

**AL RAJHI BANKING & INVESTMENT  
CORPORATION (MALAYSIA) BHD.  
200501036909 (719057-X)  
(Incorporated in Malaysia)**

**Financial Statements for the financial year ended  
31 December 2022**

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## **PERFORMANCE OVERVIEW 2022**

The Bank represents Al Rajhi Banking & Investment Corporation (Malaysia) Bhd., while the Group represents both the Bank and its wholly-owned subsidiary, Al Rajhi Nominee (Tempatan) Sdn Bhd.

The Group and the Bank recorded a profit before zakat and taxation of RM28.7 million (2021: RM12.1 million) and RM27.8 million (2021: RM12.3 million) respectively for the financial year ended 31 December 2022.

## **STATEMENT OF CORPORATE GOVERNANCE**

The Board of Directors of the Bank ("the Board") recognises the importance of corporate governance as set out in the Malaysian Code on Corporate Governance ("the Code") and Bank Negara Malaysia's ("BNM") Policy on Corporate Governance in discharging its responsibilities to enhance shareholders' value and safeguard the profits of other stakeholders towards enhancing business prosperity and corporate accountability. This also means inculcating a culture that seeks to balance conformance requirements with the need to deliver long term strategic success through performance, predicated on entrepreneurship, control and ownership, without compromising personal or corporate ethics and integrity.

## **BOARD OF DIRECTORS**

### **(i) Board Composition and Its Roles and Responsibilities**

At the date of this report, the Board consists of five (5) Directors which include three (3) independent Non-Executive Directors and two (2) non-independent Executive Director. The Non-Executive Directors shall not engage in the day to day management of the Bank and shall not participate in any business dealings and shall not be involved in any other relationship with the Bank. This ensures that the independent Non-Executive Directors remain free from conflict of interest and facilitates them to carry out their roles and responsibilities. The appointment of independent Non-Executive Directors facilitates the exercise of independent evaluation in Board deliberations and decision-making, and thus providing check and balance in the Board.

The Board is responsible for the overall corporate governance, including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The roles and responsibilities of the Chairman and the Chief Executive Officer ("CEO") are clearly separated, to institute an appropriate balance of power and authority. The Chairman is responsible for ensuring the effectiveness of the Board as well as representing the Board to the Shareholders.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise. The CEO is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. The independent Non-Executive Directors bring an independent judgement to the decision making of the Board and provide a review and challenge on the performance of the management.

As a principle of good governance, all Directors are subject to re-election at regular intervals. The Bank's constitution also provide for the retirement of Directors by rotation and, under BNM's guidelines, all appointment and re-appointment of Directors have to be approved by BNM.

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**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**BOARD OF DIRECTORS (Continued)**

**(ii) Board of Directors' Profile**

The Directors' profiles are as follows:

**Mr. John Roger Winfield**  
**Chairman, Independent Non-Executive Director**

John Roger Winfield was appointed as the Independent Non-Executive Director of the Board of Al Rajhi Bank Malaysia on 15 January 2021 and subsequently appointed as Chairman effective 17 March 2021. He is of British nationality.

Roger's banking career has spanned a period of over forty-eight years. After an initial induction period in London with Lloyds Banking Group ("Lloyds"), he was asked by Lloyds to take up a role in South Korea in 1984 and subsequently in Japan, Taiwan and Singapore. In 1992, he joined Deutsche Bank in Singapore and then from 1999 to 2004, he was appointed as a Chief Executive Officer for Deutsche Bank in Mauritius, which he established from scratch, including obtaining separate banking and trust company licences. After joining HSBC at start of 2005, he moved to the United Arab Emirates in 2006 and then from March 2015 until his retirement early in 2021, Roger was the Chief Executive Officer of HSBC Kuwait.

In addition to his two Country CEO roles, Roger has worked in many areas of banking during his career, including senior positions in commercial banking, trade finance, project finance, financial institutions, wholesale market risk and private banking, where he was the Regional Head for the Southern Gulf region for HSBC.

Some of his accreditations includes President, Association of Offshore Banks, Mauritius (2000 and 2001), appointed by Minister of Finance, Republic of Mauritius to be a Non-Executive Director Financial Services Promotion Agency, Mauritius (December 2001 to December 2004), elected as Charter Member of TiE Dubai (The Indus Entrepreneurs) in June 2008, appointed as HSBC's representative to the British Business Group, Northern Emirates, United Arab Emirates in March 2014 and appointed as Deputy Chairman and Treasurer, Board of Governors, The English School, and Kuwait from March 2015 until January 2021.

**En. Zulkiflee Bin Hashim**  
**Independent Non-Executive Director**

Encik Zulkiflee Hashim was appointed as an Independent Non-Executive Director of Al Rajhi Bank Malaysia on 15 January 2021.

Encik Zulkiflee has over 35 years of experience in the banking industry. He started his career with Citibank Malaysia in 1979 and left his position as Vice President in November 1991. From December 1991 to November 1997, Encik Zulkiflee was with Deutsche Bank Malaysia. He was the Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services. From July 1998 to October 2011, Encik Zulkiflee was the Executive Director of Hong Leong Bank Berhad ("HLB"). Prior to his retirement in 2015, he was HLB's Chief Operating Officer, Group Strategic Support from November 2011 to January 2015. During the tenure with HLB, he was given the responsibility to oversee various areas such as Branch and Banking Operations, Integrated Risk Management, Credit Management, Information Technology, Islamic Banking, Wholesale Operations, Retail Operations, Legal and Corporate Communications & Public Relations.

Encik Zulkiflee is presently an independent Non-Executive Director of Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank"), Hong Leong MSIG Takaful Berhad and GuocoLand (Malaysia) Berhad. He was previously a member of Hong Leong Bank Berhad Board of Directors.

**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**BOARD OF DIRECTORS (Continued)**

**(ii) Board of Directors' Profile (Continued)**

**En. Abdulrahman Abdullah Al Fadda**  
**Non- Independent Executive Director**

Abdulrahman is presently the Chief Financial Officer of Al Rajhi Bank, Riyadh and was appointed as Non-Independent Executive Director of Al Rajhi Bank Malaysia on 15 January 2021.

He joined the Bank in September 2015 as General Manager of Group Treasury and a member of the High Management Committee. In September 2017, he was appointed and continues to be a member of the Board Investment Committee of Al Rajhi Company for Cooperative Insurance.

Abdulrahman holds a Bachelor of Science in Electrical Engineering from King Fahd University of Petroleum and Mineral, Dhahran. He started his career in Samba Financial Group, Riyadh in 1997 where he spent 14 years in various desks within its Treasury Division, which later saw his posting to its office in the United Kingdom. He played a key role in the subsequent centralisation of Samba's London Treasury activities in Riyadh. In September 2011, he left his position as Head of Trading to join National Commercial Bank, Riyadh as Deputy Treasurer. In June 2012, he joined Saudi Investment Bank, Riyadh where he spent 3 years as Treasurer.

Abdulrahman is also the Chairman of Al Rajhi Financial Markets Board and sits on various other Boards namely Emkan Finance Company, Al Rajhi Development Company and Al Rajhi Company for Management Services.

**En. Lim Jit Jee**  
**Independent Non-Executive Director**

Lim Jit Jee ("JJ") was appointed as the Independent Non-Executive Director of Al Rajhi Bank Malaysia effective 6 October 2021.

JJ's vast experience lies in various disciplines across capital markets and financial services, with an illustrious career spanning a period of more than four decades. Throughout the years, he has held many roles ranging from securities operations, business development, critical project management, as well as advisory and consultancy.

As the Technology Advisor for Waafi Bank Ltd (Labuan), and previously the Chief Technology Officer of Affin Hwang Investment Bank, and the Consultant/Member of two of Bursa Malaysia's Board Task Force, he successfully spearheaded numerous technology-based initiatives in moving these organisations to the next level.

JJ had joined Bursa Malaysia as the Head of Exchanges Operations of Market Operations before he was appointed as the Chief Information Officer to lead Bursa Malaysia's technology and systems in 2008. Prior to Bursa Malaysia, JJ was the Executive Director of the Association of Stockbroking Companies of Malaysia.

JJ graduated with a Bachelor of Science in Computer Science from Sonoma State University, California, United States of America. The information technology professional has also served on the Board of several renowned organisations in Malaysia including JP Morgan Securities Sdn Bhd and Assunta Hospital.

**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**BOARD OF DIRECTORS (Continued)**

**(ii) Board of Directors' Profile (Continued)**

**En. Hossam Essam Al Basrawi**  
**Non-Independent Executive Director**

Hossam Essam Al Basrawi is presently the General Manager Corporate Banking of Al Rajhi Bank, Riyadh and was recently appointed as the Non-Independent Executive Director of Al Rajhi Bank Malaysia effective 1 March 2022.

Hossam joined the Bank in year 2020 as the General Manager Corporate Banking and a member of Executive Management. A seasoned banker, Hossam has over 25 years of experience in various areas ranging from strategic planning, financial analysis, sales management, credit, organizational transformation, to management of special attention credits.

He started his career in Saudi Hollandi Bank, Western Region in 1996 as the Regional Remedial Unit Head and in 2001, he was a Relationship Manager where he started his journey under the Corporate Banking Group. In 2002, he joined Saudi Investment Bank, Western Region as the Relationship Officer. In the same year, he joined Banque Saudi Fransi, Riyadh where he spent 16 years in various desks within its Corporate Banking Group.

He holds a Bachelor of Law from Cairo University, Egypt.

**(iii) Board Meetings**

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year to facilitate the Directors to plan and organise next year's Board meetings into their respective schedules.

For the financial year 2022, seven (7) Board meetings were held and the attendance by Directors at the board meetings were as follows:

<b>Members</b>	<b>No. of meetings attended/held</b>
John Roger Winfield Chairman, Independent Non-Executive Director	7/7
Zulkiflee bin Hashim Independent Non-Executive Director	7/7
Abdulrahman Abdullah Al Fadda Non-Independent Executive Director	7/7
Lim Jit Jee Independent Non-Executive Director	7/7
Hossam Essam Al Basrawi Non-Independent Executive Director	6/6
Stefano Paolo Bertamini (Resigned w.e.f. 28 February 2022) Non-Independent Non-Executive Director	1/1

**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**BOARD OF DIRECTORS (Continued)**

**(iii) Board Meetings (continued)**

At the Board meetings, the Board reviews various management reports on the business performance of the Bank and the minutes of meetings of the Board Committees are tabled for review by members of the Board.

Members of the Board shall deliberate and in the process, evaluate the potential risks and viability of business propositions and corporate proposals that have significant impact on the Bank's business or on its financial position.

Board meetings are governed by a structured format agenda and the agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors in advance prior to the scheduled Board meetings for their perusal.

**(iv) Board Committees**

Minutes of every Board meeting are circulated to all the Directors for their perusal prior to confirmation of the minutes at the following Board meeting.

Board Committees were established to assist the Board in the running of the Bank. The following are the Board Committees with their specific terms of reference and functions:

**Board Audit Committee**

The composition of the Board Audit Committee and the attendance by members at the Board Audit Committee meetings held in 2022 are as follows:

<b>Members</b>	<b>No. of meetings attended/held</b>
Zulkiflee bin Hashim Chairman	6/6
John Roger Winfield Member	6/6
Lim Jit Jee Member	6/6

The primary function of the Audit Committee is to assist the Board in discharging its responsibilities by providing independent oversight of the Bank's financial reporting, the internal control system, the effectiveness of internal audit function and risk management system. The Audit Committee also provides, by way of regular meetings, a line of communication between the Board, the internal and external auditors.

**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**BOARD OF DIRECTORS (Continued)**

**(iv) Board Committees (Continued)**

**Board Risk Management and Compliance Committee**

The composition of the Board Risk Management and Compliance Committee and the attendance by members at the Board Risk Management and Compliance Committee meetings held in 2022 are as follows:

<b>Members</b>	<b>No. of meetings attended/held</b>
Zulkiflee bin Hashim Chairman	7/7
John Roger Winfield Member	7/7
Lim Jit Jee Member	7/7

**Risk Management Committee**

The objective of the Risk Management Committee is to establish a forum for deliberation and consideration of risks which the Bank is exposed to, its strategic direction and objectives while overseeing to ensure that the risk management systems, policies and procedures are in place and functioning.

**Nominating Remuneration Committee**

The composition of the Nominating Remuneration Committee and the attendance by members at the Board Committee meetings held in 2022 are as follows:

<b>Members</b>	<b>No. of meetings attended/held</b>
Lim Jit Jee Chairman	6/6
John Roger Winfield Member	6/6
Zulkiflee Bin Hashim Member	6/6



**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**BOARD OF DIRECTORS (Continued)**

**(iv) Board Committees (Continued)**

**Nominating Remuneration Committee (Continued)**

The responsibility of the Nominating Remuneration Committee is to support the Board in carrying out its functions in appointments/removals, composition, performance evaluation and development and fit and proper assessments concerning the Board of Directors, Senior Management and Company Secretary. The Committee is also responsible to support the Board in overseeing the design and operation of the Bank's remuneration system and ensuring that the remuneration is competitive and consistent with the Bank's objective and strategy.

**INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES**

The Code and BNM's Policy on Corporate Governance require banks to maintain a sound system of internal control to safeguard shareholders' investments and the Bank's assets.

**Responsibility of the Board**

The Board recognises the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Bank's assets. The Board is also responsible for the Bank's system of internal controls and its effectiveness. It includes reviewing the adequacy and integrity of controls relating to financial, operational, risk management and compliance with applicable laws and regulations.

The system is designed to manage the Bank's risks within an acceptable risk profile and the Board acknowledges that the system, by its nature, can only provide reasonable assurance and not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.

**Key Internal Control Elements**

The Bank has put in place on-going internal control processes for identifying, evaluating, managing and reporting on the significant risks that may affect the achievement of its business objectives throughout the financial year under review. The key internal control elements in the processes are described below:

**(i) Clear Line of Responsibilities**

The management of the Bank is primarily delegated to the CEO and its Management Committee, whose responsibilities are set by the Board. The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

**(ii) Enterprise Risk Management Framework (ERMF)**

Risk Management Division is established to assist the Board in the development of general risk frameworks, policies and procedures, monitor and evaluate material risks that may arise from the Bank's business activities. The Board with the assistance of the Risk Management Division, has established an enterprise-wide risk management framework that details a holistic risk management governance structure for risk management which balances risks and returns, as well as integrated risk management processes for credit risk, market risk, liquidity risk, sustainability, technology risk and operational risk.

**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES (Continued)**

**Key Internal Control Elements (Continued)**

(ii) Enterprise Risk Management Framework (ERMF) (Continued)

The ERMF outlines the high-level risk management structures and mechanisms used by ARBM to manage risks throughout the Bank. It covers (i) risk governance, (ii) risk culture and values, (iii) roles and responsibilities across the three lines of defence, (iv) processes and tools, (v) recovery and resolution.

(iii) Internal Audit Activities

On-going reviews of the internal control system are carried out by the internal auditor to test controls effectiveness in the Bank. Results of such reviews are reported to the Audit Committee. The internal audit activities revolve primarily on areas of priority as identified by risk analysis and in accordance with the annual internal audit plan as approved by the Audit Committee.

(iv) Annual Business Plan

A detailed budgeting process is established requiring all key business units in the Bank to prepare budgets annually which are discussed and approved by the Board. Regular reporting on actual performance against approved budgets is in place and significant variances shall be followed up by the management and to be reported to the Board.

(v) Management Reporting

The Board also receives and reviews reports from the management on a regular basis in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the established goals.

(vi) Policies and Procedures

There are policies, procedures and authority limits imposed on the management in respect of the day-to-day operations. Compliance with internal controls and the relevant laws and regulations are also set out in operations manuals, guidelines and directives which are updated from time to time.

**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**RISK MANAGEMENT**

**Audited information according to MFRS 7 and MFRS 101**

Risk management disclosures provided in line with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 7 *Financial Instruments: Disclosures*, and disclosures on capital management as required by MFRS 101 *Presentation of Financial Statements* form part of the financial statements audited by the Bank's independent auditors, Ernst & Young PLT.

Risk management plays a substantial role in the governance of the Bank as the Bank recognises the diversity and complexity of banking operations and the exposure to various kinds of risks mainly on credit risk, market risk, liquidity risk, technology risk and operational risk.

The Bank recognises the importance of an effective risk management and control measures to ensure the Bank's corporate value, sustained profitability and continued enhancement of shareholder value.

A risk conscious corporate culture and pre-emptive actions of employees are also crucial for an effective risk management. The risk conscious corporate culture is met through communication, training, policies, procedures, and organisational structures, roles and responsibilities.

**Overall Risk Management Framework**

**Risk Management Governance Structure and Processes**

The Bank has established within its Enterprise Risk Management Framework a holistic risk management governance structure for risk management which balances risks and returns, as well as integrated risk management processes for credit risk, market risk, liquidity risk, sustainability, technology risk and operational risk. The risk management governance structure provides clear accountabilities and responsibilities for risk management processes throughout the organisation at the Board level, at the Executive Management level and across the 3 Lines of Defence of Risk Owners, Risk Stewards and Internal Audit. The risk management processes encompass four (4) broad processes, namely risk identification, risk assessment, risk prioritisation & treatment and risk monitoring & reporting.

Stress test and scenario analysis serves as important risk management tools as part of the Bank's risk assessment process and are used to assess the financial risks management capability of the Bank to continue to operate effectively under different stressed scenarios. The stress test and scenario analysis will assist the Bank in the following:

- (a) Evaluating the optimal capitalisation level for the Bank to weather extreme banking scenarios;
- (b) Understanding the nature and key risk profile of the Bank;
- (c) Estimating the adequacy of liquidity contingency planning; and
- (d) Assessing the effectiveness of risk mitigation which is already established.

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**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**RISK MANAGEMENT (Continued)**

**Credit Risk Management**

Credit risk is defined as the risk of potential losses arising from a customer default or deterioration in the credit standing of a customer with whom the Bank has entered transactions into.

The Bank establishes policies and procedures for credit origination, scoring, rating, approval, monitoring, collection and recovery. Credit approval authorities are delegated to committees and individuals in accordance to the risk appetite of the Board. Regular analysis and reporting of risk profile covering credit exposure, movements of non-performing financings ("NPFs"), concentration of credit exposure, adequacy of specific provision for NPFs and capital adequacy is updated to the management, the Risk Management Committee and the Board.

**Market and Liquidity Risk Management**

Market risk is defined as the risk that the Bank could incur losses due to changes in the value of assets and liabilities (including off-balance sheet items) caused by fluctuations in the market risk factors such as profit rates and foreign exchange rates. Meanwhile, liquidity risk is defined as the risk of losses arising from funding difficulties to raise the necessary funds, or when it is forced to obtain funds at much higher rates than usual.

The Bank establishes policies and procedures for monitoring, reporting and controlling of market and liquidity risks including setting appropriate management trigger and exposure limits and performing regular stress testing. The Asset and Liability Committee ("ALCO") is established to monitor, deliberate and make decisions on matters related to funding, liquidity as well as asset and liability mismatch risks management. The Bank manages its liquidity in compliance to BNM's Basel III liquidity requirements. Regular analysis and reporting of market and liquidity risks profile is updated to the ALCO, the Risk Management Committee and the Board.

**Operational Risk Management**

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, people, systems or external events.

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 management of operational risk is an important priority for the Bank. To mitigate such operational risks, the Bank has developed an operational risk program and essential methodologies that enable identification, measurement, monitoring, and reporting of inherent and emerging operational risks.

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. An incident reporting process is also established to capture and analyse frauds and control lapses.

A periodic self-risk and control assessment is established for business and support units to pre-emptively identify risks and evaluate control effectiveness. Action plans are developed for the control issues identified.

**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**RISK MANAGEMENT (Continued)**

**Technology Risk Management**

As financial institution leverages more on technology to provision its services and the growing sophistication of cyber threats, there is a greater need for the Bank to strengthen its technology risk and resilience management. The Bank has in-line with regulatory requirements established technology and cyber resilience framework to ensure continuous availability of its financial services to customers and protection of customers data at all times.

**CAPITAL ADEQUACY FRAMEWORK INITIATIVES**

In line with the Basel II Pillar 1 on minimum capital requirement, the Bank has implemented the Capital Adequacy Framework for Islamic Banks ("CAFIB") issued by BNM by adopting the following approaches:

- |    |                         |                            |
|----|-------------------------|----------------------------|
| a) | Credit Risk Charge      | - Standardised Approach    |
| b) | Market Risk Charge      | - Standardised Approach    |
| c) | Operational Risk Charge | - Basic Indicator Approach |

The Bank has developed a framework for Internal Capital Adequacy and Assessment Process ("ICAAP"). The ICAAP goes one step further in ensuring that the Bank has in place a structured process for assessing the adequacy of its internal capital levels relative to its risk profile and appetite that covers all material risks beyond those specified in Pillar 1.

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2022.

## **PRINCIPAL ACTIVITIES**

The Bank is principally engaged in Islamic Banking business and the provision of related financial services under the Islamic Financial Services Act 2013.

The principal activity of the subsidiary is disclosed in Note 13 to the financial statements.

There were no significant changes to these principal activities during the financial year.

## **FINANCIAL RESULTS**

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Net profit for the financial year	<u>28,737</u>	<u>27,780</u>

There were no material transfers to or from reserves, provisions or allowances during the financial year other than those disclosed in the statement of changes in equity and in Notes 7, 8, 9 and 10 of the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Bank for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

## **DIVIDEND**

No dividend has been paid or declared by the Bank since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the current financial year.

## **DIRECTORS OF THE BANK**

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are as follows:

John Roger Winfield  
Zulkiflee Bin Hashim  
Abdulrahman Abdullah Al Fadda  
Lim Jit Jee  
Hossam Essam Al Basrawi (Appointed w.e.f 1 March 2022)

The Directors of the subsidiary are disclosed in Note 13 to the financial statements.

## **DIRECTORS' INTERESTS IN SHARES**

According to the register of Directors' shareholding, none of the Directors holding office as at 31 December 2022 held any shares in the Bank or its related corporations during the financial year.

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 33 of the financial statements or amount of emoluments received or due and receivable by the Directors from fixed salaries as full time employees of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Directors are a member, or with a company in which the Directors have a substantial financial profit.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank or its subsidiary is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other corporate body.

During the financial year, the total amount of directors' and officers' liability Takaful coverage was RM10,000,000 and Takaful contribution paid for the Directors and the officers of the Group and of the Bank was RM53,010.

## **ISSUE OF SHARES**

During the year, the Bank increased its issued and paid-up ordinary shares from RM1,000,000,000 to RM1,341,867,800 through an issuance of 341,867,800 new ordinary shares at an issue price of RM1.00 each by cash.

## **COMPLIANCE WITH BANK NEGARA MALAYSIA'S GUIDELINES ON FINANCIAL REPORTING**

In the preparation of the financial statements of the Group and of the Bank, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Islamic Banking Institutions.

## **BAD AND DOUBTFUL FINANCING**

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and have satisfied themselves that all bad financing have been written-off and that adequate allowance had been made for doubtful financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written-off for bad financing or the amount of the allowance for bad and doubtful financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

## **CURRENT ASSETS**

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

## **VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

## **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year other than in the ordinary course of the banking business.

No contingent liability or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet its obligations as and when they fall due.

## **CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

## **BUSINESS PLAN AND OUTLOOK FOR 2023**

After an encouraging performance in 2022 with GDP growth of 8.7%, Malaysia domestic economy is expected to moderate with GDP expected to grow between 4% to 5% in 2023. This is in line with the slowdown in global economic amid further escalation of geopolitical tensions and rising interest rates, however Malaysia's GDP growth expectations are favourable against global peers. The recently announced Budget 2023 emphasized on strategies to drive domestic economic growth. It is expected that a steady domestic demand will be able to mitigate the impact from the anticipated global slowdown.

With the expected moderate growth, the Bank is set to optimise its overall operations supported by the digital bank, Rize that allows for scalability of target segments allowing for overall balance of the banking book in the medium term. In addition, the Bank is expected to grow the corporate business in selective manner as well as strengthening head-office synergies. The Bank will also continue to maintain continually improving governance, improve overall operational efficiencies, and further optimise its costs.

## **HOLDING COMPANY**

The holding company of the Bank is Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, a public limited liability company, incorporated in Riyadh on 23 June 1987.



## **DISCLOSURE OF SHARIAH BOARD**

The Shariah Board reports to the Board of Directors and its main duty and responsibility is to provide objective and sound advice to the Bank to ensure its operations, business, affairs and activities are in compliance with Shariah principles.

