مصرف الراجحي
alrajhi bank

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

Basel II - Pillar 3 Disclosure
As at 31 December 2021

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's ("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 compliance 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, https://www.alrajhibank.com.my

The following tables present the minimum regulatory capital requirements to support the Group's and the Bank's risk-weighted assets.

	Group and Bank			
	31 Dec 2021		31 Dec 2020	
	Risk-weighted assets RM'000	Capital requirement RM'000	Risk-weighted assets RM'000	Capital requirement RM'000
Credit Risk	6,199,178	495,930	5,011,660	400,934
Market Risk	144,669	11,574	156,534	12,523
Operational Risk	382,289	30,583	360,862	28,869
Total	6,726,136	538,087	5,529,056	442,326

2. Capital Management

The Group's capital management is guided by the Group's Capital Adequacy Management and Governance Framework and the Capital Adequacy Management and Planning Policy which articulates the guiding principles for the capital management process to ensure that the Bank has adequate capital that is commensurate with the Bank'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 and the Bank maintains an appropriate level and quality of capital in line with the Group's and the Bank'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. Risk Management Division ("RMD") is responsible for monitoring and reporting of the

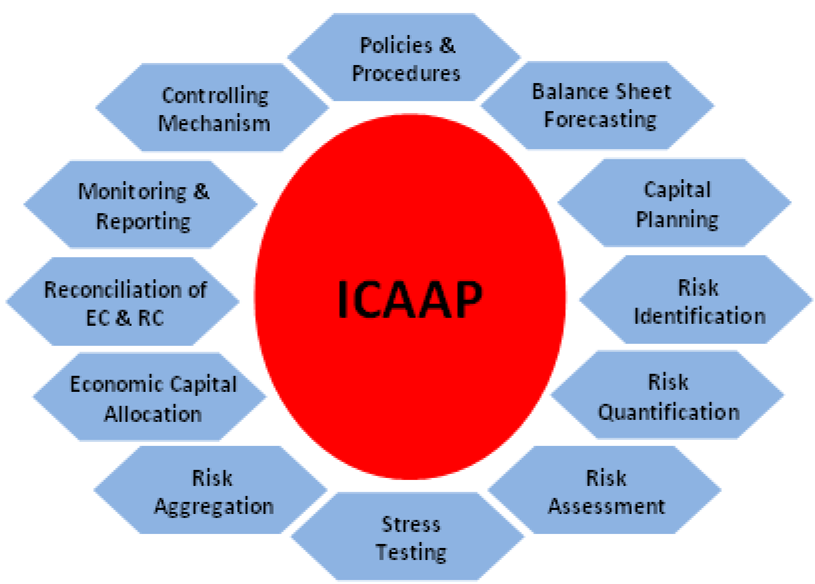
2. Capital Management (Cont'd.)

ICAAP, including comparing actual capital levels with the capital targets and the relevant analysis and recommendation. Meanwhile, Finance Division and respective business units with the inputs of RMD are responsible for preparing the current capital position and also the business plan and financial projections for the next three years.

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 is exposed to.

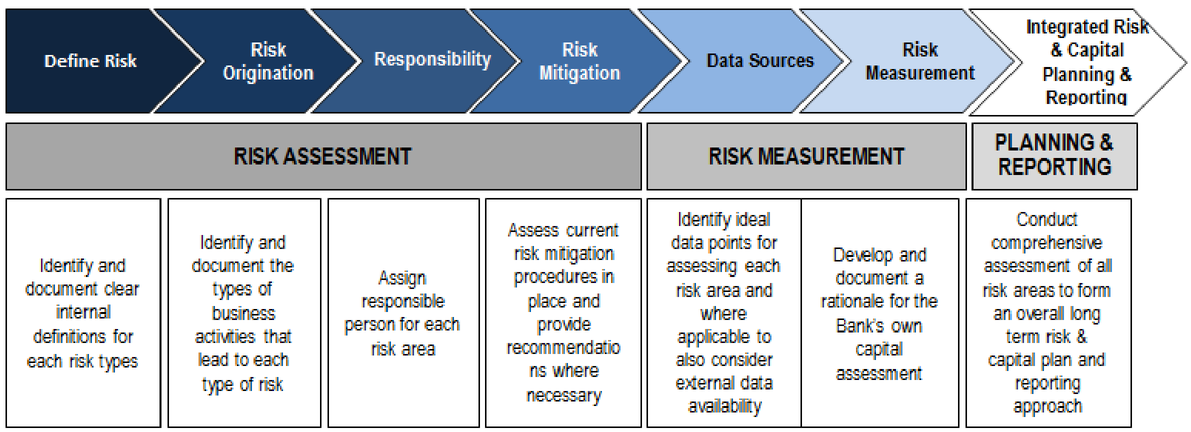
The major components of ICAAP of the Group and the Bank can be illustrated through the following diagram:



