

مصرف الراجحي
Al Rajhi Bank



BANK OF THE FUTURE

20
19 Annual Report



The Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud



His Royal Highness Crown Prince
**Mohammad Bin Salman Bin
Abdulaziz Al Saud**

مصرف الراجحي
Al Rajhi Bank



BANK OF THE FUTURE

Over the last six decades, Al Rajhi Bank earned its position as the most successful bank in the region and leading Islamic Bank in the world.

These achievements are a testament to the power of a strong vision and purpose shared by all our partners – from our nation’s leaders and its government, to our Board, management and employees, to all our valued strategic partners, customers, suppliers and shareholders.

But we are not satisfied. We must capture the great opportunity that lies before us, building on the momentum created over the past years to confidently deliver on our 2020 objectives and drive the Kingdom’s Vision 2030.

So, we begin a new chapter in our ambitious journey, once again seeking to harness the power of all our stakeholders behind a new and ambitious idea: that together we can transform Al Rajhi Bank into the “Bank of the Future”.



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The web and mobile HTML versions are published online on the same date as the date of issue of this publication at <https://arb.sa/report2019>

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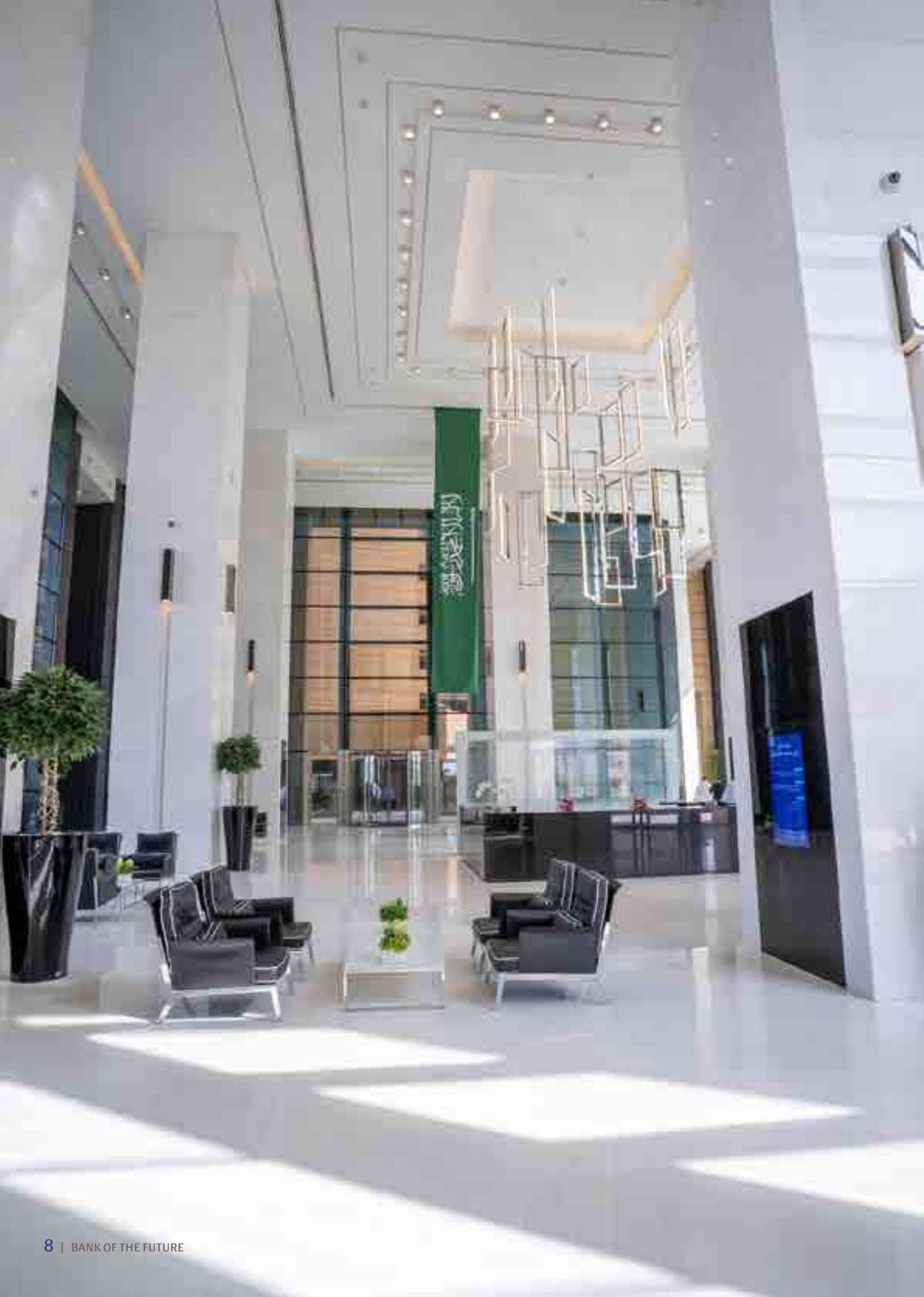
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01

Bank Profile

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About the Bank

History

Referred to as the “Bank” in this document, Al Rajhi Bank (ARB) received its current name in 2006 but was originally established in 1957 as an exchange house and converted to a bank under the name Al Rajhi Banking Corporation in 1987. The Bank is a Saudi joint stock company that was formed and licensed in accordance with Royal Decree No. M/59 and Article 6 of the Council of Ministers’ Resolution No. 245, both of June 1987. With its headquarters in Riyadh, Kingdom of Saudi Arabia, the Bank operates under Commercial Registration No. 1010000096 and is listed on the Saudi Stock Exchange (Tadawul) with the Ticker No. RJHI.

Al Rajhi Bank Group



Real Estate



Brokerage



Insurance



Professional Services

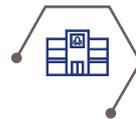


Securities

Our Bank



Retail banking



Corporate banking



Treasury



International business



SMEs

Vision, Mission, and Values

Our Vision

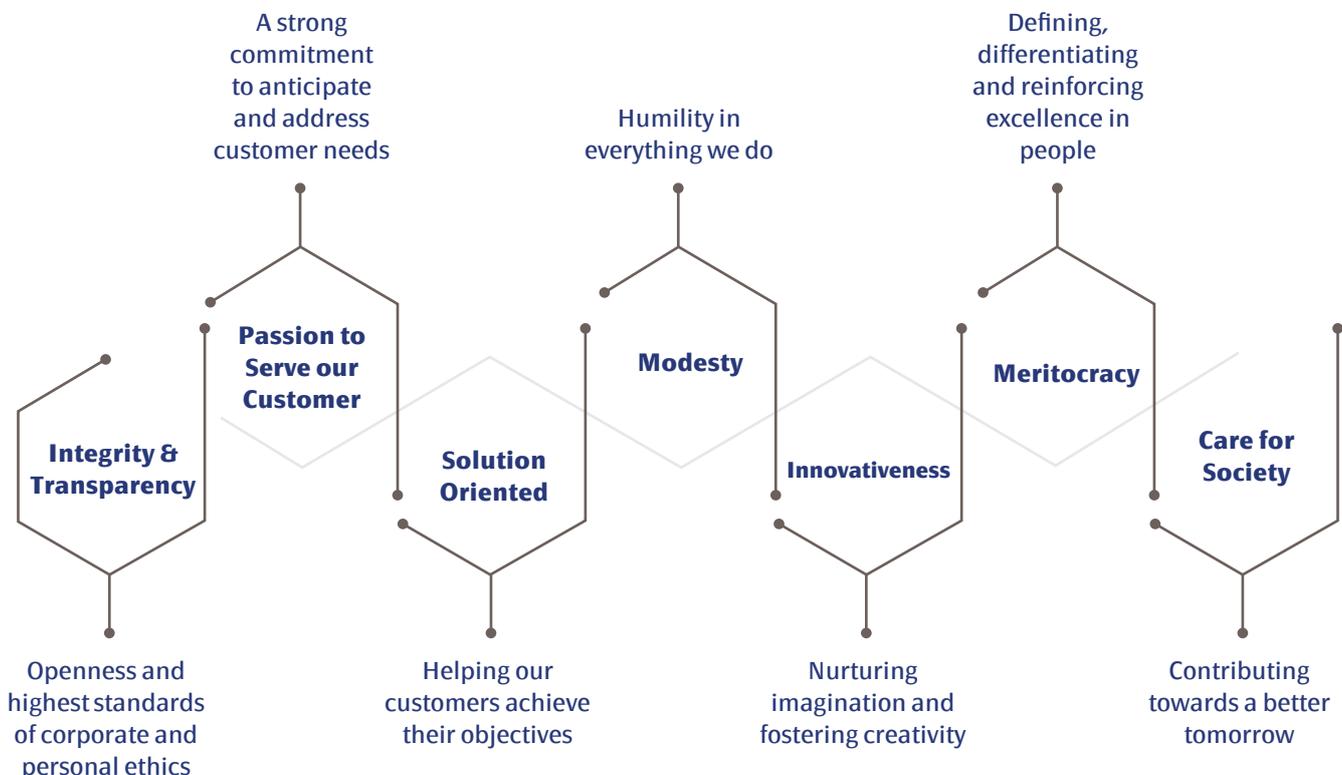
To be a trusted leader delivering innovative financial solutions to enhance the quality of life of people everywhere.

Our Mission

To be the most successful bank admired for its innovative service, people, technology, and Sharia compliant products, both locally and internationally.

Our Values

Everything the Bank does is built around its core values, which puts the customer at the heart of all its activities.



2019 at a glance

Financial highlights

Customer deposits (SAR Billion)

2019: SAR 312

2018: SAR 293

Increase: 6.3%

Total assets (SAR Billion)

2019: SAR 384

2018: SAR 364

Increase: 5.5%

Operational highlights

Digital: manual ratio

2019: SAR 67:33

2018: SAR 56:44

Earnings per share (SAR)

2019: SAR 4.06

2018: SAR 1.51

Increase: 169%

Total capital adequacy ratio (%)

2019: 19.9%

2018: 20.20%

Net income (after Zakat) (SAR Billion)

2019: SAR 10,159

2018: SAR 3,768

Increase: 170%

Staff strength

2019: 13,146

Saudization rate (%)

2019: 96%

Largest Islamic Bank worldwide

By assets and market capitalization



In retail bank in the Middle East

In retail deposits and income

In Distribution network in the Middle East By number of branches, POS, ATMs and remittance centres

In banking transactions in KSA

4 of 10 transactions in KSA

As a Bank brand in KSA

Brand Power Score

In banking sector in NPS in KSA



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Strategic Report

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Chairman's statement



Net profit

SAR 10.1 million

in 2019 from

SAR 3.7 million

in 2018

In what has been yet another record year, Al Rajhi Bank continued to deliver significant growth across its constituent business groups and branches. Despite the complex dynamics at work in across our sector and markets, the Bank's net income for 2019 increased to SAR 10,159 million compared to SAR 3,768 million in 2018.

Market Dynamics and the Kingdom's Vision 2030

As the Kingdom forges ahead with its bold plans for socio-economic development and diversification, encapsulated in the Saudi Vision 2030, Al Rajhi Bank has aligned its strategy with the needs and aspirations of our kingdom. By targeting private sector growth and the continuous development of capital market process, we seek to contribute to the revitalization and growth of the financial sector and assist the Kingdom in its transition to a global investment powerhouse.

Throughout 2019 we continued to achieve robust progress across all five of the strategic pillars of our business—Accelerate Growth, Become Employer of Choice, Customer Focus, Digital Leadership and Excellence in Execution – in addition to expanding our international footprint through our branches in Kuwait ,Jordan and Malaysia and providing our stakeholders with increasing value year on year.

Our activities during the year included a variety of contributions to support the Kingdom's

Vision 2030, including participation in the ARAMCO IPO, dramatically increasing the number of Saudi homeowners via our expanding mortgage program, supporting on enhancing SMEs capabilities of growth and providing it with the best banking services throughout the Kingdom, providing structured finance for water, electricity and power companies – including in the renewables segment – and supporting burgeoning new industries such as tourism, entertainment and both healthcare and education privatization, as both considered essential pillars for human development, progress and civilization at all times and everywhere.

I am also pleased to report that the Bank distributed a dividend of SAR 1.5 per share for the first half of 2019 and proposed a final dividend of SAR 3 per share for 2019. Total dividends for the year amounted to SAR 7,500 million, representing 74% of earnings.

Dedicated and Loyal Staff

Al Rajhi Bank has invested heavily in our sustainability as a business, as well as in our increasingly diverse workforce, and our employees have made us proud by doubling their volunteering hours in 2019. Furthermore, we received ISO Green Certification for our new head office building and are now the largest employer of women in the Kingdom's banking sector.

“ As the Kingdom forges ahead with its bold plans for socio-economic development and diversification, encapsulated in the Saudi Vision 2030, Al Rajhi Bank has aligned its strategy with the needs of the nation. ”

We are keenly aware of our responsibilities and commitments to serve our society and natural environment, therefore, we are applying stringent corporate governance standards to ensure adherence to these values across our rules, practices, systems and procedures. As we refine our extensive governance structures, we will continue to balance the interests of our multiple stakeholder groups with our core objectives in terms of enhancing our business and services value.

To this end, annual reviews are undertaken of our Corporate Governance Manual, first published in 2014, to update its rules and items to ensure sustained effective application of procedures, laws and regulations by Board Committees and Management Committees in compliance with both the Corporate Governance Regulations issued by the Kingdom's Capital Markets Authority and the Saudi Arabian Monetary Agency's (SAMA) Corporate Governance Code for Banks, which are applied in all our operations within the Kingdom.

Robust Risk Management and Control

The Bank's current Key Risk Profile reflects both the efficacy of our comprehensive risk management activities and our strong capital and liquidity position; also, our compliance and governance standards have again served to deliver significantly lower Credit Risk Losses, Operational Risk Losses and Market Risks exposure over 2019.

In addition to accelerating growth, becoming the employer of choice, focusing on customer, achieving digital leadership and excellence in delivery, we have made significant improvements to the Bank's Risk Management frameworks and control functions, focusing on accelerated business growth and decreasing credit losses.

We also strengthened the Bank's retail and corporate credit strategies and control processes; increased our IT security, BCM and disaster recovery capabilities; and nurtured our strong teamwork ethic via relationships with our key business partners.

Acknowledgements

Both myself and the Board of Directors remain indebted to the Custodian of the Two Holy Mosques and the Crown Prince for their strategic vision and leadership. We also wish to convey our appreciation to the Ministries of Finance, and Commerce and Investment; SAMA; CMA; and their eminences the Chairman and members of the Bank's Sharia Board for their invaluable advice and guidance.

We also seek to express our gratitude to our shareholders, correspondent banks and customers, and our deep admiration for all of our employees, whose tireless dedication has been instrumental in realizing our vision and mission. I also wish to thank my fellow Members of the Board for their invaluable support and counsel.

Abdullah bin Sulaiman Al Rajhi
Chairman

CEO's Message



32.9%

Market share in 2019

27.9%

in 2018

Al Rajhi Bank experienced another successful record year, continuing on its transformative journey whilst delivering superior returns and value for our shareholders, customers and staff – a journey that mirrors the changes being experienced across the Kingdom.

This progress is also a testament to the success of our ABCDE strategy that has guided our development in recent years and brought consistently strong financial and non-financial results, with operating income increasing by 41.75% between 2015 and 2019 and net profit by 42.46% over the same period.

A Year of Accelerating Growth

The Bank once again outperformed its peers in the Saudi market in 2019, gaining significant market share across its range of products and services to deliver a 12% increase in profit and a 13% rise in income year-on-year.

