536,244	788,432	-	-	4,629,100	
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
<u>Exposure Class</u>	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	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 & Off - Balance Sheet Exposures</u>							
Sovereigns & Central Banks		-	8,361,466	-	-	-	-
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
<u>Exposure Class</u>	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
	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 & Off - Balance Sheet Exposures</u>							
Banks, Development Financial Institutions & MDBs		1,534,197	107,866	-	-	-	-

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 BASEL II PILLAR 3 DISCLOSURES AS AT 30 JUNE 2014

Table 11a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 30 June 2014

<u>Exposure Class</u>	<u>Exposures Before Credit Risk Mitigation</u> RM'000	<u>Exposures Covered by Guarantees / Credit Derivatives</u> RM'000	<u>Exposures Covered by Eligible Financial Collateral</u> RM'000
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	5,977,216	-	-
Public Sector Entities	2,398,575	2,396,411	-
Banks, Development Financial Institutions & MDBs	1,311,302	4,848	-
Insurance Cos, Securities Firms & Fund Managers	104,653	-	-
Corporates	8,931,375	629,828	30,820
Regulatory Retail	12,084,667	-	61,579
Higher Risk Assets	200,587	-	-
Other Assets	141,326	-	-
Defaulted Exposures	231,172	324	4,351
Total On-Balance Sheet Exposures	31,380,873	3,031,411	96,750
<u>Off-Balance Sheet Exposures</u>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,775,581	-	-
Total Off-Balance Sheet Exposures	2,775,581	-	-
Total On and Off-Balance Sheet Exposures	34,156,454	3,031,411	96,750

Table 11b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2013

<u>Exposure Class</u>	<u>Exposures Before Credit Risk Mitigation</u> RM'000	<u>Exposures Covered by Guarantees / Credit Derivatives</u> RM'000	<u>Exposures Covered by Eligible Financial Collateral</u> RM'000
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	8,361,466	3,313,818	-
Public Sector Entities	-	-	-
Banks, Development Financial Institutions & MDBs	1,534,521	9,786	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-
Corporates	7,276,141	649,702	32,843
Regulatory Retail	9,925,538	71	55,710
Higher Risk Assets	200,619	-	-
Other Assets	80,129	-	-
Defaulted Exposures	262,245	411	5,185
Total On-Balance Sheet Exposures	27,640,659	3,973,788	93,738
<u>Off-Balance Sheet Exposures</u>			
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,586,040	-	-
Total Off-Balance Sheet Exposures	2,586,040	-	-
Total On and Off-Balance Sheet Exposures	30,226,699	3,973,788	93,738

Table 12a: Impaired, Past Due Financing and Allowances for Impairment by Industry Sector as at 30 June 2014

<u>Industry Sector</u>	<u>Impaired Advances / Financing</u>	<u>Past Due Financing</u>	<u>Individual Impairment Allowances</u>	<u>Collective Impairment Allowances</u>
	RM'000	RM'000	RM'000	RM'000
Agriculture	313	913	-	5,014
Mining & Quarrying	-	64	-	96
Manufacturing	34,000	16,880	7,201	17,501
Electricity, Gas & Water Supply	-	-	-	1,313
Construction	45,156	8,498	15,872	10,292
Wholesale, Retail Trade, Restaurants & Hotels	35,407	7,898	4,734	11,788
Transport, Storage & Communication	148	3,192	-	7,008
Finance, Insurance, Real Estate & Business	108,379	4,328	61,613	14,257
Education, Health & Others	10,331	826	3,708	4,114
Household	174,402	622,641	-	94,103
Others	1,164	-	-	159
Total	409,300	665,240	93,128	165,645

Note: As at 30 June 2014, all impaired, past due and allowances for impaired financing are for credit exposures booked in Malaysia.

Table 12b: Impaired, Past Due Financing and Allowances for Impairment by Industry Sector as at 31 December 2013

<u>Industry Sector</u>	<u>Impaired Advances / Financing</u>	<u>Past Due Financing</u>	<u>Individual Impairment Allowances</u>	<u>Collective Impairment Allowances</u>
	RM'000	RM'000	RM'000	RM'000
Agriculture	4,546	670	-	2,858
Mining & Quarrying	-	237	-	67
Manufacturing	48,782	12,402	10,947	14,178
Electricity, Gas & Water Supply	-	-	-	1,436
Construction	49,357	7,326	22,266	8,372
Wholesale, Retail Trade, Restaurants & Hotels	36,891	9,074	7,262	10,812
Transport, Storage & Communication	1,296	6,741	-	4,468
Finance, Insurance, Real Estate & Business	115,685	4,457	70,384	18,427
Education, Health & Others	10,116	1,459	844	3,947
Household	163,447	485,992	-	73,889
Others	1,147	-	-	7,315
Total	431,267	528,358	111,703	145,769

Note: As at 31 December 2013, all impaired, past due and allowances for impaired financing are for credit exposures booked in Malaysia.

