AL RAJHI BANKING AND INVESTMENT CORPORATION (MALAYSIA) BHD.
(Incorporated in Malaysia)
Co. Reg. No. 200501036909 (719057-X)

Basel II - Pillar 3 Disclosure
As at 30 June 2026

1. Overview

The information of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd ("the Group") below is disclosed pursuant to the requirements of the Bank Negara Malaysia ("BNM") Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3"), which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed.

Pillar 3 aims to enhance transparency by setting the minimum requirements for market disclosure of information on the risk management practices and capital adequacy of Islamic banks. In complying with the Pillar 3 Guideline, the Pillar 3 Disclosure for the Group is being regularly prepared for two periods: 30 June and 31 December. The Pillar 3 Disclosure is also made available in the Bank's website, www.alrajhibank.com.my.

The minimum regulatory capital requirements to support the Group's and the Bank's risk- weighted assets are presented as follows:

Group	30 June 2026		31 December 2025	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement RM'000
Credit Risk	12,450,434	996,035	12,221,776	977,742
Market Risk	461,325	36,906	182,120	14,570
Operational Risk	761,550	60,924	714,325	57,146
Total	13,673,309	1,093,865	13,118,221	1,049,458

Bank	30 June 2026		31 December 2025	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement RM'000
Credit Risk	12,449,966	995,997	12,221,639	977,731
Market Risk	461,325	36,906	182,120	14,570
Operational Risk	761,550	60,924	714,325	57,146
Total	13,672,841	1,093,827	13,118,084	1,049,447

Minimum Capital Requirement is computed at 8% of Risk-Weighted Assets in accordance with BNM's Capital Adequacy Framework (Capital Components and Risk-Weighted Assets). The Capital Conservation Buffer requirement is excluded from the above calculation.

2. Capital Management

The Group's capital management is guided by the Group's Capital Adequacy Management, Governance Framework and Planning document under the ICAAP Policy which articulates the guiding principles for the capital management process to ensure that the Group has adequate capital that commensurate with the Group's risk profile. This objective is directed by the need to maintain a prudent relationship between available capital and risks in the underlying businesses to meet the expectations of key constituencies, including regulators and investors. Under the Internal Capital Adequacy Assessment Process ("ICAAP"), the Group's risk management and capital management processes were enhanced to facilitate a comprehensive assessment of the various types of risk that the Group may be exposed to.

The Board of Directors ("BOD")/Board Risk Management and Compliance Committee ("BRMCC") are responsible for ensuring that the Group maintains an appropriate level and quality of capital in line with the Group's risk profile and business plan. The Board is supported by the Executive Risk Management Committee ("ERMC") and ICAAP Working Group i.e. Risk Management, Finance, and Business Units. The Risk Management Division (RMD), through the Market Risk & Risk Analytics function, is responsible for the oversight, monitoring and reporting of the Internal Capital Adequacy Assessment Process (ICAAP). This includes evaluating the Bank's capital adequacy position against regulatory requirements, internal capital targets and risk appetite, as well as providing relevant analysis and recommendations to senior management and the Board. The Finance Division and respective business units, with inputs from RMD, are responsible for the preparation of the Bank's current capital position, business plans, financial projections and capital forecasts that support the capital planning and ICAAP processes.

2.1 Internal Capital Adequacy Assessment Process

ICAAP implementation is significant for the Group and the Bank to ensure that it maintains adequate capital on an ongoing basis to support its business operations considering the requirement for regulatory capital under Pillar 1 and economic capital under Pillar 2. The assessment shall reflect the profile of all risks that the Group and the Bank are exposed to.

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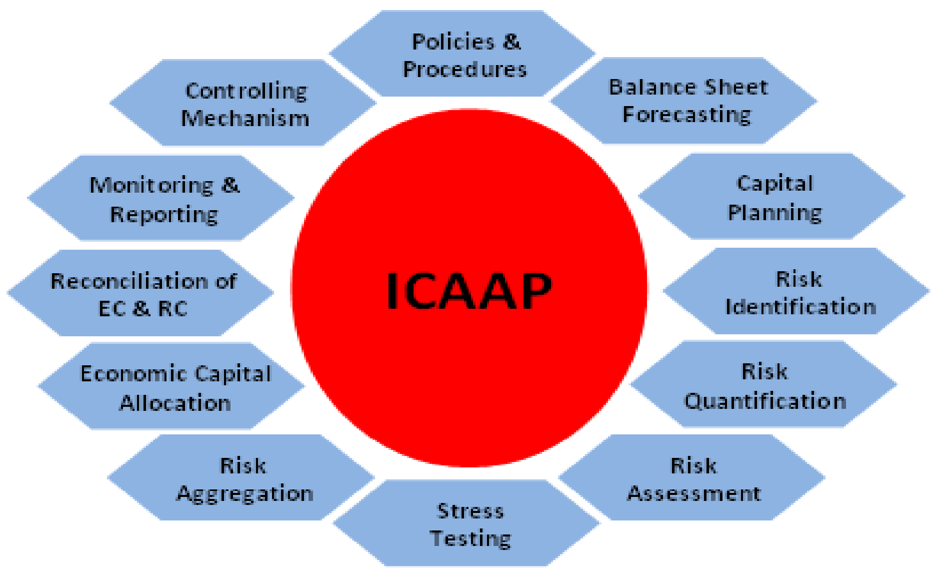
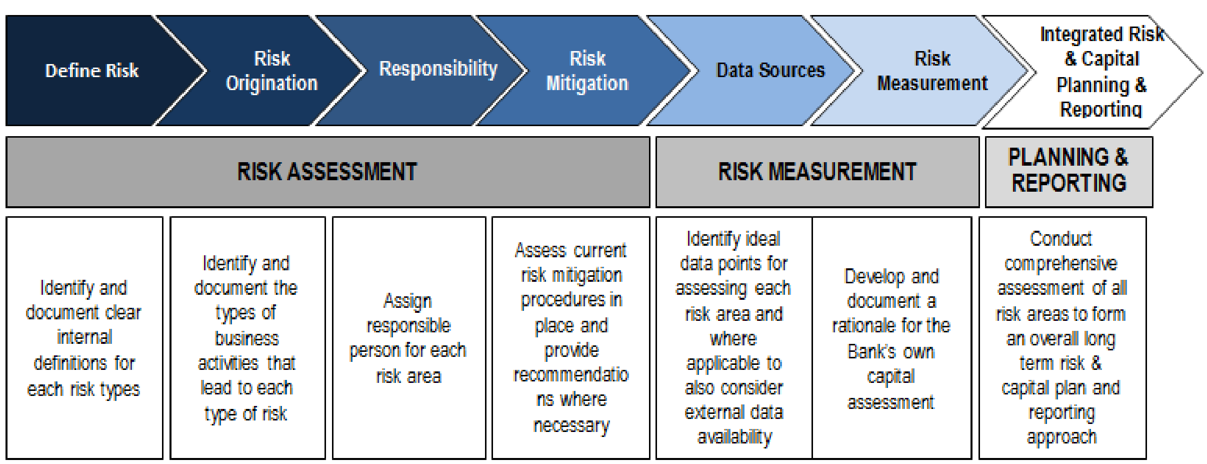
2. Capital Management (Cont'd.)