2. Capital Management (Cont'd.)

2.1 Internal Capital Adequacy Assessment Process (Cont'd.)

The risk management processes under ICAAP are as follows:-



2.2 Transitional arrangement for Regulatory Capital Treatment of Expected Credit Loss.

The Group and the Bank has adopted Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") guideline to further improve capital adequacy assessment, enhance risk management practices as well as to improve transparency and public confidence.

The total risk-weighted assets are computed based on Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The new optional transitional arrangements for regulatory capital treatment of accounting provisions allows Islamic Institutions to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses (ECL) to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021.

The Group and the Bank have elected to apply this optional transitional arrangement ("TA") for three financial years from the financial year beginning 1 January 2020 to 31 December 2023.

2. Capital Management (Cont'd.)

2.2 Transitional arrangement for Regulatory Capital Treatment of Expected Credit Loss (Cont'd)

The amount of Stage 1 and Stage 2 provision to be added to CET1 Capital shall be calculated as follows:

$$\boxed{\text{Add-back} = \max\{0; [(\text{Provisions}_{\text{Current}} - \text{Provisions}_{\text{Base}}) \times F]\}}$$

Where-

Add-back	amount of Stage 1 and Stage 2 provisions eligible to be added back to CET1 Capital as at the reporting date.
Provision $_{\text{Current}}$	total Stage 1 and Stage 2 provisions as at the reporting date.
Provision $_{\text{Base}}$	total Stage 1 and Stage 2 provisions as at the base reference date 1 January 2021 where transitional arrangements are applied over a three financial year period.
F	add-back factor as at the reporting year, as follows

Financial year beginning on or after 1 January	Add-back factor (%)
2020	100
2021	100
2022	75
2023	50
2024 onwards	0

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2. Capital Management (Cont'd.)

2.2 Transitional arrangement for Regulatory Capital Treatment of Expected Credit Loss (Cont'd)

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

	Group		Bank	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
CET 1/Tier I capital				
Paid-up share capital	1,000,000	1,000,000	1,000,000	1,000,000
Reserves	(313,363)	(309,340)	(313,301)	(309,512)
	686,637	690,660	686,699	690,488
Less: Deferred tax	(49,497)	(49,497)	(49,497)	(49,497)
Other CET 1 regulatory adjustment	-	-	-	-
Total Tier-1 capital	**637,140**	**641,163**	**637,202**	**640,991**
Tier-II capital				
General Provision	72,421	62,646	72,421	62,646
Subordinated Sukuk	554,816	374,843	554,816	374,843
Total Tier-2 capital	**627,237**	**437,489**	**627,237**	**437,489**
Capital base	**1,264,377**	**1,078,652**	**1,264,439**	**1,078,480**
Core capital ratio	9.473%	11.596%	9.474%	11.593%
Risk-weighted capital ratio	18.798%	19.509%	18.799%	19.506%

3. Group Risk Management Framework

The Group's risk management practice seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its key areas of credit, market, liquidity and operational risks.

The Group's overall risk management framework, including the risk governance and the risk management process are set out in the Risk Management section in the Directors Report as disclosed in the Audited Financial Statements for the year ended 31 December 2021.

4. Credit Risk

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

4. Credit Risk (Cont'd.)

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 restructuring of problematic and delinquent financing. The management of counterparties are guided by counterparty limit, counterparty ratings, tenure and types of permissible transactions and these are subject to regular review.