Our mortgage portfolio grew by 63%, reflecting our role in delivering the nation's vision by supporting more Saudi homeowners than ever before. By centralizing our mortgage function, implementing advances in automation and achieving process improvements that increase daily throughput and efficiency, we were able to offer better services to our customers and expand our market share to 32.9%, from 27.9% last year. We provided SAR 4.9 billion in financing to Small and Medium Sized Enterprises (SMEs).

Our current accounts grew 6% over 2018, and our distribution network remained the largest and most technically advanced in the nation, comprising 546 branches (including 157 ladies sections/branches), 231 Remittance Centers, 300 Affluent Lounges, 300 automated kiosks and 5,215 ATM machines.

To further accelerate this growth and serve our expanding customer base more effectively, we introduced a number of 'firsts' during the year, including extended working hours in our dedicated Corporate Banking service centers during the Ramadan and Eid holidays; FX flexible hedging solutions for our corporate clients in partnership with Treasury group; and a facility to add beneficiaries via their mobile telephone numbers on our mobile banking app.

In the present environment we remain focused on effective balance sheet management, further improving our product mix and driving higher average investment portfolio balances. As a result, we grew non-profit bearing deposits to 93% of the Bank's total deposits representing in excess of 25% market share. This helped drive our net profit margin which improved by 47 basis points in 2019 to 5.22.

We also played a key role in the successful Aramco IPO in late 2019 and made strong progress in corporate structured finance, winning several high-profile deals while

“ The Bank once again outperformed its peers in the Saudi market in 2019, gaining significant market share across its range of products and services to deliver a 12% increase in profit and a 13% rise in income year-on-year. ”

continuing to build our capabilities and reputation in the market.

Being an Employer of Choice

With over 12,000 employees across our footprint, we are proud to be one of the Kingdom’s largest and most significant job providers and have worked hard over the years to become an employer of choice driving performance and profitability by attracting, developing and engaging top talent.

In 2019 we achieved our highest ever employee engagement scores with overall engagement reaching 63%, representing a significant increase since 2015, when our engagement score stood at 27%. This extremely encouraging level of engagement translates into more effective customer service, delivered by employees who are inspired to act in our customers’ best interests.

One improving focus area is professional development, which reflects our commitment to enhancing the knowledge, skills and career opportunities of everyone across the Bank. This continued in 2019 with more than 71,000 days of training and development, including leadership development for senior executives and new programs in technology, security and general management.

Meanwhile, the Saudization of our staff continued in support of the goals of the Kingdom’s Vision 2030, reaching 96% in 2019, and our female workforce increased by 14.8% this year to account for 14.8% of the Bank’s employees – a 70% increase since 2015. We also launched a dedicated female graduate development program in 2019.

Employee benefits were also expanded with the addition of a new employee savings scheme to help our people to save for the future by matching their deposits, as well as providing a variety of additional enhanced employee benefits.

Aside from our responsibilities to our employees, the Bank also continues to improve the nature of its interactions with society, local communities and the environment. To this end, we launched our first ever Sustainability Report in 2019, laying the foundation for a long-term journey toward becoming a more sustainable organization and solidifying our position as a sector leader in the Kingdom. During 2019 we doubled the number of volunteering hours as part of 75 social responsibility programs in 22 cities.

Customers at the Center of our Business

We maintained our ongoing focus on delivering superior customer experiences throughout 2019, initiating improvements in services and systems, and becoming the leading bank in the Kingdom in terms of Net Promotor Score (NPS) for the first time – a measure based on customers’ willingness to recommend us to others. This leading rank reflects our 2019 score of 39% – a significant jump from our 14% score in 2018, when we ranked seventh. We also continued to lead in terms of our social media engagement, ranking first on Twitter, YouTube and Instagram.

We launched our expanded Innovation Center during the year in our new building – a facility that is expanding the level of customer input to both the design and prioritization of new features and products. The invaluable feedback gained from this facility has already supported the process of our

conversion to digital banking channels and functionalities for a more seamless customer experience. Having delivered 13 new products during 2019 through an enhanced distribution network.

I am pleased to report that the success of these efforts and initiatives has served to strengthen our reputation in the market and the trust placed in us by our customers, as embodied in the awards presented to the Bank during 2019, including the "Market Leader in Saudi Arabia" and "Best Service in Saudi Arabia" in the area of Cash Management at the Euromoney Awards for Excellence.

Driving Digital Transformation

Al Rajhi Bank achieved major progress in 2019 in our efforts to meet the evolving needs of our customers, becoming the leader in our market and the premier banking brand in the Kingdom, with over five million active digital customers.

Much of our recent progress in this regard is the result of our ongoing digital transformation, which continued to deliver significant mobile and internet banking enhancements during 2019, further expanding our digital footprint. More than half of account openings are now digital and majority of customer transactions are carried out using our digital platforms.

In the past year we captured 26.3% of nationwide point of sale value (from 23.8% last year) via our 106,000+ POS terminals across the Kingdom. We also added 292 self-service kiosks and continued to harness a multitude of technological innovations such as blockchain, fingerprint identification technology and electronic signatures to make banking safer and more convenient for our customers.

Excellence in Execution

Al Rajhi Bank remains committed to ensuring the highest standards across all its activities and functions through our world-class compliance program. Having successfully applied the latest technologies and best practices to optimize both our human and technical capabilities.

Complementing our compliance infrastructure, we are also one of the biggest users of robotics in the Middle East, with state-of-the-art assets including 253 bots processing over 25 thousand transactions per day and vastly improving turnaround times. This has led to a 126% increase in transactions per month between 2015 and 2019, from 101 million to 228 million transaction. We also completed the establishment of our new head office and data center during 2019.

Ideally Positioned for Sustainable Success

In this final message as CEO of Al Rajhi Bank, I would like to express my sincere appreciation to the Board and our Chairman for their support and guidance, as well as to our customers and investors for their loyalty and commitment to our collective success.

For six decades, the Bank has been propelled to ever greater achievements by inspired leadership teams and dedicated employees. More recently, our ABCDE strategy has served to capitalize on this impressive past and position the Bank for long-term success.

In this regard, I am very proud of our staff and leadership team who have contributed to building what is today a highly successful, customer focused market leader that we can all be very proud of.

As I hand over the leadership of the Bank to Walid Al-Moqbel, a very experienced leader, I am confident the Bank will continue to deliver strong results in 2020 and beyond.

Steve Bertamini

Chief Executive Officer



Board of Directors

Abdullah Bin Sulaiman Al Rajhi



Committees membership

Executive Committee

Current positions

- Chairman of the Board and Chairman of Executive Committee – Al Rajhi Bank
- Chairman of the Board – Al Rajhi Company for Cooperative Insurance
- Chairman of the Board – Farabi Petrochemicals Company
- Chairman of the Board – Al Rajhi Holding Group
- Chairman of the Board – Al Rajhi Capital Company

Previous positions

- At Al Rajhi Bank since 1979:
- Deputy General Manager of Financial Affairs
- Deputy General Manager of Investment and Foreign Relations
- Senior Deputy General Manager
- General Manager
- Chief Executive Officer

Qualifications

- Bachelor of Business Administration – King Abdulaziz University – 1979

Experience

Contributed to the conversion of Al Rajhi Exchange and Trade Company into a public joint stock company and held many leading positions in ARB for more than 35 years until his current position as the Chairman of the Board of Directors.

Alaa bin Shakib Al Jabri



Committees membership

Executive Committee, Board Risk Management Committee (BRMC), Nominations and Compensations Committee

Current positions

- Vice Chairman, Board Member, Executive Committee Member and Member of BRMC and Chairman of Nominations and Compensations Committee – Al Rajhi Bank
- Board Member and Chief Executive Officer – Medical and Pharmaceutical Services Company

Previous positions

- Board Member – SIMAH
- Board Member – Higher Education Fund
- Board Member – Saudi Travellers Cheques Company
- Board Member – Arab International Bank – Tunisia
- Board Member – Construction Products Holding Company
- Board Member – Rolaco Group

Qualifications

- Bachelor of BA – American University in Beirut
- Master of BA – Enseed, France

Experience

Having professional experience of more than 30 years, in the banking and financial fields, during which he held many leading positions in many local and international banks.

Salah bin Ali Abalkhail



Committees membership

Executive Committee, Governance Committee

Current positions

- Board Member, Executive Committee Member and Chairman of Governance Committee – Al Rajhi Bank
- Board Member – Al Rajhi Capital Company
- Partner and Chairman of the Board – National Veterinary Company
- Chairman and Office Owner – Salah Abalkhail Consulting Engineers

Previous positions

- At Norconsult Telematics Company since 1972:
- Project Engineer Assistant
- Project Engineer
- Project Manager
- Associate Consultant for the Company's projects
- Member of Engineering Committee – Ministry of Commerce

Qualifications

- Bachelor of Electrical Engineering – University of Arizona – 1972

Experience

Working in the field of advisory and investment for more than 40 years. He assumed the position of Board Member of Al Rajhi Bank, since the first tenure, and served as a member on many Board committees.

Abdulaziz bin Khaled Al Ghefaily



Committees membership

Executive Committee, Nominations and Compensations Committee

Current positions

- Board Member – Executive Committee
- Member – Member of Nominations and Compensations Committee – Al Rajhi Bank
- Board Member – Al Rajhi Capital Company
- Board Member – Savola Group
- Board Member – Panda Retail Company

Previous positions

- Worked from 1981 to 2013 at General Organization for Social Insurance "GOSI"
- Acting General Manager- Financial investment "GOSI"
- Board Member – Industrialization & Energy Services Company
- Board Member – Tabuk Agriculture Development Company
- Board Member – National Medical Care Company
- Board Member – Herfy Food Services
- Board Member – Panda Retail Company
- Managing Director of local stocks – Hassana Investment Company

Qualifications

- Bachelor of Economics – King Saud University
- Master's Degree in Economics from Western Illinois University – USA – 1990

Experience

Working in the field of financial investment for more than 25 years.

Bader Bin Mohammed Al Rajhi



Current positions

- Board Member – Al Rajhi Bank
- Managing Director and Vice Chairman – Mohammed Abdulaziz Al Rajhi & Sons Investment Company (MARS)
- Chairman of Rajhi Steel Industries Co. Ltd. (Rajhi Steel)
- Chairman of the Board – Global Beverage Company
- Chairman of the Board – Al-Jazirah Home Appliance Co. Ltd.
- Chairman of the Board – Falcon Plastic Products Company
- Chairman of the Board – Manafe Investment Company

Previous positions

Held several leading positions in areas of management, industry and real estate investment. He has served as a member of Boards of Directors of joint-stock companies.

Qualifications

- High School

Experience

Having experience of 30 years, Mr Bader has held several leading positions in areas of management, industry and real estate investment and served as a member of Boards of Directors of many joint-stock companies.

Khaled bin Abdulrahman Al Qwaiz



Committees membership

Nominations and Compensations Committee, Board Risk Management Committee (BRMC)

Current positions

- Board Member – Member of Nominations and Compensations Committee – Chairman of BRMC – Al Rajhi Bank
- Chairman of the Board, Chairman of the Executive Committee and member of Nomination Committee – Riyadh Cables Group Company
- Board Member – EMCOR Facilities Services
- Board Member – National Cooperative Insurance Company
- Board Member – Tasnee Company
- Board Member – Bawan Company
- Board Member – Synergy Consultants

Previous positions

- Managing Director – ACWA Holding Company
- Manager of Financial and Administrative Affairs Sector – National Cooperative Insurance Company
- Board Member – Unique Solutions for Chemical Industries (USIC)
- Board Member, Audit Committee Member and Chairman of the Nominations and Compensations Committee – Swicorp Company
- Board Member and Chairman of Nominations and Compensations Committee – Saudi Tabreed Company

Qualifications

- Bachelor of Urban Planning – University of Washington – USA

Experience

Having more than 30 years of experience in the banking, financial, and industrial field, during which he held many leading positions in many local banks, in the field of retail, wholesale, risk and insurance.

Ibrahim bin Fahad Al Ghofaily



Committees membership

Governance Committee

Current positions

- Board Member and Member of Governance Committee – Al Rajhi Bank
- Board Member – Jiwar Real Estate Management, Marketing and Development Company
- Head of Arriyada Financial Consulting Center

Previous positions

- Board Member – Alinma Bank
- Deputy General Manager of Banking and Development – Al Rajhi Bank
- Associate Professor and Vice Dean of Faculty of Economics and Management, King Abdulaziz University
- Financial Consultant of King Abdulaziz Endowment for the two Holy Grand Mosques (Abraj Al Bait Complex in Makkah)

Qualifications

- Bachelor of Public Administration – King Abdulaziz University
- Master of Public Administration – California State University – 1978
- PhD in Philosophy – Florida State University – 1981

Experience

Having practised academic work for 10 years and with 10 years of experience in the Islamic Banking Sector, he established Arriyada Financial Consulting Center, in 2002, and performed several studies and Islamic Financing Structuring for projects (the most prominent being Abraj AlBait in Makkah). He participated and presided over various Islamic financing conferences within and beyond the Kingdom's borders.

Ameen bin Fahad Al Shiddi



Committees membership

Audit and Compliance Committee

Current positions

- Board Member and Chairman of Audit and Compliance Committee – Al Rajhi Bank
- Board Member – stc – Kuwait Telecom Company
- Board Member – Deutsche Gulf Finance
- Board Member – Oger Telecom Company
- CFO - Saudi Telecom Company (STC)

Previous positions

- Board Member – Solutions Company
- Board Member – Advanced Sale Limited Company
- Board Member – Arab Submarine Cables Company
- Board Member – Aqalat Company
- Board Member – Viva Bahrain Company

Qualifications

- Bachelor of Accounting, King Saud University
- Master's Degree in Accounting, University of Missouri, USA
- CMA, SOCPA, CPA

Experience

Having more than 25 years of experience in the fields of financial, investment, consulting and supervisory, he has served as a Board Member of many local and international companies in various sectors and has membership in several professional, commercial, and consulting committees.

Hamza bin Othman Khushaim



Committees membership

Executive Committee, Board Risk Management Committee (BRMC)

Current positions

- Board Member – Member of Executive Committee and BRMC – Al Rajhi Bank
- Director of International Investment Department – Hassana Investment Company
- Member of the Saudi Investor Association
- Certified member of the Association of Financial Analysts – USA

Previous positions

- Hedge Fund Portfolio Manager – KAUST Endowment
- Hedge Fund Manager Portfolio – Investment Management – Treasury – Saudi Aramco Co.
- Financial Analyst – Investment Management – Treasury – Saudi Aramco Co.
- Board Member and Member of Remuneration and Compensations Committee – Dallah Healthcare Holding Company

Qualifications

- Bachelor of Finance, Michigan State University
- Master's Degree in Business Administration University of Michigan in Ann Arbor
- CFA

Experience

Having 12 years of experience in investment

Raed bin Abdullah Al Tamimi



Committees membership

Governance Committee, Nominations and Compensations Committee

Current positions

- Board Member – Member of Governance Committee – Member of Nominations and Compensations Committee – Al Rajhi Bank
- Board Member - Cooperative Insurance Company
- Board Member – SAPTCO
- Board Member - GASCO

Previous positions

- At Cooperative Insurance Company, since 1996:
- Chief Executive Officer
- Senior Deputy CEO – Technical Affairs
- Deputy CEO – Medical Insurance and Takaful Insurance
- General Manager of Human Resources and Administration Affairs
- Board Member – Waseel Electronic Information Transfer

Qualifications

- Bachelor of Medical Science, University of Wales, UK
- Has many training courses from leading international institutes such as Enseed, IMD, LBS, etc.