The major components of ICAAP of the Group and the Bank can be illustrated through the following diagram:



The risk management processes under ICAAP are as follows:



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2. Capital Management (Cont'd)

2.2 Capital Adequacy Ratios and Capital Structure

The following tables present the capital adequacy ratios and the capital structure of the Group and the Bank.

	Group		Bank	
	30 June 2026 RM'000	31 December 2025 RM'000	30 June 2026 RM'000	31 December 2025 RM'000
CET 1/Tier I capital				
Paid-up share capital	1,541,868	1,541,868	1,541,868	1,541,868
Reserves	99,341	121,857	94,397	116,910
	1,641,209	1,663,725	1,636,265	1,658,778
Less: Regulatory adjustment applied on CET 1 Capital	(73,931)	(81,884)	(73,931)	(81,884)
Total CET I Capital	**1,567,277**	**1,581,842**	**1,562,334**	**1,576,895**
Subordinated Sukuk - Tier I	325,539	324,702	325,539	324,702
Total Tier I capital	**1,892,817**	**1,906,543**	**1,887,873**	**1,901,596**
Tier II capital				
General provision	126,680	130,162	126,680	130,162
Subordinated Sukuk - Tier II	933,213	930,815	933,213	930,815
Regulatory adjustment applied on Tier 2 Capital	2,524	2,524	2,524	2,524
Total Tier II capital	**1,062,417**	**1,063,501**	**1,062,417**	**1,063,501**
Capital base	**2,955,234**	**2,970,044**	**2,950,290**	**2,965,097**
CET I / Core capital ratio	11.462%	12.058%	11.427%	12.021%
Tier I Capital	13.843%	14.534%	13.807%	14.496%
Total capital ratio	21.613%	22.641%	21.578%	22.603%

3. Group Risk Management Framework

The Group adopts an integrated Enterprise Risk Management ("ERM") Framework to ensure that risks are identified, measured, monitored, controlled and reported in a consistent and effective manner. The framework aims to maintain adequate financial and capital resources to support the Group's business objectives while ensuring that risk-taking activities remain within the approved risk appetite and regulatory requirements.

Details of the Group's ERM Framework, including the risk governance structure, key risk management processes and oversight arrangements, are set out in the Risk Management section of the Directors' Report in the Audited Financial Statements for the financial year ended 31 December 2025.

4. Credit Risk

Credit risk is the potential loss of revenue as a result of defaults by customers or counterparties through the Group's and the Bank's financing, trading and investing activities.

The primary exposure to credit risk arises through its financing and advances as well as financial transactions with counterparties including interbank money market activities and debt securities.

The amount of credit exposure is represented by the carrying amounts of the assets in the statement of financial position.

The management of credit risk is governed by credit policies and guidelines documenting the financing standards, discretionary power for financing approval, credit risk rating, collateral and valuation, review, and rescheduling of problematic and delinquent financing. The management of counterparties is guided by counterparty limits, counterparty ratings, tenure and types of permissible transactions and these are subject to regular review.

4. Credit Risk (Cont'd.)

The following tables present the minimum regulatory capital requirements on credit risk of the Group and the Bank.

Group	30 June 2026		31 December 2025	
	Risk Weighted Assets	Capital Requirement	Risk Weighted Assets	Capital Requirement
Exposure Class	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	-	-	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Bank ("MDBs")	856,025	68,482	737,649	59,012
Corporate	9,303,371	744,270	8,854,413	708,353
Regulatory Retail	409,637	32,771	894,217	71,537
Residential Real Estate ("RRE") Financing	246,983	19,759	179,682	14,375
Higher Risk Asset	896	72	330	26
Other assets	405,656	32,451	350,712	28,057
Defaulted Exposures	18,832	1,507	18,585	1,487
Total for On-Balance Sheet Exposures	11,241,399	899,312	11,035,588	882,847

Bank	30 June 2026		31 December 2025	
	Risk Weighted Assets	Capital Requirement	Risk Weighted Assets	Capital Requirement
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	-	-	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Bank ("MDBs")	856,025	68,482	737,649	59,012
Corporate	9,303,371	744,270	8,854,413	708,353
Regulatory Retail	409,637	32,771	894,217	71,537
Residential Real Estate ("RRE") Financing	246,983	19,759	179,682	14,375
Higher Risk Asset	896	72	330	26
Other assets	405,656	32,452	350,575	28,046
Defaulted Exposures	18,364	1,468	18,585	1,487
Total for On-Balance Sheet Exposures	11,240,931	899,274	11,035,451	882,836

Minimum Capital Requirement is computed at 8% of Risk-Weighted Assets in accordance with BNM's Capital Adequacy Framework (Capital Components and Risk-Weighted Assets). The Capital Conservation Buffer requirement is excluded from the above calculation.

Risk Governance

The ERMC supports the BRMCC in credit risk management oversight. ERMC and BRMCC reviews the Group's credit risk framework and policies, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary power for financing approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and rescheduling of problematic and delinquent financing. All credit approving authorities are guided by credit policies, guidelines and procedures which are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division, the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing bank-wide risk policies, guidelines and procedures. The Credit Risk Management Department also manages the credit portfolios and ensures the risk policies are implemented and complied with.

Risk Management Approach

The management of credit risk starts with experienced key personnel being appointed to the Credit Investment Committee (CIC). The CIC approves major credit decisions. All financing applications of significant amounts are approved by the CIC or the Board of Directors. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

(a) Retail Financing and Advances

The credit granted to retail consumers is individually underwritten, which amongst others, includes the assessment of the historical payment track record and the current payment capacity of the customer. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed, and all crucial credit information of the customer is included in the financing application.

(b) Corporate Financing and Advances

The credit granted to corporate customers is individually underwritten and risk rated. Credit officers identify and assess the credit risks of large corporate customers, institutional or customer groups, taking into consideration their financial and business profiles, industry, economic factors, collateral etc.

4. Credit Risk (Cont'd.)

Risk Management Approach (Cont'd)

4.1 Distribution of Credit Exposures

Tables (a)-(c) present the credit exposures of financial assets before the effect of credit risk mitigation of the Group and the Bank, analysed by the following:

(a) Industrial analysis based on its industrial distribution
(b) Geographical analysis based on the geographical location where the credit risk resides
(c) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

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4. Credit Risk (Cont'd)