### **(a) Shariah Board Profiles**

The profiles of the Shariah Board members are as follows:

#### **Sheikh Wan Rumaizi Wan Husin** **Chairman**

Sheikh Wan Rumaizi Wan Husin has been with the Bank for eight years and served in the capacity of Shariah Committee Member. Recently, he has been appointed as the new Chairman of the Shariah of Al Rajhi Bank Malaysia with effective from 1 January 2022.

Sheikh Rumaizi also currently serves as the Shariah Committee Member of Bank Kerjasama Rakyat, Shariah Committee Member of Tabung Haji, Shariah Committee Member of PruBSN Takaful, Shariah Advisory Committee Member for International Islamic University Malaysia, Panel Consultant Member for International Research Centre in Islamic Economy and Finance ("IRCIEF"), Kolej Universiti Islam Antarabangsa Selangor ("KUIS"), Consultant for Sadaqah House, IRCEIF-Islamic Development Bank, KUIS and Member of International Union for Muslim Scholars (Ittihad al-'Alami li 'Ulama' al-Muslimin), Qatar and Waqf Committee Member for Kelantan Islamic Religious Council (Majlis Agama Islam Kelantan ("MAIK").

Sheikh Wan Rumaizi Bin Wan Husin is the former lecturer at the Department of Fiqh and Usul al-Fiqh at the Kulliyah of Islamic Revealed Knowledge and Human Sciences of International Islamic University Malaysia ("IIUM"). He holds a Master's Degree in Fiqh and Usul al-Fiqh from IIUM. Prior to that, he obtained his Bachelor's Degree in the same specialisation from Ali Bayt University of Jordan. He joined the Shariah Board of Al Rajhi Bank Malaysia as member in July 2015.

#### **Sheikh Prof. Dr. Younes Soualhi** **Deputy Chairman**

Prof. Dr. Younes Soualhi is the Deputy Chairman of the Shariah Board of Al Rajhi Bank Malaysia with effective from 1 January 2022. Currently, he is the Senior Researcher, the Deputy Director of Research and Innovation and the Head of Islamic Banking Unit at the International Shariah Research Academy ("ISRA") for Islamic Finance. Prof. Younes also teaches at International Center for Education in Islamic Finance ("INCEIF"), the Global University of Islamic Finance, Malaysia.

Prof. Dr. Younes is also currently Chairman of the Shariah Committee of Munich Re Retakaful, and Shariah Committee member of Bursa Malaysia. He also serves as Chairman and members of several Shariah Committee of Islamic financial institution internationally. He is also a member of AAOIFI Shariah sub-committee. He served as a subject matter expert for Global Takaful Survey ("CIBAFI").

He graduated with B.A. in Shariah from Emir Abdulqadir University for Islamic Sciences (Algeria). He received his M.A. from International Islamic University Malaysia and Ph.D. from University Malaya, Malaysia. He also holds a Diploma in Human Sciences. He is also a registered financial planner ("RFP"), Malaysian Financial Planning Council ("MFPC").

**DISCLOSURE OF SHARIAH BOARD (Continued)**

**(a) Shariah Board Profiles (Continued)**

The profiles of the Shariah Board members are as follows (Continued):

**Sheikh Dr. Habeebullah Zakariyah**  
**Member**

Dr. Habeebullah Zakariyah was appointed as Member of the Shariah Board of Al Rajhi Bank Malaysia with effective from 1 January 2022. He is currently the Senior Lecturer and Deputy Dean, Academic and Internationalization at the IIUM Institute of Islamic Banking and Finance, International Islamic University Malaysia ("IIUM"). He is the Head of Program for M.Sc. and Ph.D. in Islamic Banking and Finance at the IIUM Institute of Islamic Banking and Finance. He is also supervising postgraduate (M.A. and Ph.D.) students on Islamic Banking and Finance at the Institute.

He holds L.L.B in Shariah and Law from Omdurman Islamic University, Sudan, Master's Degree and Ph.D. in Muamalat (Islamic Law of Transactions) from International Islamic University Malaysia. As an accomplished speaker, Dr. Habeebullah actively shares his knowledge and insights through regular participation in local and international conferences.

**Sheikh Dr. Ashurov Sharofiddin**  
**Member**

Dr. Ashurov Sharofiddin was appointed as Member of the Shariah Committee of Al Rajhi Bank Malaysia, with effective from 1 April 2022. He is currently the Assistant Professor at the International Islamic University of Malaysia's ("IIUM") Institute of Islamic Banking and Finance. He is also Head of Program for M.Sc. and Ph.D. in Islamic Banking and Finance at the IIUM Institute of Islamic Banking and Finance. He is also supervising postgraduate (M.A. and Ph.D.) students in Islamic Banking and Finance at the Institute, he is also appointed Scholars in-Residence program in Maybank Islamic, and a member of the Committee of Islamic Financial Services "SANDUK" based in Tajikistan ("CIFS").

He is the Chairman of the Committee of Islamic Financial Services ("CIFS") at Rushdi Orion Microfinance based in Tajikistan. Dr. Ashurov is also a Shariah Advisor at Alif Bank, and Head of Due Diligence and the Central Asia Representative for Searaven Global Corp Ltd.

Along with a PhD in Islamic Banking and Finance from Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah ("UniSHAMS"), Dr. Ashurov also holds MSc in Finance from IIUM and a Bachelor of Economics from the International University of Africa, Sudan.

**DISCLOSURE OF SHARIAH BOARD (Continued)**

**(a) Shariah Board Profiles (Continued)**

The composition of the Shariah Board Committee and the attendance by members at the Shariah Board meetings held in 2022 are as follows:

<b>Shariah Board Members</b>	<b>No.of meetings attended/held</b>	<b>Percentage of Attendance</b>
Sheikh Wan Rumaizi Bin Wan Husin Chairman	22/23	96%
Sheikh Prof. Dr. Younes Soualhi Deputy Chairman (Appointed w.e.f 1 January 2022)	23/23	100%
Sheikh Dr. Habeebullah Zakariyah Member (Appointed w.e.f 1 January 2022)	23/23	100%
Sheikh Dr. Ashurov Sharofiddin (Member) Member (Appointed w.e.f 1 April 2022)	17/17	100%
Sheikh Lokmanulhakim Bin Hussain Member (Resigned w.e.f 31 December 2022)	23/23	100%

**(b) Shariah Board and Its Roles and Responsibilities**

The duties and responsibilities of the Shariah Board amongst others are as follows:

- (i) To advise the Board of Directors and provide input to the Bank on Shariah matters in order to ensure that the business operations of the Bank comply with the Shariah principles at all times;
- (ii) To endorse relevant Shariah policies and procedures and any other policies and procedures that require Shariah endorsement as specified by regulator under the relevant requirements of its policies and procedures to ensure that its contents do not have any elements which are not in line with Shariah;
- (iii) To oversee and assess the work carried out by Shariah Risk, Shariah Review and Shariah Audit in order to ensure overall compliance of the Bank's operation, business, affairs and activities with Shariah;
- (iv) To ensure that the products of the Bank comply with Shariah principles in all aspects, the Shariah Board must endorse the following:
  - (a) the terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions; and
  - (b) the product manual, marketing advertisement, sales illustrations and brochures used to describe the product;
- (v) To provide necessary assistance to related parties such as legal counsel, auditor or consultant on Shariah matters sought so that compliance with Shariah principles can be assured completely;

**DISCLOSURE OF SHARIAH BOARD (Continued)**

**(b) Shariah Board and Its Roles and Responsibilities (Continued)**

- (vi) To provide written Shariah opinion and to record any opinion given under the following circumstances:
- (a) where the Bank makes reference to the Shariah Advisory Council ("SAC") of Bank Negara Malaysia for advice; and
  - (b) where the Bank submits applications to Bank Negara Malaysia for new products approval in accordance with guidelines on product approval issued by Bank Negara Malaysia; and
- (vii) To advise on matters to be referred to the SAC for further deliberations should the Shariah Board deems such consultation is necessary. The Shariah Board is also expected to assist the SAC on any matters referred by the Bank.

**SUBSEQUENT EVENT**

The subsequent event is disclosed in Note 44 to the financial statements. There are no significant adjusting events after the statement of financial position date up to the date when the financial statements are authorised to be issued.

**SIGNIFICANT EVENT**

There were no significant events to report during the financial year ended 31 December 2022.

**AUDITORS**

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 32 to the Financial Statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated **25 MAY 2023**



**JOHN ROGER WINFIELD**  
DIRECTOR



**ZULKIFLEE BIN HASHIM**  
DIRECTOR

Kuala Lumpur, Malaysia

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, John Roger Winfield and Zulkiflee Bin Hashim, being two of the directors of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 26 to 148 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022 and of the results and the cash flows of the Group and the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated **25 MAY 2023**

  
**JOHN ROGER WINFIELD**  
DIRECTOR

  
**ZULKIFLEE BIN HASHIM**  
DIRECTOR

Kuala Lumpur, Malaysia

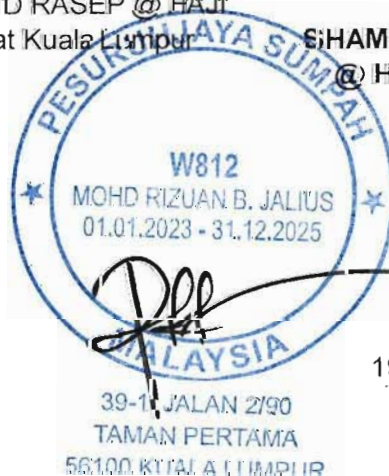
**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016**

I, SHAMSUL ANUAR BIN DATO' HAJI MOHD RASEP @ HAJI ABDUL RASHID (MIA Membership No. 29481), being the officer primarily responsible for the financial management of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 26 to 148 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed SHAMSUL ANUAR BIN  
DATO' HAJI MOHD RASEP @ HAJI  
ABDUL RASHID at Kuala Lumpur

  
SHAMSUL ANUAR BIN DATO' HAJI MOHD RASEP  
@ HAJI ABDUL RASHID

on **25 MAY 2023**  
Before me,



## REPORT OF SHARIAH BOARD



*In the name of Allah, the most Beneficent, the most Merciful*

*All praise is due to Allah, prayers and peace be upon the last Prophet Mohammad, and be upon his relatives and all his companions; now therefore,*

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

In carrying out the roles and responsibilities of Shariah Board of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd, as prescribed in the Bank's Shariah Governance Policy and Shariah Board's Term of Reference, we hereby submit the following report on Shariah Compliance of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd.'s ("the Bank"), operation, business affairs and activities with Shariah for the financial year ended 31 December 2022.

### Shariah Board Approval and Issuance of Shariah Rulings

We have reviewed and approved the products, services and transactions offered by the Bank and the contracts relating to the transactions undertaken by the Bank during the year ended 31 December 2022 based on the applicable Shariah requirements. In this regard, we had obtained all the indispensable and satisfactory explanation for us to arrive and conclude our decisions and approvals accordingly. For the financial year ended 31 December 2022, we have issued 41 Shariah rulings on products, services and transactions proposed and submitted by the Bank.

### Shariah Training and Awareness

We have ensured the availability of Shariah training and awareness for the Bank's employees to enhance their understanding of the Bank's Shariah standard and principles and kept abreast with the development of Islamic finance industry. These trainings are made available via series of online learning platform, and we also ensure trainings on Shariah rulings are provided upon request by the stakeholders as pre-emptive measures in reducing and mitigating the risk of Shariah non-compliant events occurrence.

### Assessment of the Work Carried Out by Shariah Review/Compliance Review and Shariah Audit

We have assessed the function of Shariah Risk in monitoring and controlling Shariah non-compliance risks, and we are satisfied that the Shariah non-compliance risks have been mitigated accordingly. This has enabled the Bank to continue its operations and activities effectively without exposing the Bank to unacceptable levels of risk.

**REPORT OF SHARIAH BOARD (Continued)**

Assessment of the Work Carried Out by Shariah Review/Compliance Review and Shariah Audit  
(Continued)

We have also performed our oversight role through the Shariah Review and Shariah Audit functions and assessed the plans, assignments, and findings prepared, performed, and submitted by Shariah Review, and Shariah Audit functions which includes examining, on a sample basis, various types of transactions, relevant documentations, and procedures adopted by the Bank in ensuring that the Bank has complied with all the Shariah principles and rulings issued by both the Shariah Advisory Council of Bank Negara Malaysia and us, based on the facts, the evidence disclosed and tabulated before us.

In our opinion:

1. Nothing has come to the Shariah Board's attention that causes the Shariah Board to believe that the operations, business, affairs, and activities of the Bank involve any material Shariah non-compliances;
2. The contracts, transactions, and dealings entered into by the Bank during the year ended 31 December 2022 that we have reviewed are in general compliant with the Shariah principles; and
3. The recognition of profit and losses relating to the Bank's assets and liabilities conform to the basis that had been approved by us in accordance with Shariah principles.

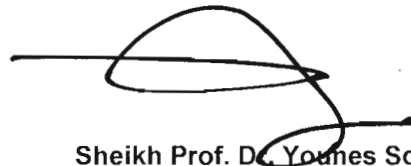
We the undersigned, Sheikh Wan Rumaizi Wan Husin and Sheikh Prof. Dr Younes Soualhi, on behalf of Shariah Board members of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd., to the best of our knowledge, do hereby confirm that the operations of the Bank to the best of its effort for the financial year ended 31 December 2022 have, in general, been conducted in compliance with Shariah with the exception of minor identified inadequacies that have been rectified in line with the Shariah requirements.

*And prayers and peace be upon the last Prophet Mohammad, and be upon his relatives and all his companions.*

On behalf of the Shariah Board,



**Sheikh Wan Rumaizi Wan Husin**  
Chairman



**Sheikh Prof. Dr. Younes Soualhi**  
Deputy Chairman

200501036909 (719057-X)

**Independent auditors' report to the member of  
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd.  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd., which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 26 to 148.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence and other ethical responsibilities*

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Information other than the financial statements and auditors' report thereon*

The directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Report of Shariah Board, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.





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200501036909 (719057-X)

**Independent auditors' report to the member of  
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. (Continued)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (Continued)*

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial statements*

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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200501036909 (719057-X)

**Independent auditors' report to the member of  
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. (Continued)  
(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements (Continued)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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200501036909 (719057-X)

Independent auditors' report to the member of  
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. (Continued)  
(Incorporated in Malaysia)

*Auditors' responsibilities for the audit of the financial statements (Continued)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Other matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF0039  
Chartered Accountants

Lee Pei Yin  
No. 03189/05/2023 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
25 May 2023

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
Cash and short-term funds	4	88,704	70,277	88,704	70,277
Deposits and placements with banks and other financial institutions	5	602,841	445,674	602,841	445,674
Derivatives assets	6	479	86	479	86
Financial investments at amortised cost	7	1,409,865	675,817	1,409,865	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	8	1,962,633	1,658,821	1,962,633	1,658,821
Financing and advances	9	8,614,644	5,970,108	8,614,644	5,970,108
Other assets	10	34,148	37,707	33,800	37,749
Statutory deposit with Bank Negara Malaysia	11	201,655	11,514	201,655	11,514
Deferred tax assets	12	49,497	49,497	49,497	49,497
Investment in a subsidiary	13	-*	-*	-*	-*
Investment properties	14	95,400	95,400	95,400	95,400
Property and equipment	15	10,955	12,324	10,955	12,324
Intangible assets	16	172,459	73,755	172,459	73,755
Right-of-use assets	17	13,655	10,446	13,655	10,446
<b>Total Assets</b>		<b>13,256,935</b>	<b>9,111,426</b>	<b>13,256,587</b>	<b>9,111,468</b>
<b>Liabilities</b>					
Deposits from customers	18	9,038,699	6,466,046	9,038,699	6,466,046
Deposits and placements of banks and other financial institutions	19	1,742,444	1,319,221	1,742,444	1,319,221
Bills and acceptances payable		1,098	2,596	1,098	2,596
Recourse obligations on financing sold to Cagamas	20	336,099	-	336,099	-
Other liabilities	21	141,597	69,813	142,144	69,793
Lease liabilities	22	15,203	12,297	15,203	12,297
Subordinated sukuk	23	936,453	554,816	936,453	554,816
<b>Total Liabilities</b>		<b>12,211,593</b>	<b>8,424,789</b>	<b>12,212,140</b>	<b>8,424,769</b>

\* The amount is significantly below the rounding threshold. Refer to Note 13 for the details.

STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022 (CONTINUED)

	Note	Group		Bank	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
<b>Shareholder's equity</b>					
Share capital	24	1,341,868	1,000,000	1,341,868	1,000,000
Reserves	25	(296,526)	(313,363)	(297,421)	(313,301)
<b>Total Shareholder's Equity</b>		<b>1,045,342</b>	<b>686,637</b>	<b>1,044,447</b>	<b>686,699</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>13,256,935</b>	<b>9,111,426</b>	<b>13,256,587</b>	<b>9,111,468</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	37	<b>5,586,658</b>	<b>2,853,734</b>	<b>5,586,658</b>	<b>2,853,734</b>
<b>CAPITAL ADEQUACY</b>					
	41				
CET I/Core capital ratio		9.955%	9.473%	9.947%	9.474%
Tier I Capital		13.413%	9.473%	13.404%	9.474%
Risk-weighted capital ratio		20.161%	18.798%	20.152%	18.799%

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Operating revenue</b>	26	<b>494,818</b>	<b>348,779</b>	<b>494,812</b>	<b>348,293</b>
Income derived from investment of depositors' funds and others	27	458,318	295,518	458,318	295,518
Income derived from investment of shareholder's funds	28	36,500	53,261	36,494	52,775
Allowance for expected credit losses on financial assets	29	(37,943)	(4,268)	(37,943)	(4,268)
<b>Total distributable income</b>		<b>456,875</b>	<b>344,511</b>	<b>456,869</b>	<b>344,025</b>
Income attributable to depositors	30	(220,992)	(124,947)	(220,992)	(124,947)
<b>Total net income</b>		<b>235,883</b>	<b>219,564</b>	<b>235,877</b>	<b>219,078</b>
Personnel expenses	31	(128,291)	(124,812)	(128,089)	(124,700)
Other overheads and expenditures	32	(78,855)	(82,656)	(80,008)	(82,048)
<b>Profit before zakat and taxation</b>		<b>28,737</b>	<b>12,096</b>	<b>27,780</b>	<b>12,330</b>
Taxation	34	-	-	-	-
<b>Net profit for the financial year</b>		<b>28,737</b>	<b>12,096</b>	<b>27,780</b>	<b>12,330</b>
<b>Basic/diluted earnings per share (cent)</b>		<b>2.14</b>	<b>1.21</b>	<b>2.07</b>	<b>1.23</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Net profit for the financial year</b>		<b>28,737</b>	<b>12,096</b>	<b>27,780</b>	<b>12,330</b>
<b>Other comprehensive income/(loss)</b>					
<b>Items that may be reclassified</b>					
<b>subsequently to profit or loss</b>					
Financial investment held at fair value through other comprehensive income:					
- Net unrealised loss on changes in fair value	25	<u>(11,900)</u>	<u>(16,119)</u>	<u>(11,900)</u>	<u>(16,119)</u>
Other comprehensive loss for the financial year net of tax		<u>(11,900)</u>	<u>(16,119)</u>	<u>(11,900)</u>	<u>(16,119)</u>
Total comprehensive income/(loss) for the financial year		<u>16,837</u>	<u>(4,023)</u>	<u>15,880</u>	<u>(3,789)</u>
<b>Total comprehensive income/(loss) for the financial year attributable to equity holder of the Bank</b>		<b><u>16,837</u></b>	<b><u>(4,023)</u></b>	<b><u>15,880</u></b>	<b><u>(3,789)</u></b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Share capital RM'000 (Note 24)	Statutory reserve RM'000 (Note 25)	Regulatory reserve RM'000 (Note 25)	Fair value reserve of financial investments at ("FVOCI") RM'000 (Note 25)	Accumulated losses RM'000 (Note 25)	Total RM'000
<b>Group</b>						
At 1 January 2021	1,000,000	13,206	-	2,761	(325,307)	690,660
Total comprehensive loss for the financial year	-	-	-	(16,119)	12,096	(4,023)
<b>At 31 December 2021</b>	<b>1,000,000</b>	<b>13,206</b>	<b>-</b>	<b>(13,358)</b>	<b>(313,211)</b>	<b>686,637</b>
At 1 January 2022	1,000,000	13,206	-	(13,358)	(313,211)	686,637
Issue of share capital	341,868	-	-	-	-	341,868
Total comprehensive income for the financial year	-	-	-	(11,900)	28,737	16,837
Transfer to Regulatory reserve	-	-	10,000	-	(10,000)	-
<b>At 31 December 2022</b>	<b>1,341,868</b>	<b>13,206</b>	<b>10,000</b>	<b>(25,258)</b>	<b>(294,474)</b>	<b>1,045,342</b>
<b>Bank</b>						
At 1 January 2021	1,000,000	13,206	-	2,761	(325,479)	690,488
Total comprehensive loss for the financial year	-	-	-	(16,119)	12,330	(3,789)
<b>At 31 December 2021</b>	<b>1,000,000</b>	<b>13,206</b>	<b>-</b>	<b>(13,358)</b>	<b>(313,149)</b>	<b>686,699</b>
At 1 January 2022	1,000,000	13,206	-	(13,358)	(313,149)	686,699
Issue of share capital	341,868	-	-	-	-	341,868
Total comprehensive income for the financial year	-	-	-	(11,900)	27,780	15,880
Transfer to Regulatory reserve	-	-	10,000	-	(10,000)	-
<b>At 31 December 2022</b>	<b>1,341,868</b>	<b>13,206</b>	<b>10,000</b>	<b>(25,258)</b>	<b>(295,369)</b>	<b>1,044,447</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before zakat and taxation		28,737	12,096	27,780	12,330
Adjustments for:					
Depreciation of property and equipment	15	5,430	5,695	5,430	5,695
Depreciation of right-of-use ("ROU") assets	17	8,004	7,431	8,004	7,431
Amortisation of intangible assets	16	10,751	11,639	10,751	11,639
Finance charges on lease liabilities	22	478	459	478	459
Finance charges on recourse obligation financing sold to Cagamas	20	1,099	-	1,099	-
Net loss on disposal/write-off of equipment	15	87	-	87	-
Allowance for expected credit losses on financial assets	29	37,943	4,268	37,943	4,268
Allowance for doubtful debt	32	457	217	457	217
Gain on disposal of financial investments at amortised cost	28	-	(23,191)	-	(23,191)
Gain on disposal of financial investments at FVOCI	28	-	(2,608)	-	(2,608)
Unrealised gain from foreign exchange translations	28	(4,509)	(865)	(4,509)	(865)
Operating cash flow before working capital changes		88,477	15,141	87,520	15,375
<b>(Increase)/decrease in operating activities</b>					
Deposits and placements with banks and other financial institutions		(118,655)	(53,694)	(118,655)	(53,694)
Derivatives assets		(393)	69	(393)	69
Financing and advances		(2,682,936)	(920,402)	(2,682,936)	(920,402)
Other assets		3,875	(20,682)	3,949	(20,749)
Statutory deposit with Bank Negara Malaysia		(190,141)	(4,297)	(190,141)	(4,297)
<b>Increase/(decrease) in operating liabilities</b>					
Deposits from customers		2,572,653	1,231,557	2,572,653	1,231,557
Deposits and placements of banks and other financial institutions		423,223	567,982	423,223	567,982
Bills and acceptances payable		(1,498)	(2,216)	(1,498)	(2,216)
Other liabilities		82,997	17,618	83,565	17,451
Cash generated from operating activities		177,602	831,076	177,287	831,076
Tax paid		(316)	-	-	-
Net cash generated from operating activities		177,286	831,076	177,287	831,076

STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment	15	(4,148)	(2,887)	(4,148)	(2,887)
Purchase of intangible assets and work-in-progress	16	(109,455)	(54,485)	(109,455)	(54,485)
Purchase of ROU assets	17	(11,213)	(6,184)	(11,213)	(6,184)
Proceeds from disposal of financial investments at amortised cost		-	741,415	-	741,415
Proceeds from disposal of financial investments at FVOCI		-	564,423	-	564,423
Purchase of financial investments at amortised cost		(734,048)	(654,795)	(734,048)	(654,795)
Purchase of financial investments at FVOCI		(315,712)	(1,589,123)	(315,712)	(1,589,123)
Net cash used in investing activities		<u>(1,174,576)</u>	<u>(1,001,636)</u>	<u>(1,174,576)</u>	<u>(1,001,636)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issuance of shares	24	341,868	-	341,868	-
Recourse obligations on financing sold to Cagamas	20	335,000	-	335,000	-
Lease payments	22	(8,785)	(7,952)	(8,785)	(7,952)
Issuance of Subordinated Sukuk Mudharabah	23	347,634	167,798	347,634	167,798
Net cash generated from financing activities		<u>1,015,717</u>	<u>159,846</u>	<u>1,015,717</u>	<u>159,846</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,427</b>	<b>(10,714)</b>	<b>18,427</b>	<b>(10,714)</b>
Cash and cash equivalents at 1 January		70,277	80,991	70,277	80,991
Cash and cash equivalents at 31 December	4	<u>88,704</u>	<u>70,277</u>	<u>88,704</u>	<u>70,277</u>
<b>Cash and cash equivalents comprise:</b>					
Cash and short-term funds		88,704	70,277	88,704	70,277
Deposits and placements with banks and other financial institutions		602,841	445,674	602,841	445,674
		<u>691,545</u>	<u>515,951</u>	<u>691,545</u>	<u>515,951</u>
<b>Less:</b>					
Deposits and placements with banks and other financial institutions, with original maturity of more than three months		(602,841)	(445,674)	(602,841)	(445,674)
<b>Cash and cash equivalents at 31 December</b>		<b><u>88,704</u></b>	<b><u>70,277</u></b>	<b><u>88,704</u></b>	<b><u>70,277</u></b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Bank is principally engaged in Islamic banking business which refers generally to the acceptance of deposits and granting of financing under the principles of Shariah as well as the provision of related financial services. The principal activities of the subsidiary are set out in Note 13.