Experience

Having over 20 years of management, with his last leading position being CEO of "Tawuniya" (the Largest Insurance Company in MENA area), he currently serves as Board Member and Board Committee Member in many listed and unlisted companies.

Abdullatif bin Ali Al Seif



Committees membership

Audit and Compliance Committee

Current positions

- Board Member – Member of Audit and Compliance Committee – Al Rajhi Bank
- Board Member – Arabian Cement
- CEO – Alra'idah Investment Company
- Board Member – Al Ra'idah Investment Company
- Board Member – Petrochem
- Board Member – Wisayah Investment Company

Previous positions

- Deputy Head and Head of Investment – King Abdullah Foundation
- Director of Portfolio Management – Masik
- Head of Portfolio Management, Investment Management Division – Saudi Aramco Co.
- Portfolio Manager – KAUST Investment Management Company
- Financial Analyst – Saudi Aramco Co.
- Board Member – HSBC Saudi Arabia
- Executive Director – Vision Combined Limited Company

Qualifications

- Bachelor of Business Administration – Boston University
- Master's Degree in Business Administration – Boston University
- Master's of Economics – Boston University
- CPA, CFA

Experience

Having more than 16 years of experience in investment, he serves on several Boards and Committees in many companies.

Executive Management

Stefano Paolo Bertamini



Current positions

- Chief Executive Officer

Previous positions

- Chief Executive officer (Standard Chartered Bank)

Qualifications

- Master’s Degree – Finance and International Banking Business

Experience

33 years

Waleed Abdullah Almogbel



Current positions

- Deputy Chief Executive Officer

Previous positions

- Chief Operating Officer (ARB)

Qualifications

- PhD – Accounting and Auditing

Experience

22 years

Abdulrahman Abdullah Alfadda



Current positions

- Chief Financial Officer

Previous positions

- General Manager – Treasury and Financial Institutions (ARB)

Qualifications

- Bachelor’s Degree – Electrical Engineering

Experience

23 years

Abdulaziz Saad Al Resais



Current positions

- Chief Risk Officer

Previous positions

AGM – Enterprise Risk Management; Al Rajhi Bank

Qualifications

MBA

Experience

19 years

Ahmed Saleh Al Sudais



Current positions

Chief Human Resources Officer

Previous positions

ACWA Power International, KSA – VP Human Capital

Qualifications

B Bachelor’s Degree in Accounting, King Abdulaziz University

Experience

17 years

Omar Mohammad Almudarra



Current positions

Chief Governance and Legal Officer

Previous positions

General Manager – Head of Legal – SAMBA Financial Group

Qualifications

Master’s Degree – Law

Experience

20 years

Abdulaziz M Al-Shushan



Current positions

- Chief Internal Audit

Previous positions

- Executive Director (Head of Internal Audit) ACWA Power

Qualifications

- Executive Master's Degree – Business Administration

Experience

19 years

Saleh Abdullah Allheidan



Current positions

- General Manager – Sharia

Previous positions

- Associate Professor in the High institute of Judiciary – Al Imam Mohammed bin Saud Islamic University

Qualifications

- PhD – in Comparative Fiqh (Islamic Law)

Experience

34 years

Saleh Abdullah Alzumaie



Current positions

- General Manager – Retail Banking Group

Previous positions

- GM RBG (Acting) (ARB)

Qualifications

- Bachelor's Degree – English Language

Experience

29 years

Majed Abdulrahman Alqwaiz



Current positions

- General Manager – Corporate Banking Group

Previous positions

- GM CBS (SABB)

Qualifications

- Bachelor's Degree – Finance Accounting

Experience

25 years

Abdullah Sulaiman Alnami



Current positions

- Chief Compliance Officer

Previous positions

- Deputy CORO (Riyad Bank)

Qualifications

- Master's Degree – Management and Business

Experience

25 years

Market overview and Saudi Vision 2030

Despite continued market turbulence in the Kingdom during 2019 – caused by a combination of oil price volatility, changing national demographics leading to continued deflation, and various geopolitical tensions in the surrounding region – significant steps have been taken toward the realization of the goals of Saudi Vision 2030.

'Vision 2030' goal is to increase home ownership for Saudi citizens from

47% in 2018 to
70% by 2030

Raising USD 25.6 billion, Saudi Aramco's successful public listing in 2019 represented the biggest IPO in history and confirmed the company's unrivalled position in the global oil and gas sector, whilst expansion and improvement was seen across the non-oil sectors of the Kingdom's economy, spurred by strategic government spending.

The Saudi banking sector continues to evolve to reflect these changing market conditions, and to meet the demands of both the Kingdom's ambitious development path and its new generation of citizens. Increasingly, the sector is being led by the demands of millennials, whose custom banks are competing to secure as the new generation of young, wealthy, tech-savvy Saudis begin to explore their options in a fairly busy marketplace.

The demand for the latest banking technologies in the Kingdom is growing in parallel with this increase in millennial customers, as is national investment in digitization and cybersecurity more generally. Therefore, banks are seeking to develop and emphasize their digital leadership, cybersecurity and data privacy credentials in order to remain in step with the Kingdom's Vision and attract new business.

Given that the Kingdom has one of the lowest 'digital first' scores in the world – referring to the proportion of customers whose first preference is to bank digitally and who use online or mobile banking more than 50% of the time – there is extremely high growth potential for banks in this area, and consequently significant market share on offer to those who are able to capitalize on this opportunity.

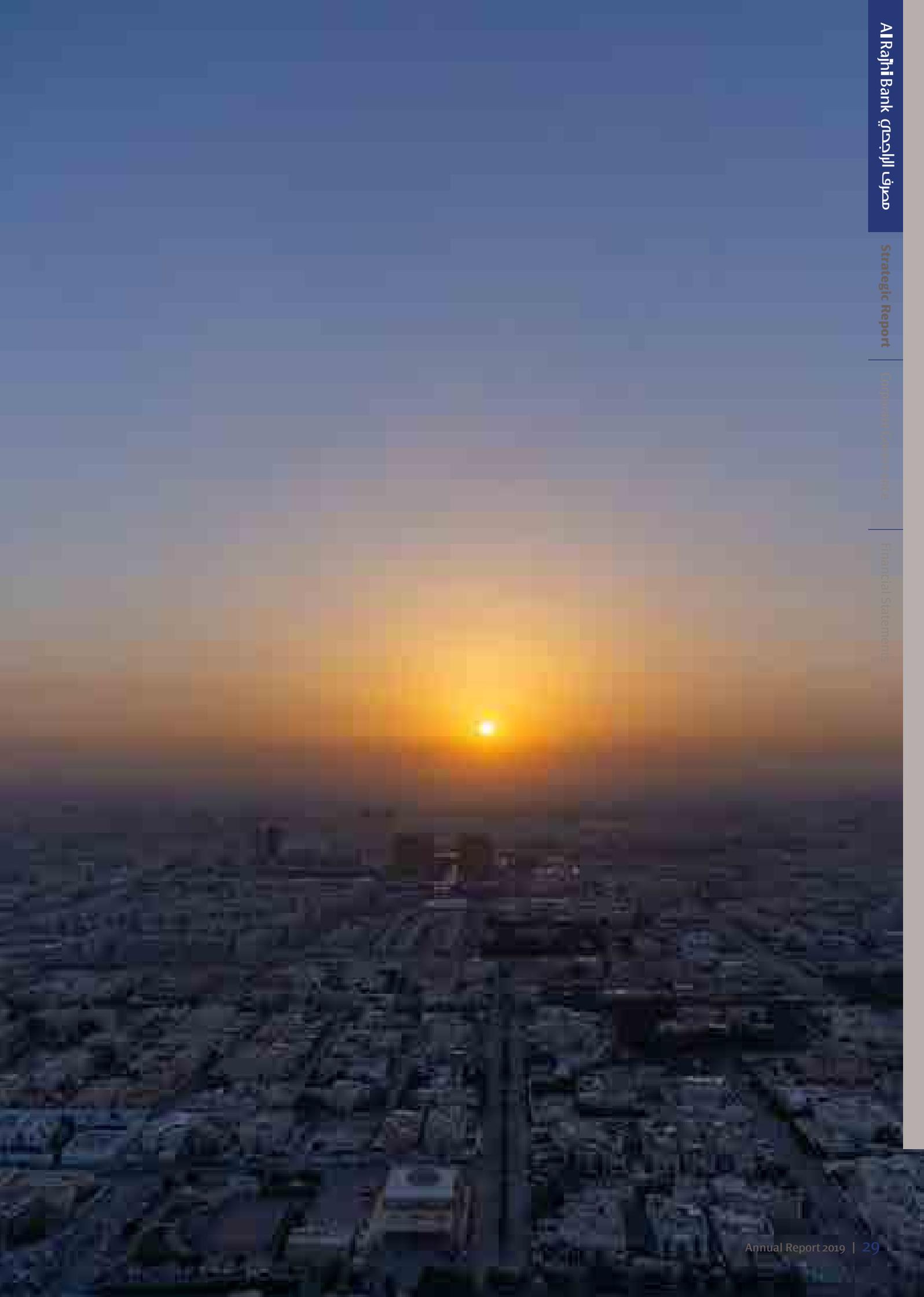
A trend of consolidation in the nation's banking system has emerged, with the potential for new mergers in the coming years – particularly in the Islamic banking

sphere – driven by the huge opportunities and intensity of competition in the sector. Also reflecting the ideals of Saudi Vision 2030, government programs to encourage Saudis to invest in purchasing their own homes has led to rising demand for mortgages – the national goal being to increase home ownership for Saudi citizens from 47% in 2018 to 70% by 2030.

This has played a key role in the banking sector in 2019, driving growth that may have previously been generated by other aspects of the banking business, and has seen major retail banks such as Al Rajhi Bank cooperating very closely with the Ministry of Housing and the real estate sector.

Another growth area for the banking sector inspired by the national development vision is structured finance, thanks to the increase in infrastructure for mega-projects being awarded and launched during the course of 2019. Some of these developments target the highly anticipated evolution of the Kingdom's tourism and hospitality sector, born of Saudi Arabian's new openness to the world. They also target the significant new potential for the expansion of the nation's entertainment sector, given the target to become a top 4 entertainment destination in Asia and join the top 10 in the world.

As this broad socio-economic development gathers pace and the Kingdom's banking sector evolves, and while the government continues to advance its various programs to achieve its broad development ambitions, Al Rajhi Bank will remain fully committed to supporting Saudi Vision 2030 by focusing on the three main objectives of its Financial Sector Program: creating an advanced capital market, supporting private sector growth, and promoting and enabling financial planning for our customers.



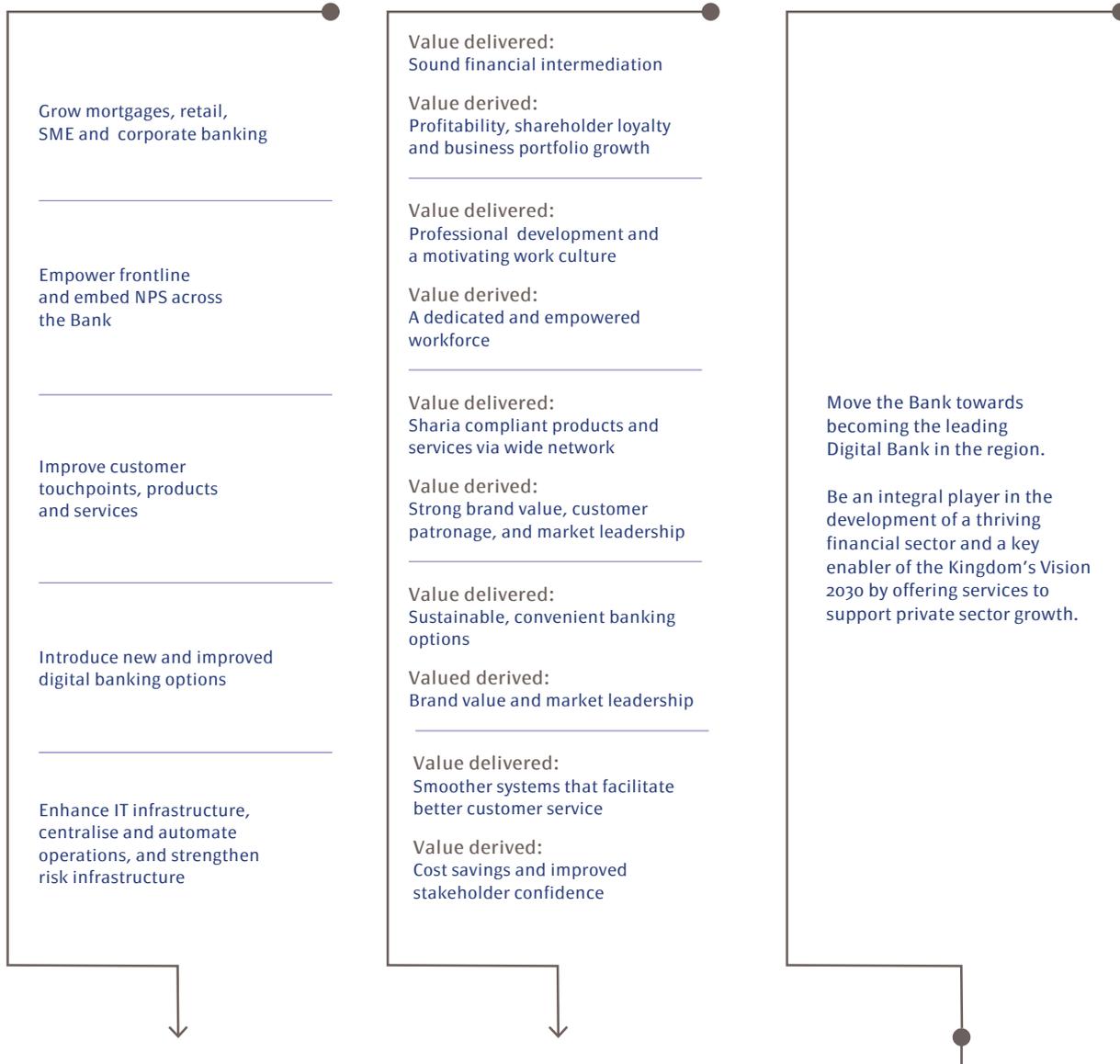
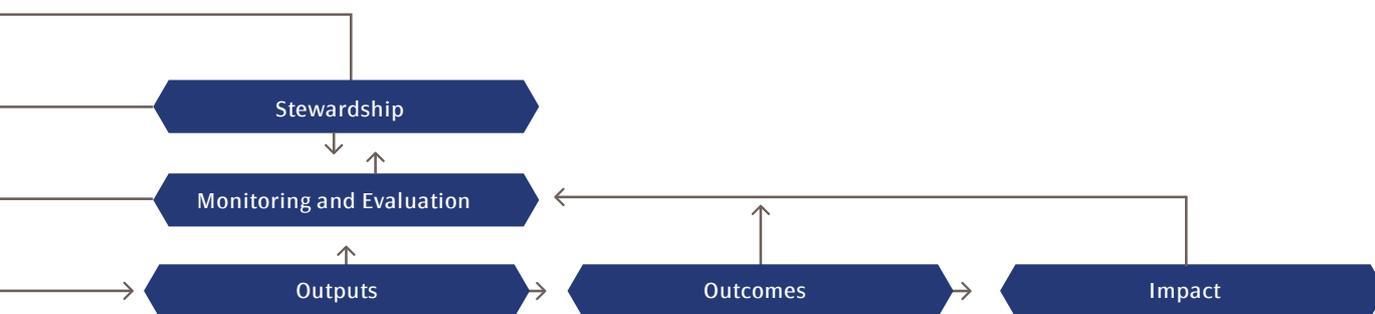
Business Model

Al Raji Bank's business model is focused on the creation of value for all its stakeholders. As illustrated in the figure below, a range of inputs (on-balance sheet and off-balance sheet forms of capital) are enhanced through the Bank's activities, with the Bank's vision, mission, values, and strategy defining its overall purpose and direction.

