



RHB ISLAMIC BANK BERHAD 200501003283 (680329-V) Incorporated in Malaysia

Index Risk Disclosures

ISLAMIC STRUCTURED INVESTMENT LINKED TO INDEX

This Index Risk Disclosures seeks to provide the Investor with a brief outline of some but not all of the risks associated with investing and trading in Islamic Structured Product Investments Linked to Index (the "Investment") which the Bank may offer from time to time. This Index Risk Disclosures must be read together with the Term Sheet, the Structured Investment Master Agreement, the Product Highlights Sheet, the Risk Disclosure Statement, the Confirmation, the Commodity Murabahah and Commodity Musawamah Terms & Conditions, and any other documents, forms and mandates required by the Bank and executed by the Investor ("Documentation"). Terms used in this Index Risk Disclosure shall have the same meaning as defined in the Documentation.

There are significant risks associated with this Investment including, but not limited to, foreign exchange risk, price risk, liquidity risk and credit risk. Investors should consult their own financial, legal, accounting, and tax advisors about the risk associated with this Investment, the appropriate tools to analyze the Investment, and the suitability of the Investment in each Investor's particular circumstances. No Investor should enter into the Investment described above unless the Investor understands and has sufficient financial resources to bear the price, foreign exchange, market, liquidity, structure, and other risks associated with the Investment.

1. Index

Index Name	:	xxx (the "Index")
Index Bloomberg Ticker	:	xx
Index Summary	:	xxx (for more information see the index rules)
Index Value	:	Index Value is calculated by the Index Calculation Agent in accordance with the Index Rules and published to Bloomberg with the Index Bloomberg Ticker, if applicable.
Index Currency	:	xxx

2. Parties

Index Sponsor	:	xxx
Index Committee	:	XXX, a committee whose membership comprises representatives from different functions within the Index Sponsor and which has responsibility for overseeing the role of the Index Sponsor and Index Calculation Agent under these Index Rules.
Index Calculation Agent	:	xxx

WARNING

THE RETURNS ON YOUR ISLAMIC STRUCTURED PRODUCT INVESTMENT WILL BE AFFECTED BY THE PERFORMANCE OF THE UNDERLYING ASSET / REFERENCE, AND THE RECOVERY OF YOUR PRINCIPAL INVESTMENT MAY BE JEOPARDISED IF YOU MAKE AN EARLY REDEMPTION. THIS ISLAMIC STRUCTURED PRODUCT INVESTMENT IS NOT PROTECTED BY PERBADANAN INSURANS DEPOSIT MALAYSIA.

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Party A	:	RHB Islamic Bank Berhad ("RHBIB" or "the Bank")
Party B	:	xxx ("Investor")
Calculation Agent	:	RHB Islamic Bank
Hedging Party	:	xxx

3. Index Risk Disclosure

The rebalancing methodology is a significant factor impacting the return of the Index :

The Index provides synthetic exposure to a selection of Index Components. The weighting and selection of the Index Components is based on the rule-based filters, selection guidelines and algorithm more fully set out in the Index Rules. There is no guarantee the Index based on such notional basket, as rebalanced from time to time, will outperform any benchmark or major indices, and the Index may underperform and may result in a potential notional loss of notional initial capital invested.

There can be no assurance that the Index Rebalancing Days on which rebalancing occurs and the relevant weighting and selection of the Index Components will be optimal. Selection of Index Components is made by applying the rule-based filters, selection guidelines and algorithm specified in the Index Rules on the assets constituting Basket. As a result, certain assets constituting the Basket may not be included as Index Components and there may be delays between adjustments on the Basket and the time when corresponding rebalances are carried out. It is possible that performance better than that of the Index can be achieved if assets constituting the Basket not included as Index Components were actually included as Index Components and/or one or more rebalances occur on earlier or later dates than those actually occurred in respect of the Index. It is also possible that performance better than that of the Index can be achieved if a weighting in respect of any Index Component which is higher or lower than that actually used in respect of the Index is applied.

