RHB ISLAMIC BANK BERHAD (680329-V) Incorporated in Malaysia

PRODUCT DISCLOSURE SHEET

(Please read and understand this Product Disclosure Sheet together with the general terms and conditions governing the Islamic FX Options before you decide to take up this product. Seek assistance from RHB Islamic Bank Berhad if you need further clarification on any part of this document or the terms used.)

ISLAMIC FX OPTIONS

Date: ______________________________
[to be filled by Sales/ Branch Personnel]

1. What is this product about?

Islamic FX Options is a plain vanilla option contract which allows the Client to hedge their foreign currency exposures. The terms of the contract will allow the Client to enter into the contract as a "Buyer" of the Option from RHB Islamic Bank ("RHBIB"). The types of FX Options are the Call Option or the Put Option.

Client as a Buyer of the Call Option

- If the Expiry Price is equal to or higher than the Call Option Strike Rate (Expiry Price ≥ Call Option Strike Rate), the Client will have the right but not the obligation to buy the Nominal Amount in one currency for another at a pre-determined Call Option Strike Rate on the Settlement Date.
- If the Expiry Price is lower than the Call Option Strike Rate (Expiry Price < Call Option Strike Rate), the option lapses and no exchange of currency will occur. As a buyer of the Call Option, the Client may need to pay a premium to RHBIB.

Client as a Buyer of the Put Option

- If the Expiry Price is equal to or lower than the Put Option Strike Rate (Expiry Price ≤ Put Option Strike Rate), the Client has the right but not the obligation to sell the Nominal Amount in one currency for another at a pre-determined Put Option Strike Rate on the Settlement Date.
- If the Expiry Price is higher than the Put Option Strike Rate (Expiry Price > Put Option Strike Rate), the option lapses and no exchange of currency will occur. In order to enjoy this right, the Client may need to pay a premium to RHBIB.

The Product can be used:

a) by Client(s) to hedge their FX exposures to the Strike Rate which they are comfortable with;
b) to limit Client(s)' financial risk to the amount of the premium paid to RHBIB.

This product may be suitable for Client(s) who:

- are looking to hedge foreign currency exposures at a potentially better rate than the prevailing forward rate;
- understand the risks associated with this product and are comfortable to bear the risks;
- have a view on the movements of a particular underlying currency pair for the tenor of the contract;
- are able to hold the contract to maturity.

2. What is the Shariah Contract applicable?

Wa'd: The undertaking of a unilateral promise to execute foreign exchange. The binding effect is only applicable to the promisor.

Commodity Murabahah via Tawarruq arrangement (monetization): The buy and sell transactions at cost plus profit involving a commodity as the underlying asset. RHBIB conducts the Commodity Murabahah trading with the Client to receive profit from the sale which is equivalent to the amount of the premium for the options selling.

Bai' Al-Sarf: A contract of exchange of money for money. In this product, it will be the exchange of currency between RHBIB and the Client on Settlement Date if the Options are exercised by the Client.