4.1 Distribution of Credit Exposures (Cont'd)

(a) Industry Analysis

Group and Bank	Cash and Short term funds RM'000	Deposits and placements with other institutions RM'000	Derivatives assets RM'000	Financial investments at amortised cost RM'000	Financial investments at FVOCI RM'000	Financial investments at FVTPL RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
Unaudited										
30 June 2026										
Household	-	-	-	-	-	-	1,697,101	-	-	1,697,101
Wholesale & retail trade and hotel and restaurant	-	-	-	-	-	-	1,180,644	-	-	1,180,644
Finance, takaful/ insurance, real estate and business activities	866,297	305,808	68,807	4,644,310	3,084,633	739,667	2,008,601	90,488	-	11,808,611
Manufacturing	-	-	-	-	-	-	1,334,197	-	-	1,334,197
Construction	-	-	-	-	-	-	1,869,519	-	-	1,869,519
Education, health and others	-	-	-	-			87,533	-	-	87,533
Agriculture, hunting and related service activities	-	-	-	-	-	-	175,689	-	-	175,689
Hotel & restaurant	-	-	-	-	-		8,189	-	-	8,189
Transportation	-	-	-	-	-	-	133,158	-	-	133,158
Mining and quarrying	-	-	-	-	-	-	82,035	-	-	82,035
Other business	-	-	-	-	-	-	2,083,932	-	9,983	2,093,915
Total	866,297	305,808	68,807	4,644,310	3,084,633	739,667	10,660,598	90,488	9,983	20,470,591

4. Credit Risk (Cont'd)

4.1 Distribution of Credit Exposures (Cont'd)

(a) Industry Analysis

Group and Bank	Cash and Short term funds RM'000	Deposits and placements with other financial institutions RM'000	Derivatives assets RM'000	Financial Investment at amortised cost RM'000	Financial Investment at FVOCI RM'000	Financial investments at FVTPL RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
<u>31 December 2025</u>										
Household	-	-	-	-	-	-	1,588,350	-	-	1,588,350
Wholesale & retail trade and hotel and restaurant	-	-	-	-	-	-	1,501,180	-	-	1,501,180
Finance, takaful/ insurance, real estate and business activities	221,564	55,654	-	4,604,265	3,109,050	516,514	2,062,220	97,482	-	10,666,749
Manufacturing	-	-	-	-	-	-	1,453,865	-	-	1,453,865
Construction	-	-	-	-	-	-	1,583,651	-	-	1,583,651
Education, health and others	-	-	-	-			167,146	-	-	167,146
Agriculture, hunting and related service activities	-	-	-	-	-	-	205,323	-	-	205,323
Transportation	-	-	-	-	-	-	124,541	-	-	124,541
Mining and quarrying	-	-	-	-	-	-	126,849	-	-	126,849
Other business	-	-	-	-	-	-	2,077,647	-	9,902	2,087,549
Total	221,564	55,654	-	4,604,265	3,109,050	516,514	10,890,772	97,482	9,902	19,505,203

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4. Credit Risk (Cont'd)

4.1 Distribution of Credit Exposures (Cont'd)

(b) Geographical Analysis

Group and Bank	Malaysia RM'000	Saudi Arabia RM'000	Other countries RM'000	Total RM'000
30 June 2026				
Cash and short term funds	850,629	1,569	14,100	866,298
Deposits and placement with banks and other financial instituitions	305,808	-	-	305,808
Derivatives assets	68,807	-	-	68,807
Financial investments at amortised cost	3,042,869	1,601,441	-	4,644,310
Financial investments at fair value through other comprehensive income ("FVOCI")	3,084,633	-	-	3,084,633
Financial assets at FVTPL	-	739,667		739,667
Net financing and advances	9,958,245	-	702,353	10,660,598
Statutory deposits with BNM	90,488	-	-	90,488
Other assets	9,983	-	-	9,983
Total	17,411,462	2,342,677	716,453	20,470,591

Group and Bank	Malaysia RM'000	Saudi Arabia RM'000	Other countries RM'000	Total RM'000
31 December 2025				
Cash and short term funds	203,935	902	16,727	221,564
Deposits and placement with banks and other financial instituitions	55,654	-	-	55,654
Derivatives assets	-	-	-	-
Financial investments at amortised cost	3,047,812	1,556,453	-	4,604,265
Financial investments at fair value through other comprehensive income ("FVOCI")	3,109,050	-	-	3,109,050
Financial assets at FVTPL	-	516,514		516,514
Net financing and advances	10,190,635	-	700,137	10,890,772
Statutory deposits with BNM	97,482	-	-	97,482
Other assets	9,902	-	-	9,902
Total	16,714,469	2,073,869	716,864	19,505,203

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4 Credit Risk (Cont'd)

4.1 Distribution of Credit Exposures (Cont'd)

(c) Maturity Analysis

Group and Bank	Up to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 year RM'000	> 5 years RM'000	Total RM'000
30 June 2026					
Cash and short term funds	866,297	-	-	-	866,297
Deposit and placement with bank and other financial institutions	305,808	-	-	-	305,808
Derivative assets	68,807	-	-	-	68,807
Financial investments at amortised cost	4,644,310	-	-	-	4,644,310
Financial investments at fair value through other comprehensive income ("FVOCI")	3,084,633	-	-	-	3,084,633
Financial assets at FVTPL	-			739,667	739,667
Net financing and advances	5,437,321	722,499	663,200	3,837,577	10,660,597
Statutory deposits with BNM	90,488				90,488
Other assets	9,983	-	-	-	9,983
Total	14,507,648	722,499	663,200	4,577,244	20,470,591

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4 Credit Risk (Cont'd)

4.1 Distribution of Credit Exposures (Cont'd)

(c) Maturity Analysis (Cont'd)

Group and Bank	Up to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 year RM'000	> 5 years RM'000	Total RM'000
31 December 2025					
Cash and short term funds	221,564	-	-	-	221,564
Deposit and placement with bank and other financial institutions	55,654	-	-	-	55,654
Financial investments at amortised cost	4,604,265	-	-	-	4,604,265
Financial investments at fair value through other comprehensive income ("FVOCI")	3,109,050	-	-	-	3,109,050
Financial assets at FVTPL	-			516,514	516,514
Net financing and advances	5,581,735	807,274	638,099	3,863,664	10,890,772
Statutory deposits with BNM	97,482				97,482
Other assets	9,902	-	-	-	9,902
Total	13,679,651	807,274	638,099	4,380,178	19,505,203

4. Credit Risk (Cont'd)

4.2 Off-Balance Sheet Exposures

In the normal course of business, the Group and the Bank made various commitments and incurred certain contingent liabilities with legal resources to the customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies and the related risk-weighted exposures of the Group and the Bank are as follows:

Disclosure on Off Balance Sheet Exposures

Group and Bank	30 June 2026			31 December 2025		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Transaction-related contingent items	485,623	242,812	241,539	519,322	259,662	255,876
Trade-related contingencies	6,459	1,291	1,262	40,791	8,158	7,434
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,792,296	558,459	557,381	2,804,018	560,803	558,114
- Maturity exceeding one year	755,995	374,302	371,811	677,573	338,782	337,044
Profit rate related contracts	-	-	-	-	-	-
Equity related contracts	1,140	68	14	2,335	140	28
Foreign exchange-related contracts	9,138,538	173,539	37,028	6,605,965	125,931	27,692
	13,180,051	1,350,471	1,209,035	10,650,004	1,293,476	1,186,188

4.3 Credit Risk Mitigation

The Group's approach in granting credit facilities is based on the credit standing of the customer, source of payment and financing servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Group to mitigate credit risk are as follows:

- for home financing - mortgages over the properties
- for shop-house financing - charges over the properties being financed
- for vehicle financing - charges over the vehicles financed
- for corporate and SME financing - charges over business assets such as premises and deposits.