In addition, the Index Sponsor is not obliged to change the Index composition in accordance with the Index Rebalance Mechanism. In respect of any such decision, the Index Sponsor shall act solely as principal on its own behalf, and not as agent or fiduciary for any investor in any financial products linked to an Index, and shall not take into account the interests of any investor in any financial products linked to the Index.

There is no guarantee that the Basket related to the

Although the Basket is currently published and maintained by the research department of XXX, the research department of XXX operates independently of parties involved in the publication and/or

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Index will continue to be published	maintenance of the Index. There is no guarantee that the research department of XXX will continue publishing the Basket following the Trade Date. In the event that the publication of the Basket is cancelled or discontinued for any reason, the Basket may be substituted by the Index Sponsor and/or the Index may be supplemented, amended (in whole or in part), revised, rebalanced and/or terminated in accordance with the terms of the Index.
Historical or hypothetical performance of the Index is not an indication of future performance	The historical or hypothetical performance, if any, of the Index should not be taken as an indication of the future performance of the Index. The level of the Index may fluctuate significantly. It is impossible to predict whether the level, value or price of the Index will fall or rise during the term of your investment. Past performance is not a guarantee or an indication of future returns.
No operating history	The Index has limited operating history with no proven track record in achieving the stated investment objective. No assurance can be given that the allocation will perform in line with market benchmark, and the Index could underperform market benchmark and/or decline.
No assurance of performance	No assurance can be provided that any strategy on which the Index is based will be successful or that the Index will outperform any alternative strategy that might be used in respect of the same or similar investment objectives.
Notional exposure	The Index is constructed on “notional” investments and there is no actual portfolio of assets to which any person is entitled or in respect of which any person has any direct or indirect ownership interest. The Index simply reflects a trading strategy, the performance of which is used as a reference point for the purposes of calculating the level of the Index. Investors in products which are linked to the Index will not have a claim in respect of any of the components of the Index.
Publication of the Index	The Index Value, in respect of an Index Calculation Day, is scheduled to be published on or after the immediately following Index Calculation Day. In certain circumstances such publication may be delayed.
The Index relies on external data	The Index relies on data from external providers. While the Index Sponsor intends to use well established and reputable providers, there is a risk that this data may be inaccurate, delayed or not up to date. There is also a risk that while the data is accurate, the data feed to the Index Calculation Agent is impaired. Such impairment to either the data or the data feed could affect the performance or continued operability of the Index. The risk of such impairment may

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	<p>be borne by Investors in products linked to the Index and the Index Sponsor may decide not to subsequently revise the Index (except where such impairment is caused by the Hedging Party's fraud or wilful default). In the event that certain external data is not available, the Index Calculation Agent may determine the necessary data in order to maintain the continuity of the Index. There is also a risk to the continuity of the Index in the event that the Index Calculation Agent ceases to exist.</p>
<p>The Index relies on Hedging Party infrastructure and electronic systems</p>	<p>The Index relies on the Hedging Party infrastructure and electronic systems (including internal data feeds). Any breakdown or impairment to such infrastructure or electronic systems could affect the performance or continued operability of the Index. The risk of such breakdown or impairment shall be borne by Investors in products linked to the Index unless except when caused by the Hedging Party's fraud or wilful default. Neither the Hedging Party nor its affiliates shall be under any liability to account for any loss or damage incurred by any person in connection with any change to, removal of or operational risks generated by the Index or its strategy except when caused by the Hedging Party's fraud or wilful default.</p>
<p>Index Amendment, Substitution & Termination</p>	<p>The Index Sponsor may in consultation with the Index Committee, supplement, amend (in whole or in part), revise, rebalance or terminate the Index at any time if one of the following occurs:</p> <ol style="list-style-type: none"> 1) there is any event or circumstance that in the determination of the Index Sponsor makes it impossible or impracticable to calculate the Index pursuant to the Index Rules; 2) a change to the Index Rules is required to address an error, ambiguity or omission in the determination of the Index Sponsor; 3) the Index Sponsor determines that an Extraordinary Event has occurred; or 4) the Index Sponsor determines that an Index Event has occurred. <p>A supplement, amendment, revision or rebalancing may lead to a change in the way the Index is calculated or constructed. Such changes may include, without limitation, substitution of an Index Component, or changes to the Index Strategy.</p> <p>"Extraordinary Event" means any of the following events or circumstances:</p>