The Bank's value-enhancing activities in turn generate outputs, which consist of the value created both for the Bank and its stakeholders in the short term. These outputs come together into broader outcomes, representing the value created in the medium term, and eventually into overall impact, which is the long-term value created for all the Bank's stakeholders.

All of these elements are underpinned by strong governance, compliance as described on pages 62 to 63. In terms of risk management practices, as described in the Risk Management section of this report on pages 34 to 35.



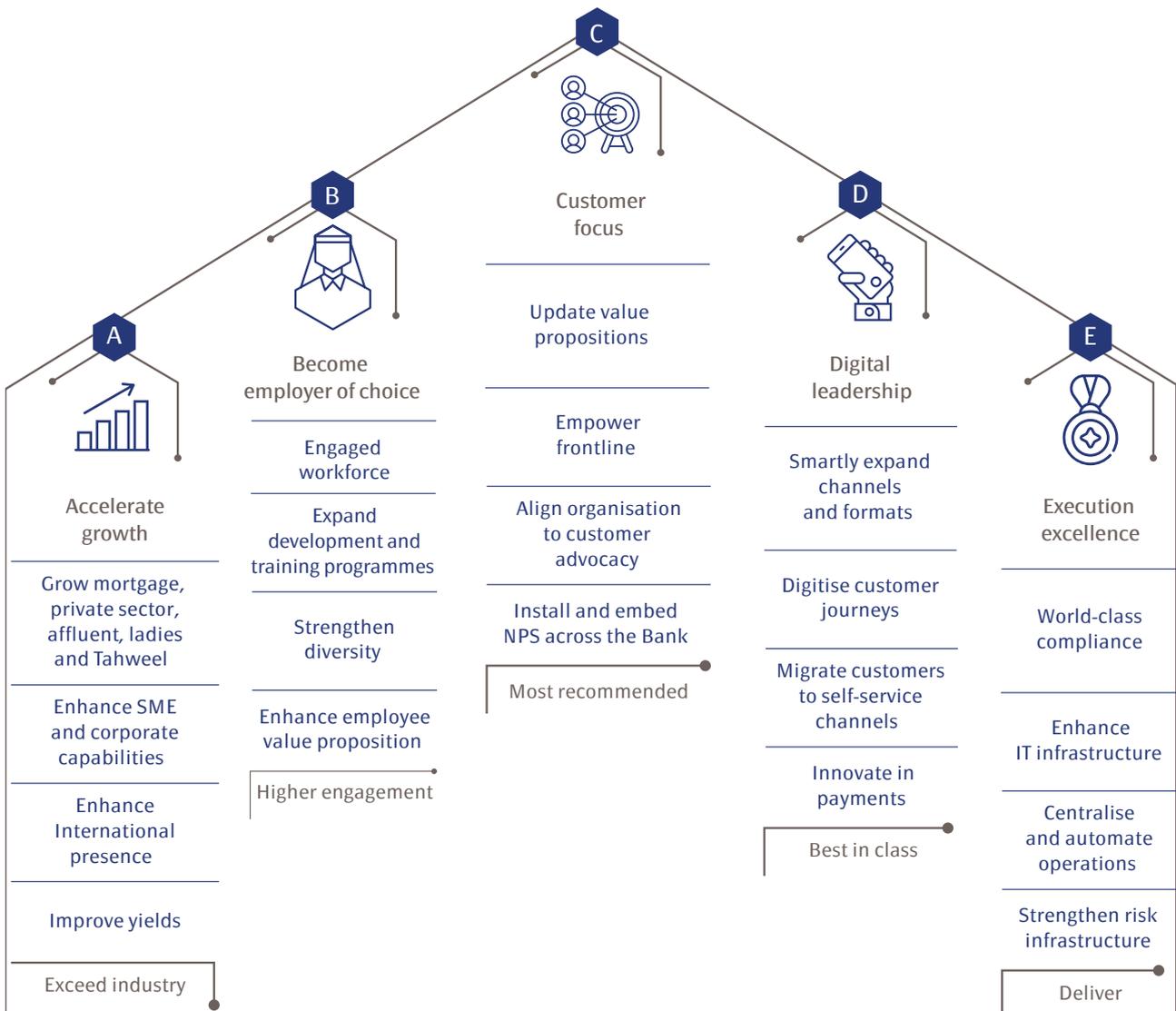


Strategy overview

Launched in 2015, Al Rajhi Bank's five-year corporate strategy aims to build new capabilities and ensure sustainable growth amidst a rapidly changing environment, while leveraging KSA's Vision 2030 objectives of creating a thriving financial sector.

In order to navigate a rapidly evolving business environment and transforming sector, Al Rajhi Bank's strategy has a relentless focus on business enabling and cost-efficient technological enhancements, as well as on the sustainability of the Bank's operations, in order to emerge as "The Bank of the Future".

The "ABCDE – Back to Basics" strategy, which is designed to expand the Bank's product and customer portfolio, diversify sources of funding, expand delivery channels, enhance customer and employee engagement, migrate customers to online channels and streamline internal processes, is composed of five key pillars, as presented along with their respective key objectives in the following table.





Risk Management

Operating in a highly competitive and dynamic environment, the Bank focused on managing a range of risks during the year under review.

Credit Risk

The most common risk for the Bank and the Group is financial loss due to a counterparty failing to meet the terms of an obligation to a transaction. Key sources of Credit Risk include credit facilities provided to customers, cash and deposits held with other banks, and some off balance sheet financial instruments such as guarantees relating to purchase and sale of foreign currencies or letters of credit. Using quantitative and qualitative aspects, we systematically evaluate a customer's creditworthiness. This helps us to maintain a robust loan portfolio. The Bank is also able to take remedial measures by conducting periodic loan reviews that are geared to detect any weaknesses in the quality of the portfolio.

Liquidity Risk

When the Bank is unable to meet its financial liabilities when they fall due or replace withdrawn funds without incurring unacceptable losses, this is termed liquidity Risk. Such a risk would invariably strike a serious blow to the Bank's reputation and its ability to do business going forward. Since the ability to accurately forecast cash flows and cash equivalents is crucial to the Bank's ability to manage such a risk, they are carried out based on practice and limits set by the Group and historical deposit movement.

The Bank's liquidity is also affected by market disruptions and credit downgrades. For this reason, assets are managed judiciously with a conservative balance of cash, cash equivalents and other assets maintained at all times. To further mitigate this risk the Bank focuses on diversifying its sources of funding. As a proactive management to address any future liquidity risk that may arise, the Bank conducts its Internal Liquidity Adequacy Assessment Plan (ILAAP) exercise to estimate the available funding under stress situation and on forecasted basis.

Market Risk

Risks related to currency, profit rate and price are classed as Market Risk. They occur when the fair value or future cash flows of a financial instrument fluctuate due to changes in market prices. Profit rate products, foreign currency, and mutual fund products are all exposed to general and specific market movements. As a result, changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates, and quoted market prices, can impact the performance of the Bank.

Being Sharia compliant means that risks resulting from speculative operations such as hedging, options, forward

contracts, and derivatives are mitigated. The Group is not immune to market risks such as Profit Rate Risk, Foreign Currency Risk, Price Risk and Operational Risk.

Operational Risk

Operational Risk scenarios are more or less idiosyncratic in nature and generally attributed to inadequate or failed internal systems and processes, human actions and/or external events.

During the year under review, the aggregated results of such stresses indicated manageable levels of risk. This demonstrates the Bank's overall resilience and the success of its integrated approach to the identification, measurement and monitoring of Operational Risk.

Concentration risk

If the Bank's area of business were limited to one location or its customers to a single type, it would be at greater risk from the slightest shocks to its operating environment. Instead, the Bank is geographically diversified and counts on the loyalty and patronage of a varied customer base, which spans industries, countries, and wallet-size. Such diversity mitigates concentration risk by providing greater stability in the face of external impacts.

Risk management practices

The role of the Board Risk Management Committee (BRMC) is to support the Board of Directors in their role of overseeing the Bank's performance in line with the Bank's risk appetite. The risk management function operates within the regulatory framework set out by the Saudi Arabian Monetary Authority (SAMA).

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) covers the Bank's risk management framework, detailing its risk appetite, risk management approach, and primary risk controls. Reviewed by the BRMC and approved by the Board, the ICAAP is submitted to SAMA on an annual basis. Similarly, the BRMC reviews and provides recommendations on the Internal Liquidity Adequacy Assessment Plan (ILAAP).

The aggregated results during 2019 of such stresses indicated manageable level of risk

The Bank must manage risks with prudence combined with pragmatism in order to remain profitable. To do so it has to accurately identify potential risks and the impact of such risks on the Bank's value creation process. This involves establishing risk thresholds, which are derived from the Bank's risk appetite. The policies and procedures set up by the Bank help identify and analyse relevant risks, manage its capital effectively and provide shareholders with sustainable returns.

Crucial to the Bank's management of risk across its operations is the role of the Credit and Risk Group headed by the Chief Risk Officer. Covering Credit Risk Management, Operational Risk Management and Enterprise Risk Management, this team works within the risk frameworks and policies approved by the Board of Directors. The Group's reports to the Board of Directors and related committees span credit risks and portfolio asset quality, operational risks, liquidity risks, market risks, reputational risks, and technology and cyber security risks among others.

The BRMC also reviews the Credit and Provisioning Policy, Operational Risk Policies, Risk Appetite Statements, Market and Liquidity Risk Policies and Information Security Policy. Its recommendations are submitted for the Board's approval.

The Bank's Liquidity Risk is monitored by the Asset and Liability Committee (ALCO). Their remit includes day-to-day management of funds to ensure that funds are available when necessary to meet commitments; monitoring liquidity ratios against benchmarks and managing the concentration and profile of debt maturities.

Market risks are regularly monitored by Credit and Risk Group with reports being sent to ALCO each month for assessment. ALCO ensures that risks taken are appropriate but initiates mitigating action if they are not within the Bank's risk appetite.

The diversity of the customer base fortifies and strengthens the Bank. Having a keen understanding of different customer requirements, we segmented this stakeholder group into three primary segments:

- Retail Banking
- Micro, Small and Medium Enterprises (MSME)
- Corporate Banking

This type of segmentation also allows us to align our value proposition in terms of products, services, and delivery channels to better cater to customer needs. Our retail customer-oriented business model provides a diverse risk profile that is supplemented by our robust corporate banking customer base. Our extensive branch network endears us to our loyal customer base, generating for us a high level of stable

demand deposits, which in turn has a positive impact on the Bank's liquidity.

Supporting our long-term value creation plans, our risk management practices regulate the entire customer journey from on boarding to issuing finances and providing reliable and relevant products and services.

In line with global standards, the Bank implemented credit provisioning framework IFRS 9 and Internal Liquidity Adequacy Assessment Plan (ILAAP) successfully. It also established Risk Appetite Statements at business line level, foreign branch level and subsidiary level. In 2020, the Bank will continue its Risk Strategies to maintain a strong Capital base and sound Funding & Liquidity position and further improving the robustness of its information security infrastructure.

Credit rating

Rating agency	Long term	Short term
S&P	BBB+	A-2
Fitch	A-	F1
Moody's	A1	P-1
Capital Intelligence	A+	A1

Receiving positive credit ratings from international rating agencies over consecutive years has been favourable for the Bank's reputation. The year under review presents no change in the ratings despite of the challenging economic & geopolitical environment.

Looking Ahead

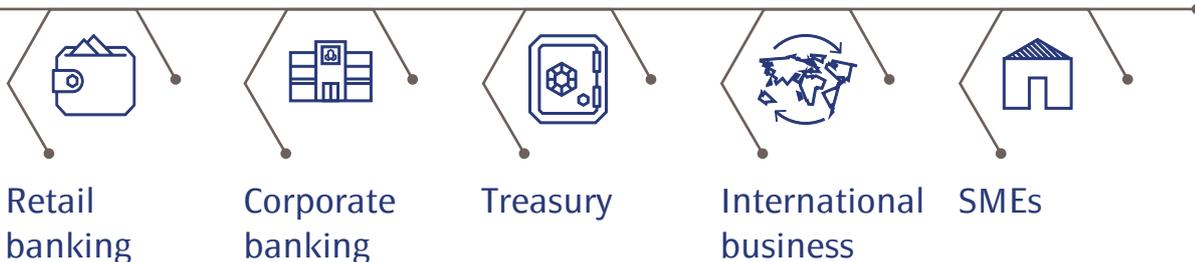
Expanding its core customer segments of retail, corporate, and SME in line with world-class risk management practices, regulatory standards, international standards, and best practices continues to be a core focus for the Bank.

Business Review

Across Al Rajhi Bank's constituent groups – from Corporate Banking, Retail and Treasury to International Business and Sharia – 2019 has seen significant enhancements to both our products and services that allow us to serve our customers and clients in more versatile ways and with greater efficiency than ever before.

Complemented by the improvements achieved by Al Rajhi Capital and our SME Business, Al Rajhi Bank has reasserted its leading position as the world's largest Islamic bank by capital and the proud custodian of the largest banking customer base in the Kingdom.

As we continue our transformative journey, we remain singularly dedicated to improving the lives of our customers through innovation and technological renewal, consistently bringing improvements to our existing products and services whilst expanding our offering to clients and customers across our various business segments.







Retail Banking Group

Al Rajhi Bank serves over nine million retail customers throughout the Middle East and continues to lead the sector in terms of its branch and ATM networks and remittance centers across the Kingdom. This unrivalled network provides the Bank's customers with access to the entire range of financial products and services from the Kingdom's leader in current accounts, personal loans, auto loans and mortgages.

Mortgage portfolio growth to

SAR 55 billion
in 2019 from

SAR 32 billion
in December 2018

Mortgage loans provided to retail clients by the Bank in Saudi Arabia more than tripled year-on-year in 2019; and portfolio growth to 55 billion in 2019 from 32.2 billion in December 2018.

The Bank's share of the market reached 33% in 2019, while total portfolio share of the market increased over the same period to reach 26%.

A Year of Strong Financial Performance

Retail Banking net income increased 11.1% year-on-year to reach SAR 6.42 billion, reflecting strong operating income performance; total operating income grew by 16.9% over the same period, mainly as a result of an improved product mix in the financing portfolio, whilst assets and liabilities grew by 11.7% and 6.0%, respectively, during 2019.

Meanwhile, net financing and investment income for the year rose by 16.5% to SAR 12.32 billion, whilst fee, exchange and other income jumped to SAR 1.26 billion, representing a 20.5% increase for the year.

New Products for a Developing Market in 2019

During 2019 the Retail Banking Group launched an Off-Plan Finance program in alliance with National Housing Company, the Ministry of Housing and the Real Estate Development Fund (REDF) to capitalize on the improving demand-supply gap being encouraged by cooperation between these partners and the Kingdom's banks and mortgage Financing institutions.

Other new products launched during the year to capitalize on changing dynamics and under-served customer segments include step-up and step-down instalment features for self-construction and off-plan finance products; co-borrower/joint loans for real estate products; Murabha products to complement our existing Ijara products; and new segment for 'about-to-retire' clients, as well as those

with non-approved employers, and retired and self-employed REDF customers covered under the Mortgage Guarantee Scheme (MGS). Also, for retired customers, Step-Up was launched to provide customers with existing loan liabilities a more flexible mortgage payment plan, while the maximum age limit at loan maturity for all real estate products was raised to 70 Years. Loan maturity tenor was also increased to 35 years for off-plan/Al Modoum products, and Mortgage Guarantee Scheme (MGS) coverage was extended to Self-Construction Murabha and Off-Plan products.