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

	Group and Bank			
	31 Dec 2021		31 Dec 2020	
	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 Development Financial Institutions ("DFIs") & Multilateral Development Bank ("MDBs")	264,720	21,178	199,109	15,929
Corporate	4,586,325	366,906	3,757,835	300,627
Regulatory Retail	159,863	12,789	179,372	14,350
Residential Real Estate (RRE) Financing	377,615	30,209	375,710	30,057
Higher Risk Asset	2,126	170	2,094	168
Other assets	135,830	10,866	74,920	5,994
Defaulted Exposures	14,441	1,155	17,115	1,369
Total for On-Balance Sheet Exposures	**5,540,920**	**443,273**	**4,606,155**	**368,494**

4. Credit Risk (Cont'd.)

Risk Governance

The ERMC supports the BRMC in credit risk management oversight. ERMC and BRMC review 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 group-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 granting 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 granting to corporate customers is individually underwritten and risk-rated. Credit officers identify and assess the credit risks of large corporate or customers, or customer groups, taking into consideration their financial and business profiles, industry, economic factors, collateral etc.

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, 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

4. Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd)

(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 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 bank and other financial institutions RM'000	Derivatives assets RM'000	Financial investments at amortised cost RM'000	Financial investments at FVOCI RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
31 December 2021									
Household	-	-	-	-	-	1,322,677	-	-	1,322,677
Wholesale & retail trade and hotel and restaurant	-	-	86	9,064	-	1,161,616	-	-	1,170,766
Finance, insurance, real estate and business activities	70,277	445,674	-	666,753	1,658,821	1,213,218	11,514	-	4,066,257
Manufacturing	-	-	-	-	-	1,092,369	-	-	1,092,369
Construction	-	-	-	-	-	570,594	-	-	570,594
Education, health and others	-	-	-	-	-	67,032	-	-	67,032
Agriculture, hunting and related service activities	-	-	-	-	-	164,400	-	-	164,400
Transportation	-	-	-	-	-	38,055	-	-	38,055
Mining and quarrying	-	-	-	-	-	45,685	-	-	45,685
Other business	-	-	-	-	-	294,462	-	23,786	318,248
Total	70,277	445,674	86	675,817	1,658,821	5,970,108	11,514	23,786	8,856,083

4. Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

Group and Bank	Cash and Short term funds RM'000	Deposits and placements with bank and other financial institutions RM'000	Derivatives assets RM'000	Financial Investment at amortised cost RM'000	Financial Investment at FVOCI RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
31 Dec 2020									
Household	-	-	-	-	-	1,375,897	-	-	1,375,897
Wholesale & retail trade and hotel and restaurant	-	-	155	14,036	-	1,107,158	-	-	1,121,349
Finance, insurance, real estate and business activities	80,991	378,940	-	725,059	647,547	900,554	7,217	-	2,740,308
Manufacturing						842,912			842,912
Construction	-	-	-	-	-	522,713	-	-	522,713
Education, health and others	-	-	-	-	-	68,317	-	-	68,317
Agriculture, hunting and related service activities	-	-	-	-	-	101,367	-	-	101,367
Transportation	-	-	-	-	-	42,985	-	-	42,985
Mining and quarrying	-	-	-	-	-	24,754	-	-	24,754
Other business	-	-	-	-	-	67,596	-	18,752	86,348
Total	80,991	378,940	155	739,095	647,547	5,054,253	7,217	18,752	6,926,950

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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
31 December 2021				
Cash and short term funds	28,565	3,904	37,808	70,277
Deposits and placement with banks and other financial instituitions	-	222,357	223,317	445,674
Derivatives assets	86	-	-	86
Financial investments at amortised cost	675,817	-	-	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	-	-	1,658,821
Net financing and advances	5,803,288	-	166,820	5,970,108
Statutory deposits with BNM	11,514	-	-	11,514
Other assets	23,786	-	-	23,786
Total	8,201,877	226,261	427,945	8,856,083