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- 1) change in either (i) the liquidity of any Index Component (including the application of any gating, side-pocketing or other similar arrangement), (ii) the form of payment of a transaction linked to any Index Component, or (iii) the trading volume, terms or listing of any Index Component;
- 2) change in any applicable law or regulation, or any decision or promulgation of any change in the interpretation by any court, tribunal or regulatory authority of any applicable law or regulation;
- 3) any event or circumstance that means the value of an Index Component is, in the determination of the Index Sponsor, unreliable;
- 4) an Index Component is permanently discontinued or otherwise unavailable;
- 5) change in the method by which the value of an Index Component is calculated;
- 6) any event that, in the determination of the Index Sponsor (and/or its affiliates), has a material adverse effect on the ability of a market participant to establish, maintain, value, rebalance or unwind a hedge position (which may include physical investments or entering into futures contracts or OTC derivatives) in relation to an investment product linked to the Index;
- 7) any Additional Extraordinary Event specified in the relevant Index Specific Rules;
- 8) any other event which, either (i) in the determination of the Index Sponsor has a material adverse impact on the ability of the Index Calculation Agent, or Index Sponsor to perform its duties, or (ii) in the determination of the Index Sponsor, serves to frustrate or affect the purpose or aims of the Index Strategy (for example if the Index Sponsor determines at any time that there is a material risk of an Index Value becoming negative), or (iii) in the determination of the Index Sponsor, the overall notional amount of products linked to the Index falls to a size which

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	<p>renders the continuation of the Index economically unviable for the Index Sponsor.</p> <p>which, in the case of each of 1) – 5) above, has or will have, as determined by the Index Sponsor in its discretion, a material effect either on the performance of the Index, or the ability of the Index Calculation Agent to calculate the value of the Index, or the ability of the Index to achieve the Index Strategy, or the ability of a hypothetical investor to replicate the Index.</p> <p>Following any termination of the Index as described above the Index Sponsor may, but is not obliged to do so, replace the Index with a successor index and/or replace the Index Strategy with a similar successor strategy or an entirely new strategy at any time, as it deems appropriate in its discretion.</p>
Discretion of the Index Sponsor	<p>The Index Sponsor has the discretion to make certain calculations, determinations, and amendments from time to time (for example, on the occurrence of an Index Disruption Event as described below). While such discretion will be exercised in good faith and a commercially reasonable manner, and (where there is a corresponding applicable regulatory obligation) the Index Sponsor shall take into account whether fair treatment is achieved by any such calculation, determination and exercise of discretion in accordance with its applicable regulatory obligations, it may be exercised without the consent of the Investor and may have an adverse impact on the financial return of an investment linked to the Index. To the extent permitted by applicable regulation, the Hedging Party and its affiliates shall be under no liability to account for any loss or damage to any person arising pursuant to its exercise of or omission to exercise any such discretion except where such loss or damage is caused by the Hedging Party's fraud or wilful default.</p>
Index Disruption Events	<p>Where, in the determination of the Index Sponsor, an Index Disruption Event (as defined in the Index Rules) has occurred or is existing and subsisting in respect of any Index Calculation Day, the Index Sponsor may in respect of such Index Calculation Day (i) suspend the calculation and publication of the Index Value; or (ii) determine an Index Value on the basis of estimated or adjusted data and publish an estimated level of an Index Value and/or, the Index Sponsor may, take any action including but not limited to designation of alternative price sources, reconstitution of the Index or a temporary change of Units (as defined in the Index Rules). Any such action could have an adverse impact on the financial return of an investment linked to the Index. Such action may not be re-considered in the event that actual or more accurate data subsequently becomes available.</p>