3. What do I get from this product?	
Product	Islamic FX Options is a foreign exchange hedging product where the Client can buy an option of their chosen currency. The Option can be a European Call Option or a European Put Option.
Nominal Amount	The principal amount to be exchanged to another currency at the applicable rate subject to the terms of the contract. The Client may choose the currency of the Nominal Amount.
Tenor	Tenor of the contract can be structured up to 2-years (or subject to availability).
Trade Date	The date the contract is concluded between the Client and RHBIB.
Value Date	The date when the agreed premium amount is paid by the Client to RHBIB.
Expiry Price	The spot rate of the currency pair observed at 2 p.m. Kuala Lumpur ("KL") time on the Expiry Date to determine whether the Client will exercise the Option at the Strike Rate or opts to have the Option lapse.
Expiry Dates	The date on which the Expiry Price is observed at 2 p.m. KL time.
Settlement Dates	a. Two (2) business days after each Expiry Date; and b. The date when an exchange of currencies for each tranche takes place (if any).
Call Option Strike Rate	The exchange rate which will be agreed upon when the contract is entered into. This is the rate at which the Client will buy the Nominal Amount in one currency for another with RHBIB on each of the Settlement Dates, depending on the terms of the contract. Subject to the terms of the particular contract, there could be different Call Option Strike Rates for each tranche.
Put Option Strike Rate	The exchange rate which will be agreed upon when the contract is entered into. This is the rate at which the Client will sell the Nominal Amount in one currency for another with RHBIB on each of the Settlement Dates, depending on the terms of the contract. Subject to the terms of the particular contract, there could be different Put Option Strike Rates for each tranche.
Premium	The price which will be agreed upon to buy the Option from RHBIB at the inception of the contract to be paid on the Value Date.
Payout Profile	**a) If the Client is a buyer of the Call Option** *Scenario 1: If the Expiry Price is equal to or higher than the Call Option Strike Rate.* If the Expiry Price is equal to or higher than the Call Option Strike Rate (Expiry Price ≥ Call Option Strike Rate) at 2 p.m. KL time on the Expiry Date, the Client will have the right but not the obligation to buy the Nominal Amount in one currency for another with RHBIB at the pre-determined Call Option Strike Rate on the Settlement Date. *Scenario 2: If the Expiry Price is lower than the Call Option Strike Rate.* If the Expiry Price is lower than the Call Option Strike Rate (Expiry Price < Strike Rate) at 2 p.m. KL time on the Expiry Date, there will be no exchange of currency between the Client and RHBIB.

	b) <u>If the Client is a buyer of the Put Option</u> *<u>Scenario 1: If the Expiry Price is equal to or lower than the Put Option Strike Rate.</u>* If the Expiry Price is equal to or lower than the Put Option Strike Rate (Expiry Price ≤ Put Option Strike Rate) at 2 p.m. KL time on the Expiry Date, the Client will have the right but not the obligation to sell the Nominal Amount in one currency for another with RHBIB at the pre-determined Put Option Strike Rate on the Settlement Date. *<u>Scenario 2: If the Expiry Price is higher than the Put Option Strike Rate.</u>* If the Expiry Price is higher than the Put Option Strike Rate (Expiry Price > Put Option Strike Rate) at 2 p.m. KL time on the Expiry Date, there will be no exchange of currency between the Client and RHBIB.
Business Day Convention	Business Day Convention is the convention of adjusting any given date specified in contract (e.g. A value date, settlement date etc.) that may fall on a day that is not a Business Day.

Documentation	• Product Disclosure Sheet
	• Risk Disclosure Sheet
	• Term Sheet
	• Wa'd Confirmation; and
	• For transactions with a tenor of one year or more:
	  - Islamic Derivatives Master Agreement (IDMA) or ISDA/IIFM Tahawwut Master Agreement
	  - Credit Support Annex-i or The 2017 Credit Support Deed For Cash Collateral (VM)
	  - Master Agency Agreement
	  - Client's Board Resolution
	
	• For transactions with a tenor of less than one (1) year:
	  - Bank's standard Islamic foreign exchange standard terms and conditions
	  - Client's Board Resolution.

Calculation Agent	RHBIB
4. What are the key terms and conditions of this product that I should know?	
Early Termination/Cancellation by Client	The Client can terminate the contract by selling back the same Option for the remaining tenor. In this instance, the Client will receive a premium which could be more (or less) than the initial premium amount paid.
Penalty for early take-up / Termination by Client	None
Unwinding Costs	There is no unwinding cost.
Additional Terms	The Product will be offered to the Client on the basis that RHBIB or its affiliates will not be providing advice or recommendation on the expected performance and result of the product. RHBIB will only provide clarification on the terms of this product. Other than this clarification, no fiduciary duty or obligation shall be owed by RHBIB to the Client. The Client shall be aware that no communication received from RHBIB or its affiliates shall be deemed to be an assurance or guarantee as to the expected performance or results of the product.