Group and Bank	Malaysia RM'000	Saudi Arabia RM'000	Other countries RM'000	Total RM'000
31 December 2020				
Cash and short term funds	32,816	9,447	38,728	80,991
Deposits and placement with banks and other financial instituitions	-	54,534	324,406	378,940
Derivatives assets	155	-	-	155
Financial investments at amortised cost	739,095	-	-	739,095
Financial investments at fair value through other comprehensive income ("FVOCI")	647,547	-	-	647,547
Net financing and advances	5,054,253	-	-	5,054,253
Statutory deposits with BNM	7,217	-	-	7,217
Other assets	18,752	-	-	18,752
Total	6,499,835	63,981	363,134	6,926,950

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
31 December 2021					
Cash and short term funds	70,277	-	-	-	70,277
Deposit and placement with bank and other financial institutions	445,674	-	-	-	445,674
Hedging financial instruments	86	-	-	-	86
Financial investments at amortised cost	2,029	-	-	673,788	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	- -	-	-	1,658,821
Net financing and advances	1,989,080	892,314	1,369,231	1,719,482	5,970,108
Statutory deposits with BNM	11,514	-	-	-	11,514
Other assets	23,786	-	-	-	23,786
Total	4,201,267	892,314	1,369,231	2,393,270	8,856,083

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 2020					
Cash and short term funds	80,991	-	-	-	80,991
Deposit and placement with bank and					-
other financial institutions	378,940	-	-	-	378,940
Hedging financial instruments	155	-	-	-	155
Financial investments at amortised cost	14,036	-	-	725,059	739,095
Financial investments at fair value through					-
other comprehensive income ("FVOCI")	647,547	-	-	-	647,547
Net financing and advances	2,505,389	261,577	327,835	1,959,453	5,054,253
Statutory deposits with BNM	7,217	-	-	-	7,217
Other assets	18,751	-	-	-	18,751
Total	3,653,026	261,577	327,835	2,684,511	6,926,950

4. Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

- Financial guarantees and standby letters of credit, which represent undertaking that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as financing even though are contingent in nature
- Documentary and commercial letters of credits, which are undertakings by the Group on behalf of the customer. These exposure are usually collateralised by the underlying shipment of goods to which they relate
- Commitments to extend credit including the utilised or undrawn portions of credits facilities
- Principal/notional amount of derivative financial instruments

Disclosure on Off Balance Sheet Exposures

Group and Bank	31 Dec 2021			31 Dec 2020		
	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	195,731	97,866	97,866	120,496	60,248	60,248
Trade-related contigencies	87,938	17,588	17,588	6,522	1,304	1,304
Irrevovable commitments to extent credit:						
-Maturity no exceeding one year	2,427,122	485,380	471,748	1,400,231	279,997	276,335
-Maturity exceeding one year	142,943	71,458	71,056	135,078	67,521	67,618
	2,853,734	672,292	658,258	1,662,327	409,070	405,505

4. Credit Risk (Cont'd.)

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:

(a) for home financing – charges over the properties
(b) for shop-house financing – charges over the properties
(c) for motor vehicle financing – charges over the vehicles financed
(d) for corporate financing – charges over business assets such as premises or deposit.

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 i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

4. Credit Risk (Cont'd.)

4.3 Credit Risk Mitigation (Cont'd.)

Group and Bank	**31 Dec 2021**		**31 Dec 2020**	
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	2,191,064	-	1,274,686	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	654,705	-	427,131	-
Corporate	4,921,614	1,038,970	4,068,242	901,546
Regulatory Retail	220,374	11,237	239,362	1,000
Residential Real Estate ("RRE") Financing	795,695	-	845,484	-
Higher Risk assets	1,418	-	1,396	-
Other assets	151,512	-	92,728	-
Defaulted Exposures	19,372	-	23,124	-
Total for On-Balance Sheet Exposures	8,955,754	1,050,207	6,972,153	902,546
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	672,292	-	409,070	-
Total for Off-Balance Sheet Exposures	672,292	-	409,070	-
Total On and Off-Balance Sheet Exposures	9,628,046	1,050,207	7,381,223	902,546

4. Credit Risk (Cont'd.)

4.4 Assignment of Risk Weight for Portfolios under the Standardised Approach

The Bank assesses credit quality of financing and advances using an external rating technique tailored to the various categories of products and counter parties. These technique have been developed internally and combines statistical analysis with credit officer's judgment.