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Corporate Events

Where, in the determination of the Index Sponsor, a Corporate Action (as detailed in the Index Rules) has occurred in respect of an Index Component and such Corporate Action has a diluting, concentrative or other effect on the value of the relevant Index Component, the Index Sponsor may (i) make adjustment(s), if any, to the relevant Index Component, as the Index Sponsor determines appropriate to account for the diluting or concentrative effect or to preserve the economic objective and rationale of the Index (which may involve the application of an Adjustment Factor as further detailed in the Index Rules) and (ii) determine the effective date(s) of the adjustment(s).

With respect to an Index Component which is a stock or an ETF a Corporate Event includes (without limitation) any of the following events or circumstances:

A subdivision, consolidation or reclassification of the relevant Index Component, or a free distribution or dividend of the relevant Index Component to existing holders by way of bonus, capitalisation or similar issue;

A distribution, issue or dividend to existing holders of the relevant Index Component;

The declaration or payment of an extraordinary dividend;

A repurchase by the relevant Index Component of its shares the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of shares initiated by an Investor which is consistent with the relevant Index Component documents; and

A nationalisation, delisting, merger of the relevant Index Component or, tender offer to purchase or exchange the relevant Index Component.

Economic proposition;
Right to supplement,
amend, revise, rebalance
or withdraw the Index;
Index Component
Substitution;

The right of the Index Sponsor to exercise its discretion to supplement, amend, revise, rebalance the Index including the right to substitute Index Components, is required to ensure the notional investments entered by the Index remain a viable investment proposition for a hypothetical investor seeking to replicate the Index Strategy.

Where a supplement, amendment, revision, rebalancing of the Index or substitution of an Index Component does not ensure the notional investments entered by the Index remain a viable

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<p>Price of Index Components may be influenced by asymmetries in demand and supply</p>	<p>investment proposition for a hypothetical investor seeking to replicate the Index Strategy, or the Index Sponsor needs to withdraw the Index to meet its own risk management requirements, the Index Sponsor has the right to exercise its discretion to withdraw the Index.</p> <p>This is integral to the ability of any market participant to offer products linked to the Index. For the occurrence of certain events may affect the investibility of the Index and could result in additional risks or costs for the Hedging Party, however, the Index Sponsor may exercise its discretion to take one of the actions available to it under the rules of the Index in order to deal with the impact of these events. The exercise of such discretions has the effect of, amongst other things, transferring the risks and costs resulting from such events from the Hedging Party to Investors in the products linked to the Index.</p> <p>The price of each Index Component may be influenced by external factors related to the demand and supply for exposure. An example of this effect may be seen with reference to the structured products market. Typical structured product flows leave dealers with long exposure which they may hedge by selling the relevant component security. A significant increase in structured product sales may therefore lead to a fall in the price of the relevant component security as dealers rush to hedge their excess supply of exposure by taking short positions in the component security. The structured product market is one example of external factors which may affect the supply and demand for the component security, but other factors may also exist which may negatively impact the performance of the Index.</p>
<p>Potential conflicts of interest</p>	<p>The Hedging Party expects to engage in trading activities related to constituents of the Index during the course of its normal business for both its proprietary accounts and/or in client related transactions. Such trading activities may involve the sale or purchase of Index constituents, assets referencing the Index constituents and/or derivative financial instruments relating to the Index constituents. These trading activities may present a conflict between the interests of Investors with exposure to the Index and the Hedging Party's own interests. These trading activities, if they have an influence on the share prices or levels (as applicable) of the Index constituents may have an adverse effect on the performance of the Index.</p>

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The Hedging Party may hedge its obligations under any investments linked to the Index by buying or selling shares, bonds or derivative securities linked to the Index constituents. Although they are not expected to, any of these hedging activities may adversely affect the market price of such securities and, therefore, the performance of the Index. It is possible that the Hedging Party could receive substantial returns from these hedging activities while the performance of the Index declines.