There have been no significant changes to these principal activities during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia. The registered office of the Bank is located at the Ground Floor, East Block, Wisma Golden Eagle Realty, 142-B Jalan Ampang, 50450 Kuala Lumpur.

The holding company of the Bank is Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, a public limited liability company, incorporated in Riyadh on 23 June 1987. The registered office is located at PO Box 28, Riyadh 11411, Kingdom of Saudi Arabia ("Saudi Arabia").

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently in the preparation of these financial statements to all periods presented in these financial statements.

**2.1 BASIS OF PREPARATION**

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the financial statements.

The Group and the Bank present their statements of financial position in the order of liquidity.

The preparation of financial statements is in conformity with MFRS and requires the use of certain critical accounting estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Certain qualitative disclosures under MFRS 7 *Financial Instruments: Disclosures* about the nature and extent of risks and disclosures on capital management as required by MFRS 101 *Presentation of Financial Statements* have been included in the "Risk Management" section in the Statement of Corporate Governance.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following MFRS as follows:

<b><i>MFRSs, Amendments to MFRSs and Interpretations</i></b>	<b>Effective for financial period beginning on or after</b>
<i>Annual Improvements to MFRS Standards 2018-2020 Cycle</i>	1 January 2022
<i>Amendments to MFRS 3 Business Combinations:</i>	
<i>Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment, - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets:</i>	
<i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

The following are the accounting standards, interpretations and amendments of MFRSs that are issued, but not yet effective up to the date of issuance of the Group's and the Bank's financial statements as disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

	<b>Effective for financial period beginning on or after</b>
<i>MFRS 17 - Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts : Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
<i>Amendments to MFRS 101:</i>	
<i>Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to MFRS 108:</i>	
<i>Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to MFRS 112:</i>	
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 101:</i>	
<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
<i>Amendments to MFRS 16:</i>	
<i>Leases - Lease Liability in a Sale and Leaseback</i>	1 January 2024
<i>Amendments to MFRS 10 and MFRS 128:</i>	
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced

During the financial year, significant and regulatory changes have been adopted by the Bank as follows:

**Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19**

During the financial year ended 31 December 2021, BNM and Ministry of Finance ("MOF") had announced the extension of regulatory measures to provide assistance and facilitate those customers affected by COVID-19 pandemic in line with the Government economic stimulus package. The significant and regulatory changes have been adopted by the bank as follows:

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

a) Targeted repayment assistance ("TRA") and moratorium

(i) *Enhanced targeted repayment assistance under Perlindungan Ekonomi and Rakyat Malaysia ("PERMAI")*

An extension of TRA under PERMAI was announced on 18 January 2021. The extension applied to all TRA schemes announced previously, where customers are allowed to apply the extension for 3-months deferment of instalment or 50% reduction in their monthly instalment payment for a period of 6 months.

The TRA was applicable to all B40 (who registered in Bantuan Sara Hidup ("BSH") or Bantuan Prihatin Rakyat ("BPR"), M40 individuals (who are recipient of Bantuan Prihatin Nasional ("BPN") and microenterprises with financing and advances facilities of not more than RM150,000 whose financing and advances facilities were approved on or before 30 September 2020 and with condition of not in arrears for more than 90 days. These are in addition to those previously announced and specifically for individuals who have lost their jobs, and for individuals and SMEs whose income have been affected by the pandemic.

(ii) *Enhanced targeted repayment assistance ("ETRA") under Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan ("PEMERKASA+")*

ETRA under PEMERKASA+ was announced on 31 May 2021. The TRA was applicable to all customers who have lost their employment, B40 customers registered under BSH/BPR, SMEs and microenterprises with financing and advances facilities of not more than RM150,000 whose financing and advances facilities were approved on or before 30 June 2021 and not in arrears for more than 90 days.

All affected customers may opt for 3-months deferment of instalment or a 50% reduction in their monthly payment for a period of 6 months.

(iii) *Six-months moratorium under Perlindungan Rakyat and Pemulihan Ekonomi ("PEMULIH")*

The six-months moratorium under PEMULIH was announced by MOF on 28 June 2021. The moratorium applies to ringgit and foreign currency denominated financing and advances approved on or before 30 June 2021, not in arrears exceeding 90 days and customers must not be adjudicated bankrupts or be under bankruptcy proceedings. It is applicable to all individuals, SMEs and microenterprises. They may opt for 6-months deferment of instalments or 50% reduction in their monthly instalment payment for a period of 6 months. For fixed rate financing, the customers can choose to either reschedule or restructure their financings of which additional profit is charged by the Bank and spread throughout the remaining tenure.

**Credit risk monitoring, stress testing and classification in the Central Credit Reference Information System ("CCRIS")**

The repayment assistance/moratorium does not automatically result in a stage transfer under MFRS 9 in the absence of other factors indicating evidence of significant increase in credit risk ("SICR"). The Group and the Bank will continue to apply judgement and perform comprehensive assessment of all relevant indicators and information in particular historical repayment and delinquency trend in determining SICR.

Those financing and advances that were approved under repayment assistance on or before 31 December 2021 are exempted to be indicated as rescheduling and restructuring ("R&R") in CCRIS. Nevertheless, the Group and the Bank are required to report the credit-impaired status consistently with the accounting classification.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

a) Targeted repayment assistance ("TRA") and moratorium (Continued)

Financial management and resilience programme ("URUS")

Subsequent to the financial period ended 30 September 2021, pursuant to the statement issued by the Prime Minister on 13 October 2021, banking industry, represented collectively by The Association of Banks in Malaysia ("ABM") and Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM") and Association of Development Finance Institutions of Malaysia ("ADFIM") had on 14 October 2021 announced its continued support to individual customers. The Bank has worked alongside with Agensi Kaunseling dan Pengurusan Kredit ("AKPK") to offer a comprehensive extended financial assistance scheme called Financial Management and Resilience Programme ("URUS").

The scheme is open to individual customers, on application, who are under an existing repayment assistance (e.g. Targeted Repayment Assistance, PEMERKASA+, PEMULIH, the Bank's own rescheduling and restructuring and etc.) as at 30 September 2021 and meet the following criteria:

- (i) From B50 income segment i.e. customers with household income of RM5,880 or lower based on definition by the Department of Statistics Malaysia.
- (ii) Have experienced either loss of employment or reduction of income of at least 50%; and
- (iii) Whose financing and advances is still performing (not in arrears exceeding 90 days) as at the date of their application.

Under URUS, AKPK will provide the customers with a personalised financial plan that encompass the following

- (a) A profit waiver for a period of 3 months, commencing the month following the customer's onboarding into the scheme; or
- (b) A 3-months profit waiver together with reduced instalments for a period of up to 24 months. This option will also benefit customers with unsecured personal financing and advances.

Individual customers who fulfill the above-mentioned criteria can apply for URUS effective 15 November 2021 until 31 March 2022.

Subsequently on 25 January 2022, it was announced in a joint press release by the banking associations and AKPK that the application for URUS has been extended from 31 January 2022 to 31 March 2022.

In addition, for eligible B50 customers who have signed up for the banks' flood relief assistance programmes, the URUS application closing date has been extended to 31 July 2022, or upon the expiry of the flood relief assistance programme, whichever is earlier.

**Overlays and adjustments for expected credit loss amid COVID-19 environment**

In view of the unprecedented and ongoing COVID-19 pandemic in the current and prior financial years, the Group and the Bank continue to assimilate management overlays to accommodate the impact in the measurement of expected credit losses ("ECL").

Such management overlays were taken to reflect the latest macroeconomic outlook that was not captured in the modelled outcome and the potential impact to delinquencies and defaults under targeted relief assistance.

The management overlays and post-model adjustments involve significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purpose.

The customers who have received relief assistance remained in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES AND BASIS OF CONSOLIDATION

**Overlays and adjustments for expected credit loss amid COVID-19 environment (Continued)**

Total overlays for ECL maintained by the Group and the Bank as at 31 December 2022 are RM29.9 million (2021: RM30.4 million). Further details are as disclosed in Note 40(c)(viii).

During the financial year, the Bank has recognised an unwinding of modification loss of RM3.6 million (2021: modification loss of RM3.5 million) from the previous year cash flow modification on the financing under moratorium arrangement. This was set out as per Note 27(ii) of financial statements.

**(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2022. The financial statements of the Bank's subsidiary are prepared at the same reporting date as the Bank, using consistent accounting policies to liken transactions and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continues to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership profit of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling profit in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

Subsidiaries are entities over which the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.2 SUBSIDIARIES AND BASIS OF CONSOLIDATION (Continued)**

**(b) Investment in subsidiaries**

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

**2.3 FINANCIAL INSTRUMENTS**

Financial assets and liabilities, with the exception of financing and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Financing and advances to customers are recognised when funds are transferred to the customers' accounts. The Group and the Bank recognise balances due to customers when funds are transferred to the Group and the Bank.

**(a) Financial assets**

The Group and the Bank classify their financial assets in the following categories: at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition. Regular purchases and sales of financial assets are recognised on the trade date.

**Initial recognition and subsequent measurement**

The classification of financial assets at initial recognition depend on the financial asset's contractual cash flow characteristics and business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Bank have applied the practical expedient, the Group and the Bank initially measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets (Continued)

**Initial recognition and subsequent measurement (Continued)**

Trade receivables that do not contain a significant financing component or for which the Group and the Bank have applied the practical expedient are measured at the transaction price determined under MFRS 15.

Business model assessment

The Group and the Bank determine its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group and the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Solely Payments of Principal and Profit ("SPPP") test

As a second step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets (Continued)

Initial recognition and subsequent measurement (Continued)

The Solely Payments of Principal and Profit ("SPPP") test (Continued)

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPP assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

For purpose of subsequent measurement, financial assets are classified in three categories:

(i) Financial assets at amortised cost (debt instruments)

This category is relevant to the Group and the Bank. The Group and the Bank measure financial assets at amortised cost if the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and profit on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective profit rate ("EPR") and subject to impairment. Any gains or losses are recognised in profit or loss when the assets are derecognised, modified or impaired.

(ii) FVOCI (debt instruments)

The Group and the Bank measure financial assets at FVOCI if the following conditions are met:

- The financial asset is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and profit on the principal amount outstanding.

For debt instrument at "FVOCI", profit income, foreign exchange revaluation and impairment losses or reversals are recognised at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets (Continued)

Initial recognition and subsequent measurement (Continued)

The Solely Payments of Principal and Profit ("SPPP") test (Continued)

(ii) FVOCI (debt instruments) (Continued)

The Group and the Bank do not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group and the Bank acquires, disposes of or terminates a business line. Financial liabilities are never reclassified.

The Group and the Bank shall disclose if there is a reclassification of any financial assets in the current or previous reporting period. The Group and the Bank shall disclose:

- (i) The date of reclassification;
- (ii) A detailed explanation of the change in business model and qualitative description of its effects on the Bank's financial statements; and
- (iii) The amount reclassified into and out of each category.

(iii) Financial assets at FVTPL

Financial assets at FVTPL are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets with cash flows that are not solely payment of principal and profit are classified and measured at FVTPL, irrespective of the business model.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(b) Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs and subsequently at amortised cost using the effective profit method. The Group and the Bank do not have any financial liabilities classified at fair value through profit or loss. Financial liabilities are derecognised when extinguished.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working conditions for its intended use.

Any item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or upon disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property and equipment except for assets in progress are stated at cost less accumulated depreciation and any accumulated impairment losses, if any.

Depreciation of the property and equipment is calculated to write down the cost of the property and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

Furniture and fittings and office equipment	10%
Renovations	20%
Computer equipment	20%
Motor vehicle	20%

Assets in progress are not depreciated as these assets are not available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each statement of financial position date.

At each date of statement of financial position, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable amount. See accounting policy Note 2.10(e) on impairment of non-financial assets.

2.5 INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group or the Bank.

Investment properties are stated at fair value, representing open-market value determined by registered independent valuer having appropriate recognised professional qualification. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Bank use alternative valuation methods such as recent prices of less active markets or discounted cash flow projections.

Changes in fair values are recorded in profit or loss in the year in which they arise. On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal, it shall be de-recognised. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or upon disposal.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.6 INTANGIBLE ASSETS**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

- (i) It is technically feasible to complete the software product so that it will be available for use;
- (ii) Management intends to complete the software product and use or sell it;
- (iii) There is an ability to use or sell the software product;
- (iv) It can be demonstrated how the software product will generate probable future economic benefits;
- (v) Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) The expenditure attributable to the software product during its development can be reliably measured.

Direct attributable costs that can be capitalised as part of the software product include software development employee costs and appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as expenses incurred.

Computer software development costs are amortised over their finite useful lives of five years.

**2.7 OTHER ASSETS**

Other assets are carried at anticipated realisable values. Bad debts are written off when identified. See accounting policy Note 2.10 on impairment.

**2.8 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash and bank balances and short-term deposits with original maturity of less than three months from the date of acquisition or placement.

**2.9 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

Deposits and placements with banks and other financial institutions consist of placement with original maturity of more than three months from the date of acquisition or placement.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 IMPAIRMENT

(a) Financial assets

Under MFRS 9, the Group and the Bank record the allowance for expected credit losses ("ECL") for all financings and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts, in this section all referred to as 'financial instruments' using the forward-looking ECL approach. Equity instruments are not subject to impairment under MFRS 9. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12m ECL").

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group and the Bank have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Group and the Bank have no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

(b) The calculation of ECLs

The Group and the Bank calculate ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective profit rate ("EPR"). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default ("PD") - PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default ("EAD") - EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- Loss Given Default ("LGD") - LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the bank would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group and the Bank consider three scenarios (a base case, rosy and worst). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted financings are expected to be recovered, including the probability that the financings will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 IMPAIRMENT (Continued)

(b) The calculation of ECLs (Continued)

The mechanics of the ECL method are summarised below:

Stage 1

The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that are resulted from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculate the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EPR. This calculation is made for each of the three scenarios, as explained above.

Stage 2

When a financing has shown a significant increase in credit risk since origination, the Group and the Bank record an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EPR.

Stage 3

For financing considered credit-impaired, the Group and Bank recognise the lifetime expected credit losses for these financing.

(c) Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

(d) Forward-looking information

In its ECL models, the Group and the Bank rely on a broad range of forward looking information as economic inputs, such as:

- Malaysia Real Gross Domestic Product ("GDP") (Annual Year-On-Year ("YOY") %)
- Brent Crude oil
- Malaysia Overnight Policy Rate Index
- Bursa Malaysia Kuala Lumpur Composite Index ("KLCI")
- Bank Negara Malaysia 3 Month Kuala Lumpur Interbank Offered Rate ("KLIBOR") Fixing
- Malaysia Gross National Income at Current Prices Index
- Malaysia Producer Price Index ("PPI") Goods in Domestic Economy 2005=100 YOY
- United States Dollar/ Malaysia Ringgit Cross
- Malaysia Quarterly Unemployment Rate (% of Labour Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 IMPAIRMENT (Continued)

(e) Non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash generating units).

The recoverable amount is the higher of a non-financial asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised for the amount by which the carrying amount of the non-financial asset exceeds its recoverable amount. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the profit or loss.

2.11 LEASES

(i) Definition of a lease

A contract contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank assess whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group and the Bank assess at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 LEASES (Continued)

(ii) Recognition and initial measurement

The Group and the Bank apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the respective the Group and the Bank entities' incremental borrowing rate. Generally, the Group and the Bank use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group and the Bank is reasonably certain to
- Penalties for early termination of a lease unless the Group and the Bank is reasonably certain not to terminate early.

(a) Right-of-use assets

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- |                     |              |
|---------------------|--------------|
| - Bank premises     | 3 to 6 years |
| - Non-bank premises | 2 to 3 years |
| - Other equipments  | 5 years      |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 LEASES (Continued)

(ii) Recognition and initial measurement (continued)

(b) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and the payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use its incremental borrowing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Subsequent measurement

(a) Right-of-use assets

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(b) Lease liabilities

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group and the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Bank change its assessment of whether it will exercise a purchase, extension or termination option.

(iv) Impairment

See accounting policy Note 2.10(e) on impairment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 LEASES (Continued)

(v) Lessor accounting

The Group and the Bank, as a lessor, is not required to make any adjustments for leases in which it is a lessor. From date of initial application, the lessor accounts for those leases applying MFRS 16.

(vi) Short-term leases and lease of low-value assets

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases of equipment i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and lease of low-value assets are recognised as expense over the lease term.

2.12 PROVISIONS

Provisions are recognised when all of the following conditions have been met:

- (a) The Group and the Bank have a present legal and constructive obligation as a result of past events;
- (b) It is probable that an outflow of reserves will be required to settle the obligation; and
- (c) A reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.13 OTHER LIABILITIES

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in future for the goods and services received.

2.14 EMPLOYEE BENEFITS

(a) Short-term employee benefits

Wages, salaries, bonuses, paid annual leave and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Bank.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, Employees' Provident Fund ("EPF"). The Group's and the Bank's contributions to EPF are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 INCOME TAX

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets or liabilities and the carrying amount of the asset or liability as reported in the financial statements. It reflects the manner in which the Group and the Bank expect to recover the carrying value of the asset or settle the carrying value of the liability.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilised.

Deferred tax is determined using tax rate (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 ZAKAT

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Advisory Council. The Group and the Bank only pay zakat on its business and does not pay zakat on behalf of depositors or shareholders. The zakat provision is borne by the Bank's holding company.

2.17 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

The financial statements of each of the Group's and the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Bank's functional and presentation currency.

(b) Transactions and balances

In preparing the financial statements of the Group and of the Bank, transactions in currencies other than the Group's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.17 FOREIGN CURRENCY TRANSLATION (Continued)**

(b) Transactions and balances (Continued)

Foreign exchange gains and losses resulting from the settlement of such transaction and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**2.18 CONTINGENT LIABILITIES AND ASSETS**

The Group and the Bank do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrences of one or more uncertain future events beyond the control of the Group and of the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

**2.19 EQUITY**

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

**2.20 INCOME RECOGNITION**

(a) Financing income

Income from financing and receivables are recognised in the income statement using the effective profit method. The effective profit rate ("EPR") is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset. The calculation of EPR includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EPR.

Murabahah income is recognised on EPR basis over the period of the contract based on the principal amount outstanding.

(b) Fee and commission income

The Group and the Bank earn fee income from a diverse range of services they provide to its customers as follows:

(i) Fee income earned from provision of services

Income earned from the provision of services are recognised as revenue over the period in which the services are provided.

(ii) Fee income earned on the completion of contractual arrangements

Income earned on the completion of contractual arrangements is recognised as revenue when the performance obligation is completed.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 INCOME RECOGNITION (Continued)

(b) Fee and commission income (Continued)

(iii) Fee and commission income can be divided into the following categories:

(1) Service charges

Income earned on the services provided to retail and corporate customers, including account management and various transaction-based services, such as income from banking services.

(2) Commission received

Income earned from financing arrangement, management and participation fees, underwriting and brokerage fees are recognised as income based on the completion of performance obligations.

(3) Agency fees

Agency fees on services and facilities extended to customers are recognised on inception of such transaction.

(c) Contract liability

Contract liability or deferred income is the obligation to transfer services to the customer for which the Group and the Bank have received consideration from the customer. Revenue is recognised as and when the performance obligations are met or completed.

(d) Rental income

Income from Ijarah rental is recognised based on contractual agreement.

2.21 EXPENSES

Expenses are recognised when it is probable that the decrease in future economic benefits related to that decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of regular activities of the Group and of the Bank include among others the operating expenses on the Group's and the Bank's operations.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements involved making certain estimates, assumptions and judgements that affect the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

The measurement of impairment losses under MFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for expected credit losses on financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

3.1 JUDGEMENTS

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements which have the most significant effect and the amounts recognised in the financial statements.

(i) Impairment assessment on financing and advances

The Group and the Bank assess financing and advances at each reporting date to assess whether an impairment loss should be recorded. Whilst management's judgement is guided by the relevant BNM guidelines, judgement is made about the future and other key factors in respect of the recovery of the financing and advances such as obligor's financial situation and the net realisable value of the collateral.

(ii) Impairment assessment on financial investments at amortised cost

The Group's and the Bank's assessment on impairment on financial investments at amortised cost at each reporting date incorporates forward-looking and historical, current and forecasted information into ECL estimation based on indicators such as significant financial difficulties of the issuer or obligors and deterioration of the credit quality of the issuers or obligors.

(iii) Determining the lease term of contracts with renewal and termination options - the Group and the Bank as lessee

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.2 ESTIMATES

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(i) Allowances for expected credit losses on financing and advances

Management makes certain assumptions to estimate the allowances for expected credit losses on financing and advances.

Amongst factors considered are the Group's and the Bank's aggregate exposure to the obligor, the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the impairment made.

Financing and advances that have been assessed individually but for which no impairment is required and all individually insignificant financing and advances are then assessed collectively, in groups of assets with similar credit risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the financing and advances (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios etc.) and judgements on the effect of concentrations of risks (such as the performance of different individual groups).

(ii) Valuation of investment properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices and physical external inspection of the properties and is performed by a professional independent valuer.

(iii) Deferred taxes and current tax provisioning

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

In determining the Group's and the Bank's tax charge for the financial year, it involves estimation and judgement, which includes interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provide for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where an outflow is probable.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	2022	2021
	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	88,704	70,277
	<u>88,704</u>	<u>70,277</u>

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group's and the Bank's weighted average effective profit rates ("WAEPR") of deposits and the average maturity of deposits as at 31 December were as follows:

	WAEPR (% p.a)		Average Maturity (Days)	
	2022	2021	2022	2021
Foreign financial institutions	4.06	0.84	300	314

6. DERIVATIVES ASSETS

Group and Bank	Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000
<b>2022</b>			
Foreign currency forward contract	817,462	479	-
<b>2021</b>			
Foreign currency forward contract	11,949	86	-

7. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>At amortised cost</b>		
Unquoted:		
Islamic government securities in Malaysia	794,603	554,881
Islamic private debt securities in Malaysia	222,107	9,145
Islamic private debt securities outside Malaysia	394,296	111,872
	<u>1,411,006</u>	<u>675,898</u>
Expected credit loss ("ECL")	(1,141)	(81)
	<u>1,409,865</u>	<u>675,817</u>

Movement in ECL for financial investments at amortised cost is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2022	81	-	-	81
Net charge in allowance for expected credit losses for the year (Note 29)	1,060	-	-	1,060
At 31 December 2022	<u>1,141</u>	<u>-</u>	<u>-</u>	<u>1,141</u>

Movement in ECL

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	232	-	-	232
Net write-back in allowance for expected credit losses for the year (Note 29)	(151)	-	-	(151)
At 31 December 2021	<u>81</u>	<u>-</u>	<u>-</u>	<u>81</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>At fair value</b>		
Quoted:		
Private debt securities	271,061	146,025
Islamic government securities in Malaysia	1,691,572	1,512,796
<b>Total financial investments at FVOCI</b>	<b>1,962,633</b>	<b>1,658,821</b>

The following expected credit losses ("ECL") for financial investment quoted for government securities and treasury bills were not recognised in the statement of financial position as the carrying amount of financial investment is equivalent to their fair value.