The Group's Private and Affluent Retail section continued to cater to the needs and aspirations of the Bank's Private customers, with the opening of a new Private Center in Riyadh (East Ring Road, bringing the total in the city to two), and the continued operation of Centers in Jeddah, Dammam, and Makah and at its dedicated Ladies Private Centre in Riyadh. We also improved a number of Affluent lounges, introducing contemporary design to meet the expectations of our valued customers and ensure the comfort and convenience of their experiences. The Bank's Affluent lounges now number 300 and span the entire Kingdom. For the second year running, we also increased the number of relationship managers at our 60 dedicated Affluent Ladies Sections.

In line with the bank's strategy to become the leader in the digital banking by offering contemporary digital banking products and services to its customers, the Card Business of the Bank was among the first wave of providers to launch Apple Pay and mada Pay Services in the beginning of 2019, allowing our customers to pay in seconds using their Al Rajhi cards through their mobile and smart devices.

Also in 2019, the bank piloted its much-anticipated Multi-Currencies (Omlah) Prepaid Card, which offers nine currency wallets for customers to load their travel budgets

through the Bank's digital channels. The mass launch is planned for the first quarter of 2020, in anticipation of the upcoming summer travel season.

In recognition of these and its other extensive achievements during 2019, Al Rajhi Bank's Retail Banking Group received the Best Real Estate Finance Award by the Ministry of Housing.





Corporate Banking Group

Our Corporate Banking group delivered yet another year of robust performance in 2019, achieving notable improvements over 2018 results in a number of pertinent metrics and achieving key milestones in our ongoing core banking transformation.

9.3%

increase in total
Corporate Banking
Group operating income
over 2018

Over the course of the year, the group significantly expanded its product and service offering, allowing for greater breadth and depth in our client relationships and substantially reinforcing our market position. We also further strengthened our control functions and implemented more stringent governance standards to enhance our existing compliance culture.

We continued our efforts to benefit and enhance our human capital through the implementation of various functional and leadership programs, complementing further investment in technology, systems and process during the year to drive improvements in terms of efficiency and service standards.

Sustained Growth and Performance in 2019

Strong top-line performance combined with improved operating efficiency and lower impairment charges in 2019 saw the Corporate Banking group achieve a cumulative 28.0% year-on-year growth in net income to reach SAR 2.15 billion.

Total Corporate Banking group operating income increased by 9.3% over 2018 to SAR 2.53 billion, financing income grew by 6.8%, and fees and other income by 22.6% year-on-year, while impairment charges dropped by 79.7%.

Unrivalled Options for Corporate Customers

In order to further improve our client value proposition, the past year has seen a significant expansion in the service offering of the Corporate Banking group, with the launch of a range of new products and services designed to enhance utility, efficiency and client experience.

These include products for corporate clients such as our new Virtual Accounts – providing a reliable mechanism for collecting payments whilst also aiding in reconciliation and monitoring – and Business-to-Business

banking, which establishes a direct connection between clients and the Bank in order to provide highly secure information access for the purpose of transaction and payment processing, and other services such as straight-thru processing (STP). In addition, our Corporate Liquidity Management solutions provide centralized and automated cash management for clients to optimize cash flows.

We also added SWIFT for our corporate clients, as part of our ongoing digitization efforts, providing an integrated solution for trade finance, and enhanced our eCorp and eTrade offering by undertaking a number of improvements whilst incorporating value added services. Other efforts to improve the client experience included extended working hours in our dedicated corporate service centers for the first time for Corporate Banking during the Ramadan and Eid Holidays.

2019 saw the establishment of a dedicated Real Estate Structured Finance team to expand the Bank's Real Estate offering under a new focus on Ministry of Housing developer financing, with a view to diversify our portfolio and capitalize on extensive current and potential opportunities. Also launched in 2019, our new Escrow Accounts for real estate developers are specifically tailored for the collection of off-plan sales in adherence with the WAFI Program requirements stipulated by the Ministry of Housing. In addition, we now offer a complementary, cutting-edge dashboard and reporting tool as a value-added service to aid both developers and the Ministry to monitor sales.

Other improvements were implemented in service standard measurements; transaction banking – resulting in improved revenue mix and enhanced current account floats; credit process automation; and structured finance, with the addition of key talent to increase our exposure to quality Green Field projects.

We also structured a hybrid receivable securitization transaction for a leading electronics and home appliance retailer – the first of its kind in the Kingdom – and for the first time began offering FX flexible hedging solutions to our corporate clients in partnership with Treasury group.

The Corporate Banking group conducted annual business events across key regions to outline our product and service offerings as part of our cross-sell initiatives in 2019. These included hosted Trade Workshops across major regions to engage with our clients to create awareness of our trade offerings.

A Market Leader in the Kingdom

The awards and accolades received by the group during the year testify to our ongoing efforts to improve the efficiency of our services and the breadth of our offering to clients. In a first for Al Rajhi Bank, we were recognized both as the “Market Leader in Saudi Arabia” in the area of Cash Management,

and for providing the “Best Service in Saudi Arabia” at the Euromoney Awards for Excellence.

Corporate Banking Fit for 2020

Within the sphere of our overarching aim to improve customer experience and serve our clients better, the initiatives undertaken in 2019 have resulted in a noticeable improvement in our relative position in the market, laying a strong foundation for growth in the coming year.



As part of our 2020 plans, we will launch a variety of complementary initiatives to further enhance this growing and diverse client offering, as well as to improve our service standards as part of our core strategy to establish Al Rajhi Bank as the Bank of choice for corporate clients in the Kingdom.





SME Business

Following a difficult year for our SME business in 2018, owing both to challenging market conditions and the merger of our SME business with Retail Banking, we have achieved encouraging organic growth during 2019, expanding our client base within these selective industries by extending our product range to gain increasing market share.

SAR 2.6
billion
outstanding
finance to SMEs

SAR 338
million
increase in SME
business profits

Now with a renewed focus on widening our share of the SME market, particularly in the healthcare, education, tourism, services, transportation and communication sectors, we have captured more business throughout the year, while also improving credit quality through active portfolio management and implementing efficient clean-up processes to improve non-performing loan (NPL) dynamics.

Powering the Nation's Small Businesses in 2019

In line of the Kingdom's 2030 vision and realizing the importance of SMEs in driving growth we reached SAR 2.6 billion in financing for SMEs whilst also successfully increasing SME profitability and delivering better quality assets to achieve a bottom line of SAR 338 million, which represents a significant increase of SAR -2.2 million, in comparison with 2018.

SME continued to enhance the sale of structured products especially POS Financing. This coupled with low non-performing loans (NPLs) helped in boost the overall profitability of SME.

Creating A One-stop-shop for SMEs

The key achievements of the SME business during 2019 include the enhancement of our 'one-stop-shop' concept through the development of comprehensive credit programs for different business segments. This has been supported by a greater focus on structured facilities, and the launch of POS financing, fleet financing and e-SME (online) services to complement our offering.

Delivering on the Saudi Vision in 2020

In 2020 our SME business aims to mirror broader national SME growth and reflect the progressive objectives of Saudi Vision 2030 by continuing to widen its share of the SME market by maintaining its selective industry focus. We will intend to concentrate more on structured facilities, digital products and cash management services for SMEs in order to more effectively fulfill their business needs, whilst also launching specific and targeted lending products.

Greater emphasis will also be given to process automation and channels in the coming year to enhance the customer experience and ensure the provision of seamless banking services. This will include the introduction of a new digital platform through which customers will be able to interact with and fulfill their banking needs as the nation continues its transition toward the cashless society foreseen by the Saudi Vision 2030.





Treasury Group

As the market outlook continues to evolve in the Kingdom, optimizing the Bank's treasury portfolio through product and geographical diversification will be the focus in 2020. With the upcoming launch of a new treasury management system, the Bank will be well positioned to support clients, particularly as more investors incorporate environmental, social and governance (ESG) criteria to screen investments.

The core objectives of our investments and money market activities have remained to improve the net yield of our portfolio through optimization and the introduction of higher yielding assets, whilst also achieving and maintaining the right customer and interbank deposit mix. We have also sought to retain and enhance our leading position in the foreign exchange remittance business; strengthen cross-selling with the corporate, retail and SME segments; expand our correspondent network for all major currencies; and diversify our international portfolio to include new markets.

Sustained Profit Growth in 2019

The Treasury Group achieved significant growth in 2019, driven by product diversification and portfolio optimization. Net income rose 6.7% year-on-year, on the back of a 1.9% growth in total operating income.

Total Treasury assets grew by 0.8%, in line with the bank's overall asset expansion, leading to net financing and investment income growth of 2.3% over the same period, whilst total liabilities fell 38.9% from SAR 13.71 billion to SAR 8.37 billion during the year.

Our financial institutions (FI) assets book increased to SAR 3 billion in 2019, representing its highest total value to date.

Tahweel, the Bank's remittances arm, achieved a market share of 30.6% in 2019, despite declining volumes. This growth is a direct result of our efforts to deliver an enhanced customer experience, which have led to a net promoter score of 47%, a complaints rate of only 1.8%, maximum waiting times of 20 minutes, and accelerated digitization at 58%.

Steadfast in the Face of 2020 Challenges

Rising political risk continues to represent our most significant challenge, with investors expressing concern about factors such as US-China trade dynamics and Brexit, while political uncertainty in the Middle East region will remain a key hurdle in terms of market perception. We expect growth to remain muted as the world adjusts to the consequent political realities.

Based on the market outlook for 2020, we will continue to optimize our customer and interbank deposit mix; improve portfolio net yield by adding higher yielding assets and supporting the Bank's diversification strategy; and offset profitability declines through better spreads.

In our FX activities, we aim to meet challenging new technologies as we further entrench our dominant market position, whilst also introducing new products to Corporate Banking Group, SME Banking and Private Banking to provide profit rate hedging and optimization. Meanwhile, through Tahweel, we will continue to protect our leading position despite a declining remittance market by adopting disruptive models to further enhance the customer experience and optimize network costs.

The Treasury Group will also continue to diversify our FI book by moving into new regions, whilst also maintaining a portfolio of quality, tier-1 institutions. We will also expand our correspondent network, leverage the Bank's international relationship and focus on de-risking our banking relationships. Finally, we anticipate further growth in FI fees as a consequence of trade deals and in relation to growth in the Hajj business, in line with the Hajj and Umrah Vision Realization Program.

6.7%
net profit growth



Business Review (continued)

Subsidiaries and International Branches

Al Rajhi Capital

Al Rajhi Capital is a Saudi Closed Joint Stock Company authorised by the Capital Market Authority to carry on securities business in the activities of Dealing/brokerage, Managing assets, Advising, Arranging and Custody. The Company made excellent progress in implementing its five-year strategy and growth vision for 2020. Key strategic developments in 2019 included an increase in stable, recurring revenue sources; an expansion of Al Rajhi Capital's institutional client base; and a number of major digital transformation initiatives including a complete upgrade of existing online platforms and the introduction of new e-services and delivery channels.

Notably, Al Rajhi Capital was appointed as Joint Bookrunner and Underwriter for Saudi Aramco's listing on the Saudi stock exchange, Tadawul, representing the biggest IPO in the world to date and making Saudi Aramco the world's largest listed company, with a valuation of over US\$ 1.7 trillion.

The Company also received extensive recognition during 2019, having been named Saudi Arabia Broker of the Year 2019, Sharia Fund Manager of the Year 2019 and Research Provider of the Year 2019 at the Global Investor Group MENA Awards 2019.

Strong performance and an expanding product mix in 2019

Al Rajhi Capital maintained its position as the leading broker on Tadawul – with a market share of 12.5% – and on the Nomu Parallel Market, with a market share of 19.8%.

The Company's local and regional mutual funds, which have been consistently ranked in the top quartile relative to their peers, continued to perform strongly during 2019. As a result, total assets under management (AUM), including the listed Al Rajhi REIT, grew by 27% year-on-year to SAR 46 billion compared to a growth rate of 12% during the period from the beginning until the end of 2019.

Two new funds were launched during the year. The Al Rajhi MSCI Multi-Factor Index Fund, which is the first passive fund of its kind in the Kingdom, is designed to meet growing investor demand for a low-cost and efficient way of accessing the Saudi equity market with a long-term perspective. Meanwhile, the Al Rajhi Diversified Income Fund was offered to selected investors on a private placement basis; this fully flexible income-generating multi-asset fund aims to provide an attractive long-term risk-adjusted return with moderate volatility.

The Al Rajhi Real Estate Investment Traded Fund (Al Rajhi REIT), which is listed on Tadawul, enjoyed a successful and active first year of operation, providing investors with an annualized yield of 6.3%. The total asset value of the Fund was increased from SAR 1.7 billion to SAR 2.4 billion through the acquisition of new real estate assets. These comprise new assets on Education and healthcare sectors, bringing the total number of assets under management by the Fund to 18 at the end of 2019.

Following the inclusion of Tadawul in the MSCI and FTSE emerging markets indices, the Research team worked closely with the new Institutional Sales Desk in helping to attract new clients, including qualified foreign investors. A road show, which hosted 10 companies from Saudi Arabia, was conducted in New York with the Company's US partner.

Also during 2019, Al Rajhi Capital continued to make significant progress in implementing its Digital Transformation Plan, including the launch of the Company's new website, which features a sophisticated design based on SiteCore content management and digital marketing technology, providing an enhanced user experience.

Other key digital developments include the launch of an end-to-end automated Murabaha financing solution and major enhancements to the eTadawul online brokerage trading platform such as biometric authentication. Also, new risk profiling and goal-based investment tools were added to Al Rajhi's ARC Invest asset management portal.

Al Rajhi Development Company

A limited liability company registered in the Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank, provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.

Al Rajhi Takaful Agency Company

A limited liability company registered in the Kingdom of Saudi Arabia to act as an agent for insurance brokerage activities per the agency agreement with Al Rajhi Cooperative Insurance Company.

Al Rajhi Company for management services

A limited liability company registered in the Kingdom of Saudi Arabia to provide recruitment services.

Emkan Finance Company

A Closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing. As of 31 December, the company is under licensing process with Saudi Arabian Monetary Authority (SAMA).

Al Rajhi Bank – Malaysia

An Islamic bank has been granted full banking license to operate as the first foreigner bank in Malaysia under the Islamic Financial Services Act 2013, established and operates in Malaysia. Malaysia is the first step in the direction towards entering the banking market in Southeast Asia, as the essential banking products were entered to the Asian market and provided a new complete experience from Islamic Banking.

Name of Subsidiary	Capital	Ownership of the Company %	Country of Operations	Country of Establishment
Al Rajhi Limited Company - Malaysia	1,051,714,300	100	Malaysia	Malaysia
Al Rajhi Capital	500,000,000	100	KSA	KSA
Al Rajhi Takaful Agency Company	2,000,000	99	KSA	KSA
Al Rajhi Development Company	1,000,000	100	KSA	KSA
Al Rajhi Company for management services	500,000	100	KSA	KSA
Emkan Finance Company	160,000,000	100	KSA	KSA

Al Rajhi Bank – Kuwait

Foreign registered branch at the Central Bank of Kuwait.

Al Rajhi Bank – Jordan

Foreign branch operating in the Hashemite Kingdom of Jordan

and provides all financial, banking, investment services, import and trade of precious metals and stones in accordance with the provisions of Islamic Sharia and in accordance with the applicable banking law.