External ratings	Description
- Investment grade	Strong(est) credit quality which associated with general standards of investment grade as per defined by international rating agency such as Standard and Poor's (S&P), Moody's, and Fitch.
- Non-investment grade	Weaker credit quality which associated with general standards of non-investment grade as per defined by international rating agency such as Standard and Poor's (S&P), Moody's, and Fitch.

The credit quality of financial assets other than financing and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

- 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 and Bank 31 December 2021	Disclosure on Rated Exposures according to Rating by ECAIs										
	AAA RM'000	AA+ RM'000	AA RM'000	A+ RM'000	A RM'000	A- RM'000	BBB+ RM'000	BBB RM'000	BBB- RM'000	Unrated RM'000	Total RM'000
Exposure Class											
On and Off Balance-Sheet Exposures											
Credit Exposure - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	-	2,191,064	-	-	-	-	2,191,064
Banks, DFIs & MDBs	-	-	-	169,419	3,551	153	451,588	31,411	500	974	657,596
Corporate	-	-	-	-	-	-	-	-	-	5,592,167	5,592,167
Regulatory Retail	-	-	-	-	-	-	-	-	-	234,219	234,219
Residential Real Estate (RRE) Financing	-	-	-	-	-	-	-	-	-	799,877	799,877
Total Higher Risk Assets	-	-	-	-	-	-	-	-	-	1,611	1,611
Other assets	-	-	-	-	-	-	-	-	-	151,512	151,512
Total	-	-	-	169,419	3,551	2,191,217	451,588	31,411	500	6,780,360	9,628,046

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 and Bank	Disclosure on Rated Exposures according to Rating by ECAIs										
31 December 2020	AAA	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
Exposure Class											
On and Off Balance-Sheet Exposures											
Credit Exposure - Standardised Approach											
Sovereigns/Central Banks	-	-	-	-	-	1,274,686	-	-	-	-	1,274,686
Banks, DFIs & MDBs	-	-	-	65,777	1,648	31,653	4,539	1,009	341	325,056	430,023
Corporate	-	-	-	-	-	-	-	-	-	4,488,073	4,488,073
Regulatory Retail	-	-	-	-	-	-	-	-	-	245,459	245,459
Residential Real Estate (RRE) Financing	-	-	-	-	-	-	-	-	-	848,664	848,664
Total Higher Risk Assets	-	-	-	-	-	-	-	-	-	1,590	1,590
Other assets	-	-	-	-	-	-	-	-	-	92,728	92,728
Total	-	-	-	65,777	1,648	1,306,339	4,539	1,009	341	6,001,570	7,381,223

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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
31 December 2021

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 risk weighted assets RM'000
	Exposures after netting and credit risk mitigation ("CRM")								
Performing Exposures									
0%	2,191,064	-	-	-	-	-	15,682	2,206,746	-
20%	-	211,668	206,040	-	-	-	-	417,708	83,542
35%	-	-	-	-	575,077	-	-	575,077	201,277
50%	-	445,928	-	-	86,814	-	-	532,742	266,371
75%	-	-	-	226,883	5,036	-	-	231,918	173,939
100%	-	-	5,192,000	-	129,361	-	135,830	5,457,145	5,457,191
150%	-	-	-	-	-	1,611	-	1,611	2,417
Total	2,191,064	657,596	5,398,040	226,883	796,288	1,611	151,512	9,422,947	6,184,737
Defaulted Exposures									
35%	-	-	-	-	-	-	-	-	-
50%	-	-	8,875	112	3,589	-	-	12,576	6,288
100%	-	-	4,081	-	-	-	-	4,081	4,081
150%	-	-	2,715	-	-	-	-	2,715	4,072
Total	-	-	15,671	112	3,589	-	-	19,372	14,441
Total Performing and Defaulted	**2,191,064**	**657,596**	**5,413,711**	**226,995**	**799,877**	**1,611**	**151,512**	**9,442,319**	**6,199,178**

alrajhi bank

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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.