The Hedging Party may also engage in trading shares, assets referencing the Index constituents or derivatives securities in the Index constituents on a regular basis as part of our general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers. Any of these activities could adversely affect the market price of such securities and therefore the performance of the Index.

The Hedging Party may have and in the future may publish research reports with respect to the Index constituents or asset classes which may express opinions or provide recommendations that either support or are inconsistent with investments into the Index. This research should not be viewed as a recommendation or endorsement of the Index in any way and Investors must make their own independent investigation of the merits of this investment.

The Hedging Party may serve as the calculation agent for investment products linked to the Index. The Hedging Party will, among other things, decide valuation, final settlement amount and make any other relevant calculations or determinations in respect of the investment products.

To the extent that the prices of any Index constituents are unavailable and/or there is a breakdown in the infrastructure used by the Index Calculation Agent, Index Values may be calculated and published by the Hedging Party with reference to estimated or adjusted data.

With respect to any of the activities described above, except as required by applicable law and regulation (and unless caused by the Hedging Party's fraud or wilful default), the Hedging Party shall not be liable to any Investor in products linked to the Index.

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Reliance on Third Party Calculation Agent	XXX Acts as Index Calculation Agent and determines the Index Value as well as other determinations under the Index. The determinations of the Index Calculation Agent will thus effect the value of the Investment. XXX is not an Affiliate of XXX and acts as Index Calculation Agent under an arm's length agreement between XXX and XXX and/or its Affiliates. With respect to any of the activities described above, except as required by applicable law and regulation (and unless cause by XXX fraud or wilful default), XXX shall not be liable to any Investor in products linked to the Index.
Fees	The Index is published net of access costs, transaction costs, and an Index Fee, deducted on a daily basis.
Currency Risk of the Index	Investors may be exposed to currency risks because (i) an Index Component underlying investments may be denominated or priced in currencies other than the currency in which the Index is denominated, or (ii) the Index and/or such Index Component may be denominated in currencies other than the currency of the country in which the Investor is resident. The Index levels may therefore increase or decrease as a result of fluctuations in those currencies.
Index performance is linked to the overnight interest rate	The Index is linked to the rate of interest that could be earned on a notional investment in the Index Currency rate. A fall in this rate may adversely impact the performance of the Index.
Risks associated with equities	Where an Index Component is a share, the performance of the share is dependent upon (amongst other factors) the macroeconomic factors relating to the share, which may include interest and price levels on the capital markets, currency developments and political factors, together with company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.
Risks associated with proprietary indices	The Index includes exposure to proprietary indices. Where an Index Component is a proprietary index, such proprietary index may be composed or sponsored by a third party or by Index Sponsor and/or its affiliates (the "Index Creator"). Counterparties to the trade should be aware of the following risks associated with a proprietary index:

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- (i) the rules of a proprietary index may be amended by the Index Creator. No assurance can be given that any such amendment would not be prejudicial to Party B. The Index Creator has no obligation to take into account the interests of Party B when determining, composing or calculating such proprietary index and the Index Creator can at any time, and in its sole discretion, modify or change the method of calculating such proprietary index or cease its calculation, publication or dissemination. Accordingly, actions and omissions of the Index Creator may affect the value of such proprietary index and, consequently, the value of and return on the Investment. The Index Creator is under no obligation to continue the calculation, publication and dissemination of a proprietary index.
- (ii) The value of a proprietary index is published subject to the provisions in the rules of such proprietary index. Neither the Index Creator nor the relevant publisher is obliged to publish any information regarding such proprietary index other than as stipulated in the rules of such proprietary index.
- (iii) In the normal course of business, the Hedging Party and/or its affiliates may have, or may have had, interests or positions, or may buy, sell or otherwise trade positions, in or relating to a proprietary index and/or the constituents thereof, or may have invested, or may engage in transactions with others relating to any of these items and/or engaged in trading, brokerage and financing activities, as well as providing investment banking and financial advisory services in respect of such proprietary index and/or the constituents thereof. Accordingly, the Hedging Party and/or any of its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of its customers in respect of such proprietary index and/or the constituents thereof. Such activity may, or may not, affect the level of such proprietary Index and consequently the value of the Investment, but Party B should be aware that a conflict of interest may arise.