Name of International Branch	Capital	Ownership of the Company %	Country of Operations	Country of Establishment
Al Rajhi Bank - Kuwait	389,888,426	100	Kuwait	Kuwait
Al Rajhi Bank - Jordan	264,842,950	100	Jordan	Jordan

Reinforcing our International Presence in 2019

In Kuwait Al Rajhi Bank generated SAR 75,601 thousand revenue in 2019. Having concluded the year with expenses of SAR 57,696 thousand, annual net profit for the Bank's Kuwait operations was SAR 101,679 thousand. High-level priorities in Kuwait included the ongoing expansion of our network to enhance client reachability, whilst also improving and broadening our core banking system in the Kuwait and establishing the foundations of a leading digital banking platform for our customers.

In Jordan, the Bank's operations produced SAR 133,039 thousand in revenue, equating to a net profit of SAR 34,879 thousand with SAR 74,411 thousand in expenses. The contribution of home financing to our overall retail portfolio increased during 2019, as did the contribution of mid-corporate and SME business to the Bank's corporate portfolio. The Bank also booked additional facilities for the Government of Jordan with a value of JOD 27 million.

The Bank's activities in Malaysia generated SAR 195,085 thousand in revenue, with expenses of SAR 170,860 thousand to achieve a net profit of SAR 23,888 thousand. Moderate asset growth was seen across the business, reflecting the current

economic uncertainty, while the Bank maintained positive jaws owing to better operating revenue, and successfully leveraged our digital platform to grow our current a savings accounts (CASA) and generate a positive fee trajectory.

Expansion and Enhancements to our International Network in 2020

Major strategic targets for Al Rajhi Bank's Kuwait operations include growing our customer current account and deposit base to reduce our dependency on government deposits. We will also deliver major enhancements to our bank digital offerings in the country (Web-2, Mobile app, SMS enhancements, etc.) as well as core banking upgrades (CTF & RBS release). The Bank also intends to integrate the Kuwait National Payment System (KNPS), the GCC Real-Time Gross Settlement System (GCC-RTGS) and the SINNAD card network into our core banking.

In Jordan, the Bank intends to gradually replace its Tawarruq products with a new product line beginning in 2020.

Al Rajhi Bank will seek to build a digital proposition around our niche market in Malaysia in 2020, leveraging our existing digital banking platform and strategic collaborations, complemented by more robust deposit campaigns.

International Business Group Highlights 2019

Country	Revenue (2019)	Expenses (2019)	Net profit (2019)
Kuwait	SAR 75,601	SAR 57,696	SAR 101,679
Jordan	SAR 133,039	SAR 74,411	SAR 34,879
Malaysia	SAR 195,085	SAR 170,860	SAR 23,888

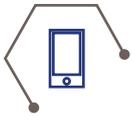
Business Review (continued)

Digital Footprint & Transformation



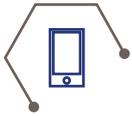
SME Online Banking Services

During 2019 Al Rajhi Bank continued its comprehensive digital transformation initiative, launched in 2018 to deliver products and services to clients through digital channels based on a “mobile first” approach. This transformation is built around the four core themes of our digital strategy: to expand smart channels and formats; enhance customer journeys; migrate customers to self-service channels; and deliver innovations in terms of payments.



Mobile App

Delivering improvements in every area of our offering, 2019 saw encouraging progress towards these strategic goals. We enhanced our SME Online Banking Services with additional capabilities for cheque book management, direct debits, soft tokens, and point-of-sale management, invoicing (Esal), and Aramco payment management.



Tahweel App

Improvements to our Mobile App included facilities to apply for pre-paid credit cards, increase online banking limits, add international beneficiaries and request additional keys, as well as launching Personal Financing Watani via the app. Other enhancements included Apple Pay support, and tools to renew vehicle registrations, request refunds and transaction claims and set up advance payments. For the first time in the market, we also added the facility to add beneficiaries via their mobile.



ATMs and kiosks

Meanwhile, enhancements to our Tahweel App included support for six additional languages, as well as facilities to update ID details, track remittances, add international beneficiaries and request MOI refunds. Other

enhancements were also made to our mobile apps in Kuwait and Jordan.

Improvements to our network of ATMs and kiosks included new Hyosung and remittance kiosks, as well as draft cheque printing facilities. Meanwhile, phases 1 and 2 of our Keyboard App for Android and for iOS were completed, we added new features to our Online Banking Desktop and eFinance facilities, and launched Phase 1 of our new online account opening service.

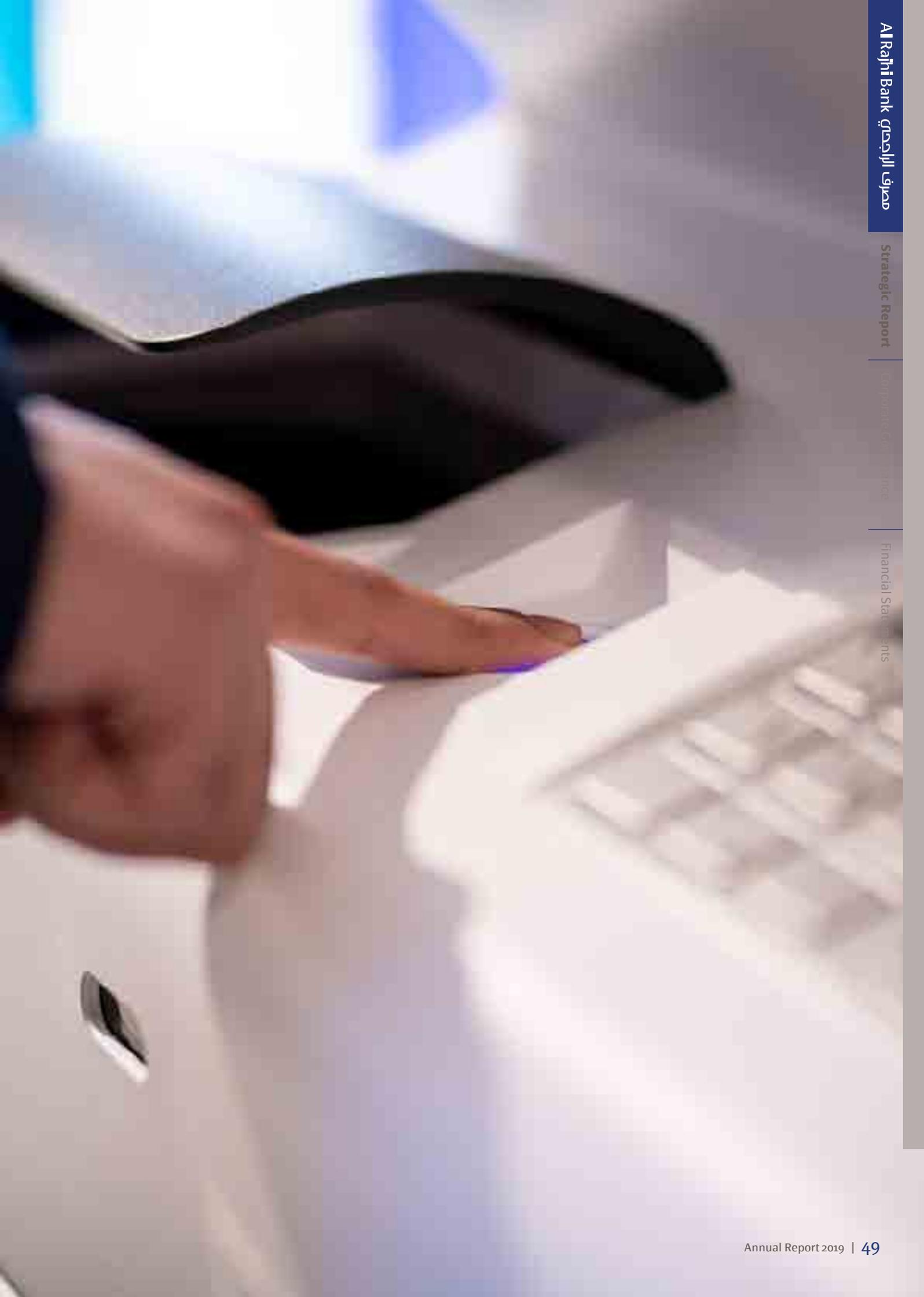
Delivering Cutting-edge Digital Improvements in 2020

The coming year will see major enhancements to our digital offering, both to SMEs and for individuals, with a focus on financial product digitization via our mobile banking channel, ensuring this remains the preferred – and most advanced – means through which to bank with us, and offering an unparalleled mobile banking experience for our customers.

More generally, we will continue to digitize customer journeys across our different service areas, improving operational processes to achieve maximum speed and client satisfaction as we migrate more of our customers to our evolving self-service channels. These include continued measures to enhance kiosks and ATMs, as well as innovations in the payments sphere to encourage customer on-boarding – including in collaboration with the SAMA Sandbox initiative – as well as in the realm of point-of-sale solutions to support the achievement of the 2030 Vision.



Online Banking Desktop and eFinance facilities



Business Review (continued)

Sharia Group

Since its foundation, Al Rajhi Bank has meticulously ensured that all Sharia precepts are adhered to in all of its transactions and services. In order to maintain this significant commitment, the Bank assigns such responsibility to an independent Shariah body, whose members are distinguished scholars.

The composition of this body and its regulations are approved by the General Assembly; its decisions are binding on all of the Bank's departments, thereby ensuring our commitment to the provisions of Islamic Sharia in all our business and activities – both inside and outside the Kingdom of Saudi Arabia.

The Sharia Board holds periodic meetings in which it examines all the Bank's products, contracts, investments, financing agreements, and all other propositions and transactions. The Sharia Board met 43 times during 2019, during which it examined more than 290 topics including banking products, agreements, contracts, questions and inquiries, and issued necessary decisions for each case (1,198 decisions) as well as guidance to be adopted and acted upon.

Structure of the Sharia Group

In order for the Sharia Board to achieve its objectives, the Sharia Group was formed within the Bank and consists of two departments:

1. **Sharia Board Secretariat Department:** this is staffed by a number of advisors who study banking products, agreements and contracts received from various groups and departments in the Bank, and prepare relevant reports to be presented to the Sharia Board. Thereafter, the Department communicates with groups and other Bank departments to inform them of the recommendations and decisions of the Sharia Board. In addition, the Department participates in the Bank's development of Sharia products and provides Sharia counseling to other Groups and departments in accordance with the decisions of the Sharia Board. During 2019, the Department prepared materials on (250) various topics.
2. **Sharia Audit Department:** it supervises all the Bank's activities in relation to applying and adhering to the decisions and recommendations of the Sharia Board, in order to ensure that there are no unauthorized products, contracts or models and that employees understand the Sharia Board's decisions through an integrated team of Sharia monitors, it performs Sharia audits of the Bank's business through automated systems and field visits, and is responsible for developing and reviewing auditing standards issued by the Sharia Board, which totaled 1,184 by end-2019.

Activities and Oversight in 2019

During 2019, the Sharia Group sought to expand the prevailing awareness level of the Bank's employees, customers and those who are interested in Islamic banking, through a variety of initiatives and events that included (39) separate specialized Sharia banking courses for employees including marketing staff, branch managers, area managers, operations managers and leaders of excellence, along with special courses for Cards Department employees. The Group also held (25) joint workshops, in which they discussed Sharia principals and aspects of all banking transactions and activities, with various different bank departments, various banks and related governmental authorities.

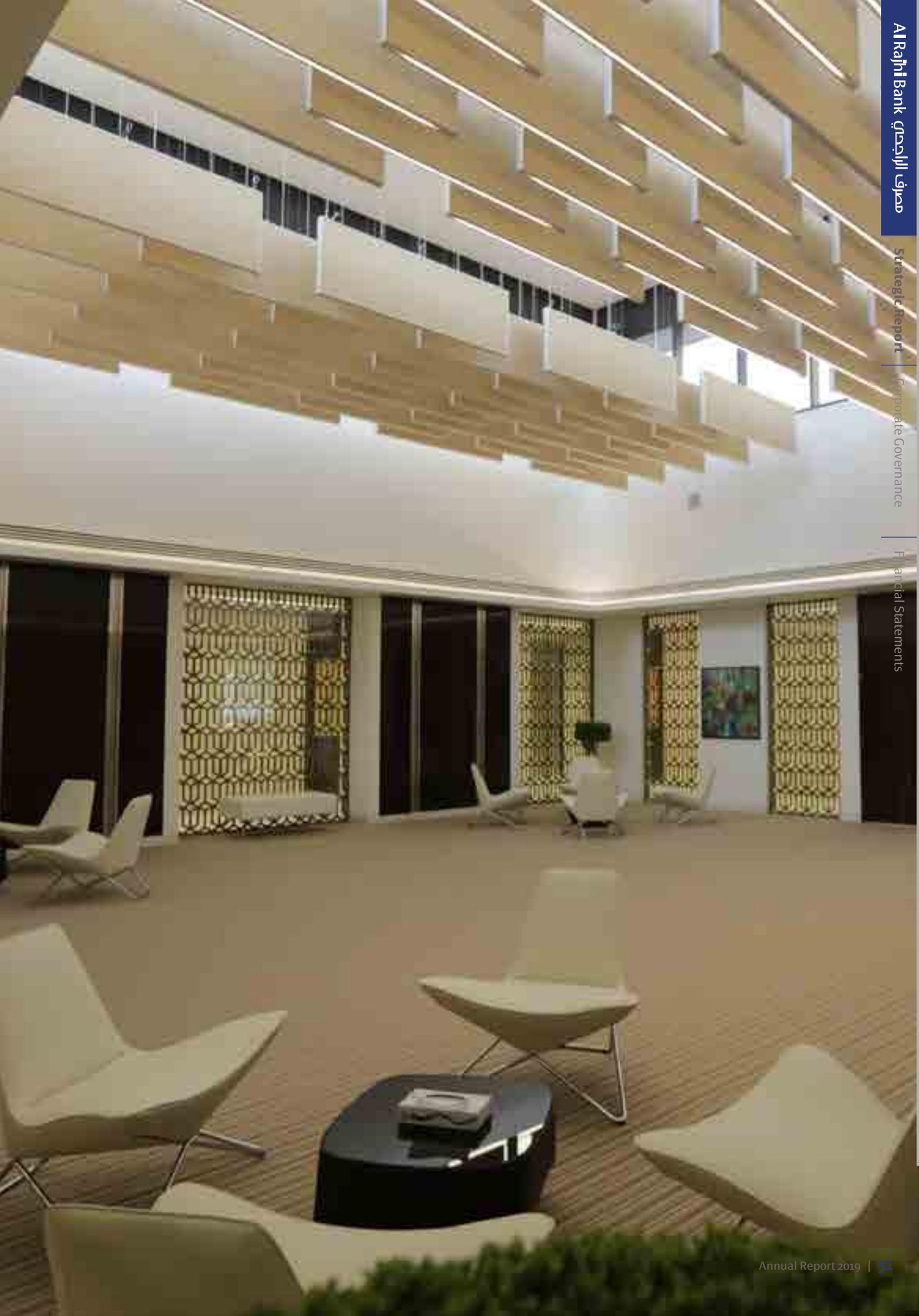
Further, the Sharia Group answered (730) inquiries including (540) telephone inquiries and (190) postal inquiries during the year; sent (12) awareness messages to the Bank's employees; and printed and distributed a number of books on Islamic banking and financial transactions.

The Group represented the Bank at the meetings of the banking committee of the Saudi Arabian Monetary Authority (SAMA) and assumed the Chairmanship of the committee during 2019. The Group representatives also participated in specialized seminars such as those held by the Research Center of Excellence of Imam Muhammad bin Saud Islamic University in addition to NCB seminar on banking services and activities.