Bank
31 December 2021

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 risk weighted assets RM'000
	Exposures after netting and credit risk mitigation ("CRM")								
Performing Exposures									
0%	2,191,064	-	-	-	-	-	15,682	2,206,746	-
20%	-	211,668	206,040	-	-	-	-	417,708	83,542
35%	-	-	-	-	575,077	-	-	575,077	201,277
50%	-	445,928	-	-	86,814	-	-	532,742	266,371
75%	-	-	-	226,882	5,036	-	-	231,919	173,939
100%	-	-	5,192,000	-	129,361	-	135,830	5,457,191	5,457,191
150%	-	-	-	-	-	1,611	-	1,611	2,417
Total	2,191,064	657,596	5,398,040	226,882	796,288	1,611	151,512	9,422,994	6,184,737
Defaulted Exposures									
35%	-	-	-	-	-	-	-	-	-
50%	-	-	8,875	112	3,589	-	-	12,576	6,288
100%	-	-	4,081	-	-	-	-	4,081	4,081
150%	-	-	2,715	-	-	-	-	2,715	4,072
Total	-	-	15,671	112	3,589	-	-	19,372	14,441
Total Performing and Defaulted	**2,191,064**	**657,596**	**5,413,711**	**226,994**	**799,877**	**1,611**	**151,512**	**9,442,366**	**6,199,178**

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 and Bank
31 December 2020

	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 risk weighted assets RM'000**
Performing Exposures									
0%	1,274,686	-	-	-	-	-	17,808	1,292,494	-
20%	-	51,083	205,382	-	-	-	-	256,465	51,293
35%	-	-	-	-	391,461	-	-	391,461	137,011
50%	-	378,940	-	-	427,018	-	-	805,958	402,979
75%	-	-	-	244,558	7,258	-	-	251,816	188,862
100%	-	-	4,117,348	-	19,746	-	74,920	4,212,014	4,212,014
150%	-	-	-	-	-	1,590	-	1,590	2,386
Total	1,274,686	430,023	4,322,730	244,558	845,483	1,590	92,728	7,211,798	4,994,545
Defaulted Exposures									
35%	-	-	-	-	-	-	-	-	-
50%	-	-	11,741	78	3,180	-	-	14,999	7,500
100%	-	-	4,522	623	-	-	-	5,145	5,145
150%	-	-	2,980	-	-	-	-	2,980	4,470
Total	-	-	19,243	701	3,180	-	-	23,124	17,115
Total Performing and Defaulted	**1,274,686**	**430,023**	**4,341,973**	**245,259**	**848,663**	**1,590**	**92,728**	**7,234,922**	**5,011,660**

4. Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Financing and Advances

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

Gross Financing, Advances and Financing by Credit Quality

	Group and Bank	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Neither past due nor impaired	5,706,298	4,996,725
Past due but not impaired	333,759	134,219
Impaired	55,474	53,413
Gross financing and advances	6,095,531	5,184,357
Ratio of net impaired financing and advances to gross financing and advances less individual impairment allowances	0.32%	0.45%

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 39(c)(vi) to the financial statements.

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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

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.

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

	Group and Bank	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Working capital	231,930	-
Purchase of property – residential property	82,020	86,916
Personal use	16,607	42,496
Purchase of transport vehicles	2,126	3,431
Purchase of shop-house	1,076	1,376
	333,759	134,219

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

	Group and Bank	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Malaysia	333,759	134,219
	333,759	134,219

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

	Group and Bank	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
1 day to < 1 month	297,356	92,314
1 month to < 2 month	26,005	32,050
2 month to < 3 month	10,398	9,855
	333,759	134,219

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 a 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 during the financial year are as follows:

	Group and Bank	
	31 Dec 2021 RM'000	**31 Dec 2020 RM'000**
At 1 January	108,987	88,682
Impairment charged recognised during the year	11,843	31,826
Impairment written-off	(13,053)	(11,521)
Closing balance	107,777	108,987

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) Reconciliation of allowance for impaired financing and advances

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4. Credit Risk (Cont'd.)

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

(c) Impaired Financing and Advances (Cont'd.)

(i) Impaired Financing and Advances by Economic Purpose

Group and Bank 31 Dec 2021	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Charge for the year RM'000	Amount Written Off RM'000	Total Impairment Allowances for Financing and Advances RM'000
Working capital	40,512	60,986	9,638	-	70,623
Personal use	6,126	40,148	1,366	(12,065)	29,449
Purchase of properties-residential	8,344	5,426	2,403	(978)	6,852
Charged Card	130	138	(22)	(4)	112
Purchase of transport vehicle	362	2,289	(1,542)	(6)	741
	55,474	108,987	11,843	(13,053)	107,777

Group and Bank 31 Dec 2020	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Charge for the year RM'000	Amount Written Off RM'000	Total Impairment Allowances for Financing and Advances RM'000
Working capital	40,642	58,938	2,047	-	60,986
Personal use	9,043	22,617	26,519	(8,988)	40,148
Purchase of properties-residential	5,143	6,212	1,536	(2,321)	5,426
Charged Card	139	314	(120)	(56)	138
Purchase of transport vehicle	81	601	1,843	(155)	2,289
	55,046	88,682	31,826	(11,521)	108,987

4. Credit Risk (Cont'd.)

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

(c) Impaired Financing and Advances (Cont'd.)

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

Group and Bank 31 Dec 2021	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Charge for the Year RM'000	Amounts Written Off RM'000	Total Impairment Allowances for Financing and Advances RM'000
Malaysia	55,474	108,987	11,843	(13,053)	107,777
	55,474	108,987	11,843	(13,053)	107,777

Group and Bank 31 Dec 2020	Impaired Financing and Advances RM'000	Impairment 1 Jan RM'000	Charge for the Year RM'000	Amounts Written Off RM'000	Total Impairment Allowances for Financing and Advances RM'000
Malaysia	55,046	88,682	31,826	(11,521)	108,987
	55,046	88,682	31,826	(11,521)	108,987

4. Credit Risk (Cont'd.)

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

(c) Impaired Financing and Advances (Cont'd.)

(iii) Movements in ECL/impairment allowances for financing and advances:

	Group and Bank	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
ECL/ Collective assessment allowance		
At 1 January		
Stage 1 ECL	41,450	29,854
Stage 2 ECL	37,460	25,044
Stage 1 ECL provided during the financial year	5,130	11,596
Stage 2 ECL (written back)/provided during the financial	(12,156)	12,416
At 31 December	71,884	78,910
As % of total gross financing and advances less individual impairment allowances	1.19%	1.53%
ECL/ Individual assessment allowance		
At 1 January	30,077	33,783
Stage 3 ECL provided during the financial year	18,869	7,814
Amount written off	(13,053)	(11,520)
At 31 December	35,893	30,077

4. Credit Risk (Cont'd.)

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

(c) Impaired Financing and Advances (Cont'd.)

(iii) Movements in ECL/impairment allowances for financing and advances:

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	41,450	37,460	30,077	108,987
Changes due to financial assets recognised in the opening balance:				
- Transferred to 12-mth ECL	13,390	(12,574)	(816)	-
- Transferred to lifetime ECL not credit impaired	(881)	1,809	(928)	-
- Transferred to lifetime ECL credit impaired	(76)	(1,144)	1,220	-
Financing derecognised during the financial year (other than write-offs)	(3,397)	(1,749)	(427)	(5,573)
Write-offs	-	-	(13,053)	(13,053)
New Financing originated	12,140	696	134	12,970
Net remeasurement of allowances	(16,046)	806	19,686	4,446
At 31 December 2021	46,580	25,304	35,893	107,777

5. Market Risk

Risk Governance

The Assets and Liabilities Committee ("ALCO") supports the BRMC 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	Minimum Capital Requirement RM'000
31 Dec 2021				
Foreign Currency Risk	1,688	-	1,688	135
Inventory Risk			142,981	11,438
			144,669	11,574
31 Dec 2020				
Foreign Currency Risk	1,867	-	1,867	149
Inventory Risk			154,667	12,373
			156,534	12,523

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 bank.

(a) Profit rate sensitivity analysis

	Group and Bank			
	31 Dec 2021		31 Dec 2020	
	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%	5,350	(38,707)	3,523	(36,504)
- 1%	(5,350)	38,707	(3,523)	36,504

(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			
	31 Dec 2021		31 Dec 2020	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
5%	4	4	37	37
-5%	(4)	(4)	(37)	(37)

6. Operational Risk

Operational risk is defined as the risk of loss, whether direct or indirect, to which the Bank 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 Bank's business and support activities and can result in direct and indirect financial loss, regulatory sanctions, customer dissatisfaction and damage to the Bank's reputation

The Group established a 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 bank wide. Risk coordinators are appointed for the embedded risk functions at 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 Bank.