Movements in ECL for financial investments at FVOCI is as follows:

	Group and Bank			Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	139	-	-	139
Net charge in allowance for expected credit losses for the year (Note 29)	252	-	-	252
At 31 December 2022	391	-	-	391

	Group and Bank			Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	224	-	-	224
Net write-back in allowance for expected credit losses for the year (Note 29)	(85)	-	-	(85)
At 31 December 2021	139	-	-	139

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. FINANCING AND ADVANCES

(a) Financing and advances analysed by types and Shariah contracts are as follows:

At amortised cost	Group and Bank 2022		Total financing and advances RM'000	
	Murabahah RM'000	Qard RM'000		
Term financing:				
Corporate financing	7,093,319	-	7,093,319	
Personal financing	690,183	-	690,183	
Home financing	817,356	-	817,356	
SME financing	25,117	-	25,117	
Vehicle financing	16,320	-	16,320	
Shop-house financing	24,726	-	24,726	
Cash Line	104,113	-	104,113	
Charge cards	-	106	106	
Gross financing and advances	8,771,134	106	8,771,240	
Less: Modification loss			(14,025)	
Less: ECL (Note 9(h))				
- Stage 1			(44,548)	
- Stage 2			(53,765)	
- Stage 3			(44,258)	
Total net financing and advances			8,614,644	
Movement in gross financing and advances:				
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at				
1 January 2022	5,749,367	273,044	55,474	6,077,885
Transfer to Stage 1	32,753	(30,195)	(2,558)	-
Transfer to Stage 2	(63,772)	64,551	(779)	-
Transfer to Stage 3	(8,512)	(3,223)	11,735	-
Financing derecognised				
during the year (other than write-off)	(2,910,429)	(164,684)	(861)	(3,075,974)
Write-off	-	-	(14,933)	(14,933)
New financing originated				
or purchased	5,908,101	119,989	6,498	6,034,588
Changes to contractual cash				
flows (excluding derecognition)*	(251,195)	(19,429)	6,273	(264,351)
Gross carrying amount after modification				
loss as at 31 December 2022	8,456,313	240,053	60,849	8,757,215

\* Included in the changes to contractual cash flow (excluding derecognition) are the effects of modification loss of RM14,025,000

All gross financing and advances are within Malaysia except for those under foreign entities in Note 9(b).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. FINANCING AND ADVANCES (Continued)

(a) Financing and advances analysed by types and Shariah contracts are as follows (Continued):

	Group and Bank 2021		Total financing and advances RM'000
	Murabahah RM'000	Qard RM'000	
<b>At amortised cost</b>			
Term financing:			
Corporate financing	4,692,653	-	4,692,653
Personal financing	510,657	-	510,657
Home financing	814,193	-	814,193
SME financing	25,832	-	25,832
Vehicle financing	26,782	-	26,782
Shop-house financing	25,284	-	25,284
Charge cards	-	130	130
Gross financing and advances	6,095,401	130	6,095,531
Less: Modification loss			(17,646)
Less: ECL (Note 9(h))			6,077,885
- Stage 1			(46,580)
- Stage 2			(25,304)
- Stage 3			(35,893)
Total net financing and advances			<u>5,970,108</u>

Movement in gross financing and advances:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount at 1 January 2021	4,740,044	369,783	53,413	5,163,240
Transfer to Stage 1	35,890	(34,803)	(1,087)	-
Transfer to Stage 2	(76,535)	77,571	(1,036)	-
Transfer to Stage 3	(6,536)	(4,106)	10,642	-
Financing derecognised during the year (other than write-off)	(2,404,433)	(244,729)	(462)	(2,649,624)
Write-off	-	-	(15,644)	(15,644)
New financing originated	3,658,538	127,553	141	3,786,232
Changes to contractual cash flows (excluding derecognition)*	(197,601)	(18,225)	9,507	(206,319)
Gross carrying amount after modification loss as at 31 December 2021	<u>5,749,367</u>	<u>273,044</u>	<u>55,474</u>	<u>6,077,885</u>

\* Included in the changes to contractual cash flow (excluding derecognition) are the effects of modification loss of RM17,646,000.

All gross financing and advances are within Malaysia except for those under foreign entities in Note 9(b).

(b) The gross financing and advances analysed by type of customers are as follows:

	Group and Bank 2022		2021 RM'000
	2022 RM'000		
Domestic business enterprise	6,862,102		4,536,906
Individuals	1,534,943		1,359,809
Foreign entities	348,456		166,820
Domestic non-bank financial institutions	11,714		14,350
	<u>8,757,215</u>		<u>6,077,885</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. FINANCING AND ADVANCES (Continued)

(c) The gross financing and advances analysed by profit rate sensitivity are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Fixed rate:</b>		
Personal financing	683,179	500,949
Corporate financing	121,934	179,682
Vehicle financing	15,562	25,808
SME financing	11,715	20,194
Home financing	4,405	3,629
Shop-house financing	319	362
Charge cards	106	130
<b>Variable rate:</b>		
Corporate financing	6,971,108	4,518,178
Home financing	807,131	804,220
Shop-house financing	24,243	24,733
Cash Line	104,113	-
SME financing	13,400	-
	<u>8,757,215</u>	<u>6,077,885</u>

(d) The gross financing and advances analysed by maturity structure are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Due within three months	2,834,636	1,962,457
More than three months to one year	1,492,346	921,510
More than one year to five years	1,625,042	970,552
More than five years	2,805,191	2,223,366
	<u>8,757,215</u>	<u>6,077,885</u>

(e) The gross financing and advances analysed by economic purpose are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Working capital	5,381,331	3,504,320
Purchase of property - residential property	815,174	811,922
Personal use	683,173	500,948
Others	657,427	445,075
Purchase of land	552,694	262,283
Construction	191,312	122,544
Purchase of industrial buildings and factories	149,302	128,560
Purchase of other non-residential properties	123,806	104,842
Purchase of fixed assets (excluding land and buildings)	82,243	58,727
Purchase of commercial complex	59,773	71,333
Purchase of shophouses	45,312	41,393
Purchase of vehicles	15,562	25,808
Charge cards	106	130
	<u>8,757,215</u>	<u>6,077,885</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. FINANCING AND ADVANCES (Continued)

(f) The gross financing and advances analysed by sectors are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Real estate, renting and business activities	1,960,244	1,054,050
Household	1,534,946	1,359,830
Manufacturing	1,497,470	1,096,956
Wholesale and retail trade	1,402,881	1,128,887
Construction	851,014	600,988
Other business	591,115	294,463
Finance intermediation	298,891	181,170
Agriculture, hunting and related service activities	245,896	165,227
Transportation	119,681	38,208
Education, health and others	106,387	67,301
Mining and quarrying	85,141	46,181
Hotel and restaurant	63,549	44,624
	<u>8,757,215</u>	<u>6,077,885</u>

(g) Movements in impaired financing and advances

	Group and Bank	
	2022	2021
	RM'000	RM'000
At 1 January	55,474	53,413
Impaired during the financial year	36,585	29,717
Reclassified as non-impaired	(3,337)	(2,123)
Recoveries	(12,940)	(9,888)
Write-off	<u>(14,933)</u>	<u>(15,645)</u>
At 31 December (Note 40(c)(vi))	<u>60,849</u>	<u>55,474</u>
Ratio of net impaired financing and advances to gross financing and advances less individual impairment allowance	<u>0.19%</u>	<u>0.32%</u>

Included in amount classified as impaired as at 31 December 2022 is profit accrued on impaired financing of RM5,084,000 (2021: RM3,825,000).

All impaired financing are within Malaysia.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. FINANCING AND ADVANCES (Continued)

(h) Movements in ECL for financing and advances:

	Group and Bank	
	2022 RM'000	2021 RM'000
<b>ECL/Collective assessment allowance - Stage 1 and 2</b>		
At 1 January		
Stage 1 ECL	46,580	41,450
Stage 2 ECL	25,304	37,460
Net stage 1 ECL (written back)/provided during the financial year (Note 29(a))	(2,032)	5,130
Net stage 2 ECL provided/(written back) during the financial year (Note 29(a))	28,461	(12,156)
At 31 December (Note 40(c)(vi))	<u>98,313</u>	<u>71,884</u>
As % of total gross financing and advances less individual impairment allowances	1.13%	1.19%

	Group and Bank	
	2022 RM'000	2021 RM'000
<b>ECL/Individual assessment allowance - Stage 3</b>		
At 1 January	35,893	30,077
Net stage 3 ECL provided during financial year (Note 29(a))	23,298	18,869
Amount written off	(14,933)	(13,053)
At 31 December (Note 40(c)(vi))	<u>44,258</u>	<u>35,893</u>

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Group and Bank</b>				
At 1 January 2022	46,580	25,304	35,893	107,777
Changes due to financial assets recognised in the opening balance:				
- Transfer to 12-month ECL	9,627	(8,013)	(1,614)	-
- Transfer to lifetime ECL not credit impaired	(5,500)	5,975	(475)	-
- Transfer to lifetime ECL credit impaired	(525)	(2,002)	2,527	-
Financing derecognised during the financial year (other than write-off)	(8,497)	(1,571)	(732)	(10,800)
Write-off	-	-	(14,933)	(14,933)
New financing originated	16,480	17,993	6,080	40,553
Net remeasurement of allowances	(13,617)	16,079	17,512	19,974
At 31 December 2022	<u>44,548</u>	<u>53,765</u>	<u>44,258</u>	<u>142,571</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9. FINANCING AND ADVANCES (Continued)

(i) Impaired financing analysed by economic purpose are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Working capital	37,570	40,512
Personal use	14,772	6,126
Purchase of properties - residential properties	8,349	8,344
Charge cards	106	130
Purchase of vehicles	52	362
	<u>60,849</u>	<u>55,474</u>

(j) Impaired financing analysed by sector are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Construction	32,934	31,638
Household	23,279	17,934
Other business	4,636	5,508
Manufacturing	-	394
	<u>60,849</u>	<u>55,474</u>

10. OTHER ASSETS

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Other debtors and receivables	28,837	37,384	28,489	37,426
Prepayment and deposits	6,399	897	6,399	897
Sundry deposits	3,547	3,931	3,547	3,931
Less: Allowance for doubtful debts	(4,635)	(4,505)	(4,635)	(4,505)
	<u>34,148</u>	<u>37,707</u>	<u>33,800</u>	<u>37,749</u>

Movement in allowance for doubtful debts

As at 1 January	(4,505)	(4,627)	(4,505)	(4,627)
Net (charge)/write-back of allowances	(130)	122	(130)	122
As at 31 December	<u>(4,635)</u>	<u>(4,505)</u>	<u>(4,635)</u>	<u>(4,505)</u>

11. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, to satisfy the Statutory Reserve Requirement ("SRR") which is determined at a set percentages of total eligible liabilities.

Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance (i.e. Statutory Reserve Accounts ("SRA") balances) this flexibility is available until 31 December 2022. For the avoidance of doubt, the SRA balances can be held entirely in MGS and MGII.

The Bank may deduct such holdings of MGS and MGII used for SRR compliance from their EL base computation.

These holdings in the SRA balances will also be recognised as High Quality Liquid Assets ("HQLA") in complying with the Liquidity Coverage Ratio ("LCR") requirement.

The Group and the Bank have transferred out all MGII from SRR account, all the current balances consisted cash only amounted RM220.7 million (MGII purchased 2021: RM133.0 million) for SRA purpose.



NOTES TO THE FINANCIAL STATEMENTS  
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12. DEFERRED TAX ASSETS

	Group and Bank	
	2022	2021
	RM'000	RM'000
At 1 January	49,497	49,497
Recognised in profit or loss (Note 34)	-	-
At 31 December	<u>49,497</u>	<u>49,497</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts are presented after appropriate offsetting in the statement of financial position:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Deferred tax assets	53,633	52,886
Deferred tax liabilities	<u>(4,136)</u>	<u>(3,389)</u>
	<u>49,497</u>	<u>49,497</u>

The movements in deferred tax assets and liabilities during the financial year comprise the following:

Deferred tax liabilities:

	Right-of-use assets RM'000	Property and equipment RM'000	Investment properties RM'000	Total RM'000
<b>Group and Bank</b>				
At 1 January 2022	(2,507)	(842)	(40)	(3,389)
Recognised in profit or loss (Note 34)	<u>(770)</u>	<u>23</u>	<u>-</u>	<u>(747)</u>
At 31 December 2022	<u>(3,277)</u>	<u>(819)</u>	<u>(40)</u>	<u>(4,136)</u>
At 1 January 2021	(2,807)	(634)	(40)	(3,481)
Recognised in profit or loss (Note 34)	<u>300</u>	<u>(208)</u>	<u>-</u>	<u>92</u>
At 31 December 2021	<u>(2,507)</u>	<u>(842)</u>	<u>(40)</u>	<u>(3,389)</u>

Deferred tax assets:

	Lease liabilities RM'000	Provisions RM'000	Unutilised tax losses RM'000	Total RM'000
<b>Group and Bank</b>				
At 1 January 2022	2,951	8,735	41,200	52,886
Recognised in profit or loss (Note 34)	<u>697</u>	<u>10,643</u>	<u>(10,593)</u>	<u>747</u>
At 31 December 2022	<u>3,648</u>	<u>19,378</u>	<u>30,607</u>	<u>53,633</u>
At 1 January 2021	4,527	7,251	41,200	52,978
Recognised in profit or loss (Note 34)	<u>(1,576)</u>	<u>1,484</u>	<u>-</u>	<u>(92)</u>
At 31 December 2021	<u>2,951</u>	<u>8,735</u>	<u>41,200</u>	<u>52,886</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12. DEFERRED TAX ASSETS (continued)

Unutilised tax losses

At the reporting date, the Group and the Bank have reported the following deferred tax asset relating to:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Unutilised tax losses recognised as deferred tax asset	127,526	171,652
Unutilised tax losses not recognised as deferred tax asset	-	6,115
Total unutilised tax losses	127,526	177,767
Temporary differences not recognised as deferred tax asset	69,143	52,710
	<u>196,669</u>	<u>230,477</u>

The Group and the Bank have utilised partially the unutilised business losses brought forward from the prior year with accumulated amount of RM127.5 million as at 31 December 2022 (2021: RM171.7 million), as well as full utilisation of unutilised business losses not recognised as deferred tax asset amounting to RM6.1 million. This gave rise to the tax effect of utilisation of tax losses of RM10.6 million and utilisation of previously unrecognised which tax losses amounting to RM1.5 million.

According to the Malaysia Finance Act 2021 gazetted on 31 December 2021, the unused tax losses carried forward which were previously subject to a 7-year limitation with effect from YA2019 have now been extended for utilisation for 10 consecutive years of assessment retrospectively from YA2018. Any unused tax losses accumulated up to YA2018 are now allowed to be carried forward for 10 consecutive years of assessment up to YA2028 and any balance thereafter shall be disregarded. Any unused current tax losses which was resulted in YA2019 and in the subsequent years of assessment are allowed to be carried forward for a maximum period of 10 consecutive years of assessment as well, commencing immediately following that year of assessment and any balance thereafter shall be disregarded.

The Group and the Bank have recognised deferred tax assets on the unutilised tax losses amounting to RM127,526,000 as at 31 December 2022 (2021: RM171,652,000) as the Directors are of the view that there are sufficient future taxable profits for the unutilised tax losses to be offset against the respective entities within the Group and the Bank.

In evaluating the ability to realise the deferred tax assets, the Group and the Bank relies principally on forecasted taxable income using historical and projected future operating results and the reversal of existing temporary differences within a medium term horizon.

13. INVESTMENT IN A SUBSIDIARY

Name	Principal activity	Effective shareholding 2022	Effective shareholding 2021
Al Rajhi Nominee (Tempatan) Sdn Bhd ("ARNT") *	Nominee services	100%	100%

\* The subsidiary was incorporated with a paid-up share capital of RM2. The income and expenses of the subsidiary are borne by the Bank. The auditors' remuneration borne by the Bank is RM5,000 (2021: RM4,500).

The names of the Directors of the subsidiary in office since the date of the last report and at the date of this report are as follows:

Shamsul Anuar Bin Dato' Haji Mohd Rasep @ Haji Abdul Rashid  
Nur Lynn Lau Binti Abdullah (Appointed w.e.f 10 June 2022)  
Zafir Bin Mohd Rawi @ Mohd Rauf (Resigned w.e.f 10 June 2022)

NOTES TO THE FINANCIAL STATEMENTS  
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14. INVESTMENT PROPERTIES

The Group's and the Bank's investment properties are stated at fair value and consist of one hundred and twenty-eight (128) units of stratified shop and office lots known as I-City at Shah Alam, Selangor, Malaysia.

As at 31 December 2022, the fair values of the properties are based on valuation carried out by an independent qualified valuer using the comparison method of valuation approach. The method of valuation seeks to determine the value of the property, being valued by comparing the investment properties with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial profit and restrictions if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

The following amounts have been reflected in the income statement in relation to the investment properties:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Rental income derived from investment properties (Note 28)	1,990	1,480
Direct operating expenses	(308)	(278)
Profit arising from investment properties carried at fair value	<u>1,682</u>	<u>1,202</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value hierarchy disclosure for investment properties have been provided in Note 43.

The Group and the Bank have determined that the highest and best use of the investment property do not differ from its existing use.

**AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD.**

(Incorporated in Malaysia)

Co. Reg. No. 200501036909 (719057-X)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**15. PROPERTY AND EQUIPMENT**

Group and Bank	Renovations RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicle RM'000	Work-in- progress RM'000	Total RM'000
<b>2022</b>							
<b>Cost</b>							
At 1 January 2022	20,667	5,700	7,120	78,413	255	85	112,240
Additions	656	3	211	2,802	476	-	4,148
Capitalisation	-	-	-	85	-	(85)	-
Write-off	(1,765)	(692)	(303)	(52)	-	-	(2,812)
At 31 December 2022	19,558	5,011	7,028	81,248	731	-	113,576
<b>Accumulated depreciation</b>							
At 1 January 2022	20,579	4,443	6,180	68,459	255	-	99,916
Charge for the financial year	128	218	213	4,792	79	-	5,430
Write-off	(1,765)	(636)	(272)	(52)	-	-	(2,725)
At 31 December 2022	18,942	4,025	6,121	73,199	334	-	102,621
<b>Net book value</b>							
At 31 December 2022	616	986	907	8,049	397	-	10,955

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM6,646,000 (2021: RM5,227,000).

**AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD.**

(Incorporated in Malaysia)

Co. Reg. No. 200501036909 (719057-X)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**15. PROPERTY AND EQUIPMENT (Continued)**

Group and Bank	Renovations RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicle RM'000	Work-in- progress RM'000	Total RM'000
<b>2021</b>							
<b>Cost</b>							
At 1 January 2021	20,667	5,697	7,057	75,677	255	-	109,353
Additions	-	3	63	2,736	-	85	2,887
At 31 December 2021	20,667	5,700	7,120	78,413	255	85	112,240
<b>Accumulated depreciation</b>							
At 1 January 2021	20,408	4,196	5,932	63,430	255	-	94,221
Charge for the financial year	171	247	248	5,029	-	-	5,695
At 31 December 2021	20,579	4,443	6,180	68,459	255	-	99,916
<b>Net book value</b>							
At 31 December 2021	88	1,257	940	9,954	-	85	12,324

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16. INTANGIBLE ASSETS

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Computer software</b>		
<b>Cost</b>		
At 1 January	242,089	187,604
Additions	10,280	3,947
Work-in-progress	99,175	50,538
At 31 December	<u>351,544</u>	<u>242,089</u>
<b>Accumulated amortisation</b>		
At 1 January	168,334	156,695
Amortisation for the financial year	10,751	11,639
At 31 December	<u>179,085</u>	<u>168,334</u>
<b>Net book value</b>	<u>172,459</u>	<u>73,755</u>

Included in intangible assets are the cost of fully depreciated assets which are still in use amounting to RM13,569,000 (2021: RM8,721,000)

17. RIGHT-OF-USE ASSETS

The Group and the Bank have lease contracts from various items of bank premises, non-bank premises and other equipments used in its operations. Lease contracts generally have lease term between 2 and 6 years.

The Group's and the Bank's obligation under its leases are secured by lessor's title to the leased assets. Generally, the Group and the Bank are restricted from signing and subleasing the leased assets.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period:

	Group and Bank		
	Bank	Other	Total
	premises	equipments	
	RM'000	RM'000	RM'000
At 1 January 2022	10,030	416	10,446
Additions	11,101	112	11,213
Depreciation expenses	(7,739)	(265)	(8,004)
31 December 2022	<u>13,392</u>	<u>263</u>	<u>13,655</u>
At 1 January 2021	11,113	580	11,693
Additions	6,107	77	6,184
Depreciation expenses	(7,190)	(241)	(7,431)
31 December 2021	<u>10,030</u>	<u>416</u>	<u>10,446</u>

The following are the amounts recognised in profit or loss:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Depreciation expenses of right-of-use assets	8,004	7,431
Finance charges on lease liabilities	478	459
Expenses relating to short-term leases (included in office rental) (Note 32)	378	36
Expenses relating to leases of low-value assets (Note 32)	25	-
Total amount recognised in profit or loss	<u>8,885</u>	<u>7,926</u>

The Group had total cash outflows for leases of RM8,785,000 in 2022 (2021: RM7,953,000). The Group also had non-cash addition to right-of-use assets and lease liabilities of RM11,213,000 in 2022 (2021: RM6,184,000).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18. DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Note	Group and Bank	
		2022 RM'000	2021 RM'000
<b>Savings deposits</b>			
Qard		97,181	112,060
Commodity Murabahah		111,591	130,928
<b>Demand deposits</b>			
Qard		315,158	279,251
Mudharabah	(a)	66	117
Commodity Murabahah		1,809,249	1,840,932
<b>Term deposit</b>			
Commodity Murabahah		6,704,222	4,101,283
<b>General investment account</b>	(a)		
Mudharabah		142	280
Wakalah		712	812
<b>Other deposits</b>		378	383
		<u>9,038,699</u>	<u>6,466,046</u>

(a) In line with the Bank's Islamic Financial Services Act 2013 ("IFSA") Transition Plan as communicated to BNM dated 19 March 2014, the Bank will continue to include the balances relating to its general investment account and demand deposits based on mudharabah principles, as part of deposits from customers. This is because these products were approved prior to the IFSA and the investment account guideline and are being solely used as securities against financing facility provided to the customers. The balances will continue to reduce until full settlement of the related financing.

(ii) By type of customer

	Group and Bank	
	2022 RM'000	2021 RM'000
Business enterprises	4,166,855	2,457,035
Government and statutory bodies	3,069,095	2,035,546
Non-resident	848,134	121,298
Individuals	426,012	480,346
Non-bank financial institutions	356,048	1,188,200
Other entities	172,555	183,621
	<u>9,038,699</u>	<u>6,466,046</u>

(iii) By maturity structure

	Group and Bank	
	2022 RM'000	2021 RM'000
Due within three months	6,623,968	4,799,682
More than three months to one year	2,127,335	1,095,018
More than one year to five years	287,396	571,346
	<u>9,038,699</u>	<u>6,466,046</u>

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2022 RM'000	2021 RM'000
<b>Non-Mudharabah Funds</b>		
Licensed Islamic banks	1,154,939	586,752
Licensed financial institutions	587,505	732,469
	<u>1,742,444</u>	<u>1,319,221</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

This represents the proceeds received from home financing sold directly to Cagamas Berhad with recourse to the Bank. Under this agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank set by Cagamas Berhad.

Recourse obligations on financing sold to Cagamas are recognised initially on 30 November 2022, at nominal value of RM 335 million, net of transaction costs incurred. Subsequently, it is measured at amortised cost using the effective profit method at 4.07%. The maturity date of these financial liability will be on 2 December 2023.

21 OTHER LIABILITIES

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other accruals and payables	(i)	125,394	57,748	125,941	57,728
Amount due to holding company	(ii)	8,453	3,815	8,453	3,815
Deferred income	(iii)	7,750	8,250	7,750	8,250
		<u>141,597</u>	<u>69,813</u>	<u>142,144</u>	<u>69,793</u>

(i) Included in other accruals and payables of the Bank is amount due to ARNT amounting to RM566,000 (2021: amount due from ARNT amounting to RM79,000) (Note 36(b)).

(ii) Amount due to holding company is unsecured, profit-free and repayable on demand.

(iii) On 30 June 2017, the Group and the Bank entered into an agreement acting as an agent to solely market and distribute bancatakaful products to its customers for 10 years of which an exclusivity fee was paid in advance. The income is amortised over the period of the agreement when the customers receive and consume the benefits provided and is recognised as part of other income under "commission received" in Note 28.