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4. Credit Risk (Cont'd)

4.3 Credit Risk Mitigation (Cont'd)

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and counterparty credit risk ("CCR") of the guarantor. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the CRM.

The following tables present the credit risk mitigation analysis of the Group and the Bank i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach.

Group	**30 June 2026**		**31 December 2025**	
Exposure Class	**Exposures before CRM RM'000**	**Exposures covered by eligible collateral RM'000**	**Exposures before CRM RM'000**	**Exposures covered by eligible collateral RM'000**
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	6,010,269	-	5,462,584	-
Banks Development Financial Institutions ("DFIs")			-	-
and Multilateral Development Bank ("MDBs")	1,650,788	-	1,355,799	-
Corporate	11,697,219	2,251,437	11,057,682	2,232,925
Regulatory Retail	531,003	13,377	1,205,040	10,365
Residential Real Estate ("RRE") Financing	542,537	-	459,111	-
Higher Risk assets	504	-	220	-
Other assets	429,029	-	360,762	-
Defaulted Exposures	26,340	-	25,015	-
Total for On-Balance Sheet Exposures	20,887,689	2,264,814	19,926,213	2,243,290
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,350,471	4,143	1,293,476	2,917
Total for Off-Balance Sheet Exposures	1,350,471	4,143	1,293,476	2,917
Total On and Off-Balance Sheet Exposures	22,238,160	2,268,957	21,219,689	2,246,207

4. Credit Risk (Cont'd)

4.3 Credit Risk Mitigation (Cont'd)

Bank	**30 June 2026**		**31 December 2025**	
Exposure Class	**Exposures before CRM RM'000**	**Exposures covered by eligible collateral RM'000**	**Exposures before CRM RM'000**	**Exposures covered by eligible collateral RM'000**
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	6,010,269	-	5,462,584	-
Banks Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,650,788	-	1,355,799	-
Corporate	11,697,219	2,251,437	11,057,682	2,232,925
Regulatory Retail	531,003	13,377	1,205,040	10,365
Residential Real Estate ("RRE") Financing	542,537	-	459,111	-
Higher Risk assets	504	-	220	-
Other assets	429,029	-	360,625	-
Defaulted Exposures	25,871	-	25,015	-
Total for On-Balance Sheet Exposures	20,887,220	2,264,814	19,926,076	2,243,290
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,350,471	2,917	1,293,476	-
Total for Off-Balance Sheet Exposures	1,350,471	2,917	1,293,476	-
Total On and Off-Balance Sheet Exposures	22,237,691	2,267,731	21,219,552	2,243,290

4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach

The Group assesses credit quality of financing and advances using external rating techniques tailored to the various products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgment.

	Description
- Investment grade	Strong(est) credit quality exhibiting a low probability of default and generally corresponding to investment-grade rating categories as defined by internationally recognised rating agencies, including Standard & Poor's (S&P), Moody's and Fitch Ratings
- Non-investment grade	Weaker credit quality with a higher risk of default, generally equivalent to non-investment-grade ratings assigned by internationally recognised rating agencies, including Standard & Poor's (S&P), Moody's and Fitch Ratings.

The credit quality of financial assets, other than financing and advances, is determined with reference to the external credit ratings of counterparties assigned by Moody's or equivalent ratings from other internationally recognised rating agencies. The ratings are grouped into the following categories for disclosure purposes:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3
- Non rated

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4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories.

Group	Disclosure on Rated Exposures according to Rating by ECAIs											
30 June 2026	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Unrated	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
Exposure Class												
On and Off Balance-Sheet Exposures												
Credit Exposure - Standardised Approach												
Sovereigns/Central Banks	-	-	-	-	-	-	6,010,269	-	-	-	-	6,010,269
Banks, DFIs & MDBs	2	-	-	7,650	3,018	2,339	550	-	1,072	209	1,819,428	1,834,268
Corporate	-	-	-	-	-	-	-	-	-	-	12,861,624	12,861,624
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	555,894	555,894
Residential Real Estate (RRE) Financing	-	-	-	-	-	-	-	-	-	-	546,479	546,479
Total Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	597	597
Other assets	-	-	-	-	-	-	-	-	-	-	429,029	429,029
Total	2	-	-	7,650	3,018	2,339	6,010,819	-	1,072	209	16,213,051	22,238,160

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4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

The following tables present the credit exposures of the Bank before the effect of credit risk mitigation by credit quality rating categories.

Bank	**Disclosure on Rated Exposures according to Rating by ECAIs**											
30 June 2026	**AAA**	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**Unrated**	**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**
Exposure Class												
<u>On and Off Balance-Sheet Exposures</u>												
<u>Credit Exposure - Standardised Approach</u>												
Sovereigns/Central Banks	-	-	-	-	-	-	6,010,269	-	-	-	-	6,010,269
Banks, DFIs & MDBs	2	-	-	7,650	3,018	2,339	550	-	1,072	209	1,819,428	1,834,268
Corporate	-	-	-	-	-	-	-	-	-	-	12,861,624	12,861,624
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	555,894	555,894
Residential Real Estate (RRE) Financing	-	-	-	-	-	-	-	-	-	-	546,479	546,479
Total Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	597	597
Other assets	-	-	-	-	-	-	-	-	-	-	428,560	428,560
Total	2	-	-	7,650	3,018	2,339	6,010,819	-	1,072	209	16,212,582	22,237,691

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4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

The following tables present the credit exposures of the Group and the Bank before the effect of credit risk mitigation by credit quality rating categories.

Group	Disclosure on Rated Exposures according to Rating by ECAIs											
31 December 2025	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Unrated	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
Exposure Class												
On and Off Balance-Sheet Exposures												
Credit Exposure - Standardised Approach												
Sovereigns/Central Banks	-	-	-	-	-	-	5,462,584	-	-	-	-	5,462,584
Banks, DFIs & MDBs	2	-	-	8,726	23,550	1,089	452	-	454	214	1,456,972	1,491,459
Corporate	-	-	-	-	-	-	-	-	-	-	12,216,732	12,216,732
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	1,219,535	1,219,535
Residential Real Estate (RRE) Financing	-	-	-	-	-	-	-	-	-	-	463,053	463,053
Total Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	313	313
Other assets	-	-	-	-	-	-	-	-	-	-	360,762	360,762
Total	2	-	-	8,726	23,550	1,089	5,463,036	-	454	214	15,717,367	21,214,438

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4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

Bank	Disclosure on Rated Exposures according to Rating by ECAIs											
31 December 2025	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Unrated	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
Exposure Class												
On and Off Balance-Sheet Exposures												
Credit Exposure - Standardised Approach												
Sovereigns/Central Banks	-	-	-	-	-	-	5,462,584	-	-	-	-	5,462,584
Banks, DFIs & MDBs	2	-	-	8,726	23,550	1,089	452	-	454	214	1,456,972	1,491,459
Corporate	-	-	-	-	-	-	-	-	-	-	12,216,732	12,216,732
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	1,219,535	1,219,535
Residential Real Estate (RRE) Financing	-	-	-	-	-	-	-	-	-	-	463,053	463,053
Total Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	313	313
Other assets	-	-	-	-	-	-	-	-	-	-	360,625	360,625
Total	2	-	-	8,726	23,550	1,089	5,463,036	-	454	214	15,717,230	21,214,301

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4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

The following tables present the credit exposures of the Group after the effect of credit risk mitigation by risk weights.