Table 13: Net Charges/(Write-back) and Write-Offs for Impairment by Industry Sector

<u>Industry Sector</u>	<u>Six Months Period Ended 30.06.2014</u>		<u>Twelve Months Period Ended 31.12.2013</u>	
	<u>Net Charges/(Write-back) for Individual Impairment Allowances</u>		<u>Net Charges/(Write-back) for Individual Impairment Allowances</u>	
	<u>RM'000</u>	<u>Write-Offs RM'000</u>	<u>RM'000</u>	<u>Write-Offs RM'000</u>
Agriculture	-	-	-	-
Mining & Quarrying	-	-	-	-
Manufacturing	(456)	378	2,836	4,774
Electricity, Gas & Water Supply	-	-	-	-
Construction	(6,394)	329	6,245	2,106
Wholesale, Retail Trade, Restaurants & Hotels	(2,528)	161	1,205	2,703
Transport, Storage & Communication	-	-	-	-
Finance, Insurance, Real Estate & Business	(8,576)	150	15,585	-
Education, Health & Others	2,864	166	(1,194)	-
Household	-	12,360	-	30,596
Others	-	-	-	334
Total	(15,090)	13,544	24,677	40,513

Table 14: Reconciliation of Changes to Financing Impairment Allowances

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Individual Impairment Allowance		
Balance as at the beginning of financial period/year	111,703	89,013
Net allowance/(written back) made during the period/year	(15,090)	24,677
Amount written off	-	(6,637)
Reclassification (to)/from collective impairment allowance	(3,485)	4,650
Balance as at the end of financial period/year	93,128	111,703
Collective Impairment Allowance		
Balance as at the beginning of financial period/year	145,769	177,774
Net allowance/(written back) made during the period/year	29,935	6,522
Amount written off	(13,544)	(33,877)
Reclassification from/(to) individual impairment allowance	3,485	(4,650)
Balance as at the end of financial period/year	165,645	145,769

Table 15a: Market Risk-Weighted Assets and Capital Charge as at 30 June 2014

Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Capital Charge RM'000
Profit Rate Risk	1,315,728	1,147,449	99,367	7,950
Foreign Currency Risk	21,891	1,590	21,891	1,751
Total			121,258	9,701

Note:

As at 30 June 2014, RHB Islamic Bank did not have any exposure under

- equity risk, commodity risk, inventory risk and options risk, and
- market risk exposure absorbed by PSIA.

Table 15b: Market Risk-Weighted Assets and Capital Charge as at 31 December 2013

Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Capital Charge RM'000
Profit Rate Risk	1,593,416	800,000	118,997	9,520
Foreign Currency Risk	41,841	14	41,841	3,347
Total			160,838	12,867

Note:

As at 31 December 2013, RHB Islamic Bank did not have any exposure under

- equity risk, commodity risk, inventory risk and options risk, and
- market risk exposure absorbed by PSIA.

Table 16a: Profit Rate Risk / Rate of Return Risk in the Banking Book as at 30 June 2014

<u>Currency</u>	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase / (Decline) in Earnings		Increase/(Decline) in Economic Value	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
	RM'000	RM'000	RM'000	RM'000
MYR - Malaysian Ringgit	(20,930)	20,930	(289,205)	289,205
USD - US Dollar	(235)	235	(22)	22
Others ¹	21	(21)	42	(42)
Total	(21,144)	21,144	(289,185)	289,185

Note:

1. Inclusive of GBP, EUR, SGD, etc
2. As at 30 June 2014, RHB Islamic economic value was computed assuming that all profit sensitive position that of indeterminate maturity are classified under 1 week bucket. This is the more conservative approach that is adopted by BNM.
3. PSIA (Profit Sharing Investment Account) was initiated in 2012 between RHB Islamic and RHB Bank which qualifies as a risk absorbent.

Table 16b: Profit Rate Risk / Rate of Return Risk in the Banking Book as at 31 December 2013

<u>Currency</u>	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase / (Decline) in Earnings		Increase/(Decline) in Economic Value	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
	RM'000	RM'000	RM'000	RM'000
MYR - Malaysian Ringgit	(34,321)	34,321	(246,164)	246,164
Total	(34,321)	34,321	(246,164)	246,164

Note:

1. As at 31 December 2013, RHB Islamic economic value was computed assuming that all profit sensitive position that of indeterminate maturity are classified under 1 week bucket. This is the more conservative approach that is adopted by BNM.
2. PSIA (Profit Sharing Investment Account) was initiated in 2012 between RHB Islamic and RHB Bank which qualifies as a risk absorbent.

Table 17: Operational Risk-Weighted Assets and Capital Charge

<u>Operational Risk</u>	RHB Islamic Bank	
	As at 30.06.2014	As at 31.12.2013
	RM'000	RM'000
Risk-Weighted Assets	836,179	783,884
Risk Capital Charge	66,894	62,711