	Group and Bank	
	2022 RM'000	2021 RM'000
Deferred as at 1 January	8,250	9,750
Recognised as income in profit or loss during the year	(500)	(1,500)
Deferred as at 31 December	<u>7,750</u>	<u>8,250</u>

22. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group and Bank	
	2022 RM'000	2021 RM'000
At 1 January 2022	12,297	13,607
Additions	11,213	6,184
Accretion of finance charges	478	459
Payments	(8,785)	(7,953)
31 December 2022	<u>15,203</u>	<u>12,297</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. SUBORDINATED SUKUK

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Tier I</b>		
Issued under the Sukuk Programme of up to SAR 300 million in nominal value		
Subordinated Sukuk - Tranche 1 (Note 36(b))	117,057	-
Subordinated Sukuk - Tranche 2 (Note 36(b))	117,057	-
Subordinated Sukuk - Tranche 3 (Note 36(b))	117,057	-
	<u>351,171</u>	<u>-</u>
<b>Tier II</b>		
Issued under the Sukuk Programme of up to SAR 500 million in nominal value		
Subordinated Sukuk - Tranche 1 (Note 36(b))	292,641	277,408
Subordinated Sukuk - Tranche 2 (Note 36(b))	117,057	110,963
Subordinated Sukuk - Tranche 3 (Note 36(b))	175,584	166,445
	<u>585,282</u>	<u>554,816</u>
	<u>936,453</u>	<u>554,816</u>

a) Subordinated Sukuk Tier II - Programme 1

On 10 November 2014, the Bank issued SAR250.0 million nominal value first tranche of Subordinated Sukuk ("the Sukuk") under the Shariah principle of Mudharabah to its holding company. Pursuant to the Sukuk Programme Agreement and upon the term and subject to the conditions contained therein, the Bank had on 16 March 2017 issued a second tranche of the Sukuk amounting to SAR100.0 million nominal value to its holding company. On 15 July 2021, the Bank had issued the third and final tranche of the Sukuk amounting to SAR150.0 million nominal value (equivalent to RM167.8 million) to its holding company.

Based on the initial agreement, the first and second tranche of the Sukuk have a tenure of 7 years from the issuance date. In 2018, the holding company had approved to extend the tenure of the first and second tranche Sukuk for an additional of 3 years tenure which is due by 10 November 2024 and 31 March 2027 respectively. In 2021, to align with the maturity date of the third tranche of the Sukuk amounting to SAR150.0 million, the holding company had approved the extension of the maturity dates for the first and second tranche amounting to SAR350.0 million until 15 July 2031.

All the tranches of Sukuk qualify as Tier-II capital of the Issuer as per BNM's Risk-Weighted Capital Adequacy Framework for Islamic Banks. The Sukuk issued is based on the Shariah principles of Mudharabah (profit sharing) and Al-Wakalah (contract of agency).

b) Subordinated Sukuk Tier I - Programme 2

On 3 January 2022, the Bank issued the first tranche of Subordinated Perpetual Sukuk ("the Sukuk") amounting to SAR100.0 million (equivalent to RM 114.5 million) nominal value under the shariah principle of Mudharabah to its holding company. Subsequently, the second and third tranche of the sukuk amounting to SAR 100.0 million each (equivalent to RM111.5 million and RM121.7 million respectively) was issued on 11 April 2022 and 22 November 2022 respectively.

The Sukuk qualifies as Tier I capital of the issuer as per BNM's Risk-Weighted Capital Adequacy.

All the tranches of Sukuk are fully secured by KSA as prescribed in the agreement and the proceeds shall be utilised for the investment in Shariah compliant money market placements with banks in Kingdom of Saudi Arabia and other approved Middle Eastern countries.

The movements in the subordinated sukuk are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
At 1 January	554,816	374,843
Issuance during the financial year	347,634	167,798
Non-cash changes:		
Exchange differences	34,003	12,175
At 31 December	<u>936,453</u>	<u>554,816</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24. SHARE CAPITAL

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Issued and fully paid:</b>		
Ordinary shares 1 January/ 31 December	1,000,000	1,000,000
Issuance of share capital	341,868	-
	<u>1,341,868</u>	<u>1,000,000</u>

During the year the Bank increased its issued and paid-up ordinary share capital from RM1,000,000,000 as at 31 December 2021 to RM1,341,867,800 as at 31 December 2022 through an issuance of 341,867,800 new ordinary shares at an issue price of RM1.00 each by cash.

25. RESERVES

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Non-distributable:</b>				
Statutory reserve (i)	13,206	13,206	13,206	13,206
Regulatory reserve (ii)	10,000	-	10,000	-
Fair value through other comprehensive income reserve (iii)	(25,258)	(13,358)	(25,258)	(13,358)
Accumulated losses	(294,474)	(313,211)	(295,369)	(313,149)
	<u>(296,526)</u>	<u>(313,363)</u>	<u>(297,421)</u>	<u>(313,301)</u>

The nature and purpose of the reserves are as follows:

- The statutory reserve is maintained in compliance with BNM's guideline on Capital Funds for Islamic Banks issued on 1 July 2013, and is not distributable as cash dividends. On 3 May 2017, BNM issued the revised Capital Funds for Islamic Bank whereby the previous requirement to maintain a reserve fund is no longer required. Therefore, there is no transfer to statutory reserve since then including in current and prior year under review.
- The regulatory reserve is maintained in accordance with BNM's policy on Financial Reporting For Islamic Banking institution to maintain, in aggregate loss allowance for non-credit impaired exposure and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit impaired exposures.
- The fair value reserve includes the cumulative net changes in the fair value of financial investments, at FVOCI, until the financial investments are derecognised, where the fair value will be recycled to income statement.

Movements of the reserves (excluding accumulated losses) are as follows:

	Group and Bank			
	Statutory reserve	Regulatory reserve	Fair value reserve of financial investments at FVOCI	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	13,206	-	(13,358)	(152)
Net unrealised loss on changes in fair value	-	-	(11,900)	(11,900)
Transferred to regulatory reserve from accumulated losses	-	10,000	-	10,000
At 31 December 2022	<u>13,206</u>	<u>10,000</u>	<u>(25,258)</u>	<u>(2,052)</u>
At 1 January 2021	13,206	-	2,761	15,967
Net unrealised loss on changes in fair value	-	-	(16,119)	(16,119)
At 31 December 2021	<u>13,206</u>	<u>-</u>	<u>(13,358)</u>	<u>(152)</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26. OPERATING REVENUE

Operating revenue of the Group and of the Bank represents of financing income, fees and commission income and other income as derived from the banking operations.

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group and Bank	
	2022	2021
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	11	33
(ii) Other deposits	458,307	295,485
	<u>458,318</u>	<u>295,518</u>

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Finance income and hibah</b>		
Financing and advances	11	32
Money at call and deposit with financial institutions	-	1
Total finance income and hibah	<u>11</u>	<u>33</u>

(ii) Income derived from investment of other deposits

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Finance income and hibah</b>		
Financing and advances	362,147	240,377
Financial investments at amortised cost	34,289	18,614
Financial investments at fair value through other comprehensive income ("FVOCI")	46,992	29,421
Money at call and deposit with financial institutions	11,030	3,593
Accretion of discount	228	8
Effects of unwinding of modification loss	3,621	3,472
	<u>458,307</u>	<u>295,485</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

28. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Finance income and hibah</b>				
Money at call and deposit with financial institutions	2,416	1,323	2,415	1,323
<b>Other operating income</b>				
- Net (loss)/gain from foreign exchange translations				
- Realised	(32)	(76)	(32)	(76)
- Unrealised	4,509	865	4,509	865
- Rental income (Note 14)	1,990	1,480	1,990	1,480
- Wakalah fees on gold trading	266	1,307	266	1,307
- Gain on disposal of financial investments at amortised cost	-	23,191	-	23,191
- Gain on disposal of financial investments at FVOCI	-	2,608	-	2,608
- Others	3,431	269	3,430	269
<b>Other income</b>				
- Agency fees	-	486	-	-
- Service charges	2,665	2,083	2,661	2,083
- Commission received	21,255	19,725	21,255	19,725
	<u>36,500</u>	<u>53,261</u>	<u>36,494</u>	<u>52,775</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29. ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Financing and advances:</b>		
(a) Stage 1		
- provided during the financial year	(2,571)	(10,140)
- written back during the financial year	4,603	5,010
Stage 2		
- provided during the financial year	(31,539)	(2,697)
- written back during the financial year	3,078	14,853
Stage 3		
- provided during the financial year	(23,465)	(18,891)
- written back during the financial year	167	22
Total	<u>(49,727)</u>	<u>(11,843)</u>
(b) Bad debts on financing:		
- recovered during the financial year	12,940	9,888
- written off during the financial year	-	(2,592)
Total	<u>12,940</u>	<u>7,296</u>
(c) Financial investment at amortised cost		
- provided during the financial year	(1,141)	-
- written back during the financial year	81	151
Total	<u>(1,060)</u>	<u>151</u>
(d) Financial investment at FVOCI		
- provided during the financial year	(602)	-
- written back during the financial year	350	85
Total	<u>(252)</u>	<u>85</u>
(e) Impairment allowance for off balance sheet		
- provided during the financial year	-	-
- written back during the financial year	156	43
Total	<u>156</u>	<u>43</u>
Grand total	<u>(37,943)</u>	<u>(4,268)</u>

30. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group and Bank	
	2022	2021
	RM'000	RM'000
Deposits from customers		
- Non-Mudharabah	192,474	115,906
- Mudharabah	4	11
- Wakalah	13	30
	<u>192,491</u>	<u>115,947</u>
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	27,401	9,000
Recourse obligation on financing sold to Cagamas	1,100	-
	<u>220,992</u>	<u>124,947</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31. PERSONNEL EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries and wages	61,026	73,059	60,960	72,990
Statutory contributions	19,208	14,110	19,194	14,095
Allowance and bonuses	27,108	18,547	27,100	18,533
Others	20,949	19,096	20,835	19,082
	<u>128,291</u>	<u>124,812</u>	<u>128,089</u>	<u>124,700</u>

Included in personnel expenses is the CEO remuneration of RM 2,780,000 (2021: RM 2,773,000) which details are disclosed in Note 33.

32. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Marketing</b>				
Advertisement and publicity	7,274	2,574	7,153	1,966
<b>Establishment</b>				
Office rental comprised of:				
Expenses relating to short-term leases	378	36	378	36
Expenses relating to leases of low-value assets	25	-	25	-
Depreciation expenses of right-of-use assets	8,004	7,431	8,004	7,431
Depreciation of property and equipment	5,430	5,695	5,430	5,695
Amortisation of intangible assets	10,751	11,639	10,751	11,639
Electronic data processing expenses	20,508	25,168	20,508	25,168
Premises	4,181	3,756	4,181	3,756
Takaful and insurance	322	229	322	229
Finance charges on lease liabilities	478	459	478	459
	<u>50,077</u>	<u>54,413</u>	<u>50,077</u>	<u>54,413</u>
<b>General expenses</b>				
Auditors' remuneration:				
Statutory audit	305	313	300	305
Regulatory related services	275	-	275	-
Other services	40	46	40	46
Takaful and insurance	1,624	889	1,624	889
Professional fees	2,912	2,962	2,912	2,962
Security service charges	2,371	2,617	2,371	2,617
Communication	1,393	1,425	1,393	1,425
Transaction and outsourcing fees	5,855	4,250	7,130	4,250
Net operational losses (Note (a))	-	7,797	-	7,797
Printing and stationeries	390	490	390	490
Entertainment	438	30	438	30
Shariah expenses	675	1,114	675	1,114
Allowance for doubtful debt	457	217	457	217
Non-Executive Directors' remuneration	509	247	509	247
Administration travel and transport	810	366	810	366
Licence fees, bank charges and stamp duty	539	539	539	539
Subscription fees	2,508	2,274	2,508	2,274
Others	403	93	407	101
	<u>21,504</u>	<u>25,669</u>	<u>22,778</u>	<u>25,669</u>
	<u>78,855</u>	<u>82,656</u>	<u>80,008</u>	<u>82,048</u>

Note (a):

In previous financial year, net operating losses was represented by total estimated operational losses of RM 15.8 million and expected recovery of RM 8.0 million through the Bank's takaful arrangement.

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33. CEO, DIRECTORS AND SHARIAH BOARD MEMBERS' REMUNERATION

The remuneration attributable to the Group and the Bank during the financial year amounted to RM3,906,000 (2021: RM4,155,000).

The total remuneration of the directors of the Group and of the Bank are as follows:

Group and Bank	2022		2021		Total RM'000
	Fees RM'000	Salaries and/ or other emoluments* RM'000	Fees RM'000	Salaries and/ or other emoluments* RM'000	
<b>Chief Executive Officer:</b>					
Arsalaan Ahmed	-	2,780	-	2,773	2,773
<b>Non-Executive Directors:</b>					
John Roger Winfield**	-	-	-	-	-
Zulkiflee Bin Hashim	255	-	132	-	132
Lim Jit Jee	255	-	30	-	30
Stefano P. Bertamini ** (Resigned w.e.f. 28 February 2022)	-	-	-	-	-
Ow Chee Hong (Resigned w.e.f. 5 October 2021)	-	-	73	33	106
<b>Executive Directors:</b>					
Abdurrahman Abdullah Al Fadda**	-	-	-	-	-
Hossam Essam Al Basrawi** (Appointed w.e.f. 1 March 2022)	-	-	-	-	-
<b>Total</b>	<b>510</b>	<b>2,780</b>	<b>235</b>	<b>2,808</b>	<b>3,041</b>
<b>Shariah Board Members:</b>					
Prof. Dr Saleh Abdullah S. Al Lheidan (Resigned w.e.f. 31 December 2021)	-	-	96	146	242
Assoc Prof Dr Azman Mohd Noor (Resigned w.e.f. 31 December 2021)	-	-	90	146	236
Dr Mohammed Hael Ghilan Al - Madhagi (Resigned w.e.f. 31 December 2021)	-	-	66	146	212
Sheikh Lokmanulhakim Bin Hussain (Resigned w.e.f. 31 December 2022)	66	64	66	146	212
Mr Wan Rumatzi Wan Husin (Appointed w.e.f. 1 January 2022)	96	64	66	146	212
Sheikh Dr. Ashurov Sharofiddin (Appointed w.e.f. 1 April 2022)	50	32	82	-	-
Sheikh Prof. Dr. Younes Soualhi (Appointed w.e.f. 1 January 2022)	90	44	134	-	-
Sheikh Dr.Habeebullah Zakariyah (Appointed w.e.f. 1 January 2022)	66	44	110	-	-
<b>Total</b>	<b>368</b>	<b>248</b>	<b>384</b>	<b>730</b>	<b>1,114</b>
<b>Total</b>	<b>878</b>	<b>3,028</b>	<b>619</b>	<b>3,536</b>	<b>4,155</b>

\* Includes bonus, ex-gratia, EPF, fixed allowances, yearly allowances and attending allowances.

\*\* Any fees and allowances incurred will be borne and paid directly by Al Rajhi Bank Saudi Arabia, the holding company of the Bank.

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34. TAXATION

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Tax expense for the financial year:				
- Malaysian income tax	-	-	-	-
Deferred tax:				
- Relating to origination and reversal of temporary differences in prior years	-	-	-	-
- Underprovision in prior years	-	-	-	-
Underprovision in prior years:				
- Malaysian income tax	-	-	-	-
Sub-total	-	-	-	-
Total	-	-	-	-

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and taxation	28,737	12,096	27,780	12,330
Income tax using Malaysian tax rate of 24% (2021: 24%)	6,897	2,903	6,667	2,959
Tax effects from:				
- Expense not deductible for tax purposes	1,217	754	1,447	698
- Utilisation of previously unrecognised tax losses	(1,468)	(524)	(1,468)	(524)
- Utilisation of tax losses	(10,590)	-	(10,590)	-
- Utilisation of previously unrecognised unabsorbed capital allowances	-	(5,245)	-	(5,245)
- Temporary difference not recognised	3,944	2,112	3,944	2,112
Tax expenses for the year	-	-	-	-



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**35. BASIC/DILUTED EARNINGS PER SHARE**

The basic and diluted earnings per ordinary share is calculated by dividing the Group's profit after taxation for the financial year by the weighted average number of ordinary shares outstanding during the financial year.

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net profit for the financial year (RM'000)	28,737	12,096	27,780	12,330
Average shares issued during the year ('000)	1,341,868	1,000,000	1,341,868	1,000,000
Basic profit per share (sen)	<u>2.14</u>	<u>1.21</u>	<u>2.07</u>	<u>1.23</u>

There were no dilutive potential ordinary shares at the end of the financial year.

**36. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS**

(a) Related parties and relationships

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both.

The Directors are of the opinion that all transactions below have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtained in transactions with unrelated parties.

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36. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(a) Related parties and relationships (Continued)

The related parties and their relationships with the Bank are as follows:

Related parties	Relationship
(i) Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, Kingdom of Saudi Arabia	Holding company.
(ii) Al Rajhi Nominee (Tempatan) Sdn Bhd	Subsidiary.
(iii) Key Management Personnel	Defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes all Directors of the Bank and the Management Committee members of the Bank.

(b) Significant related party transactions and balances are as follows:

	Holding company RM'000	Subsidiary company RM'000	Key management personnel RM'000
<b>Balances as at 31 December 2022</b>			
<b>Asset/(liabilities)</b>			
Amount due from:			
- Financing and advances	-	-	8,577
Amount due to:			
- Current accounts - i	-	-	(598)
- Savings account - i	-	-	(1,170)
- Commodity Murabahah Term Deposit	(760,587)	-	(1,121)
- Holding company (Note 21)	(8,453)	-	-
- Subsidiary company (Note 21)	-	(566)	-
- Subordinated Sukuk (Note 23)	(936,453)	-	-

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36. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Significant related party transactions and balances are as follows (Continued):

	Holding company RM'000	Subsidiary company RM'000	Key management personnel RM'000
<b>Transaction for financial year ended 31 December 2022</b>			
<b>Income/(expenses)</b>			
Profit income from:			
- Financing and advances	-	-	273
- Deposits placements	37	-	-
Income attributable to depositors:			
- Dividend on Subordinated Sukuk	<u>2,450</u>	<u>-</u>	<u>-</u>
Transaction and outsourcing fees:			
- Agency fees	<u>-</u>	<u>(1,275)</u>	<u>-</u>
Short-term employee benefits:			
- Salary and other remuneration	<u>-</u>	<u>-</u>	<u>(21,597)</u>
	Holding company RM'000	Subsidiary company RM'000	Key management personnel RM'000
<b>Balances as at 31 December 2021</b>			
<b>Asset/(liabilities)</b>			
Amount due from:			
- Subsidiary company (Note 21)		79	-
- Financing and advances	<u>-</u>	<u>-</u>	<u>5,056</u>
Amount due to:			
- Current accounts - i	-	-	(54)
- Savings account - i	-	-	(552)
- Commodity Murabahah Term Deposit	(29,162)	-	(1,870)
- Holding company (Note 21)	(3,815)	-	-
- Subordinated Sukuk (Note 23)	(554,816)	-	-
- Dividend payable on Subordinated Sukuk	<u>(364)</u>	<u>-</u>	<u>-</u>

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36. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Significant related party transactions and balances are as follows (Continued):

	Holding company RM'000	Subsidiary company RM'000	Key management personnel RM'000
<b>Transaction for financial year ended 31 December 2021 Income/(expenses)</b>			
Profit income from:			
- Financing and advances	-	-	84
- Deposits placements	13	-	-
Income attributable to depositors:			
- Dividend on Subordinated Sukuk	364	-	-
Transaction and outsourcing fees:			
- Agency fees	-	(485)	-
Short-term employee benefits:			
- Salary and other remuneration	-	-	(19,340)

The total key management personnel compensation includes Chief Executive Officer/Managing Director's remuneration of which details are disclosed in Note 33.

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**37. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank made various commitments and incurred certain contingent liabilities with legal recourse to their 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 of the Bank as at the end of financial year are as follows:

	2022		2021	
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000
<b>Group and Bank</b>				
Transaction-related contingent items	336,612	168,306	168,306	195,731
Trade-related contingencies	48,600	9,720	9,720	87,938
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	4,025,844	805,151	788,409	2,427,122
- Maturity exceeding one year	464,158	232,074	229,291	142,943
Foreign exchange-related contracts	711,444	11,843	2,369	-
	<b>5,586,658</b>	<b>1,227,094</b>	<b>1,198,095</b>	<b>2,853,734</b>
				<b>672,292</b>
				<b>658,258</b>

The Credit Equivalent and Risk Weighted for the Group and the Bank are computed in accordance with BNM's CAFIB: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II) respectively.

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**38. CAPITAL COMMITMENTS**

Capital expenditure pertaining to the Group and the Bank as approved by Directors but not provided for in the financial statements is as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised and contracted for:		
Property and equipment	2,724	1,517
Intangible assets	17,470	73,824
	<u>20,194</u>	<u>75,341</u>

**39. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
Outstanding credit exposures with connected parties (RM'000)	<u>14,853</u>	<u>12,008</u>
Percentage of outstanding credit exposures to connected parties as proportion of capital base	<u>0.7%</u>	<u>1.0%</u>
Percentage of outstanding credit exposures to connected parties as proportion of total outstanding credit exposures	<u>0.1%</u>	<u>0.1%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>-</u>	<u>-</u>

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholders' and their close relatives;
- (iii) Executive officer, being member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

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**39. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (Continued)**

Based on these guidelines, a connected party refers to the following (Continued):

- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an profit, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and financing commitments.

The credit transaction with connected parties above are all transacted on arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

**40. FINANCIAL RISK MANAGEMENT**

**(a) Overview**

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 Statement of Corporate Governance.

**(b) Financial instrument by category**

The table below provides an analysis of financial instruments categorised as follows:

- i. Financial investments at amortised cost;
- ii. Financial investments assets at fair value through other comprehensive income ("FVOCI"); and
- iii. Other financial liabilities ("Other FL").

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40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Group	Carrying amount RM'000	FVOCI RM'000	Amortised cost RM'000	FVTPL RM'000	Other FL RM'000
<b>2022</b>					
<b>Financial Assets</b>					
Cash and short-term funds	88,704	-	88,704	-	-
Deposits and placements with banks and other financial institutions	602,841	-	602,841	-	-
Derivatives assets	479	-	479	-	-
Financial investments at amortised cost	1,409,865	-	1,409,865	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	1,962,633	1,962,633	-	-	-
Financing and advances	8,614,644	-	8,614,644	-	-
Other assets <sup>(1)</sup>	14,582	-	14,582	-	-
Statutory deposit with BNM	201,655	-	201,655	-	-
	<b>12,895,403</b>	<b>1,962,633</b>	<b>10,932,770</b>	-	-
<b>Financial Liabilities</b>					
Deposits from customers	9,038,699	-	-	-	9,038,699
Deposits and placements of banks and other financial institutions	1,742,444	-	-	-	1,742,444
Bills and acceptances payable	1,098	-	-	-	1,098
Recourse Obligations on Financing Sold to Cagamas	336,099	-	-	-	336,099
Other liabilities <sup>(2)</sup>	82,838	-	-	-	82,838
Lease liabilities	15,203	-	-	-	15,203
Subordinated sukuk	936,453	-	-	-	936,453
	<b>12,152,834</b>	-	-	-	<b>12,152,834</b>

**Note:**

<sup>(1)</sup> Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

<sup>(2)</sup> Other liabilities include sundry creditors and amount due from holding company.



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40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Group (Continued)	2021	Carrying amount RM'000	FVOCI RM'000	Amortised cost RM'000	FVTPL RM'000	Other FL RM'000
<b>Financial Assets</b>						
Cash and short-term funds		70,277	-	70,277	-	-
Deposits and placements with banks and other financial institutions		445,674	-	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	-	-	-
Financing and advances		5,970,108	-	5,970,108	-	-
Other assets <sup>(1)</sup>		23,786	-	23,786	-	-
Statutory deposit with BNM		11,514	-	11,514	-	-
		<b>8,856,083</b>	<b>1,658,821</b>	<b>7,197,262</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>						
Deposits from customers		6,466,046	-	-	-	6,466,046
Deposits and placements of banks and other financial institutions		1,319,221	-	-	-	1,319,221
Bills and acceptances payable		2,596	-	-	-	2,596
Other liabilities <sup>(2)</sup>		53,912	-	-	-	53,912
Lease liabilities		12,297	-	-	-	12,297
Subordinated sukuk		554,816	-	-	-	554,816
		<b>8,408,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,408,888</b>

**Note:**

<sup>(1)</sup> Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

<sup>(2)</sup> Other liabilities include sundry creditors and amount due from holding company.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Bank	Carrying amount RM'000	FVOCI RM'000	Amortised cost RM'000	FVTPL RM'000	Other FL RM'000
<b>2022</b>					
<b>Financial Assets</b>					
Cash and short-term funds	88,704	-	88,704	-	-
Deposits and placements with banks and other financial institutions	602,841	-	602,841	-	-
Derivatives assets	479	-	479	-	-
Financial investments at amortised cost	1,409,865	-	1,409,865	1,530,248	-
Financial investments at fair value through other comprehensive income ("FVOCI")	1,962,633	1,962,633	-	-	-
Financing and advances	8,614,644	-	8,614,644	-	-
Other assets <sup>(1)</sup>	14,582	-	14,582	-	-
Statutory deposit with BNM	201,655	-	201,655	-	-
	<b>12,895,403</b>	<b>1,962,633</b>	<b>10,932,770</b>	<b>1,530,248</b>	<b>-</b>
<b>Financial Liabilities</b>					
Deposits from customers	9,038,699	-	-	-	9,038,699
Deposits and placements of banks and other financial institutions	1,742,444	-	-	-	1,742,444
Bills and acceptances payable	1,098	-	-	-	1,098
Recourse Obligations on Financing Sold to Cagamas	336,099	-	-	-	336,099
Other liabilities <sup>(2)</sup>	83,383	-	-	-	83,383
Lease liabilities	15,203	-	-	-	15,203
Subordinated sukuk	936,453	-	-	-	936,453
	<b>12,153,379</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,153,379</b>

**Note:**

<sup>(1)</sup> Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

<sup>(2)</sup> Other liabilities include sundry creditors and amount due from holding company.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Bank (Continued)	Carrying amount RM'000	FVOCI RM'000	Amortised cost RM'000	FVTPL RM'000	Other FL RM'000
<b>2021</b>					
<b>Financial Assets</b>					
Cash and short-term funds	70,277	-	70,277	-	-
Deposits and placements with banks and other financial institutions	445,674	-	445,674	-	-
Derivatives assets	86	-	86	-	-
Financial investments at amortised cost	675,817	-	675,817	1,530,248	-
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	1,658,821	-	-	-
Financing and advances	5,970,108	-	5,970,108	-	-
Other assets <sup>(1)</sup>	23,786	-	23,786	-	-
Statutory deposits with BNM	11,514	-	11,514	-	-
	<b>8,856,083</b>	<b>1,658,821</b>	<b>7,197,262</b>	<b>1,530,248</b>	<b>-</b>
<b>Financial Liabilities</b>					
Deposits from customers	6,466,046	-	-	-	6,466,046
Deposits and placements of banks and other financial institutions	1,319,221	-	-	-	1,319,221
Bills and acceptances payable	2,596	-	-	-	2,596
Other liabilities <sup>(2)</sup>	53,908	-	-	-	53,908
Lease liabilities	12,297	-	-	-	12,297
Subordinated sukuk	554,816	-	-	-	554,816
	<b>8,408,884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,408,884</b>

**Note:**

<sup>(1)</sup> Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

<sup>(2)</sup> Other liabilities include sundry creditors and amount due from holding company.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management

(i) Credit risk management overview

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 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.

(ii) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position date is the amount on the statement of financial position as well as off balance sheet financial instruments, without taking into account of any collateral held or credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(ii) Maximum exposure to credit risk (Continued)

The table below shows the maximum exposure to credit risk of the Group and of the Bank:

<b>Group and the Bank</b>	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Credit risk exposure relating to on-balance sheet assets:		
Cash and short-term funds	88,704	70,277
Deposits and placements with banks and other financial institutions	602,841	445,674
Derivatives assets	479	86
Financial investments at amortised cost	1,409,865	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	1,962,633	1,658,821
Net financing and advances	8,614,644	5,970,108
Statutory deposit with BNM	201,655	11,514
Other assets	14,582	23,786
	<u>12,895,403</u>	<u>8,856,083</u>
Credit risk exposure of off-balance sheet items:		
Commitment and contingencies	5,586,658	2,853,734
Total maximum credit risk exposure	<u>18,482,061</u>	<u>11,709,817</u>

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing and advances as at 31 December 2022 for the Bank is 60.8% (2021: 48.0%). The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit risk concentration

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Group analysed the credit risk concentration by industry and geographic segments in which the customer is engaged.

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**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Credit Risk Management (Continued)**

**(iii) Credit risk concentration (Continued)**

**(a) Credit Risk - Credit Risk Concentration - By Industry Analysis (Continued)**

Group and Bank	Cash and short-term funds RM'000	Deposits and placements with banks 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
<b>2022</b>									
Household	-	-	-	-	-	1,462,534	-	-	1,462,534
Wholesale and retail trade and hotel and restaurant	-	-	-	-	-	1,456,484	-	-	1,456,484
Finance, insurance, real estate and business activities	88,704	602,841	479	1,409,865	1,962,633	2,235,677	201,655	-	6,501,854
Manufacturing	-	-	-	-	-	1,495,091	-	-	1,495,091
Construction	-	-	-	-	-	820,655	-	-	820,655
Education, health and others	-	-	-	-	-	105,446	-	-	105,446
Agriculture, hunting and related service activities	-	-	-	-	-	243,557	-	-	243,557
Transportation	-	-	-	-	-	119,085	-	-	119,085
Mining and quarrying	-	-	-	-	-	85,000	-	-	85,000
Other business	-	-	-	-	-	591,115	-	14,581	605,696
<b>Total</b>	<b>88,704</b>	<b>602,841</b>	<b>479</b>	<b>1,409,865</b>	<b>1,962,633</b>	<b>8,614,644</b>	<b>201,655</b>	<b>14,581</b>	<b>12,895,402</b>

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(a) Credit Risk - Credit Risk Concentration - By Industry Analysis (Continued)

Group and Bank	Cash and short-term funds RM'000	Deposits and placements with banks 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
<b>2021</b>									
Household	-	-	-	-	-	1,322,677	-	-	1,322,677
Wholesale and 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
<b>Total</b>	<b>70,277</b>	<b>445,674</b>	<b>86</b>	<b>675,817</b>	<b>1,658,821</b>	<b>5,970,108</b>	<b>11,514</b>	<b>23,786</b>	<b>8,856,083</b>

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(b) Credit Risk - Credit Risk Concentration - By Geographical Analysis

	Malaysia RM'000	Saudi Arabia RM'000	Other countries RM'000	Total RM'000
<b>2022</b>				
<b>Group and Bank</b>				
Cash and short-term funds	43,080	1,588	44,036	88,704
Deposits and placements with banks and other financial institutions	-	427,256	175,585	602,841
Derivatives assets	479	-	-	479
Financial investments at amortised cost	1,015,569	394,296	-	1,409,865
Financial investments at fair value through other comprehensive income ("FVOCI")	1,962,633	-	-	1,962,633
Net financing and advances	8,327,468	-	287,176	8,614,644
Statutory deposits with BNM	201,655	-	-	201,655
Other assets	14,581	-	-	14,581
<b>Total</b>	<b>11,565,465</b>	<b>823,140</b>	<b>506,797</b>	<b>12,895,402</b>



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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(b) Credit Risk - Credit Risk Concentration - By Geographical Analysis  
(Continued)

	Malaysia RM'000	Saudi Arabia RM'000	Other countries RM'000	Total RM'000
<b>2021</b>				
<b>Group and Bank</b>				
Cash and short-term funds	28,565	3,904	37,808	70,277
Deposits and placements with banks and other financial institutions	-	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
<b>Total</b>	<b>8,201,877</b>	<b>226,261</b>	<b>427,945</b>	<b>8,856,083</b>

(iv) Collateral

The main types of collateral obtained by the Group and the Bank 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 or deposits.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(v) Credit quality of financial assets

For the purposes of disclosure relating to MFRS 7, all financial assets are categorised into the following:

- neither past due nor impaired
- past due but not impaired
- impaired

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

<u>Internal ratings</u>	<u>Description</u>
- Investment grade	Strong(est) credit quality which is associated with general standards of investment grade as per defined by international rating agency such as Standard and Poor's ("S&P"), Moody's, Fitch, and Japan Credit Rating Agency ("JCR").
- Non-investment grade	Weaker credit quality which is 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, Fitch, and Japan Credit Rating Agency ("JCR").

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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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(vi) Credit quality of financial assets - net financing and advances

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	8,427,830	5,706,298
Past due but not impaired	282,561	333,759
Impaired (Note 9(g))	60,849	55,474
Gross financing and advances	<u>8,771,240</u>	<u>6,095,531</u>
Less:		
Collective impairment allowance (Note 9(h))	(98,313)	(71,884)
Individual impairment allowance (Note 9(h))	(44,258)	(35,893)
Modification loss	(14,025)	(17,646)
Net financing and advances	<u>8,614,644</u>	<u>5,970,108</u>

The ageing of financing and advances as at the end of the financial year are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Current	8,427,830	5,706,298
Past due 1-30 days	256,737	297,356
Past due 31-90 days	25,824	36,403
Past due more than 90 days (Note 9(g))	60,849	55,474
	<u>8,771,240</u>	<u>6,095,531</u>
Collective impairment (Note 9(h))	(98,313)	(71,884)
Individual impairments (Note 9(h))	(44,258)	(35,893)
Modification loss	(14,025)	(17,646)
Net financing and advances	<u>8,614,644</u>	<u>5,970,108</u>

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**40. FINANCIAL RISK MANAGEMENT (Continued)**

(c) Credit Risk Management (Continued)

(vii) Credit quality of financial assets - securities portfolio and other financial assets

	Cash and short-term funds RM'000	Deposits and placement of banks and other financial institutions RM'000	Derivatives assets RM'000	Financial assets/ Financial investment portfolio RM'000	Statutory deposit with BNM RM'000	Other assets RM'000
<b>2022</b>						
<b>Group and Bank</b> Neither past due nor impaired	88,704	602,841	479	3,372,498	201,655	14,582
<b>2021</b>						
<b>Group and Bank</b> Neither past due nor impaired	70,277	445,674	86	2,334,638	11,514	23,786

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(vii) Credit quality of financial assets - securities portfolio and other financial assets (Continued)

Analysed by rating agency designation are as follows:

	Cash and short-term funds RM'000	Deposits and placement of banks and other financial institutions RM'000	Derivatives assets RM'000	Financial investment portfolio RM'000	Statutory deposit with BNM RM'000	Other assets RM'000
<b>2022</b>						
<b>Group and Bank</b>						
AAA to A-	75,722	339,464	-	886,323	201,655	-
BBB+ to B-	2,078	263,377	-	2,486,175	-	-
Unrated	10,904	-	479	-	-	14,582
	<b>88,704</b>	<b>602,841</b>	<b>479</b>	<b>3,372,498</b>	<b>201,655</b>	<b>14,582</b>
<b>2021</b>						
<b>Group and Bank</b>						
AAA to A-	49,691	-	-	257,897	-	-
BBB+ to B-	4,679	-	-	2,067,677	-	-
Unrated	15,907	445,674	86	9,064	11,514	23,786
	<b>70,277</b>	<b>445,674</b>	<b>86</b>	<b>2,334,638</b>	<b>11,514</b>	<b>23,786</b>

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(viii) Management overlay on impairment

Table below summarises exposure to customers under relief assistance program, targeted payment assistance and Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH"). As at 31 December 2022, total overlays for ECLs inclusive of the macro-economic adjustments maintained by the Group and the Bank are RM29.9 million (2021: RM 30.4 million). Please refer to Note 2.1 for further information on the basis for the management overlay.

	Note	Group and Bank				Total RM'000	Non-retail customers as at 31 December 2022 Corporate RM'000	Total RM'000	Total RM'000
		Retail customers as at 31 December 2022							
		Auto RM'000	Home RM'000	Personal RM'000	Total RM'000				
<b>Total exposure net carrying amount</b>		<b>414</b>	<b>24,614</b>	<b>13,293</b>	<b>38,321</b>	<b>234,620</b>	<b>272,941</b>		
Relief assistance programme	(a)	124	1,071	8,187	9,382	-	9,382		
Targeted payment assistance	(b)	-	21	208	229	16,797	17,026		
Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")	(c)	112	1,796	1,545	3,453	-	3,453		
<b>As a percentage of total</b>		<b>30%</b>	<b>4%</b>	<b>62%</b>	<b>24%</b>	<b>0%</b>	<b>3%</b>		
Relief assistance programme	(a)	30%	4%	62%	24%	0%	3%		
Targeted payment assistance	(b)	0%	0%	2%	1%	7%	6%		
Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")	(c)	27%	7%	12%	9%	0%	1%		
		<b>57%</b>	<b>12%</b>	<b>75%</b>	<b>34%</b>	<b>7%</b>	<b>11%</b>		

Note:

(a) Relief assistance program - additional assistance extended by ARBM to customers on targeted basis from Oct 2020 onwards.

(b) Targeted repayment assistance - introduced by MOF to be offered to B40 & M40 segments from Nov 2020 until Jun 2021.

(c) Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH") - Pakej Perlindungan Rakyat dan Pemulihan Ekonomi which was announced by the Prime Minister on 28 June 2021.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(viii) Management overlay on impairment (Continued)

	Note	Retail customers as at 31 December 2021				Group and Bank		Total RM'000	Non-retail customers as at 31 December 2021 Corporate RM'000	Total RM'000
		Auto RM'000	Home RM'000	Personal RM'000	Total RM'000	Group and Bank				
<b>Total exposure net carrying amount</b>		<b>954</b>	<b>26,852</b>	<b>24,878</b>	<b>52,684</b>		<b>192,825</b>		<b>245,509</b>	
Relief assistance programme	(a)	-	-	3,916	3,916		-		3,916	
Targeted payment assistance Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")	(b) (c)	85	1,743	1,793	3,621		17,377		20,998	
		152	1,146	4,230	5,528		-		5,528	
<b>As a percentage of total</b>										
Post moratorium	(a)	0%	0%	16%	7%		0%		2%	
Relief assistance programme	(b)	9%	6%	7%	7%		9%		9%	
Targeted payment assistance	(c)	16%	4%	17%	10%		0%		2%	
		25%	11%	40%	25%		9%		12%	

Note:

(a) Relief assistance program - additional assistance extended by ARBM to customers on targeted basis from Oct. 2020 onwards.

(b) Targeted repayment assistance - Introduced by MOF to be offered to B40 & M40 segments from Nov 2020 until Jun 2021.

(c) Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH) - Pakej Perlindungan Rakyat dan Pemulihan Ekonomi which was announced by the Prime Minister on 28 June 2021.

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**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Market Risk Management**

Market risk sensitivity assessment is based on the changes in key variables, such as profit rates while all other variables remain unchanged. 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 as at 31 December 2022.

(i) Profit rate sensitivity analysis

	2022		2021	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on loss after tax RM'000	Impact on equity RM'000
<b>Group and Bank</b>				
+1%	4,414	(61,455)	5,350	(38,707)
- 1%	(4,414)	61,455	(5,350)	38,707



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**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Market Risk Management (Continued)**

(ii) 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	2022		2021	
	Net currency exposures	Impact on profit after tax and equity	Net currency exposures	Impact on profit after tax and equity
	RM'000	RM'000	RM'000	RM'000
EUR	604	30	(172)	9
AUD	88	4	184	9
HKD	383	19	115	6
SAR	3,159	158	(404)	(20)
USD	(4,249)	(212)	(1,113)	(50)
Others	1,809	91	1,354	68
	1,794	90	(36)	4
			(90)	(4)

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**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Market Risk Management (Continued)**

(iii) Profit rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of yield/profit rate on its financial position. The rate of return risk is the potential impact of market factors affecting rates on returns in comparison with the expected rates of return for investment account holders. Yield/profit rate is monitored and managed by the ALCO to protect the income of its operations. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates as follows:

Group 2022	Non-trading book						Average effective profit rate %
	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	
<b>Assets</b>							
Cash and short-term funds	-	-	-	-	-	88,704	-
Derivatives assets	-	-	-	-	-	479	-
Deposits and placements with bank and other financial institutions	117,057	46,823	438,961	-	-	-	602,841
Financial investments at amortised cost	-	-	-	161,830	1,248,035	-	1,409,865
Financial investments at fair value through other comprehensive income ("FVOCI")	-	10,163	612,358	1,340,112	-	-	1,962,633
Financing and advances	1,126,760	1,674,935	1,490,972	1,610,193	2,807,531	(98,313)	8,612,078
- Performing <sup>(1)</sup>	-	-	-	-	-	16,591	16,591
- Non-performing <sup>(1)</sup>	-	-	-	-	-	(14,025)	(14,025)
- Modification loss	-	-	-	-	-	564,114	564,114
Other assets <sup>(2)</sup>	-	-	-	-	-	13,655	13,655
Right-of-use assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>1,243,817</b>	<b>1,731,921</b>	<b>2,542,291</b>	<b>3,112,135</b>	<b>4,055,566</b>	<b>571,205</b>	<b>13,256,935</b>

**Note:**

<sup>(1)</sup> This is arrived at after deducting the ECL from the outstanding gross financing.

<sup>(2)</sup> Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Group (Continued) 2022	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
<b>Liabilities</b>									
Deposits from customers	1,428,195	2,823,427	2,127,335	287,396	-	2,372,346	-	9,038,699	2.27
Deposits and placements of banks and other financial institutions	1,285,125	442,569	-	7,500	7,250	-	-	1,742,444	3.81
Bills and acceptance payable	-	-	-	-	-	1,098	-	1,098	
Recourse Obligations on Financing Sold to Cagamas	-	-	-	-	-	336,099	-	336,099	
Other liabilities	-	-	-	-	-	141,597	-	141,597	
Lease liabilities	-	-	-	-	-	15,203	-	15,203	
Subordinated sukuk	-	-	-	-	936,453	-	-	936,453	
<b>Total liabilities</b>	<b>2,713,320</b>	<b>3,265,996</b>	<b>2,127,335</b>	<b>294,896</b>	<b>943,703</b>	<b>2,866,343</b>	<b>-</b>	<b>12,211,593</b>	
Shareholders' fund	-	-	-	-	-	1,045,342	-	1,045,342	
<b>Total liabilities and shareholders' equity</b>	<b>2,713,320</b>	<b>3,265,996</b>	<b>2,127,335</b>	<b>294,896</b>	<b>943,703</b>	<b>3,911,685</b>	<b>-</b>	<b>13,256,935</b>	
On-balance sheet profit sensitivity gap	(1,469,503)	(1,534,075)	414,956	2,817,239	3,111,863	(3,340,480)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	5,586,658	-	-	
<b>Total profit sensitivity gap</b>	<b>(1,469,503)</b>	<b>(1,534,075)</b>	<b>414,956</b>	<b>2,817,239</b>	<b>3,111,863</b>	<b>2,246,178</b>	<b>-</b>	<b>-</b>	

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40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Group 2021	Non-trading book						Trading book RM'000	Total RM'000	Average effective profit rate %
	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000			
<b>Assets</b>									
Cash and short-term funds	-	-	-	-	-	70,277	-	-	
Derivatives assets	-	-	-	-	-	86	-	-	
Deposits and placements with bank and other financial institutions	166,445	-	277,408	-	-	1,821	-	0.84	
Financial investments at amortised cost	-	2,000	-	7,000	645,882	20,935	-	2.24	
Financial investments at fair value through other comprehensive income ("FVOCI")	-	40,000	115,000	1,350,000	100,000	53,821	-	2.45	
Financing and advances									
- Performing <sup>(1)</sup>	730,896	1,200,769	916,877	949,810	2,168,085	1,736	-	4.12	
- Non-performing <sup>(1)</sup>	-	-	-	-	-	19,581	-	-	
- Modification loss	-	-	-	-	-	(17,646)	-	-	
Other assets <sup>(2)</sup>	-	-	-	-	-	280,197	-	-	
Right-of-use assets	-	-	-	-	-	10,446	-	-	
<b>Total assets</b>	<b>897,341</b>	<b>1,242,769</b>	<b>1,309,285</b>	<b>2,306,810</b>	<b>2,913,967</b>	<b>441,254</b>	<b>-</b>	<b>9,111,426</b>	

**Note:**

<sup>(1)</sup> This is arrived at after deducting the ECL from the outstanding gross financing.

<sup>(2)</sup> Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.

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**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Market Risk Management (Continued)**

(iii) Profit rate risk (Continued)

Group (Continued) 2021	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
<b>Liabilities</b>									
Deposits from customers	1,477,577	934,519	1,095,018	571,346	-	2,387,586	-	6,466,046	1.93
Deposits and placements of banks and other financial institutions	877,273	432,492	-	-	7,250	2,206	-	1,319,221	1.60
Bills and acceptance payable	-	-	-	-	-	2,596	-	2,596	
Other liabilities	-	-	-	-	-	69,813	-	69,813	
Lease liabilities	-	-	-	-	-	12,297	-	12,297	
Subordinated sukuk	166,445	-	277,408	-	110,963	-	-	554,816	
<b>Total liabilities</b>	<b>2,521,295</b>	<b>1,367,011</b>	<b>1,372,426</b>	<b>571,346</b>	<b>118,213</b>	<b>2,474,498</b>	<b>-</b>	<b>8,424,789</b>	
Shareholders' fund	-	-	-	-	-	686,637	-	686,637	
<b>Total liabilities and shareholders' fund</b>	<b>2,521,295</b>	<b>1,367,011</b>	<b>1,372,426</b>	<b>571,346</b>	<b>118,213</b>	<b>3,161,135</b>	<b>-</b>	<b>9,111,426</b>	
On-balance sheet profit sensitivity gap	(1,623,954)	(124,242)	(63,141)	1,735,464	2,795,754	(2,719,881)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	2,853,734	-	-	
<b>Total profit sensitivity gap</b>	<b>(1,623,954)</b>	<b>(124,242)</b>	<b>(63,141)</b>	<b>1,735,464</b>	<b>2,795,754</b>	<b>133,853</b>	<b>-</b>	<b>-</b>	

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Bank 2022	Non-trading book						Average effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	
<b>Assets</b>							
Cash and short-term funds	-	-	-	-	-	88,704	-
Derivatives assets	-	-	-	-	-	479	-
Deposits and placements with bank and other financial institutions	117,057	46,823	438,961	-	-	-	602,841
Financial investments at amortised cost other comprehensive income ("FVOCI")	-	-	-	161,830	1,248,035	-	1,409,865
Financing and advances	-	10,163	612,358	1,340,112	-	-	1,962,633
- Performing <sup>(1)</sup>	1,126,760	1,674,935	1,490,972	1,610,193	2,807,531	(98,313)	8,612,078
- Non-performing <sup>(1)</sup>	-	-	-	-	-	16,591	16,591
- Modification loss	-	-	-	-	-	(14,025)	(14,025)
Other assets <sup>(2)</sup>	-	-	-	-	-	563,766	563,766
Right-of-use assets	-	-	-	-	-	13,655	13,655
<b>Total assets</b>	<b>1,243,817</b>	<b>1,731,921</b>	<b>2,542,291</b>	<b>3,112,135</b>	<b>4,055,566</b>	<b>570,857</b>	<b>13,256,587</b>

Note:

(1) This is arrived at after deducting the ECL from the outstanding gross financing.

(2) Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Bank (Continued) 2022	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
<b>Liabilities</b>									
Deposits from customers	1,428,195	2,823,427	2,127,335	287,396	-	2,372,346	-	9,038,699	2.27
Deposits and placements of banks and other financial institutions	1,285,125	442,569	-	7,500	7,250	-	-	1,742,444	3.81
Bills and acceptance payable	-	-	-	-	-	1,098	-	1,098	
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	336,099	-	336,099	
Other liabilities	-	-	-	-	-	142,144	-	142,144	
Lease liabilities	-	-	-	-	-	15,203	-	15,203	
Subordinated sukuk	-	-	-	-	936,453	-	-	936,453	-
<b>Total liabilities</b>	<b>2,713,320</b>	<b>3,265,996</b>	<b>2,127,335</b>	<b>294,896</b>	<b>943,703</b>	<b>2,866,890</b>	<b>-</b>	<b>12,212,140</b>	
Shareholders' fund	-	-	-	-	-	1,044,447	-	1,044,447	
<b>Total liabilities and shareholders' fund</b>	<b>2,713,320</b>	<b>3,265,996</b>	<b>2,127,335</b>	<b>294,896</b>	<b>943,703</b>	<b>3,911,337</b>	<b>-</b>	<b>13,256,587</b>	
On-balance sheet profit sensitivity gap	(1,469,503)	(1,534,075)	414,956	2,817,239	3,111,863	(3,340,480)	-		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	5,586,658	-		
<b>Total profit sensitivity gap</b>	<b>(1,469,503)</b>	<b>(1,534,075)</b>	<b>414,956</b>	<b>2,817,239</b>	<b>3,111,863</b>	<b>2,246,178</b>	<b>-</b>		

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**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(d) Market Risk Management (Continued)**

(iii) Profit rate risk (Continued)

Bank 2021	Non-trading book						Average effective profit rate %	
	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000		Trading book RM'000
<b>Assets</b>								
Cash and short-term funds	-	-	-	-	-	70,277	-	70,277
Derivatives assets	-	-	-	-	-	86	-	86
Deposits and placements with bank and other financial institutions	166,445	-	277,408	-	-	1,821	-	445,674
Financial investments at amortised cost	-	2,000	-	7,000	645,882	20,935	-	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	-	40,000	115,000	1,350,000	100,000	53,821	-	1,658,821
Financing and advances								
- Performing	730,896	1,200,769	916,877	949,810	2,168,085	1,736	-	5,968,173
- Non-performing <sup>(1)</sup>	-	-	-	-	-	19,581	-	19,581
- Modification loss	-	-	-	-	-	(17,646)	-	(17,646)
Other assets <sup>(2)</sup>	-	-	-	-	-	280,239	-	280,239
Right-of-use assets	-	-	-	-	-	10,446	-	10,446
<b>Total assets</b>	<b>897,341</b>	<b>1,242,769</b>	<b>1,309,285</b>	<b>2,306,810</b>	<b>2,913,967</b>	<b>441,296</b>	<b>-</b>	<b>9,111,468</b>

**Note:**

<sup>(1)</sup> This is arrived at after deducting the ECL from the outstanding gross financing.