	The product is subject to all guidelines, rules or regulations ("Rules") by the relevant regulatory authority as may be applicable from time to time. If applicable, the Client must comply with and obtain any approvals required under the Rules themselves before participating in the product.

Scenario Analysis

<u>Scenario 5.1: When Client is a Buyer of Call Option</u>

Tranches	Expiry Date	Settlement Date	Expiry Price (i.e. Spot rate at 2 p.m.)	Call Option Strike Rate	Nominal Amount In USD
1	5-Jan-2018	7-Jan-2018	4.4750	4.4600	500,000
2	6-Feb-2018	8-Feb-2018	4.4600	4.4750	500,000
3	8-Mar-2018	10-Mar-2018	4.4800	4.4800	500,000

The Client has an underlying commitment in **<u>USD and needs to buy</u>** USD 500,000 against MYR on each tranche for the next 3 months. In order to hedge the exposure, the Client decides to enter into the Islamic FX Option by buying a USD/MYR Call Option from RHBIB. As a buyer of a Call Option, the Client will <u>pay a premium to RHBIB</u>.

1. On the first (1) tranche (5-Jan-2018), the USD/MYR spot rate at 2 p.m. KL time (4.4750) is higher than the Call Option Strike Rate (4.4600). The Client **<u>will buy</u>** USD 500,000 at the Call Option Strike Rate of 4.4600 for settlement on the relevant Settlement Date (7-Jan-2018).
2. On the second (2) tranche (6-Feb-2018), the USD/MYR spot rate at 2 p.m. KL time (4.4600) is lower than the Call Option Strike Rate (4.4750). There will be no exchange of currencies between the Client and RHBIB for the relevant Settlement Date (10-Feb-2018).
3. On the third (3) tranche (8-Mar-2018), the USD/MYR spot rate at 2 p.m. KL time (4.4800) is the same as the Call Option Strike Rate (4.4800). As a buyer of the Call Option, the Client can chose whether to buy USD 500,000 at the Call Option Strike Rate (4.4800) **<u>or</u>** to let the Call Option lapse.

<u>Scenario 5.2: When the Client is a Buyer of Put Option</u>

Tranches	Expiry Date	Settlement Date	Expiry Price (i.e. Spot rate at 2 p.m.)	Put Option Strike Rate	Nominal Amount In USD
1	5-Mar-2018	7-Mar-2018	4.4500	4.4600	100,000
2	15-Apr-2018	17-Apr-2018	4.4700	4.4600	100,000

1. On the First (1) Tranche (5-Mar-2018), the USD/MYR spot rate at 2 p.m. KL time (4.4500) is lower than the Put Option Strike Rate (4.6000). The Client will sell USD 100,000 to the Bank at the Put Option Strike Rate of 4.4600 for settlement on the relevant Settlement Date (7-Mar-2018).
2. On the Second (2) Tranche (15-Apr-2018), the USD/MYR spot rate at 2 p.m. KL time (4.4700) is higher than the Put Option Strike Rate (4.4600). There will be no exchange of currencies between the Client and the Bank for the relevant Settlement Date (17-Apr-2018).

<u>Scenario 5.3: Early Termination of the Product</u>

The Client can terminate the contract by selling back the same Call / Put Option for the remaining tenor. In this instance, the Client will receive a premium which could be more (or less) than the initial premium amount paid.

Termination / Cancellation before maturity	
Unwinding Cost for early Termination / Cancellation by the Client	Prevailing market rate to sell back the Option

*Please note: The above scenario analysis are meant for illustration purposes and **<u>do not</u>** reflect the current or future market trends or expected performance of the product.*

5. What are the fees and charges I have to pay?

There will be no fees charged for entering into the Islamic FX Options contract. The Client will only need to pay the premium for buying the Call Option or the Put Option.

6. What are the risk involved?

The Client will be exposed to the following risks:

- The Option bought by the Client may expire worthless (i.e. Option lapsed). The Client will lose premium paid at the inception of the contract.
- If the Client decides to cancel the contract prior to maturity, the Client will need to sell back the Option with the same trade parameters for the remaining tenor. The premium received from selling the option might be less than the initial premium paid when buying the initial Option.