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- (iv) The Hedging Party and the Index Creator of a proprietary index may be affiliated entities or may be the same entity and may face a conflict of interest between their obligations as a party to the Investment and Index Creator, respectively, and their interests in another capacity. In such circumstances, The Hedging Party has various discretionary powers in connection with (A) certain determinations and valuations in respect of the Investment, and (B) the composition, the calculation of the level and other determinations in respect of such proprietary index, exercise of any of which could have the effect of reducing the returns on the Investment to the counterparty thereof. In particular, upon the occurrence of certain events which have an impact on the constituents of such proprietary index (namely, market disruption events or other events affecting the constituents of such proprietary index) the Hedging Party may exercise discretion in adjusting the calculation of the value of such proprietary index or of any affected constituents. No assurance can be given that the resolution of such potential conflicts of interest may not be prejudicial to the interests of Party B.
- (v) A proprietary index may be calculated so as to include certain deductions or adjustments that synthetically reflect certain factors which may include (A) the transaction and servicing costs that a hypothetical investor would incur if such hypothetical investor were to enter into and maintain a series of direct investment positions to provide the same exposure to the constituents of such proprietary index, or (B) a notional fee representing the running and maintenance costs of such proprietary index. Such deductions will act as a drag on the performance of a proprietary index such that the level of such proprietary index would be lower than it would otherwise be, and this may result in an adverse effect on the value of and return on the Investment.

Emerging markets risks

The Index includes exposure to emerging markets. Emerging markets are located in countries that possess one or more of the

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following characteristics: a certain degree of political instability, relatively unpredictable financial markets and economic growth patterns, a financial market that is still at the development state or a weak economy. Emerging markets investments usually result in higher risks such as event risk, political risk, economic risk, credit risk, currency rate risk, market risk, regulatory/legal risk and trade settlement, processing and clearing risks as further described below. Investors should note that the risk of occurrence and the severity of the consequences of such risks may be greater than they would otherwise be in relation to more developed countries.

Event Risk:

On occasion, a country or region will suffer an unforeseen catastrophic event (for example, a natural disaster) which causes disturbances in its financial markets, including rapid movements in its currency, that will affect the value of securities in, or which relate to, that country. Furthermore, the performance of constituents of the Index can be affected by global events, including events (political, economic or otherwise) occurring in a country other than that in which such constituent is issued or traded.

Political Risk:

Many emerging markets countries are undergoing, or have undergone in recent years, significant political change which has affected government policy, including the regulation of industry, trade, financial markets and foreign and domestic investment. The relative inexperience with such policies and instability of these political systems leaves them more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic developments, social, ethnic, or religious instability or changes in government policies. Such circumstances, in turn, could lead to a reversal of some or all political reforms, a backlash against foreign investment, and possibly even a turn away from a market-oriented economy. For investors, the results may include confiscatory taxation, exchange controls, compulsory re-acquisition, nationalisation or expropriation of foreign-owned assets without adequate compensation or the restructuring of particular industry sectors in a way that could adversely affect investments in those sectors. Any perceived, actual or expected disruptions or changes in government policies of a country, by

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elections or otherwise, can have a major impact on the performance of the Index linked to such countries.