Group
30 June 2026

	Exposures after netting and credit risk mitigation ("CRM")								
Risk weights	**Sovereigns/ Central Bank RM'000**	**Banks, DFIs' and MDBs RM'000**	**Corporate RM'000**	**Regulatory Retail RM'000**	**Residential Real Estate RM'000**	**Higher Risk Assets RM'000**	**Other assets RM'000**	**Total exposure after netting and CRM RM'000**	**Total weighted assets RM'000**
Performing Exposures									
0%	6,010,269	-	-	-	-	-	4,542	6,014,811	-
20%	-	498,725	1,403,895	-	-	-	-	1,902,620	380,524
35%	-	-	-	-	409,278	-	-	409,278	143,247
50%	-	1,158,530	1,574,263	-	64,709	-	-	2,797,502	1,398,751
75%	-	-	-	543,330	81	-	-	543,411	407,558
100%	-	177,015	9,430,656	-	68,468	-	424,487	10,100,626	10,100,626
150%	-	-	-	-	-	597	-	597	896
Total	6,010,269	1,834,270	12,408,814	543,330	542,536	597	429,029	21,768,845	12,431,602
Defaulted Exposures									
50%	-	-	3,488	153	2,179	-	-	5,820	2,910
100%	-	-	12,079	2,063	1,763	-	-	15,905	15,905
150%	-	-	11	-	-	-	-	11	17
Total	-	-	15,578	2,216	3,942	-	-	21,736	18,832
Total Performing and Defaulted	**6,010,269**	**1,834,270**	**12,424,392**	**545,546**	**546,478**	**597**	**429,029**	**21,790,581**	**12,450,434**

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4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

The following tables present the credit exposures of the Bank after the effect of credit risk mitigation by risk weights.

Bank
30 June 2026

Risk weights	Sovereigns/ Central Bank RM'000	Banks, DFIs' and MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Higher Risk Assets RM'000	Other assets RM'000	Total exposure after netting and CRM RM'000	Total weighted assets RM'000
	Exposures after netting and credit risk mitigation ("CRM")								
Performing Exposures									
0%	6,010,269	-	32,566	3,260	-	-	4,542	6,050,637	-
20%	-	498,725	1,403,895	-	-	-	-	1,902,620	380,524
35%	-	-	-	-	409,278	-	-	409,278	143,247
50%	-	1,158,530	1,574,263	-	64,709	-	-	2,797,502	1,398,751
75%	-	-	-	543,330	81	-	-	543,411	407,558
100%	-	177,015	9,430,656	-	68,468	-	424,019	10,100,158	10,100,158
150%	-	-	-	-	-	597	-	597	896
Total	6,010,269	1,834,270	12,441,380	546,590	542,536	597	428,561	21,804,203	12,431,134
Defaulted Exposures									
50%	-	-	3,488	153	2,179	-	-	5,820	2,910
100%	-	-	12,079	2,063	1,763	-	-	15,905	15,905
150%	-	-	11	-	-	-	-	11	17
Total	-	-	15,578	2,216	3,942	-	-	21,736	18,832
Total Performing and Defaulted	**6,010,269**	**1,834,270**	**12,456,958**	**548,806**	**546,478**	**597**	**428,561**	**21,825,939**	**12,449,966**

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4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

The following tables present the credit exposures of the Group and the Bank after the effect of credit risk mitigation by risk weights.

Group
31 December 2025

	Exposures after netting and credit risk mitigation ("CRM")								
Risk weights	Sovereigns/ Central Bank RM'000	Banks, DFIs' and MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Higher Risk Assets RM'000	Other assets RM'000	Total exposure after netting and CRM RM'000	Total weighted assets RM'000
Performing Exposures									
0%	5,462,584	-	24,393	4,660	-	-	10,050	5,501,687	-
20%	-	196,416	1,400,559	-	-	-	-	1,596,975	319,395
35%	-	-	-	-	375,991	-	-	375,991	131,597
50%	-	1,118,737	1,343,451	-	57,024	-	-	2,519,212	1,259,606
75%	-	-	-	1,206,128	26,097	-	-	1,232,225	924,169
100%	-	176,306	9,040,935	-	-	-	350,712	9,567,953	9,567,953
150%	-	-	-	-	-	313	-	313	470
Total	5,462,584	1,491,459	11,809,338	1,210,788	459,112	313	360,762	20,794,356	12,203,190
Defaulted Exposures									
0%	-	-	1,630	2,334	-	-	-	3,964	-
50%	-	-	1,441	1,316	2,176	-	-	4,933	2,467
100%	-	-	12,068	2,285	1,766	-	-	16,119	16,119
Total	-	-	15,139	5,935	3,942	-	-	25,016	18,586
Total Performing and Defaulted	**5,462,584**	**1,491,459**	**11,824,477**	**1,216,723**	**463,054**	**313**	**360,762**	**20,819,372**	**12,221,776**

4. Credit Risk (Cont'd)

4.4 Assignment of Risk Weight for Portfolios Under the Standardised Approach (Cont'd)

Bank
31 December 2025

Risk weights	Sovereigns/ Central Bank RM'000	Banks, DFIs' and MDBs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Higher Risk Assets RM'000	Other assets RM'000	Total exposure after netting and CRM RM'000	Total weighted assets RM'000
	Exposures after netting and credit risk mitigation ("CRM")								
Performing Exposures									
0%	5,462,584	-	24,393	4,660	-	-	10,050	5,501,687	-
20%	-	196,416	1,400,559	-	-	-	-	1,596,975	319,395
35%	-	-	-	-	375,991	-	-	375,991	131,597
50%	-	1,118,737	1,343,451	-	57,024	-	-	2,519,212	1,259,606
75%	-	-	-	1,206,128	26,097	-	-	1,232,225	924,169
100%	-	176,306	9,040,935	-	-	-	350,575	9,567,816	9,567,816
150%	-	-	-	-	-	313	-	313	470
Total	5,462,584	1,491,459	11,809,338	1,210,788	459,112	313	360,625	20,794,219	12,203,053
Defaulted Exposures									
0%	-	-	1,630	2,334	-	-	-	3,964	-
50%	-	-	1,441	1,316	2,176	-	-	4,933	2,467
100%	-	-	12,068	2,285	1,766	-	-	16,119	16,119
Total	-	-	15,139	5,935	3,942	-	-	25,016	18,586
Total Performing and Defaulted	**5,462,584**	**1,491,459**	**11,824,477**	**1,216,723**	**463,054**	**313**	**360,625**	**20,819,235**	**12,221,639**

4. Credit Risk (Cont'd)

4.5 Credit Quality of Gross Financing and Advances

The following tables present the gross financing and advances of the Group and the Bank analysed by credit quality.