Additional risks associated with this product:

Credit Risk

By entering into any contract, the Client is subject to the credit risk of RHBIB i.e. the risk that RHBIB may not pay any amounts when due.

Market Risk

Currency markets are highly volatile and the prices of the underlying currencies can fluctuate rapidly over wide ranges and may reflect unforeseen events or changes in conditions. The Client's losses or gains may be linked to changes in markets to which a particular currency is linked and such markets may not perform similar to the local market that the Client may be familiar with. Therefore the Client may be exposed to volatility of such market(s) which may present greater volatility than the local markets.

Liquidity Risk

Due to prevailing market rate conditions it may not be possible to liquidate, nor to assess a fair value of your position. This is the risk that there may not be other buyers or sellers for the contract which you have bought or entered into. It may be difficult, and in some circumstances impossible, to sell your contract or remove your liability on it. If liquidity in the market is limited, you may be able to sell your position or remove your liability only at a disadvantageous price. A market with little or no liquidity can also make it difficult to value the position of your transaction.

Options Risk

Option Transactions may carry a high degree of risk. The purchaser of an option may offset or exercise the option or allow the option to expire; if the purchased option expires worthless the purchaser will suffer a total loss of his investment which will consist of the option premium plus transaction costs.

Legal Risk

Any contract will be subject to laws, guidelines or rules issued by the relevant regulatory authority which may including exchange control restrictions. In addition any contract entered into will be subject to such terms and conditions and/or agreements to be entered into as required by RHBIB. Prior to engaging in any contract, you will need to understand your rights and obligations under such terms and conditions and/or agreements as well as all your obligations under applicable laws. Regulatory authorities may at their discretion prescribe additional terms and conditions from time to time. Please seek your independent legal advice, if necessary.

Tax Risk

The tax authorities may interpret or characterize the returns on a related contract in a way which may subject the Client to taxes that they may not have anticipated. Please consult your own tax adviser on the tax implications of this product.

Operational Risk

The Client needs to be aware that payment under the various products is dependent on the smooth functioning of numerous operational components. Disruption to any of these parts, which could be caused by any number of factors, for example, market disruption or system interruption may cause delays beyond the control of RHB

Bank. In addition, the Client should be aware of the need to monitor the product and to take any follow-up action the Client deems necessary.

7. What do I need to do if there are changes to my contact details?

It is important that you inform us immediately of any change in your contact details to ensure that all correspondences reach you in a timely manner.

8. Where can I get assistance and redress?

a) If you wish to complain on the products or services provided by us, you may contact us at:

RHB Banking Group
Treasury Solutions
Group Treasury & Global Markets,
Level 3, Tower Two, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-9207 2666 *(from 9 a.m. to 5 p.m. on normal business day)*
Fax : 03-9287 4607
E-mail : customer.service@rhbgroup.com

b) If your query or complaint is not satisfactorily resolved by us, you may contact Bank Negara Malaysia LINK or TELELINK at:

Laman Informasi Nasihat dan Khidmat (BNMLINK)
Block D, Bank Negara Malaysia
Jalan Dato' Onn,
50480 Kuala Lumpur.
Tel : 1-300-88-5465
Fax : 03-2174 1515
E-mail : bnmtelelink@bnm.gov.my

9. Where can I get further information?

If you have any enquiries, please contact us at:

RHB Banking Group
Treasury Solutions
Group Treasury & Global Markets,
Level 3, Tower Two, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-9207 2666*(from 9 a.m. to 5 p.m. on normal business day)*
Fax : 9287 4607
E-mail : customer.service@rhbgroup.com

10. Other derivatives (hedging) product?

Islamic Structured Forward

The information provided in this product disclosure sheet is valid as of xx February 2019

I / We hereby confirm having explained the Product Disclosure Sheet to the Client.

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Staff Name:
Staff ID:
Date:

I / We hereby confirm having received and understand the explanation given.

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Name:
NRIC:
Date: