



al rajhi bank – Malaysia

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In a year that saw Malaysia's economy expanding moderately amid subdued external demand, alrajhi bank Malaysia (ARBM) continued to perform strongly while anchored to a financial services sector that remained resilient during the reporting period.

During the year in review, ARBM moved up from being the smallest to the third largest asset-holding foreign-owned Islamic bank in Malaysia. The Malaysian branch experienced consistent double-digit growth YoY across assets, financing, and deposits, with the Corporate and Treasury business driving growth for ARBM throughout the reporting period. Despite challenging market conditions, ARBM continued to improve its asset quality, maintaining non-performing financing (NPF) well below market average in Malaysia, and holding one of the lowest NPF ratios in the industry at less than 1%.

ARBM recorded its largest net profit since inception in 2023, surpassing the MYR 90 Mn. mark for the first time, which is more than three fold of that of the previous year. Rize, the first-of-its-kind digital bank in Malaysia, which was officially launched to the public in February 2023, was named Virtual Bank of the Year - Malaysia at the Asian Banking and Finance Retail Banking Awards 2023, and Best FinTech in Retail Banking at the Malaysia Technology Excellence Awards 2023.

The year in review recorded a 22% increase in financing, closing the year at MYR 10.7 Bn., while ARBM's Sukuk holdings reached MYR 5.1 Bn., recording a remarkable 51% YoY increase. Customer deposits rose by 19% from the previous year. ARBM's overall performance resulted in an increased revenue of MYR 388 Mn., surpassing MYR 300 Mn. for the first time, which resulted in an exceptional 231% YoY growth in net profit, closing the year with MYR 95 Mn. in profit before tax.

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Personal finance management

Exploring the benefits of Group synergies

The overseas branch also utilised the combined strengths of the Parent Company – Al Rajhi Bank KSA – to identify potential opportunities for syndication financing, collaborating to collectively participate in these as a Group. This allows ARBM to have increased bargaining power when negotiating for larger participation sizes and more favourable fees. Furthermore, by utilising Al Rajhi Bank KSA's current banking connections with specific financial institutions, ARBM has been able to improve its position when negotiating with nostro banks for the maintenance of its nostro accounts, and to secure more favourable terms.

Furthermore, the Treasury at Al Rajhi Bank KSA supplied the necessary liquidity in both USD and SAR to fulfil immediate funding requirements and enhance ARBM's balance sheet during the year. ARBM also generated numerous leads from Malaysia and other Asian countries for Sukuk issuances and syndicated finance arrangements for the Parent Company. In addition, the Operations Payments and Corporate Disbursement teams from Malaysia collaborated with the Tanfeeth Robotic Process Automation (RPA) team throughout the year to identify suitable processes for automation.

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A growing digital brand presence

Focused efforts in digital marketing directly drove growth across ARBM's social media channels during the year in review; ARBM's LinkedIn account experienced remarkable growth during the year, with a 1,000% increase in reach and impressions, while its Facebook page saw an increase of 67.36% in profile visits. Rize social media accounts saw a robust growth in follower numbers and page visits since its launch from the onset of the reporting period, with its Instagram reach increasing 411.25%, and profile visits growing by 1,500%, evidencing the success of ARBM's digital marketing and customer engagement strategies.

ARBM also launched several campaigns to support the business growth of key products, which resulted in a number of notable achievements:

Foreign Currency (FCY) Account

Results: A 177% increase in the number of FCY accounts opened post-campaign, with a 37% increase in balances.

Personal Financing-i Campaign

Generated 4.8 million impressions, +222% ahead of target, driving MYR 55 Mn. in sales.

Wealth Campaign (Unit Trust and Gold-i)

Generated close to 1 million impressions, contributing to 65% of the total wealth sales to-date.

Promoting sustainable banking practices

2023 saw the formation of the ARBM Sustainability Committee to better deliberate on ARBM's long-term strategic endeavours for sustainability. The Committee held monthly meetings from June 2023 and continues to progress ARBM's sustainability mandate across multiple avenues. Key to this mandate is ARBM's contribution as a member of the Value-Based Intermediation (VBI) Community of Practitioners (CoP) of Malaysia and its deep commitment to generating a positive sustainable impact for Malaysia's recovering economy, community and environment, and its overarching objective to deliver the intended outcomes of Shariah through practice.

In line with the VBI Principle of Community Empowerment, ARBM provided MYR 1.34 Bn. across 39 corporate accounts to finance schools, roads/highways, hospitals, government offices,

drainage/sewerage, water-supply, transport, civil and infrastructure and various other public amenities, including lending to green/renewable energy activities. MYR 2.4 Bn. in financing was disbursed among 213 Small and Medium-sized Enterprises (SME) accounts in line with VBI Entrepreneurial Activities.

In tandem with the VBI Principle of Good Self-Governance, ARBM demonstrated its readiness to encourage financial flows towards companies and projects that meet climate objectives and provide greater transparency in reporting climate-related exposures. The overseas branch drafted the 'Environmental, Social and Governance (ESG) Assessment Checklist' to better categorise the customer's nature of business and economic activity based on BNM's Guiding Principles as per the Climate Change

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and Principle-based Taxonomy (CCPT). ARBM implemented The ESG Risk Management Policy (Corporate Credit Policy & Sustainability Policy), as well as the ESG classification requirement for ARBM's entire corporate book. The overseas branch also incorporated sectoral guidelines into its existing evaluation, assessment, and financing processes. More details on ARBM's ESG commitments can be found in the ESG Report (pages 146 to 165) of this publication.

During the reporting period, ARBM provided financing under the **"My First Home Scheme"** from BNM's Fund for Affordable Homes to lower-income communities in line with its commitment to promoting financial inclusivity for the B40 (low-income) market segment. Today, 50% of ARBM's Retail Home Financing portfolio comprise First Time home buyers. Personal Financing via Rize and Cashline (overdraft facility) was also extended to the low-income segment during the year in review.

Future outlook

ARBM's focus for 2024 will be to expand Rize by enriching its offerings and ensuring a seamless customer experience, both of which will remain crucial aspects of retail success for the overseas branch, with digitalization playing a significant role. ARBM will also continue to focus on generating revenue through its corporate banking and treasury verticals, as well as specific subsegments within retail banking, particularly in the areas of personal financing and wealth management.

The Malaysian economy is projected to experience a robust growth of 4% to 5% in 2024, driven by expansion across all sectors and improved prospects in global commerce. The outlook for Islamic banking in 2024 remains optimistic, thanks to a well-developed ecosystem that fosters both social and financial inclusion. ARBM will continue to actively seek more affordable sources of funding, while simultaneously bolstering its deposit base, and be equipped in terms of both technology and human resources to meet the demands of Malaysia's growing economy in the immediate future.