Gross Financing and Advances by Credit Quality

	Group and Bank	
	30 June 2026 RM'000	31 December 2025 RM'000
Neither past due nor impaired	10,287,891	10,460,110
Past due but not impaired	414,050	476,804
Impaired	73,726	60,926
Gross financing and advances	10,775,667	10,997,840
Ratio of net impaired financing and advances to gross financing and advances less individual impairment allowances	0.22%	0.23%

a) Neither Past Due Nor Impaired

The credit quality of gross financing and advances which are neither past due nor impaired is set out in Note 25(c)(vi) to the financial statements.

b) Past Due But Not Impaired

Past due but not impaired financing and advances are financing where the customer has failed to make a principal or profit payment when contractually due.

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4. Credit Risk (Cont'd)

4.5 Credit Quality of Gross Financing and Advances (Cont'd)

b) Past Due But Not Impaired (Cont'd)

(i) Past Due But Not Impaired Financing and Advances by Economic Purposes

	Group and Bank	
	30 June 2026 RM'000	31 December 2025 RM'000
Working capital	323,486	400,141
Personal use	67,088	57,174
Purchase of property – residential property	22,891	19,130
Purchase of shop-house	580	256
Purchase of transport vehicles	5	103
	414,050	476,804

(ii) Past Due But Not Impaired Financing and Advances by Geographical Analysis

	Group and Bank	
	30 June 2026 RM'000	31 December 2025 RM'000
Malaysia	414,050	476,804
	414,050	476,804

(iii) Past Due But Not Impaired Financing and Advances by Maturity Structure

	Group and Bank	
	30 June 2026 RM'000	31 December 2025 RM'000
1 day to < 1 month	58,998	45,335
1 month to < 2 month	24,233	25,522
2 month to < 3 month	330,819	405,946
	414,050	476,804

4. Credit Risk (Cont'd)

4.5 Credit Quality of Gross Financing and Advances (Cont'd)

c) Impaired Financing and Advances

Under MFRS 9, impairment is measured on each reporting date to three stages of Expected Credit Loss (ECL):

- Stage 1: 12-month ECL
  For 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 next 12 months will be recognised.

- Stage 2: Lifetime ECL - non-credit impaired
  For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

- Stage 3: Lifetime ECL - credit impaired
  Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

The movements in the allowance for impairment losses of financing and advances are as follows:

	Group and Bank	
	30 June 2026 RM'000	**31 December 2025 RM'000**
At 1 January	99,424	104,261
Impairment loss recognised	18,897	30,231
Impairment written-off	(10,887)	(35,068)
Closing balance	107,434	99,424

4. Credit Risk (Cont'd)

4.5 Credit Quality of Gross Financing and Advances (Cont'd)

Table (i)-(iii) present analysis of the impaired financing and advances of the Group and the Bank and the related impairment allowances by the following:

(i) Economic purpose
(ii) Geographical
(iii) Movement in ECL for financing and advances.

(i) Impaired Financing and Advances by Economic Purpose.

Group and Bank 30 June 2026	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Net Charge RM'000	Amount Written Off/Other Movement RM'000	Total Impairment Allowances for Financing and Advances RM'000
Working capital	33,682	32,955	(2,720)	-	30,235
Personal use	34,113	60,206	21,121	(10,595)	70,732
Purchase of properties-residential	5,881	6,166	471	(292)	6,346
Charge Card	39	78	32	-	110
Purchase of transport vehicle	11	20	(7)	-	12
	73,726	99,424	18,897	(10,887)	107,434

Group and Bank 31 December 2025	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Net Charge RM'000	Amount Written Off/Other Movement RM'000	Total Impairment Allowances for Financing and Advances RM'000
Working capital	32,291	36,903	(3,946)	(2)	32,955
Personal use	21,682	64,148	30,677	(34,619)	60,206
Purchase of properties-residential	6,898	3,097	3,516	(447)	6,166
Charge Card	42	85	(7)	-	78
Purchase of transport vehicle	13	27	(8)	-	20
	60,926	104,260	30,232	(35,068)	99,424

4. Credit Risk (Cont'd)

4.5 Credit Quality of Gross Financing and Advances (Cont'd)

(ii) Impaired Financing and Advances and the Related Impairment Allowances by Geographical Analysis.

Group and Bank 30 June 2026	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Net Charge RM'000	Amounts Written Off/Other Movement RM'000	Total Impairment Allowances for Financing and Advances RM'000
Malaysia	73,726	99,424	18,897	(10,887)	107,434
	73,726	99,424	18,897	(10,887)	107,434

Group and Bank 31 December 2025	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Net Charge RM'000	Amounts Written Off/Other Movement RM'000	Total Impairment Allowances for Financing and Advances RM'000
Malaysia	60,926	104,260	30,232	(35,068)	99,424
	60,926	104,260	30,232	(35,068)	99,424

4. Credit Risk (Cont'd)

4.5 Credit Quality of Gross Financing and Advances (Cont'd)

(iii) Movements in ECL for financing and advances:

	Group and Bank	
	30 June 2026 RM'000	31 December 2025 RM'000
ECL Stage 1 & Stage 2		
At 1 January		
Stage 1 ECL	30,000	42,086
Stage 2 ECL	33,424	23,183
Net Stage 1 ECL writen back during the financial year	(2,958)	(12,085)
Net Stage 2 ECL (written back)/ provided during the financial year	(2,933)	10,241
Closing Balance	57,534	63,425
As % of total gross financing and advances less individual impairment allowances	0.54%	0.58%
ECL Stage 3		
At 1 January	35,999	38,991
Net Stage 3 ECL provided during the financial year	24,788	32,076
Amount written off	(10,887)	(35,068)
Closing Balance	49,900	35,999

5. Market Risk

Risk Governance

The Assets and Liabilities Committee ("ALCO") supports the BRMCC in market risk management oversight. The ALCO reviews the Group's market risk framework and policies, aligns market risk management with business strategies and planning, and recommends actions to ensure that the market risk remains within established risk tolerance level. Market risk is defined as the risk of loss resulting from changes in market prices and rates, arising principally from customer-driven transactions. The objective of the Group's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.

Minimum Regulatory Capital Requirements for Market Risk

The following tables present the minimum regulatory capital requirements for market risk of the Group and of the Bank:

Group and Bank	Long position RM'000	Short position RM'000	Risk weighted assets RM'000	Capital requirement RM'000
30 June 2026				
Foreign Currency Risk	325,911	-	325,911	26,073
Inventory Risk	135,414		135,414	10,833
			461,325	36,906
31 December 2025				
Foreign Currency Risk	29,572	-	29,572	2,366
Inventory Risk	152,548		152,548	12,204
			182,120	14,570

5. Market Risk (Cont'd.)

5.1 Profit Rate/Rate of Return Risk in the Banking Book

The following tables present the profit rate risk analysis. The sensitivity factors used are assumptions based on parallel shifts in the key variables and the impact on the re-priced mismatches of assets and liabilities position of the Group and Bank.

(a) Profit rate sensitivity analysis

	Group and Bank			
	30 June 2026		31 December 2025	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
+1%	(19,880)	(357,984)	(11,841)	(348,668)
- 1%	19,880	357,984	11,841	348,668

(b) Foreign Currency Sensitivity Analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

	Group and Bank			
	30 June 2026		31 December 2025	
	Impact on loss after tax RM'000	Impact on loss after equity RM'000	Impact on profit after tax RM'000	Impact on loss after equity RM'000
+5%	(389)	(8,167)	1,271	26,693
-5%	389	(7,389)	(1,271)	24,151

6. Liquidity Risk

Liquidity risk relates to the ability of the Group and the Bank to maintain sufficient liquid assets to meet financial commitments and obligations when they fall due at a reasonable cost. The Assets and Liabilities Management Committee ('ALCO") is the primary party responsible for liquidity management based on guidelines approved by the Board Risk Management & Compliance Committee ("BRMCC"). The management of the liquidity risk is aligned to the Basel III - Liquidity Coverage Ratio and Net Stable Funding Ratio issued by BNM supplemented by liquidity risk management control and limits and a liquidity stress testing program. The disclosure is in accordance with the requirements of BNM's Guidelines on Financial Reporting. Liquidity limits are set for cash flow mismatches. In addition, liquidity dashboard and concentration ratios are in place to serve as liquidity early warning indicators comprising of limits approved by ALCO.

The Group's liquidity position remained stable and healthy with average liquidity coverage ratio of 152.57% for the period June 2026.

7. Operational Risk

Operational risk is defined as the risk of loss, whether direct or indirect, to which the Group is exposed due to inadequacy or failure of internal processes or procedures, systems or controls, people or external events, including legal risk and Shariah Non-Compliance risk. Operational risk, in some form, exists in each of the Group’s business and support activities and can result in direct and indirect financial loss, regulatory sanctions, customer dissatisfaction and damage to the Group’s reputation.

The Group established proper governance and oversight structures, reporting lines and accountabilities for managing operational risk within the management and working levels. For effective operational risk management implementation, the Group has put in place operational risk management policies, procedures, approaches and essential methodologies that enables identification, measurement, monitoring and reporting of inherent and emerging operational risks.

An independent operational risk management function in Risk Management is responsible for overseeing and reviewing the identification and management of major operational risks by business and support functions as well as integrating operational risks group and bank wide. Risk Safety Coordinators (“RSC”) are appointed within the business and support functions to facilitate the operational risk management implementation. The day-to-day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes within the respective business and operational functions in the Group.

7. Operational Risk (Cont'd)

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for Operational Risk for the Group and Bank, computed using Standardised Approach:

	Group and Bank			
	30 June 2026		31 December 2025	
	Risk weighted assets RM'000	Capital Requirement RM'000	Risk weighted assets RM'000	Capital Requirement RM'000
Operational Risk	761,550	60,924	714,325	57,146

Risk Management Approach

(a) Strategy and Processes

The implementation of Operational Risk Management within the Group includes the risk management on the Technology Risk, Cyber Risk, Employment Practices and People Risk, Transaction Processing, Financial Crime, Model Risk, Fraud Risk, Legal and Regulatory Risk, Third-party Outsourcing Risk, Shariah Non-Compliance Risk, Business Resilience and Continuity and other pertinent operational risks relevant to the business and operational functions.

ARBM is committed towards implementing sound practices and effective risk culture for the management and supervision of Operational Risk that drives behaviors to create risk conscious environment in all its business and support activities, new products offering, processes, technology, system, people, regulation and across the organization wherein risks are proactively identified, assessed, measured, monitored, managed and reported in accordance with the ARBM Operational Risk Management policy.

7. Operational Risk (Cont'd)

Risk Management Approach (Cont'd)

(a) Strategy and Processes (Cont'd)

Technology & Cyber Risk falls under the purview of Head of IT Risk Management and follows the same methodology. Among the salient IT Risk Management principles for the Group are:

- Establish the right tone from the top while defining and enforcing personal accountability and responsibility for managing technology & cyber risks.
- IT requirements must always connect to business objectives.
- Align the management of IT risk with overall enterprise risk.
- Implementation of appropriate practices and controls to mitigate risks, including emerging risks such as cyber risks as approved by the Group.

The Group has put in place a disciplined product evaluation process. The Group's product evaluation process is governed by the Product Governance Framework. Each new product or service introduced as well as variations to existing products or services are subject to a rigorous risk review and sign-off process where risks are identified and assessed by divisions' independent of the risk-taking unit that proposes the product or service and reviewed by the Risk Stewards.

The Group continues to direct group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates in. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to support compliance with regulations governing anti-money laundering and counter financing of terrorism.

7. Operational Risk (Cont'd)

Risk Management Approach (Cont'd)

(a) Strategy and Processes (Cont'd)

Fraud risk management is also governed under Operational Risk Management where the main objectives of fraud risk management includes:

- Independently review, identify, assess, measures and manage fraud risk as second line of defense on the Group and the Bank wide basis.
- Enforced responsibility and accountability for the management of fraud risk across the Group and the Bank.
- Ensure governance and management throughout the Group and the Bank via risk culture that promotes a responsible culture of transparency, vigilance, openness, awareness and of being proactive across the Group and the Bank.
- To investigate into allegations of fraud involving branches, head office and subsidiary of ARBM

To further enhance operational risk management in response to threat of external fraud, losses arising from frauds or control lapses are analysed in depth to identify the causes of such losses and to implement remedial actions to prevent recurrence. Analyses of impaired financing attributed to operational lapses are also conducted diligently and the findings are disseminated to all business units as learning points.

The Group manages its outsourcing arrangements through the Outsourcing Policy and Guidelines on Outsourcing Activities which stipulate the requirements and the operating procedures to be observed in managing activities that are outsourced to third party service providers. This is to ensure that the risks associated with outsourcing activities are managed effectively.

Disaster recovery and business continuity plans are put in place as an integral part of the Group's strategy to mitigate risk and manage the impact of loss events. Where appropriate, the Group mitigates risk of high impact loss events by relevant takaful coverage.

The Group protects and ensures information security through continuous assessment of the security features on all computer platforms and network infrastructure, and implementation of appropriate security controls to protect against the misuse or compromise of information assets. In addition, the Group continues to implement initiatives to maintain reliable system availability and performance across its computer systems, peripherals, and network infrastructure, ensuring uninterrupted operations.

7. Operational Risk (Cont'd)

Risk Management Approach (Cont'd)

(b) Tools and Methods for Risk Mitigation

The Group had established, among others, the following tools for sound practices and effective implementation of operational risk management within the bank:

- Risk and Control Self-Assessment ("RCSA") – to enhance management assessment of the state of the risk and control environment.
- Risk and Control Self-Assessment ("RCSA") – to evaluate and assess the operational risks and control effectiveness at branches.
- Scenario Analysis assessment – Allows the bank to better understand its risk profile and allocate risk management resources and strategies most effectively. The Bank conduct Scenario Analysis as and when it may be required by BNM and submits the result of the Scenario Analysis and other information to BNM within prescribed time.
- Risk Assessments templates for material products and services, processes, and activities within the bank.
- Key Risk Indicators ("KRI") – to collect statistical data on an ongoing basis to facilitate early detection of Key operational risk and control deficiencies.
- Operational risk incident reporting and data collection – to facilitate an enhanced analysis and timely reporting of operational risk data which are useful in assessing the Group's operational risk exposure and in strengthening the internal control environment.
- Key Control Testing ("KCT") – to evaluate and attest the design and operational effectiveness of critical internal controls within the Bank. These controls are essential for mitigating risks, ensuring compliance with regulations, and maintaining operational integrity.