<sup>(2)</sup> Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.



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40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Bank (Continued) 2021	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
<b>Liabilities</b>									
Deposits from customers	1,477,577	934,519	1,095,018	571,346	-	2,387,586	-	6,466,046	1.93
Deposits and placements of banks and other financial institutions	877,273	432,492	-	-	7,250	2,206	-	1,319,221	1.60
Bills and acceptance payable	-	-	-	-	-	2,596	-	2,596	
Other liabilities	-	-	-	-	-	69,793	-	69,793	
Lease liabilities	-	-	-	-	-	12,297	-	12,297	
Subordinated sukuk	166,445	-	277,408	-	110,963	-	-	554,816	
<b>Total liabilities</b>	<b>2,521,295</b>	<b>1,367,011</b>	<b>1,372,426</b>	<b>571,346</b>	<b>118,213</b>	<b>2,474,478</b>	<b>-</b>	<b>8,424,769</b>	
Shareholders' fund	-	-	-	-	-	686,699	-	686,699	
<b>Total liabilities and shareholders' fund</b>	<b>2,521,295</b>	<b>1,367,011</b>	<b>1,372,426</b>	<b>571,346</b>	<b>118,213</b>	<b>3,161,177</b>	<b>-</b>	<b>9,111,468</b>	
On-balance sheet profit sensitivity gap	(1,623,954)	(124,242)	(63,141)	1,735,464	2,795,754	(2,719,881)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	2,853,734	-	-	
<b>Total profit sensitivity gap</b>	<b>(1,623,954)</b>	<b>(124,242)</b>	<b>(63,141)</b>	<b>1,735,464</b>	<b>2,795,754</b>	<b>133,853</b>	<b>-</b>	<b>-</b>	

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(e) Operational Risk Management**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business units' adherence to established risk policies, procedures and limits by independent control and support units, and oversight provided by the management and the Board.

The operational risk management processes encompass appropriate documentation of processes and procedures within the framework of system of internal controls, regular disaster recovery and business continuity planning and simulations, Management Self Identified Issues and internal audit.

**(f) Liquidity Risk**

Liquidity risk relates to the ability of the Group and of 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 trigger limits and concentration ratios are in place to serve as liquidity early warning indicators.

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40. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

The table below analyses assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity on discounted basis:

Group 2022	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	88,704	-	-	-	-	-	88,704
Deposits and placements with banks and other financial institutions	117,056	-	46,823	-	438,962	-	602,841
Derivatives assets	-	479	-	-	-	-	479
Financial investments at amortised cost	-	-	-	-	-	1,409,865	1,409,865
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	10,163	60,008	552,350	1,340,112	1,962,633
Financing and advances	307,280	852,464	1,674,859	1,434,114	57,514	4,288,413	8,614,644
Statutory deposits with BNM	201,655	-	-	-	-	-	201,655
Other assets	3,168	-	29,526	-	284	343,136	376,114
<b>Total assets</b>	<b>717,863</b>	<b>852,464</b>	<b>1,761,850</b>	<b>1,494,122</b>	<b>1,049,110</b>	<b>7,381,526</b>	<b>13,256,935</b>
<b>Liabilities</b>							
Deposits from customers	2,836,499	966,303	2,821,166	1,275,105	852,230	287,396	9,038,699
Deposits and placements of banks and other financial institutions	527,919	757,206	442,569	-	-	14,750	1,742,444
Bills and acceptance payable	1,098	-	-	-	-	-	1,098
Recourse obligations on financing sold to Cagan	-	-	-	-	336,099	-	336,099
Other liabilities	56,395	-	71,187	-	-	14,015	141,597
Lease liabilities	-	-	-	-	-	15,203	15,203
Subordinated sukuk	-	-	-	-	-	936,453	936,453
<b>Total liabilities</b>	<b>3,421,911</b>	<b>1,723,509</b>	<b>3,334,922</b>	<b>1,275,105</b>	<b>1,188,329</b>	<b>1,267,817</b>	<b>12,211,593</b>
Shareholders' fund	-	-	-	-	-	1,045,342	1,045,342
<b>Total liabilities and shareholders' fund</b>	<b>3,421,911</b>	<b>1,723,509</b>	<b>3,334,922</b>	<b>1,275,105</b>	<b>1,188,329</b>	<b>2,313,159</b>	<b>13,256,935</b>
<b>Net (liabilities)/assets maturity mismatch</b>	<b>(2,704,049)</b>	<b>(871,044)</b>	<b>(1,573,072)</b>	<b>219,017</b>	<b>(139,219)</b>	<b>5,068,367</b>	

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40. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Group 2021	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	70,277	-	-	-	-	-	70,277
Deposits and placements with banks and other financial institutions	-	166,692	-	223,317	55,665	-	445,674
Derivatives assets	-	-	86	-	-	-	86
Financial investments at amortised cost	-	-	2,029	-	-	673,788	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	40,638	86,225	30,601	1,501,357	1,658,821
Financing and advances	164,220	591,581	1,206,655	882,957	38,552	3,086,143	5,970,108
Statutory deposits with BNM	11,514	-	-	-	-	-	11,514
Other assets	34,189	-	125	314	471	244,030	279,129
<b>Total assets</b>	<b>280,200</b>	<b>758,273</b>	<b>1,249,533</b>	<b>1,192,813</b>	<b>125,289</b>	<b>5,505,318</b>	<b>9,111,426</b>
<b>Liabilities</b>							
Deposits from customers	2,882,208	983,073	934,400	562,960	532,059	571,346	6,466,046
Deposits and placements of banks and other financial institutions	486,601	345,251	479,572	-	-	7,797	1,319,221
Bills and acceptance payable	2,596	-	-	-	-	-	2,596
Other liabilities	22,486	-	47,300	-	27	-	69,813
Lease liabilities	-	-	-	-	-	12,297	12,297
Subordinated sukuk	-	-	-	-	-	554,816	554,816
<b>Total liabilities</b>	<b>3,393,891</b>	<b>1,328,324</b>	<b>1,461,272</b>	<b>562,960</b>	<b>532,086</b>	<b>1,146,256</b>	<b>8,424,789</b>
Shareholders' fund	-	-	-	-	-	686,637	686,637
<b>Total liabilities and shareholders' fund</b>	<b>3,393,891</b>	<b>1,328,324</b>	<b>1,461,272</b>	<b>562,960</b>	<b>532,086</b>	<b>1,832,893</b>	<b>9,111,426</b>
<b>Net (liabilities)/assets maturity mismatch</b>	<b>(3,113,691)</b>	<b>(570,051)</b>	<b>(211,739)</b>	<b>629,853</b>	<b>(406,797)</b>	<b>3,672,425</b>	

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Bank 2022	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	88,704	-	-	-	-	-	88,704
Deposits and placements with banks and other financial institutions	117,057	-	46,823 479	-	438,961	-	602,841
Derivatives assets	-	-	-	-	-	1,409,865	1,409,865
Financial investments at amortised cost	-	-	-	-	-	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	10,163	60,008	552,350	1,340,112	1,962,633
Financing and advances	307,280	852,464	1,674,859	1,434,114	57,514	4,288,413	8,614,644
Statutory deposits with BNM	201,655	-	-	-	-	-	201,655
Other assets	3,168	-	29,176	-	284	343,137	375,766
<b>Total assets</b>	<b>717,864</b>	<b>852,464</b>	<b>1,761,500</b>	<b>1,494,122</b>	<b>1,049,109</b>	<b>7,381,527</b>	<b>13,256,587</b>
<b>Liabilities</b>							
Deposits from customers	2,836,499	966,303	2,821,166	1,275,105	852,230	287,396	9,038,699
Deposits and placements of banks and other financial institutions	527,919	757,206	442,569	-	-	14,750	1,742,444
Bills and acceptance payable	1,098	-	-	-	-	-	1,098
Recourse Obligations on Financing Sold to Cag:	-	-	-	-	336,099	-	336,099
Other liabilities	56,396	-	71,732	-	-	14,015	142,144
Lease liabilities	-	-	-	-	-	15,203	15,203
Subordinated sukuk	-	-	-	-	-	936,453	936,453
<b>Total liabilities</b>	<b>3,421,912</b>	<b>1,723,509</b>	<b>3,335,467</b>	<b>1,275,105</b>	<b>1,188,329</b>	<b>1,267,817</b>	<b>12,212,140</b>
Shareholders' fund	-	-	-	-	-	1,044,447	1,044,447
<b>Total liabilities and shareholders' fund</b>	<b>3,421,912</b>	<b>1,723,509</b>	<b>3,335,467</b>	<b>1,275,105</b>	<b>1,188,329</b>	<b>2,312,264</b>	<b>13,256,587</b>
<b>Net (liabilities)/assets maturity mismatch</b>	<b>(2,704,048)</b>	<b>(871,044)</b>	<b>(1,573,967)</b>	<b>219,016</b>	<b>(139,220)</b>	<b>5,069,263</b>	

NOTES TO THE FINANCIAL STATEMENTS  
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40. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Bank 2021	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	70,277	-	-	-	-	-	70,277
Deposits and placements with banks and other financial institutions	-	166,692	-	223,317	55,665	-	445,674
Derivatives assets	-	-	86	-	-	-	86
Financial investments at amortised cost	-	-	2,029	-	-	673,788	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	40,638	86,225	30,601	1,501,357	1,658,821
Financing and advances	164,220	591,581	1,206,655	882,957	38,552	3,086,143	5,970,108
Statutory deposits with BNM	11,514	-	-	-	-	-	11,514
Other assets	34,234	-	125	314	471	244,027	279,171
<b>Total assets</b>	<b>280,245</b>	<b>758,273</b>	<b>1,249,533</b>	<b>1,192,813</b>	<b>125,289</b>	<b>5,505,315</b>	<b>9,111,468</b>
<b>Liabilities</b>							
Deposits from customers	2,882,208	983,073	934,400	562,960	532,059	571,346	6,466,046
Deposits and placements of banks and other financial institutions	486,601	345,251	479,572	-	-	7,797	1,319,221
Bills and acceptance payable	2,596	-	-	-	-	-	2,596
Other liabilities	22,466	-	47,300	-	27	-	69,793
Lease liabilities	-	-	-	-	-	12,297	12,297
Subordinated sukuk	-	-	-	-	-	554,816	554,816
<b>Total liabilities</b>	<b>3,393,871</b>	<b>1,328,324</b>	<b>1,461,272</b>	<b>562,960</b>	<b>532,086</b>	<b>1,146,256</b>	<b>8,424,769</b>
Shareholders' fund	-	-	-	-	-	686,699	686,699
<b>Total liabilities and shareholders' fund</b>	<b>3,393,871</b>	<b>1,328,324</b>	<b>1,461,272</b>	<b>562,960</b>	<b>532,086</b>	<b>1,832,955</b>	<b>9,111,468</b>
<b>Net (liabilities)/assets maturity mismatch</b>	<b>(3,113,626)</b>	<b>(570,051)</b>	<b>(211,739)</b>	<b>629,853</b>	<b>(406,797)</b>	<b>3,672,360</b>	

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40. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments.

Group 2022	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
<b>Liabilities</b>							
Deposits from customers	2,836,581	967,224	2,829,619	1,279,949	853,904	287,396	9,054,673
Deposits and placements of banks and other financial institutions	528,089	758,533	445,576	-	-	14,844	1,747,042
Bills and acceptance payable	1,098	-	-	-	-	-	1,098
Other liabilities	56,394	-	71,188	-	-	14,015	141,597
Lease liabilities	-	-	-	-	-	15,203	15,203
Recourse obligations on financing sold to Cagamas	-	-	-	-	336,099	-	336,099
Subordinated sukuk	-	-	-	-	-	956,700	956,700
<b>Total liabilities</b>	<b>3,422,162</b>	<b>1,725,757</b>	<b>3,346,383</b>	<b>1,279,949</b>	<b>1,190,003</b>	<b>1,288,158</b>	<b>12,252,412</b>

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40. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Group 2021	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
<b>Liabilities</b>							
Deposits from customers	2,881,341	983,797	935,704	565,513	532,704	571,633	6,470,692
Deposits and placements of banks and other financial institutions	486,693	345,539	480,704	-	-	7,797	1,320,733
Bills and acceptance payable	2,596	-	-	-	-	-	2,596
Other liabilities	22,483	-	47,300	-	30	-	69,813
Lease liabilities	-	-	-	-	-	12,297	12,297
Subordinated sukuk	-	166,494	-	223,954	55,935	111,473	557,856
<b>Total liabilities</b>	<b>3,393,113</b>	<b>1,495,830</b>	<b>1,463,708</b>	<b>789,467</b>	<b>588,669</b>	<b>703,200</b>	<b>8,433,987</b>



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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Bank 2022	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
<b>Liabilities</b>							
Deposits from customers and other placements of banks	2,836,581	967,224	2,829,619	1,279,949	853,904	287,396	9,054,673
Bills and acceptance payable	528,089	758,533	445,576	-	-	14,844	1,747,042
Other liabilities	1,098	-	-	-	-	-	1,098
Lease liabilities	56,394	-	71,735	-	-	14,015	142,144
Recourse obligations on financing sold to Cagamas	-	-	-	-	336,099	-	336,099
Subordinated sukuk	-	-	-	-	-	956,700	956,700
<b>Total liabilities</b>	<b>3,422,162</b>	<b>1,725,757</b>	<b>3,346,930</b>	<b>1,279,949</b>	<b>1,190,003</b>	<b>1,288,158</b>	<b>12,252,960</b>
<b>2021</b>							
<b>Liabilities</b>							
Deposits from customers and other placements of banks	2,881,341	983,797	935,704	565,513	532,704	571,633	6,470,692
Bills and acceptance payable	486,693	345,539	480,704	-	-	7,797	1,320,733
Other liabilities	2,596	-	-	-	-	-	2,596
Lease liabilities	22,465	-	47,300	-	28	-	69,793
Subordinated sukuk	-	166,494	-	223,954	55,935	12,297	12,297
<b>Total liabilities</b>	<b>3,393,095</b>	<b>1,495,830</b>	<b>1,463,708</b>	<b>789,467</b>	<b>588,667</b>	<b>703,200</b>	<b>8,433,967</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**40. FINANCIAL RISK MANAGEMENT (Continued)**

**(g) Capital Management Policy**

Capital risk is defined as the risk that the Group and the Bank has insufficient capital to provide a sufficient resources to absorb pre-determined level of losses or that the capital structure is inefficient.

Capital risk appetite is set by the Board and reported through various metrics that enable the Group and the Bank to manage capital constraints and shareholder expectations. The Assets and Liabilities Management Committee regularly revise performance against risk appetite.

A capital exposure arises where the Group and the Bank has insufficient regulatory capital resources to support its strategic objectives and plans, and to meet external shareholder requirements and expectations. The Group and the Bank's capital management policy is focused on optimising value for shareholders.

Capital Management and Basel II

The infrastructure implementation that has been completed has already yielded significant benefits to the Group and the Bank and puts the businesses on an advanced footing to:

- Enhance our economic capital management;
- Refine risk-based pricing methods for the products and services; and
- Improve asset quality across the businesses of the Group and the Bank.

The Group and the Bank continues to develop sustainable capabilities for continuous improvements in the use and adoption of the advanced approaches of the Basel II capital accord. The Group and the Bank had obtained BNM's approval to apply the Standardised Approach for Credit Risk.

**41. CAPITAL ADEQUACY**

The Group and the Bank has adopted BNM's Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines to further improve capital adequacy assessment; enhance risk management processes, measurements and management capabilities, as well as to promote thorough and transparent reporting.

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41. CAPITAL ADEQUACY (Continued)

For the purpose of the computation of capital adequacy ratios, the Group has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The definition and classification of the counterparty, exposure and asset types applied for the purpose of Capital Adequacy's reports are as per the BNM's CAFIB.

In addition, the Bank has also provided detailed Capital Adequacy disclosures as per the requirements stipulated in BNM CAFIB - Disclosures Requirements (Pillar 3) guidelines.

In December 2020, Bank Negara Malaysia issued a revised Policy Document on the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAFIB") and with immediate effect, superceding the previous issued in February 2020. The revised CAFIB has provided an optional transitional arrangement for regulatory capital treatment of expected credit losses ("ECL") provisions.

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 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 2021 to 31 December 2023.

(a) The capital adequacy ratios are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CET 1/Tier I capital</b>				
Paid-up share capital	1,341,868	1,000,000	1,341,868	1,000,000
Reserves	(296,526)	(313,363)	(297,421)	(313,301)
	1,045,342	686,637	1,044,447	686,699
Less: Net deferred tax assets	(49,497)	(49,497)	(49,497)	(49,497)
Other CET 1 regulatory adjustment	15,210	-	15,210	-
<b>Total CET I Capital</b>	<b>1,011,055</b>	<b>637,140</b>	<b>1,010,160</b>	<b>637,202</b>
Additional Subordinated Sukuk	351,171	-	351,171	-
<b>Total Tier I capital</b>	<b>1,362,226</b>	<b>637,140</b>	<b>1,361,331</b>	<b>637,202</b>
<b>Tier II capital</b>				
General provision	100,005	72,421	100,005	72,421
Subordinated sukuk	585,282	554,816	585,282	554,816
<b>Total Tier II capital</b>	<b>685,287</b>	<b>627,237</b>	<b>685,287</b>	<b>627,237</b>
<b>Capital base</b>	<b>2,047,513</b>	<b>1,264,377</b>	<b>2,046,618</b>	<b>1,264,439</b>
CET I/Core capital ratio	9.955%	9.473%	9.947%	9.474%
Tier I Capital	13.413%	9.473%	13.404%	9.474%
Risk-weighted capital ratio	20.161%	18.798%	20.152%	18.799%

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41. CAPITAL ADEQUACY (Continued)

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

Exposure Class	Group 2022			
	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central				
Banks	3,022,327	3,022,327	-	-
Banks, Development				
Financial Institutions ("DFIs") and Multilateral				
Development Bank ("MDBs")	948,110	948,110	391,133	31,291
Corporate	7,854,707	7,659,740	7,225,510	578,041
Regulatory Retail	211,490	205,074	153,806	12,304
Residential Real Estate ("RRE") Financing				
Higher Risk Asset	799,534	799,534	378,232	30,259
Other Assets	490	490	735	59
Defaulted Exposures	235,760	235,760	224,985	17,999
Total for On-Balance Sheet Exposures	16,362	16,362	12,087	967
<i>Off-Balance Sheet Exposures</i>				
Off-balance sheet exposures other than OTC derivatives or credit derivatives				
	1,227,094	1,227,094	1,198,095	95,848
Total for Off-Balance Sheet Exposures	1,227,094	1,227,094	1,198,095	95,848
<b>Total On and Off-Balance Sheet Exposures</b>	<b>14,315,874</b>	<b>14,114,491</b>	<b>9,584,583</b>	<b>766,768</b>
<b>Market Risk</b>				
	Long position	Short position		
Foreign Currency Risk	6,043	-	6,043	483
Inventory Risk			140,477	11,238
<b>Operational Risk</b>				
			424,706	33,976
<b>Total RWA and Capital Requirements</b>			<b>10,155,809</b>	<b>812,465</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (Continued)

Exposure Class	Group 2021			
	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
<i>Sovereigns/Central</i>				
Banks	2,191,064	2,191,064	-	-
<i>Banks, Development</i>				
<i>Financial Institutions</i>				
<i>("DFIs") and Multilateral</i>				
Development Bank ("MDBs")	654,705	654,705	264,720	21,178
Corporate	4,921,614	4,743,158	4,586,325	366,906
Regulatory Retail	220,374	213,150	159,863	12,789
<i>Residential Real Estate</i>				
<i>("RRE") Financing</i>				
Higher Risk Asset	1,418	1,418	2,126	170
Other Assets	151,512	151,512	135,830	10,866
Defaulted Exposures	19,372	19,372	14,441	1,155
Total for On-Balance Sheet Exposures	8,955,754	8,770,074	5,540,920	443,273
<i>Off-Balance Sheet Exposures</i>				
<i>Off-balance sheet</i>				
<i>exposures other than</i>				
<i>OTC derivatives or</i>				
<i>credit derivatives</i>				
	672,292	672,292	658,258	52,661
Total for Off-Balance Sheet Exposures	672,292	672,292	658,258	52,661
<b>Total On and Off-Balance Sheet Exposures</b>	<b>9,628,046</b>	<b>9,442,366</b>	<b>6,199,178</b>	<b>495,934</b>
<b>Market Risk</b>				
	Long position	Short position		
Foreign Currency Risk	1,688	-	1,688	135
Inventory Risk			142,981	11,438
<b>Operational Risk</b>			382,289	30,583
<b>Total RWA and Capital Requirements</b>			<b>6,726,136</b>	<b>538,090</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

- (b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (Continued)

Exposure Class	Bank 2022		Risk weighted assets RM'000	Capital requirements RM'000
	Gross exposures RM'000	Net exposures RM'000		
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	3,022,327	3,022,327	-	-
Banks, Development Financial Institutions ("DFIs") and MDBs	948,110	948,110	391,133	31,291
Corporate	7,854,707	7,659,740	7,225,510	578,041
Regulatory Retail	211,490	205,074	153,806	12,304
Residential Real Estate ("RRE") Financing	799,534	799,534	378,232	30,259
Higher Risk Asset	490	490	735	59
Other Assets	235,760	235,760	224,985	17,999
Defaulted Exposures	16,362	16,362	12,087	967
<b>Total for On-Balance Sheet Exposures</b>	<b>13,088,780</b>	<b>12,887,397</b>	<b>8,386,488</b>	<b>670,920</b>
<i>Off-Balance Sheet Exposures</i>				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,227,094	1,227,094	1,198,095	95,848
<b>Total for Off-Balance Sheet Exposures</b>	<b>1,227,094</b>	<b>1,227,094</b>	<b>1,198,095</b>	<b>95,848</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>14,315,874</b>	<b>14,114,491</b>	<b>9,584,583</b>	<b>766,768</b>
<b>Market Risk</b>				
	Long position	Short position		
Foreign Currency Risk	6,043	-	6,043	483
Inventory Risk			140,477	11,238
<b>Operational Risk</b>				
<b>Total RWA and Capital Requirements</b>			<b>424,706</b>	<b>33,976</b>
			<b>10,155,809</b>	<b>812,465</b>

NOTES TO THE FINANCIAL STATEMENTS  
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41. CAPITAL ADEQUACY (Continued)

(b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (Continued)

Exposure Class	Bank 2021			
	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
<i>Sovereigns/Central</i>				
Banks	2,191,064	2,191,064	-	-
<i>Banks, Development</i>				
<i>Financial Institutions</i>				
("DFIs") and MDBs	654,705	654,705	264,720	21,178
Corporate	4,921,614	4,743,158	4,586,325	366,906
Regulatory Retail	220,374	213,150	159,863	12,789
<i>Residential Real Estate</i>				
("RRE") Financing	795,695	795,695	377,615	30,209
Higher Risk Asset	1,418	1,418	2,126	170
Other Assets	151,512	151,512	135,830	10,866
Defaulted Exposures	19,372	19,372	14,441	1,155
<b>Total for On-Balance Sheet Exposures</b>	<b>8,955,754</b>	<b>8,770,074</b>	<b>5,540,920</b>	<b>443,273</b>
<i>Off-Balance Sheet Exposures</i>				
<i>Off-balance sheet exposures other than OTC derivatives or credit derivatives</i>				
	672,292	672,292	658,258	52,661
<b>Total for Off-Balance Sheet Exposures</b>	<b>672,292</b>	<b>672,292</b>	<b>658,258</b>	<b>52,661</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>9,628,046</b>	<b>9,442,366</b>	<b>6,199,178</b>	<b>495,934</b>
<b>Market Risk</b>				
	Long position	Short position		
Foreign Currency Risk	1,688	-	1,688	135
Inventory Risk			142,981	11,438
<b>Operational Risk</b>			<b>382,289</b>	<b>30,583</b>
<b>Total RWA and Capital Requirements</b>			<b>6,726,136</b>	<b>538,090</b>