It also provided scientific support to a number of Islamic scholars in the field of Islamic banking services and trained 12 researchers from Imam Muhammad bin Saud Islamic University, including both graduates and undergraduates.

Shariah Group Achievements in 2019

- 29 training courses for employees
- 25 joint workshops
- Answering 730 questions and inquiries



CFO Review



Income statement

Al Rajhi Bank reported net income of 10,159 Million for the full year 2019, reflecting strong momentum in the delivery of the strategy, and resulting in improved financial metrics.

	FY 2019 SAR Mn.	FY 2018 SAR Mn.	YoY %
Net financing and investment income	16,428	14,487	13.4%
Fees and other income	3,057	2,833	7.9%
Total operating income	19,484	17,320	12.5%
Operating expenses	-6,386	-5,653	12.9%
Net impairment charge	-1,772	-1,531	15.8%
Zakat	-1,168	-6,368	-81.7%
Net income for the period	10,159	3,768	169.6%
Earnings per share (SAR)	4.06	1.51*	168.8%
Dividends per share (SAR)	3.00	2.76*	8.6%
Return on equity (%)	20.49	7.01	192.2%
Return on assets (%)	2.76	1.04	165.4%
Net financing and investment margin (%)	5.22	4.75	9.9%
Cost to income ratio (%)	32.8	33.4	-1.7%
Cost of risk (%)	0.71	0.64	10.9%

* Earning per share and Dividends per share for 2018 have been calculated based on 2,500 million shares to give a retrospective effect of the change in the number of shares increased as a result of the bonus shares issued.

Operating income

Total operating income for 2019 reached SAR 19,484 Million, 12.5% higher than in 2018, reflecting strength across the board in main businesses.

Net financing and investment income totalled SAR 16,428 Million, up 13.4% year-on-year. This was driven by a widening of the financing and investment margin, which reached 5.22% as our funding platform continued to deliver a world-class

funding mix at the lowest industry cost. Fees and other income grew 7.9% to SAR 3,057 Million as a result of more competitive fee environment in the Retail and Corporate segments.

Exchange income was SAR 774 Million, increased from SAR 755 Million in 2018, reflecting management initiatives despite challenging market environment, and other income was SAR 295 Million, increased from SAR 210 Million last year.

Financial results comparison

	2019 SAR Mn.	2018 SAR Mn.	2017 SAR Mn.	2016 SAR Mn.	2015 SAR Mn.
Total operating income	19,484	17,320	15,905	15,341	13,746
Operating expenses	8,158	7,183	5,237	5,007	4,658
Net income for the period	10,159	3,768	9,121	8,126	7,130

Operating expenses

Total operating expenses for the year increased by 13% to reach SAR 6,386 Million, largely reflecting the ongoing investment in our digital capabilities, as well as the introduction of VAT. The cost-to-income ratio of 32.8% for the year represents a 60-basis point decrease against 2018.

Impairment charge

Net impairment charge for the year was 15.8% higher than in 2018, at SAR 1,772 Million. The cost of risk was 0.71% against 0.64% last year.

Balance sheet

Total assets grew by 5.5% year-on-year as the Bank was supported by solid financing landscape led by mortgage financing a long with further optimization of returns on treasury portfolio.

	FY 2019 SAR Mn.	FY 2018 SAR Mn.	YoY %
Cash and balances with SAMA and other central banks	39,294	43,246	-9.1%
Due from banks and other financial Institutions	32,058	32,387	4.1%
Investments, net	46,843	43,063	8.8%
Financing, net	249,683	231,758	7.7%
Total assets	384,087	364,031	5.4%
Due to banks and other financial institutions	2,219	7,290	-69.6%
Customers' deposits	312,406	293,909	6.3%
Total liabilities	332,895	315,725	5.4%
Total shareholders' equity	51,192	48,306	6.0%
Risk weighted assets	272,321	254,506	7.0%
Tier 1 capital ratio (%)	18.8	18.98	-0.9%
Total capital adequacy ratio (%)	19.87	20.07	-1.0%
Liquidity coverage ratio (LCR) (%)	175	196	-10.7%
Basel III leverage ratio (%)	12.9	12.9	0%
Financing to customer deposits ratio (%)	79.2	80.8	-2.0%

Assets and liabilities comparison

	2019 SAR Mn.	2018 SAR Mn.	2017 SAR Mn.	2016 SAR Mn.	2015 SAR Mn.
Cash in SAMA and other central banks	39,294,099	43,246,043	48,282,471	42,149,905	27,053,716
Dues from banks and other financial institutions	32,058,182	32,387,760	10,709,795	26,578,525	26,911,056
Investments, net	46,842,630	43,062,565	36,401,092	34,032,879	39,876,864
Financing, net	249,682,805	231,758,206	233,535,573	224,994,124	210,217,868
Property and equipment, net	10,407,247	8,649,435	7,858,127	6,485,162	5,578,931
Investment properties, net	1,383,849	1,297,590	1,314,006	1,330,868	1,350,000
Other assets, net	4,417,764	3,629,245	5,015,464	4,140,354	4,631,213
Total assets	384,086,576	364,030,844	343,116,528	339,711,817	315,619,648
Dues to banks and other financial institutions	2,219,604	7,289,624	5,522,567	8,916,970	4,558,224
Customers' deposits	312,405,823	293,909,125	273,056,445	272,593,136	257,821,641
Other liabilities	18,269,492	14,526,229	8,786,598	6,254,839	6,600,729
Total liabilities	332,894,919	315,724,978	287,365,610	287,764,945	268,980,594

Key performance indicators

Analysis of income by operating segment

	Retail	Corporate	Treasury	Investment services and brokerage	Total
Total operating income (SAR `000)	13,590,815	2,531,922	2,898,349	463,378	19,484,464
Total operating expenses (SAR `000)	-7,164,408	-381,499	-459,718	-152,481	-8,158,106
Net income before zakat (SAR `000)	6,426,407	2,150,423	2,438,631	310,897	11,326,358

Investments

Net investments increased by 8.8% in 2019, to SAR 46,843 Million, mainly driven by the increase in T-bills placement and government Sukuk.

Financing and advances

Net financing was increased by 7.7%, at 249,683 Million, as continued growth in Retail financing offset limited Corporate financing opportunities and some loan repayments. The overall financing mix remains predominantly Retail, with 75% of net exposure.

Customers' deposits

Customer deposits increased by 6.3% in 2019 to SAR 312,406 Million as the Bank continued to grow non-profit bearing deposits, which represented 91% of total deposits at year-end 2019.

Credit quality

The non-performing financing ratio remains low at 0.90%, a decrease from 0.96% last year, this reflect the health of the overall financing portfolio especially retail. 2019 coverage ratio remains high at 303%.

Capital

Al Rajhi Bank continued to maintain a strong capitalization profile with core equity Tier 1 and total capital adequacy ratios of 18.8% and 19.9%, for 2018 and 2019 respectfully. These ratios reflect a 7% increase in risk-weighted assets resulting from growth in financing. Additionally, the Bank's dividends pay-out ratio for 2019 expected to be 74%.

Liquidity

The Bank's liquidity position remained healthy with a liquidity coverage ratio of 175%.

Subsidiaries Financial Results Review

Activity Type	Revenue SAR)	
Al Rajhi Capital - KSA	Al Rajhi Capital is a Saudi Closed Joint Stock Company authorised by the Capital Market Authority to carry on securities business in the activities of Dealing/brokerage, Managing assets, Advising, Arranging and Custody.	463,377,393
Al Rajhi Development Company - KSA	A limited liability company registered in the Kingdom of Saudi Arabia to support the mortgage programs of the Bank through transferring and holding the title deeds of real estate properties under its name on behalf of the Bank, collection of revenue of certain properties sold by the Bank , provide real estate and engineering consulting services, provide documentation service to register the real estate properties and overseeing the evaluation of real estate properties.	63,719,346
Al Rajhi Takaful Agency Company - KSA	A limited liability company registered in the Kingdom of Saudi Arabia to act as an agent for insurance brokerage activities per the agency agreement with Al Rajhi Cooperative Insurance Company.	10,593,339
Al Rajhi Company for Management Services - KSA	A limited liability company registered in the Kingdom of Saudi Arabia to provide recruitment services.	259,724,982
Emkan Finance Company - KSA	A Closed joint stock company registered in the Kingdom of Saudi Arabia providing micro consumer financing, finance lease and small and medium business financing. As of 31 December, the company is under licensing process with Saudi Arabian Monetary Authority (SAMA).	-
Al Rajhi Bank - Jordan	Foreign branch operating in the Hashemite Kingdom of Jordan and provides all financial, banking, investment services, import and trade of precious metals and stones in accordance with the provisions of Islamic Sharia and in accordance with the applicable banking law.	133,039,798
Al Rajhi Bank - Kuwait	Foreign registered branch at the Central Bank of Kuwait	74,231,977
Al Rajhi Limited Company - Malaysia	An Islamic bank has been granted full banking license to operate as the first foreign bank in Malaysia under the Islamic Financial Services since 2013. It was established and operating in Malaysia	195,085,437

Geographical analysis of the total income of the bank and its subsidiaries

Year	KSA	East Asia	Total
2019	19,289,378,563	195,085,437	19,484,464,000



Sustainability

Al Rajhi Bank is committed to operating as a responsible business and generating positive value for our stakeholders – including customers, employees, shareholders and communities. This commitment is reflected not only in our governance practices and financial performance, but also in the innovative approaches we are taking to contribute to sustained economic, social and human prosperity, in line with national and international agendas including Saudi Vision 2030 and the UN Sustainable Development Goals.

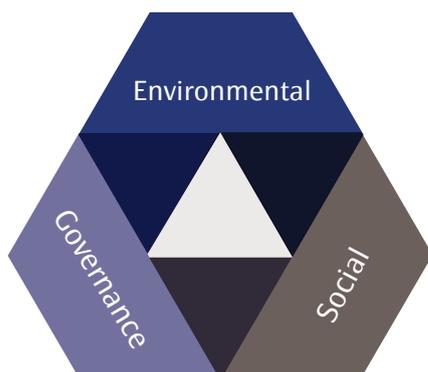
Our ESG Approach

Banking is a business of responsibility. Financial responsibility and broader social responsibility. At Al Rajhi Bank we take both these obligations seriously. We work diligently to be a well-managed, well-disciplined institution that protects people’s money from a fiduciary perspective and enables customers and businesses to achieve their financial goals. At the same time, we strive to live up to our societal duties so that we foster economic and community prosperity.

These responsibilities dictate our commitment to environmental, social and governance (ESG) practices. We have initiatives and programs in place across these pillars, to deliver on our ESG ambitions, which are underpinned by the strong foundation of our core values and standards.

Our Core Values are the heart and soul of Al Rajhi Bank, giving us a platform on which to achieve current and long-term ESG goals. Complementing these values, our Policy on Social Responsibility, established in 2014 and last updated in 2018, outlines how we contribute to sustainable development and the well-being of employees and their families, local communities and the broader society in which we operate. Specifically, the policy articulates our commitment towards:

1. Our internal environment (workplace)
2. Employees
3. Customers and shareholders
4. Communities and society



ESG Management and Disclosure

While a range of ESG matters have always been integrated in our decision-making, including how we evaluate risks and opportunities, we must rise up to the evolving standards expected of us. That means constantly working on new and existing initiatives to ensure we are addressing the most relevant issues concerning our stakeholders and our business. It also means we need to do a better job of communicating our management approaches, targets, performance and progress around material ESG issues.

We aim to improve ESG disclosure by:

- Increasing transparency on how the Bank manages its ESG issues
- Disclosing the most relevant KPIs while embracing non-financial reporting standards such as GRI and SASB
- Setting relevant targets and priorities to help create value and demonstrating, through this ESG Report and our Annual Report, how the Bank plans to fulfil them

We have started to develop targets and benchmarks in several areas to drive and evaluate our progress.

There is a dedicated team overseeing the Bank’s ESG agenda. This team acts as a central resource and works with colleagues across the organization to help identify and prioritize ESG issues, explore opportunities for improvement, and validate data for reporting.

The ESG issues that matter most to our Bank and stakeholders

There are numerous ESG issues, risks and opportunities that demand our attention. We focus on those that matter most to our stakeholders, directly relate to our business and are areas where we feel we can make a positive impact. These are considered our most material topics.

Through our regular materiality assessments, we have identified the following 15 key areas, our current priority ESG issues, which are the focus of our forward-looking strategy and program, as well as this summary of our sustainability report. They are:

- Managing Our Environmental Impacts
- Sustainable Finance
- Responsible Customer Relations
- Digital Leadership
- Financial Inclusion
- Employee Engagement and Wellbeing
- Talent Development
- Diversity and Inclusion
- Compensation and Benefits
- Community Investment
- Responsible Procurement
- Corporate Governance
- Managing Risk
- Integrity and Transparency
- Data Protection and Cyber Security

Managing Our Environmental Impacts

Rajhi Bank is committed to addressing environmental challenges and meeting the sustainability goals outlined in Vision 2030. We aim to better understand, manage and reduce our operational impact on the environment, consequently protecting the planet for future generations.

As a responsible financial institution, we are mindful of the impact of our decisions and operations and recognize our role in the transformation towards a sustainable community. We aim to reduce the Bank's carbon footprint and provide transparency in our performance.

Another important way we demonstrate a balanced, responsible approach to banking is through our lending and investment activities. As the world's leading Islamic banking institution, we provide ethical screening and are now incorporating broader ESG factors into consideration through our lending and investing activities. We have procedures in place which assess environmental risks and ensure products we fund do not have a negative impact on the environment.

Sustainable Finance

As a world-leading Islamic bank, responsible finance is embedded in our decision-making. Our financial solutions are designed to be Sharia-compliant, so we apply strict standards pertaining to credit evaluation and financing and we look to avoid funding projects that may pose negative environmental or social risks for the Bank.

Prior to granting credit facilities, we conduct a credit risk assessment that incorporates statistical risk models and other evaluation tools. Employees involved in lending engage with clients in our loan portfolio and oversee their compliance with requirements stipulated in our agreements and transactions. Given the growing importance of ESG issues, going forward we will work to integrate broader ESG evaluations into our lending processes.

In addition, the Bank renegotiates loans to customers facing financial difficulties. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

Responsible Customer Relations

With the ambition to be recognized as the most recommended bank in the Kingdom of Saudi Arabia, we place a strong focus on being a customer-centric organization, so that we deliver what is best for our stakeholders. We strive to create an environment where customers not only benefit from our products and services, but function as loyal ambassadors who advocate Al Rajhi Bank to others. By empowering customers, we can build healthier customer relationships, earn new clientele and maintain the Bank's growth.

To help build the right culture of advocacy within Al Rajhi Bank, we educate employees on elements of the customer experience. We have an Employee Code of Conduct, Client Charter and Banking Consumer Protection Principles, which together articulate our commitment to responsible business and safeguarding customer interests. The principles include our commitment to professionalism, fair and equitable dealing (with extra attention extended to those with low income, little education and special needs), disclosure and transparency, privacy protection, and financial education and awareness.

We have programs and appropriate mechanisms in place that help both existing and future customers to develop their knowledge, skills and awareness to appropriately understand basic risks, and assist them in making informed and effective decisions. We also have a process in place that directs them to obtain appropriate assistance when required.

Listening to our customers and improving our service based on their feedback is crucial to our success. We listen to our customers and monitor our progress through multiple channels, including Net Promoter Score (NPS), Voice of Customer program and customer complaints.