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for Operation Risk for the Group and Bank, computed using Basic Indicator Approach.

	Group and Bank			
	31 Dec 2021		31 Dec 2020	
	Risk weighted assets RM'000	Capital Requirement RM'000	Risk weighted assets RM'000	Capital Requirement RM'000
Operational Risk	382,289	30,583	360,862	28,869

6. Operational Risk (Cont'd.)

Risk Management Approach

(a) Strategy and Processes

The implementation of Operational Risk Management within the Group includes the risk management on the Technology Risk, Fraud Risk, Legal and Regulatory Risk, Product Risk, Outsourcing Risk, Shariah Non-Compliance Risk, Business Resilience and Continuity and other pertinent operational risks relevant to the business and operational functions.

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

- Establish the right tone from the top while defining and enforcing personal accountability and responsibility for managing technology 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 Group's Product and Services Governance Policy and its guideline. 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 Risk Steward.

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.

6. 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 a bank wide basis.
- Enforced responsibility and accountability for the management of fraud risk across the bank.
- Ensure governance and management throughout the bank via risk culture that promotes a responsible culture of transparency, vigilance, openness, awareness and off being proactive across 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 analyzed 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 activities 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 undertake initiatives to maintain 100% systems availability and robust system performance in the Group's computer systems, peripherals and network infrastructure to ensure uninterrupted transmission.

6. 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.
- Branch Risk and Control Self-Assessment ("BRCSA") – to evaluate and assess the operational risks and control effectiveness at branches.
- Risk Assessments templates for material products and services, process 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.

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 services providers adhere to the terms and conditions in the service agreement and that their integrity and service quality are not compromised.
- Review operational readiness for products or services to ensure that the product and services has met all the regulatory requirements prior to product launching and offering to public.

6. 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 Operational Risk Committee ("ORC") and the ERMC for deliberations.

7. Shariah Non-Compliance Risk and Governance

The Bank practice a zero risk appetite 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, ARBM Shariah Board and any other relevant Shariah authority as determined by ARBM Shariah Board. The Shariah Non-Compliance ("SNC") risk is managed according to the Group's and the Bank's Risk Management Framework and Shariah Risk Management Policy under the auspices of Shariah Governance Policy Document ("SGPD") of the Bank.

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

The Bank's Shariah Board is responsible and accountable for all its decision, views and opinions related to Shariah matters. The Shariah Board is expected to endorse Bank'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 is preceded by qualified members who deliberate and endorse all Shariah matters with full independence as prescribed in the SGPD.

The Board of Directors ("BOD") have an oversight on Shariah Compliance aspects of the Bank's overall operations and is ultimately responsible for the establishment of an appropriate Shariah governance policy for the Bank.

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

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

7.1 Shariah Control Function Comprising Shariah Compliance Review, Shariah Audit and Shariah Risk

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

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

b) Shariah Risk Management as the second line of defense 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 Bank'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. Any incidences of Shariah non-compliance are reported to both the Shariah Board and the Board Audit Committee.

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

When the Bank 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 Bank's Shariah Board 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 SNC event and submit rectification plan to BNM as approved by Board of Directors and Shariah Board within thirty days of becoming aware of such non-compliance.

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

7.1 Shariah Control Function Comprising Shariah Compliance Review, Shariah Audit and Shariah Risk (Cont'd.)

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

There is no Shariah Non-Compliance ("SNC") event reported for the financial year under review and there is no financial impact that was due to SNC. If there is any income purification required, the rectification process and proper distribution of the tainted income will be according to the Bank's Guideline on Income Purification which in line with requirements set by Shariah Board Ruling No.70 on Management of Purification Account.

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

Basel II - Pillar 3 Disclosure
As at 31 December 2021

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 year ended 31 December 2021 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) Berhad

ARSALAAN AHMED
Chief Executive Officer