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**41. CAPITAL ADEQUACY (Continued)**

(c) The breakdown of credit risk disclosed by risk-weights (including deducted exposures) are as follows:

Group 2022	Exposures after netting and credit risk mitigation ("CRM")									
	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%	3,022,327	-	-	-	-	-	10,774	3,033,101	-	-
20%	-	288,248	552,788	-	-	-	-	841,036	168,207	168,207
35%	-	-	-	-	580,809	-	-	580,809	203,283	203,283
50%	-	671,705	-	-	90,239	-	-	761,944	380,972	380,972
75%	-	-	-	241,573	4,613	-	-	246,186	184,640	184,640
100%	-	-	8,281,669	-	127,714	-	224,985	8,634,368	8,634,368	8,634,368
150%	-	-	-	-	-	684	-	684	1,026	1,026
Total	3,022,327	959,953	8,834,457	241,573	803,375	684	235,759	14,098,128	9,572,496	9,572,496
Defaulted Exposures										
35%	-	-	-	-	-	-	-	-	-	-
50%	-	-	7,262	93	3,317	-	-	10,672	5,336	5,336
100%	-	-	3,571	-	-	-	-	3,571	3,571	3,571
150%	-	-	-	2,120	-	-	-	2,120	3,180	3,180
Total	-	-	10,833	2,213	3,317	-	-	16,363	12,087	12,087
Total Performing and Defaulted	3,022,327	959,953	8,845,290	243,786	806,692	684	235,759	14,114,491	9,584,583	9,584,583



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41. CAPITAL ADEQUACY (Continued)

(c) The breakdown of credit risk disclosed by risk-weights (including deducted exposures) are as follows (Continued):

Bank 2022	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%	3,022,327	-	-	-	-	-	10,774	3,033,101	-	
20%	-	288,248	552,788	-	-	-	-	841,036	168,207	
35%	-	-	-	-	580,809	-	-	580,809	203,283	
50%	-	671,705	-	-	90,239	-	-	761,944	380,972	
75%	-	-	-	241,573	4,613	-	-	246,186	184,640	
100%	-	-	8,281,669	-	127,714	-	224,985	8,634,368	8,634,368	
150%	-	-	-	-	-	684	-	684	1,026	
Total	3,022,327	959,953	8,834,457	241,573	803,375	684	235,759	14,098,128	9,572,496	
Defaulted Exposures										
35%	-	-	-	-	-	-	-	-	-	
50%	-	-	7,262	93	3,317	-	-	10,672	5,336	
100%	-	-	3,571	-	-	-	-	3,571	3,571	
150%	-	-	-	2,120	-	-	-	2,120	3,180	
Total	-	-	10,833	2,213	3,317	-	-	16,363	12,087	
Total Performing and Defaulted	3,022,327	959,953	8,845,290	243,786	806,692	684	235,759	14,114,491	9,584,583	

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41. CAPITAL ADEQUACY (Continued)

(c) The breakdown of credit risk disclosed by risk-weights (including deducted exposures) are as follows (Continued):

Group and Bank 2021	Exposures after netting and credit risk mitigation ("CRM")										Total exposure after netting and CRM RM'000	Total risk weighted assets RM'000	
	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						
<b>Performing Exposures</b>													
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	-	-	-	-	-	-	231,919	173,939
100%	-	-	5,192,000	-	129,361	-	-	-	-	135,830	-	5,457,191	5,457,191
150%	-	-	-	-	-	-	-	-	1,611	-	-	1,611	2,417
<b>Total</b>	<b>2,191,064</b>	<b>657,596</b>	<b>5,398,040</b>	<b>226,883</b>	<b>796,288</b>	<b>1,611</b>	<b>151,512</b>	<b>151,512</b>	<b>1,611</b>	<b>151,512</b>	<b>9,422,994</b>	<b>6,184,737</b>	
<b>Defaulted Exposures</b>													
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
<b>Total</b>	<b>-</b>	<b>-</b>	<b>15,671</b>	<b>112</b>	<b>3,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,372</b>	<b>14,441</b>	
<b>Total Performing and Defaulted</b>	<b>2,191,064</b>	<b>657,596</b>	<b>5,413,711</b>	<b>226,995</b>	<b>799,877</b>	<b>1,611</b>	<b>151,512</b>	<b>151,512</b>	<b>1,611</b>	<b>151,512</b>	<b>9,442,366</b>	<b>6,199,178</b>	

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(d) The breakdown of risk-weighted assets by risk-weights are as follows:

<b>Group 2022</b>	<b>Principal RM'000</b>	<b>Risk- weighted RM'000</b>
0%	3,033,101	-
20%	841,036	168,207
35%	580,809	203,283
50%	772,616	386,308
75%	246,186	184,640
100%	8,637,939	8,637,939
150%	2,804	4,206
Risk-weighted assets for credit risk	<u>14,114,491</u>	<u>9,584,583</u>
Risk-weighted assets for market risk		146,520
Risk-weighted assets for operational risk		424,706
Total risk-weighted assets		<u>10,155,809</u>
<b>Bank 2022</b>	<b>Principal RM'000</b>	<b>Risk- weighted RM'000</b>
0%	3,033,102	-
20%	841,036	168,207
35%	580,809	203,283
50%	772,616	386,308
75%	246,186	184,640
100%	8,637,938	8,637,939
150%	2,804	4,206
Risk-weighted assets for credit risk	<u>14,114,491</u>	<u>9,584,583</u>
Risk-weighted assets for market risk		146,520
Risk-weighted assets for operational risk		424,706
Total risk-weighted assets		<u>10,155,809</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(d) The breakdown of risk-weighted assets by risk-weights are as follows:

<b>Group 2021</b>	<b>Principal RM'000</b>	<b>Risk- weighted RM'000</b>
0%	2,206,746	-
20%	417,708	83,542
35%	575,077	201,277
50%	545,318	272,659
75%	231,919	173,939
100%	5,461,272	5,461,272
150%	4,326	6,489
Risk-weighted assets for credit risk	<u>9,442,366</u>	<u>6,199,178</u>
Risk-weighted assets for market risk		144,669
Risk-weighted assets for operational risk		382,289
Total risk-weighted assets		<u>6,726,136</u>

<b>Bank 2021</b>	<b>Principal RM'000</b>	<b>Risk- weighted RM'000</b>
0%	2,206,746	-
20%	417,708	83,542
35%	575,077	201,277
50%	545,318	272,659
75%	231,919	173,939
100%	5,461,272	5,461,272
150%	4,326	6,489
Risk-weighted assets for credit risk	<u>9,442,366</u>	<u>6,199,178</u>
Risk-weighted assets for market risk		144,669
Risk-weighted assets for operational risk		382,289
Total risk-weighted assets		<u>6,726,136</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(e) The breakdown of credit risk disclosed by ratings by ECAs are as follows:

Group 2022	AAA RM'000	AA+ 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	BB+ to B- RM'000	Below B- RM'000	Unrated RM'000	Total RM'000
Exposure Class														
On and Off Balance-Sheet Exposures														
Credit Exposure - Standardised Approach														
Sovereigns/central banks	-	-	-	-	-	-	3,022,327	-	-	-	-	-	-	3,022,327
Banks, DFIs & MDBs	-	-	1,085	-	1,792	54	40,485	840	1,219	18	-	-	914,460	959,953
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	9,040,256	9,040,256
Regulatory retail	-	-	-	-	-	-	-	-	-	-	-	-	250,202	250,202
Residential real estate ("RRE") financing	-	-	-	-	-	-	-	-	-	-	-	-	806,692	806,692
Total higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	684	684
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	235,760	235,760
Total	-	-	1,085	-	1,792	54	3,062,812	840	1,219	18	-	-	11,248,054	14,315,874

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(e) The breakdown of credit risk disclosed by ratings by ECAs is as follows (Continued):

Bank 2022	AAA RM'000	AA+ 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	BB+ to B- RM'000	Below B- RM'000	Unrated RM'000	Total RM'000
Exposure Class														
On and Off Balance-Sheet Exposures														
Credit Exposure - Standardised Approach														
Sovereigns/central banks	-	-	-	-	-	-	3,022,327	-	-	-	-	-	-	3,022,327
Banks, DFIs & MDBs	-	-	-	1,085	1,792	54	40,485	840	1,219	18	-	-	914,460	959,953
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	9,040,256	9,040,256
Regulatory retail	-	-	-	-	-	-	-	-	-	-	-	-	250,202	250,202
Residential real estate ("RRE") financing	-	-	-	-	-	-	-	-	-	-	-	-	806,692	806,692
Total higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	684	684
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	235,760	235,760
Total	-	-	-	1,085	1,792	54	3,062,812	840	1,219	18	-	-	11,248,054	14,315,874

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(e) The breakdown of credit risk disclosed by ratings by ECAs is as follows (Continued):

Group and Bank 2021	AAA RM'000	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+ to B-	Below B-	Unrated	Total
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>														
<b>Credit Exposure - Standardised Approach</b>														
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
<b>Total</b>	-	-	-	-	169,419	3,551	2,191,217	451,588	31,411	500	-	-	6,780,360	9,628,046

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(f) Disclosure on credit risk mitigation are as follows:

Group

Exposure Class	2022		2021	
	Exposures before CRM RM'000	Exposures covered by eligible collateral RM'000	Exposures before CRM RM'000	Exposures covered by eligible collateral RM'000
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	3,022,327	-	2,191,064	-
Banks, Development Financial Institutions & MDBs	948,110	-	654,705	-
Corporate	7,854,707	1,231,557	4,921,614	1,038,970
Regulatory Retail	211,490	13,782	220,374	11,237
Residential Real Estate ("RRE")				
Financing	799,534	-	795,695	-
Higher Risk Assets	490	-	1,418	-
Other Assets	235,760	-	151,512	-
Defaulted Exposures	16,362	-	19,372	-
Total for On-Balance Sheet Exposures	<u>13,088,780</u>	<u>1,245,339</u>	<u>8,955,754</u>	<u>1,050,207</u>
<i>Off-Balance Sheet Exposures</i>				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,227,094	-	672,292	-
Total for Off-Balance Sheet Exposures	<u>1,227,094</u>	<u>-</u>	<u>672,292</u>	<u>-</u>
Total On and Off-Balance Sheet Exposures	<u>14,315,874</u>	<u>1,245,339</u>	<u>9,628,046</u>	<u>1,050,207</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

41. CAPITAL ADEQUACY (Continued)

(f) Disclosure on credit risk mitigation are as follows (Continued):

Bank

Exposure Class	2022		2021	
	Exposures before CRM RM'000	Exposures covered by eligible collateral RM'000	Exposures before CRM RM'000	Exposures covered by eligible collateral RM'000
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	3,022,327	-	2,191,064	-
Banks, Development Financial Institutions & MDBs	948,110	-	654,705	-
Corporate	7,854,707	1,231,557	4,921,614	1,038,970
Regulatory Retail	211,490	13,782	220,374	11,237
Residential Real Estate ("RRE")	799,534	-	-	-
Financing	490	-	795,695	-
Higher Risk Assets	-	-	1,418	-
Other Assets	235,760	-	151,512	-
Defaulted Exposures	16,362	-	19,372	-
Total for On-Balance Sheet Exposures	<u>13,088,780</u>	<u>1,245,339</u>	<u>8,955,754</u>	<u>1,050,207</u>
<i>Off-Balance Sheet Exposures</i>				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,227,094	-	672,292	-
Total for Off-Balance Sheet Exposures	<u>1,227,094</u>	<u>-</u>	<u>672,292</u>	<u>-</u>
Total On and Off-Balance Sheet Exposures	<u>14,315,874</u>	<u>1,245,339</u>	<u>9,628,046</u>	<u>1,050,207</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**41. CAPITAL ADEQUACY (Continued)**

(g) Disclosure on off balance sheet and counterparty credit risk are as follows:

Group and Bank	2022			2021		
	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	336,612	168,306	168,306	195,731	97,866	97,866
Short term self liquidating trade related contingencies	48,600	9,720	9,720	87,938	17,588	17,588
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	464,158	232,074	229,291	142,943	71,458	71,056
Other commitments, such as formal standby facilities and credit lines, with an original maturity up to one year	4,025,844	805,151	788,409	2,427,122	485,380	471,748
Foreign exchange related contracts	711,444	11,843	2,369	-	-	-
	<b>5,586,658</b>	<b>1,227,094</b>	<b>1,198,095</b>	<b>2,853,734</b>	<b>672,292</b>	<b>658,258</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**42. SEGMENTAL INFORMATION**

Segmental reporting by the Bank was prepared in accordance with MFRS 8 *Operating Segments* ("MFRS 8"). Following the management approach of MFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operation decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

All inter-segment transactions are conducted on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public.

The business segment results are prepared based on the Bank's internal management reporting, which reflect the organisation's management structure. Internal allocation of costs has been used in preparing the segmental reporting.

The Bank's business segment can be organised into the following main segments reflecting the Bank's internal reporting structure. The Bank comprises the following main business segments:

(i) Corporate investment banking

Corporate investment banking operations provide a full range of financial services to corporate customers as well as small and medium sized enterprises. The products and services offered include long and short term financing such as working capital financing, asset financing, project financing as well as trade financing.

(ii) Retail banking

Retail banking focus on providing products and services to individual customers and small and medium-sized enterprises. These products and services offered to customers include credit facilities, charge cards, remittance services, deposit collection and investment products.

(iii) Treasury and money market

The treasury and money market are involved in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading. Income from customer trading is reflected under retail operations.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

42. SEGMENTAL INFORMATION (Continued)

Group	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
<b>2022</b>					
Total revenue	143,485	152,061	197,521	1,751	494,818
<b>Result</b>					
Segment result	44,005	50,971	139,157	1,751	235,883
Unallocated corporate expenses	-	-	-	-	(207,146)
Profit before zakat and taxation					28,737
Zakat and taxation					-
<b>Net profit for the financial year</b>					<b>28,737</b>
<b>Other information</b>					
Segment assets	1,472,057	4,255,402	7,153,362	-	12,880,821
Unallocated corporate assets					376,114
Total assets					<b>13,256,935</b>
Segment liabilities	3,287,653	4,544,535	2,948,901	54	10,781,143
Unallocated corporate liabilities	-	-	-	-	1,430,450
Total liabilities					<b>12,211,593</b>
<b>Other segment items</b>					
Capital expenditure	448	-	279	-	727
Unallocated capital expenditure	-	-	-	-	163,501
					<b>164,228</b>
Depreciation and amortisation, net of lease payments and finance charges	6,625	178	957	-	7,761
Unallocated depreciation and amortisation, net of lease payments and finance charges	-	-	-	-	8,420
					<b>16,181</b>
Other non-cash (income)/expenses	35,589	1,591	763	-	37,943

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

42. SEGMENTAL INFORMATION (Continued)

Group	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
<b>2021</b>					
Total revenue	113,587	98,803	134,908	1,481	348,779
<b>Result</b>					
Segment result	80,773	55,728	81,582	1,481	219,564
Unallocated corporate expenses	-	-	-	-	(207,468)
Loss before zakat and taxation					12,096
Zakat and taxation					-
<b>Net loss for the financial year</b>					<b>12,096</b>
<b>Other information</b>					
Segment assets	1,377,046	2,771,249	4,727,630	-	8,875,925
Unallocated corporate assets					235,501
Total assets					<b>9,111,426</b>
Segment liabilities	2,295,005	2,575,922	2,925,625	-	7,796,552
Unallocated corporate liabilities	-	-	-	-	628,237
Total liabilities					<b>8,424,789</b>
<b>Other segment items</b>					
Capital expenditure	2,979	-	536	-	3,515
Unallocated capital expenditure	-	-	-	-	55,810
					<b>59,325</b>
Depreciation and amortisation, net of lease payments and finance charges	4,977	-	1,499	-	6,476
Unallocated depreciation and amortisation, net lease payments and finance charges	-	-	-	-	10,858
					<b>17,334</b>
Other non-cash (income)/expenses	(9,460)	(85)	13,813	-	4,268

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

42. SEGMENTAL INFORMATION (Continued)

Bank	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
<b>2022</b>					
Total revenue	144,757	152,060	197,523	472	494,812
<b>Result</b>					
Segment result	45,275	50,971	139,160	472	235,877
Unallocated corporate expenses	-	-	-	-	(208,097)
Profit before zakat and taxation					27,780
Zakat and taxation					-
<b>Net profit for the financial year</b>					<b>27,780</b>
<b>Other information</b>					
Segment assets	1,472,057	4,255,402	7,153,362	-	12,880,821
Unallocated corporate assets					375,766
Total assets					13,256,587
Segment liabilities	3,287,653	4,544,535	2,948,901	54	10,781,143
Unallocated corporate liabilities	-	-	-	-	1,430,997
Total liabilities					12,212,140
<b>Other segment items</b>					
Capital expenditure	448	-	279	-	727
Unallocated capital expenditure	-	-	-	-	163,501
					164,228
Depreciation and amortisation, net of lease payments and finance charges	6,625	178	957	-	7,761
Unallocated depreciation and amortisation, net lease payments and finance charges	-	-	-	-	8,420
					16,181
Other non-cash (income)/expenses	35,589	1,591	763		37,943

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

42. SEGMENTAL INFORMATION (Continued)

Bank	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
<b>2021</b>					
Total revenue	113,587	98,803	134,908	995	348,293
<b>Result</b>					
Segment result	80,773	55,728	81,582	995	219,078
Unallocated corporate expenses	-	-	-	-	(206,748)
Loss before zakat and taxation					12,330
Zakat and taxation					-
<b>Net loss for the financial year</b>					<b>12,330</b>
<b>Other information</b>					
Segment assets	1,377,046	2,771,249	4,727,630	-	8,875,925
Unallocated corporate assets	-	-	-	-	235,543
Total assets					9,111,468
Segment liabilities	2,295,005	2,575,922	2,925,625	-	7,796,552
Unallocated corporate liabilities	-	-	-	-	628,217
Total liabilities					8,424,769
<b>Other segment items</b>					
Capital expenditure	2,979	-	-	536	3,515
Unallocated capital expenditure	-	-	-	-	55,810
					59,325
Depreciation and amortisation, net of lease payments and finance charges	4,977	-	1,499	-	6,476
Unallocated depreciation and amortisation, net lease payments and finance charges	-	-	-	-	10,858
					17,334
Other non-cash (income)/expenses	(9,460)	(85)	13,813	-	4,268

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

**43. FAIR VALUE MEASUREMENTS**

**(a) Assets and liabilities measured at fair value**

**Determination of fair value and the fair value hierarchy**

Fair value is the amount at which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify their assets and liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

- Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and
- Level 3 - Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

Assets and liabilities are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukuk and corporate sukuk, financing, derivatives and investment properties.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

43. FAIR VALUE MEASUREMENTS (Continued)

(a) Assets and liabilities measured at fair value (Continued)

Determination of fair value and the fair value hierarchy (Continued)

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The following table provides the fair value measurement hierarchy of the Group's and of the Bank's assets and liabilities.

Group and Bank  
2022

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets measured at fair value:</b>				
Investment properties	-	-	95,400	95,400
Financial investments at fair value through other comprehensive income ("FVOCI")	-	1,962,633	-	1,962,633
Derivatives assets	-	479	-	479
<b>Assets for which fair values are disclosed (Note 43(b)):</b>				
Financing and advances	-	-	8,186,430	8,186,430
Financial investments at amortised cost	-	1,406,802	-	1,406,802

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

The valuation date for financial assets and liabilities is 31 December 2022.

The fair value of financing and advances that are valued at Level 3 is estimated by discounting the estimated future cash flows at a discounted rate between 2.26% to 38.43% (2021: 1.34% to 19.7%).

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43. FAIR VALUE MEASUREMENTS (Continued)

(a) Assets and liabilities measured at fair value (Continued)

Determination of fair value and the fair value hierarchy (Continued)

The following table provides the fair value measurement hierarchy of the Group's and of the Bank's assets and liabilities (Continued)

Group and Bank  
2021

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets measured at fair value:</b>				
Investment properties	-	-	95,400	95,400
Financial investments at fair value through other comprehensive income ("FVOCI")	-	1,658,821	-	1,658,821
Derivatives assets	-	86	-	86
<b>Assets for which fair values are disclosed (Note 43(b)):</b>				
Financing and advances	-	-	5,873,889	5,873,889
Financial investments at amortised cost	-	675,898	-	675,898

There have been no transfer between Level 1 and Level 2 during the year.

The valuation date for financial assets and liabilities is 31 December 2021.

(b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value. Other than disclosed in Note 43(b) below, the fair values approximate to their carrying value.

Group and Bank

	2022		2021	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>Financial assets</b>				
Financing and advances	8,614,644	8,186,430	5,970,108	5,873,889
Financial investments at amortised cost	1,409,865	1,406,802	675,817	675,898

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**43. FAIR VALUE MEASUREMENTS (Continued)**

**(b) Financial assets and liabilities not carried at fair value (Continued)**

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Cash and short-term funds and deposits and placements

For cash and short-term funds and deposits and placements with maturities of less than one year, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market price. The fair value of securities that are not traded in an active market are determined using valuation techniques which include net present value and discounted cash flow models based on assumptions of market conditions existing at the reporting date.

(iii) Financing and advances

For floating rate financing and advances, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing and advances, the fair values are estimated by discounting the estimated future cash flows using prevailing market rates of financing with similar credit risk and maturities.

The fair values of impaired fixed rates financing and advances are represented by their carrying value, net of individual impairment being the expected recoverable amount.

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43. FAIR VALUE MEASUREMENTS (Continued)

(b) Financial assets and liabilities not carried at fair value (Continued)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments (Continued):

(iv) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market profit rates.

(v) Deposits from customers

The fair values of deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated using discounted cash flows based on market rates for similar deposits from customers.

(vi) Deposits from banks and bills and acceptances payable

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. The fair values of deposits with remaining maturity of more than one year are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

(vii) Subordinated sukuk

The fair values of subordinated sukuk with remaining maturity of less than one year approximate their carrying values due to the relatively short maturity of the instruments. The fair values of subordinated sukuk with remaining maturities of more than one year are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risk profiles.

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43. FAIR VALUE MEASUREMENTS (Continued)

(c) Investment properties

- (i) Information about significant unobservable inputs used in Level 3 fair value measurements on assets stated at fair value:

As at 31 December 2022 and 31 December 2021

	Fair value RM'000	Valuation techniques	Unobservable inputs	Range (Weighted average)		Relationship of unobservable inputs to fair value
				2022	2021	
Investment properties	95,400	Comparison approach	Estimated value per square feet	RM418 - RM676 per square feet	RM382 - RM676 per square feet	The higher the estimated value per square feet, the higher the valuation.

Under the comparison method, the investment properties' fair value is estimated based on comparable transactions. This approach is based upon the principal off substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

This method of valuation seeks to determine the value of the property, being valued by comparing the investment properties with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenorial profit and restrictions if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

Adjustments are being made to differences in location, size and shapes, accessibility, infrastructure available, improvements made on the site and other value considerations.

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value.

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**43. FAIR VALUE MEASUREMENTS (Continued)**

**(c) Investment properties (Continued)**

- (i) Information about significant unobservable inputs used in Level 3 fair value measurements on assets stated at fair value (Continued):

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	<b>Investment properties Fair value measurements using significant unobservable inputs (Level 3)</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Opening balance	95,400	95,400
Changes in fair value during the financial year	-	-
Closing balance	<u>95,400</u>	<u>95,400</u>

**44. SUBSEQUENT EVENT**

Subsequent to the financial year ended 31 December 2022, the share capital of the Group and the Bank increased from RM1,341,867,800 as at 31 December 2022 to RM1,541,867,800 as at 7 March 2023 through an issuance of 200,000,000 new ordinary shares at an issue price of RM1.00.

This capital issued qualifies as Tier 1 capital of the Issuer as per BNM's Risk-Weighted Capital Adequacy Framework for Islamic Banks.

The Board had also approved the issuance of additional subordinated sukuk of RM396 million to the holding company which is expected to materialise in financial year 2023.

**45. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution by the Board of Directors dated 25 May 2023.