The Group employs the following key methods to mitigate its operational risk:

- System of internal controls based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes as per ARBM Delegation Authority Matrix;
- Documented operational risk management policies and procedural manuals to mitigate errors by users;
- Processes to ensure compliance with internal policies, guidelines, controls and procedures and appropriate punitive actions are taken against errant staff;
- Periodic review and enhancement of operational risk limits and controls strategies;
- Disaster recovery and business continuity plans put in place to mitigate risk and manage the impact of loss events.
- Takaful coverage to mitigate risk of high impact loss events, where appropriate.
- Review of outsourcing activities to ensure that the product and services adhere to the terms and conditions in the service agreement and that their integrity and service quality are not compromised**.**
- Review operational readiness for all new product or services to ensure that the product and services has met all the regulatory requirements and Shariah requirement prior to product launching and offering to public.

7. Operational Risk (Cont'd)

Risk Management Approach (Cont'd)

(c) Reporting

Reporting forms an essential part of operational risk management. The Group's risk management processes are designed to ensure that operational issues are identified, escalated and managed on a timely manner.

Operational risk areas for the key business and control units are reported through periodic operational risk management reports, which provide analyses and action plans for each significant business operation. The operational risk areas considered include premises controls and safety, losses due to fraud or control lapses, system availability, disaster recovery and business continuity plan simulations, outsourcing arrangements and legal actions taken against the Group. The operational risk management reports are tabled to the Operational Risk Committee ("ORC") and the ERMC for deliberations. The Bank has in place appropriate mechanisms for communicating risks across the Bank and for reporting risk developments to the Board or group (if required).

8. Shariah Non-Compliance Risk and Governance

The Group practice a zero-risk appetite and zero tolerance policy for non-adherence to the Shariah requirements, Shariah Standards, resolutions and rulings set out by BNM Shariah Advisory Council, Securities Commission Shariah Advisory Council, Shariah Board of ARBM ("SBM") and any other relevant Shariah authority as determined by Shariah Board of ARBM. The Shariah Non-Compliance ("SNC") risk is managed according to the Group's and the Bank's Enterprise Risk Management Framework and Shariah Risk Management Policy under the auspices of Shariah Governance Framework ("SGF") of the Group.

The risk methodology provides structural process in mitigating the risk of SNC while promoting risk awareness culture at all levels. Shariah Risk Management Policy, amongst others, prescribes the core requirement of Shariah compliance concerning the Group's operation and activities. Whereas SGF sets out the Group's Shariah governance structure, process and arrangements including the functions of internal Shariah control function.

The Shariah Board KSA ("SBKSA") is responsible and accountable for all its decision, views and opinions related to Shariah matters. The Shariah Board KSA is expected to endorse Group's policies and procedures relating to Shariah matters to ensure the contents do not contain any elements which are not in line with Shariah. The Shariah Board KSA is preceded by qualified members who deliberate and endorse all Shariah matters with full independence as prescribed in the SGF.

The Board of Directors ("BOD") have an oversight on Shariah compliance aspects of the Group's overall operations and is ultimately responsible for the establishment of an appropriate Shariah Governance Framework ("SGF") for the Group.

8. Shariah Non-Compliance Risk and Governance (Cont'd)

The Senior Management shall be responsible for observing and implementing Shariah standards and decisions made by the Shariah Advisory Council of Bank Negara Malaysia and the Shariah Board of ARBM respectively. The Senior Management is also responsible to ensure the effective implementation and maintenance of Shariah Risk Management policies process and control are clearly set out and supported by effective reporting and escalation procedures.

8.1 Shariah Control Function Comprising Shariah Review, Shariah Audit and Shariah Risk Management

Shariah Control function comprises of Shariah Review, Shariah Risk Management and Shariah Audit in discharging duties as per governed by SGF of the Group in managing Shariah Non-Compliance as the second and third line of defense respectively. Nevertheless, business units and support units are the first line of defense in managing Shariah Non-Compliance Risks.

a) Shariah Review function as second line of defense will conduct regular assessment on Shariah compliance in the activities and operations of the Group with the objective of ensuring that the activities and operations carried out in the Group do not contravene with the Shariah requirements set by the Shariah Board of ARBM and Shariah Advisory Council of Bank Negara Malaysia.

b) Shariah Risk Management as the second line of defense is a function that systematically identifies, measures, monitors and reports Shariah non-compliance risks in operations, business, affairs, and activities of the bank as governed by internal policy and guidelines.

c) Shariah Audit as third line of defense refers to periodical assessment conducted from time to time, to provide an independent assessment and objective assurance in relation to the Group's action, operation, business and activities ensuring a sound and effective internal control system for Shariah compliance including to verify the business or support units are in compliance with the decisions endorsed by the Shariah Board of ARBM. Any incidences of Shariah non-compliance are reported to both the Shariah Board and the Board Audit Committee.

   For any potential Shariah non-compliance findings regardless resulting from Shariah Review and Shariah Audit exercise or self-identified by Shariah Risk Management business unit or support unit, incidences are discussed, reviewed, decided, and reported to Senior Management, Board of Directors, Shariah Board of ARBM and BNM accordingly as per guided by BNM as well as Group's internal policies and guidelines where applicable.

   When the Group becomes aware of carrying on any of its business, affair or activity in a manner which is not in compliance with Shariah or the advice of the Group's Shariah Board of ARBM or the advice or ruling of the BNM Shariah Advisory Council, the bank shall immediately cease from carrying on such business, affairs, or activity and from taking on any other similar business, affairs or activity. Remedial actions to be taken on immediate basis in rectifying the actual SNC event and submit rectification plan to BNM as approved by Board of Directors and Shariah Board of ARBM within thirty days of becoming aware of such non-compliance.

8. Shariah Non-Compliance Risk and Governance (Cont'd)

8.1 Shariah Control Function Comprising Shariah Review, Shariah Audit and Shariah Risk Management. (Cont'd)

Rectification Process of Shariah Non-Compliant Income during Period under Review

During the financial year under review, one Shariah Non-Compliance (SNC) event was reported, resulting in a minor financial impact. A small purification amount is required, and the rectification process, along with the proper distribution of the tainted income, will be conducted in accordance with the Group's Guideline on Income Purification, which aligns with Shariah Board of ARBM Ruling No. 70 on Guidelines for Purification Accounts.

مصرف الراجحي
alrajhi bank

AL RAJHI BANKING AND INVESTMENT CORPORATION (MALAYSIA) BHD.
(Incorporated in Malaysia)
Co. Reg. No. 200501036909 (719057-X)

Basel II - Pillar 3 Disclosure
As at 30 June 2026

CHIEF EXECUTIVE OFFICER ATTESTATION

Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirement

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Al Rajhi Banking & Investment Corporation (Malaysia) Bhd's Pillar 3 Disclosures report for the financial period ended 30 June 2026 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

For and on behalf of,
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd.

Mohd Syahrul Bin Ishak
Chief Executive Officer