Economic Risk:

The economies of emerging markets countries are by their nature in early or intermediate stages of economic development, and therefore more vulnerable to rising interest rates and inflation. In fact, in many countries, high interest and inflation rates are the norm. Rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trades and sensitivity to world commodity prices play key roles in economic development, yet vary greatly from country to country. Businesses and governments in these countries may have a limited history of operating under market conditions. Accordingly, when compared to more developed countries, businesses and governments of emerging markets countries are relatively inexperienced in dealing with market conditions and have a limited capital base from which to borrow funds and develop their operations and economies. In addition, the lack of an economically feasible tax regime in certain countries poses the risk of sudden imposition of arbitrary or excessive taxes, which could adversely affect foreign investors. Furthermore, many emerging markets countries lack a strong infrastructure and banks and other financial institutions may not be well-developed or well-regulated. All of the above factors, among others, can affect the proper functioning of the economy and have a corresponding adverse effect on the performance of Index constituents linked to a particular market.

Credit Risk:

Emerging markets sovereign and corporate debt tends to be riskier than sovereign and corporate debt in established markets. Issuers and obligors of debt in these countries are more likely to be unable to make timely profit or principal payments, thereby causing the underlying debt or loan to go into default. The sovereign debt of some countries is currently in technical default and there are no guarantees that such debt will eventually be restructured allowing for a more liquid market in that debt. The measure of a company's or government's ability to repay its debt affects not only the market for that particular debt, but also the market for all securities related to that company or country. Additionally, evaluating credit risk for

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foreign bonds involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Many debt securities are simply unrated and may already be in default or considered distressed. There is often less publicly available business and financial information about foreign issuers than those in developed countries. Furthermore, foreign companies are often not subject to uniform accounting, auditing and financial reporting standards. Also, some emerging markets countries may have accounting standards that bear little or no resemblance to, or may not even be reconcilable with, U.S. generally accepted accounting principles.

Currency Risk:

An Index Component may be denominated in a currency other than the Index Currency. The weakening of a country's currency relative to the Index Currency will negatively affect the value (in the Index Currency) of an instrument denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. It is important to note that some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely exposure to changing currency values.

Market Risk:

The emerging equity and debt markets of many emerging markets countries, like their economies, are in the early stages of development. These financial markets generally lack the level of transparency, liquidity, efficiency and regulation found in more developed markets. It is important, therefore, to be familiar with secondary market trading in emerging markets securities and the terminology and conventions applicable to transactions in these markets. Price volatility in many of these markets can be extreme. Price discrepancies can be common and market dislocation is not uncommon. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. These markets also might not have regulations governing manipulation and insider trading or other provisions designed to

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"level the playing field" with respect to the availability of information and the use or misuse thereof in such markets. It may be difficult to employ certain risk management practices for emerging markets securities, such as forward currency exchange contracts, stock options, currency options, stock and stock index options, futures contracts and options on futures contracts.

Regulatory/Legal Risk:

In emerging market countries there is generally less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers and issuers than in more developed countries. Whatever supervision is in place may be subject to manipulation or control. Many countries have mature legal systems comparable to those of more developed countries, while others do not. The process of regulatory and legal reform may not proceed at the same pace as market developments, which could result in confusion and uncertainty and, ultimately, increased investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain areas, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that a foreign Investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An Investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in foreign courts.

Trade Settlement, Processing and Clearing:

Many emerging markets have different clearance and settlement procedures from those in more developed countries. For many emerging markets securities, there is no central clearing mechanism for settling trades and no central depository or custodian for the safekeeping of securities. Custodians can include

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domestic and foreign custodian banks and depositaries, among others. The registration, recordkeeping and transfer of securities may be carried out manually, which may cause delays in the recording of ownership. Where applicable, the Hedging Party will settle trades in emerging markets securities in accordance with the currency market practice developed for such transactions by the Emerging Markets Traders Association. Otherwise, the transaction may be settled in accordance with the practice and procedure (to the extent applicable) of the relevant market. There are times when settlement dates are extended and during the interim the market price of any Index constituent and in turn the value of the Index, may change. Moreover, certain markets have experienced times when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardised settlement procedures, settlement risk is more prominent than in more mature markets. In addition, Investors may be subject to operational risks in the event that Investors do not have in place appropriate internal systems and controls to monitor the various risks, funding and other requirements to which Investors may be subject by virtue of their activities with respect to emerging market securities.

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