Our Customer Experience Council is responsible for reviewing issues affecting the customer experience and prioritizing bank-wide improvement initiatives, in line with Al Rajhi Bank's "Customer Focus" strategy. Chaired by the CEO.

Supporting the Council is our Customer Experience Department. Its responsibilities include: contributions to the Bank's customer focus strategy; designing and driving a culture of advocacy including customer awareness programs; monitoring and reporting on experiential and operational service metrics; monitoring complaints trends and resolution performance; and action planning and implementing service improvement changes.

The Bank has a dedicated Service Improvement team responsible for improving customer experience. The team harnesses wide ranging insights to identify potential improvement opportunities in collaboration with internal stakeholders and facilitates launching and tracking service improvement initiatives as part of an annual plan.

Digital Leadership

The banking sector is transforming into a digital industry, and Al Rajhi Bank is at the forefront of this change. We are committed to pioneering digital banking by leveraging the latest technologies to provide customers with the highest quality services and value.

Digital leadership is one of the five pillars of the Bank's "Back to Basics" strategic plan, and we remain focused on strategically expanding channels, digitizing customer journeys, migrating customers to self-service channels, and exploring innovations in payment methods. Each year we introduce new solutions to grow our digital footprint and enhance customer experience, and we see consumer engagement continue to grow. Today, 67% of customer transactions are performed digitally.

Among our offerings:

- The innovative Al Mubasher app features a host of services such as bill payments and the ability to apply for products, as well as the latest advancements in security technology. We continually enhance the app with performance upgrades to improve user experience.
- The ASRAA self-service machine is a one-of-a-kind “smart booth” with innovative solutions for customers’ banking operations and transactions. Through the machine, customers can renew their banking cards, print check books and six-month account statements, make transfers and perform other activities. It is the largest self-service network in the Middle East in terms of availability and diversity of services.
- Al Rajhi Bank has the largest ATM network in the Kingdom, with more than 5,125 ATMs located throughout the country..

As part of our retail expansion strategy, we have adopted a new layout for each branch designed to enhance the customer experience and entice them to try out and experience digital banking. We are also establishing an innovation center in our new facility and will be expanding the level of customer input in both the design and prioritization of new features and products. The feedback and suggestions from customers have enhanced our ability to increase conversion to digital channels and functionality.

Financial Inclusion

We are dedicated to driving greater financial inclusion and pushing the boundaries of financial accessibility. We believe that affordable, accessible and relevant financial products and services are important to ensuring that diverse people and businesses benefit from the financial system. We offer products and services that deliver specific social and economic benefits for consumers, including underserved and disadvantaged populations. For example, the Bank is the leading issuer of payroll cards in the Kingdom. This product aims predominantly to assist lower-paid workers. Our growing number of digital banking solutions are providing such workers with unprecedented opportunities to access and benefit from the financial system.

70% of households in the Kingdom are protected from impactful reforms, primarily due to the support of Citizen Accounts. The program will support Saudi household spending through to 2020, which is predicted to maintain positive growth across higher expenditure thresholds. We are also focused on becoming a more gender-inclusive bank, by improving our outreach to women, opening value opportunities for them and removing barriers they may face in doing business with us, whether as customers or as suppliers. SMEs can sometimes have difficulty accessing financing to

support their operations. The Saudi banking industry stands to benefit from significant growth opportunities in the SME sector. To better support the SME sector, the Bank created the Micro, Small and Medium Enterprises Committee to support SAMA requirements and provide an overall boost to the market. Al Rajhi Bank has a number of offerings targeting SMEs and we are committed to helping them access much-needed capital and other services to launch and/or expand their operations. As part of our contribution towards Saudi Vision 2030, we are increasing the Bank’s support for SME growth by facilitating various lending programs and providing more funding for the sector.

Engagement and Wellbeing

As the largest banking employer in the Kingdom, we recognize the importance of having employees with a high level of wellbeing and enthusiasm for the work they do. Staff who are emotionally committed to the Bank and our ongoing success ultimately stay longer, bring our brand values to life and give our customers a better banking experience.

We strive to nurture an engaged workforce through a range of initiatives. These include recognition awards, promotions, and volunteering opportunities to make a difference in the community. We also promote a culture of open communication with all employees to assess engagement levels and identify areas that require further attention. Communication channels include “pulse” surveys (held annually), focus group discussions, an HR newsletter, our online employee communication portal (TAWASUL), and annual roadshows and town halls.

To create a fair work environment, we have adopted easy-to-use procedures for employees located anywhere to raise concerns about their workplace. This is supported by a formal Grievance Policy detailing our commitment to hearing each and every grievance raised by employees, through a transparent process to protect their rights and to achieve fair solutions.

Over the past five years, we have designed and implemented a large-scale transformation program, consisting of more than 20 projects aimed at enhancing employee engagement and human resource management, so that we become the preferred destination for candidates.

To foster the physical and mental well-being of our team members, we work diligently to provide a positive health and safety culture. Various policies and procedures are in place to mitigate safety risks in our branches and offices, and we encourage general employee wellness by organizing informal team-building events, Ramadan family activities, childcare support, gym discounts, a best-in-class fitness center at Al Rajhi Bank head office and operations center, among other initiatives.

Talent Development

As the blue-chip Islamic bank, it is critical for us to ensure a pipeline of world-class talent and provide our people with professional development opportunities that will inspire them to build a long-term career with us.

Once on board, new recruits are nurtured by Al Rajhi Bank's Talent Council to ensure that they have the best possible experience with us, and that we offer an environment that brings out their abilities. The Talent Council – which is chaired by our CEO – reflects our commitment to developing strong Saudi leadership. The Council plays a critical role in identifying, developing, nurturing and mobilizing the Bank's Saudi talent, including for leadership roles.

We invest heavily in employee education and offer a wide range of professional development opportunities, including through our newly established Al Rajhi Bank Academy, an in-house, state-of-the-art training facility. We also partner with 20 different educational and training institutions, such as Harvard and London Business Schools, in order to support external skill development and joint training programs for staff.

The HR Pipeline



Our Performance Management System helps guide and monitor each employee's progress toward individual, department and Bank goals. All staff have an opportunity to discuss their growth during the mid-year and end-of-year performance review and career development discussion. Dedicated career development paths exist for each job family, enabling discussion around careers.

A dedicated Governance Unit has been established within HR covering audit, risk, compliance and SAMA-related matters. With one of the largest banking workforces in the Kingdom, it is of critical importance that HR maintains strict control and adherence to all policies, procedures and regulatory guidelines. Standardized Control and Risk Governance KPIs are included in all relevant employees' scorecards.

Diversity and Inclusion

Strengthening diversity is a heightened priority for Al Rajhi Bank. An important factor in being an employer of choice is that we strive to have a gender balance that reflects today's global marketplace. Our commitment to diversity and inclusion is integral to fostering successful relationships with customers and other stakeholders.

We believe all our employees should be valued for who they are as individuals and have equal opportunity to excel. To create an inclusive culture and diverse workforce, we are prioritizing the following areas:

- Running communications campaigns to reinforce our commitment to an inclusive work environment.
- Growing the number of female employees in our workforce, while providing them with opportunities to advance towards management positions. We have implemented structured career paths, learning and development initiatives, and special benefits to support our female employees in building their career with the Bank. There is more we need to do to gender balance our organization and cultivate a pipeline of future female leaders, and plans are in place to achieve these ambitions.
- Having strong programs, policies and training initiatives in place to support our diversity goals and values. For example, our Employee Code of Conduct outlines expected behaviors, including staff interactions and respect for others, and we have a grievance handling system to address any incidents of workplace discrimination or harassment. We offer a parental leave policy: female employees are entitled to 70 days maternity leave and male employees receive three days paternity leave.
- Measuring our progress to find areas for improvement.

Beyond our operations, we are supporting a more inclusive society. Our community investment programs ensure diversity in groups that benefit from these programs, including the differently-abled, orphans, the unfortunate and those with special needs.

Compensation and Benefits

Providing competitive compensation and meaningful benefits are essential to attracting, retaining and equitably rewarding top talent.

To ensure consistency and comparability, we have developed an Employee Value Proposition and compensation policies and practices on a differentiated, pay-for-performance-and-potential model that is linked to the Bank's and the individual's performance and market pay position.

The key pillars of our compensation framework are:

1. Governance – Board of Directors oversight
2. Policies and procedures
3. Compensation structure and incentive schemes

Our compensation package is built towards rewarding performance while encouraging behaviors that support Bank values, our risk management framework and compliance with regulatory requirements. Our total compensation approach comprises fixed and variable components.

In line with the SAMA Rules on compensation practices, both the incentive plans and the bonus plans (including the deferred bonus) are approved by both the Chief Risk Officer and the Board of Directors. Risk factors are an integral part of the balanced scorecard for performance management of senior executives.

We offer all employees a full spectrum of benefits, such as education allowances, travel allowances and best-in-class medical insurance. The Bank grants free shares to its senior employees who are seen as valuable human assets. This helps to ensure the long-term commitment of these employees. Granting of shares is based on the approval of the Board of Directors following their recommendation by the Nomination and Remuneration Committee.

Community Investment

We contribute to a range of programs geared to providing relief and support for marginalised or disadvantaged segments of society. We also partner with the public sector to help improve the services it delivers.

Employee volunteering is a growing part of our community work. Volunteering embodies Saudi society and culture, which encourage cooperation and solidarity for the sake of public interest. Since 2016, we have significantly increased the interest and engagement of employees in community service and have set a goal of achieving 50,000 volunteer hours by 2020. The volunteer efforts of the Banks' employees align with Saudi Vision 2030, which pays special attention to volunteer work and aims to reach a million volunteers by 2030.

Towards the end of each year, we develop a Corporate Social Responsibility (CSR) plan that details our community investment goals and activities for the year ahead, including employee volunteering work. The plan is reviewed and approved by the Head of Corporate Communications, Chief of Marketing and the CEO. We measure the effectiveness of our community investments through various methods, including feedback we receive from customers, employees and community organizations and positive coverage in local newspapers.

Responsible Procurement

As a large organization with operations across the Kingdom and in several international locations, Al Rajhi Bank relies on hundreds of suppliers to support its operations. Each year we spend considerable sums on purchases ranging from IT equipment to office supplies.

Supporting local suppliers is a priority: more than 70% of our procurement spend is on Saudi businesses. We are also committed to supplier diversity, including female-owned enterprises and SMEs.

Starting in 2017, we began formally tracking supplier data. Prior to this time, it was not carried out via systematic methods. We will continue to expand this tracking to including additional information and performance indicators.

We endeavor to work with suppliers that share Al Rajhi Bank's values and commitment to responsible business. Our major vendor agreements require basic minimum standards and stipulations for doing business with us. Currently, we do not evaluate specific ESG risks in the Bank's procurement decision-making or formally measure the environmental and social impacts of our procurement practices. We recognize the positive influence we have as a major purchaser of goods and services, and we will therefore explore and implement ways to drive enhanced ESG performance throughout our supply chain.

Our Business Operations and Support department is responsible for managing all suppliers and service providers for the Bank in terms of contracts, purchase orders and invoices.

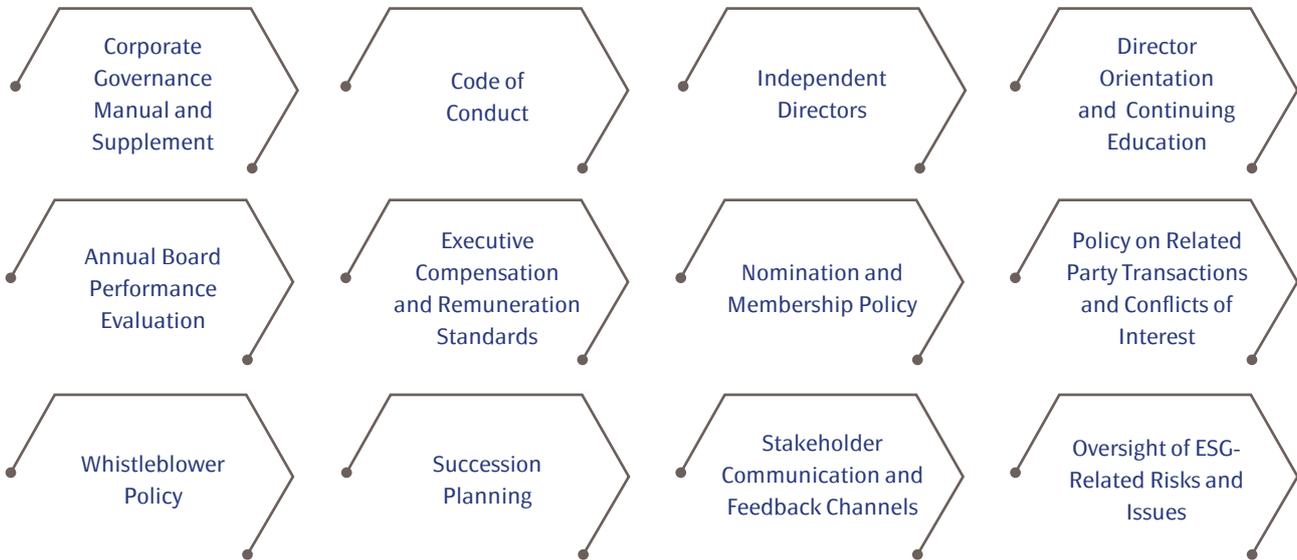
Corporate Governance

Note: This section provides a brief overview of our corporate governance practices. For further detail, see the 'Corporate Governance' chapter of this Annual Report (pages 68-92).

Our market leadership, continued profitability and long-term stability depend on the foundation of robust and effective corporate governance. We are committed to promoting high standards and evolving best practices in corporate governance and have sound policies and procedures in place that reflect this commitment, while helping us live up to our corporate values.

Our Corporate Governance Framework is based on five Board committees – the Executive Committee, Nomination and Remuneration Committee, Governance Committee, Risk Committee and Audit and Compliance Committee. The framework is supported by Level 1 and Level 2 Management Committees. This structure is underpinned by a series of governance enablers that are vital to ensuring that prudent and effective controls are in place for clarity and discipline of good corporate governance: corporate values, organization design, policies and procedures, the Bank's authority matrix

AL RAJHI BANK'S GOVERNANCE PRACTICES AT A GLANCE



and effective communication.

Al Rajhi Bank has a comprehensive Board self-assessment process that evaluates three levels of performance: Board of Directors performance; Board committees' performance; and Board members' performance.

Al Rajhi Bank's commitment to providing Sharia-compliant banking services has been robust for the past 30 years. We have an independent Sharia Board, comprising notable scholars who are specialists in this field. Through their expertise and guidance, we are able to ensure Sharia compliance both within the Kingdom and beyond. The responsibility for constituting the Sharia Board and approving its regulation lies with the General Assembly. In addition, it is compulsory for all Bank departments to comply with the Sharia Board's resolutions.

Managing Risk

Operating in a highly competitive and dynamic environment, we are exposed to a variety of operational risks – including financial, liquidity, market, credit, security and environmental risks. Taking risk is a key factor in any banking business, and these risks are an inevitable consequence of participating in financial markets. The Bank's aim is to achieve an appropriate balance between risk and return and minimize potentially adverse effects on the Bank's financial performance.

We focus on accurately identifying potential risks and the impact of such risks on the Bank's value creation process. This involves establishing risk thresholds based on the Bank's risk appetite. We have established detailed policies and procedures to help identify and analyze relevant risks, manage capital effectively and apply sustainable processes. We review our

risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

The Bank has undertaken a range of projects and actions for improvement in all key risk areas, to reduce residual risk and mitigate potential impacts, including ESG-related issues, even when such issues have not been historically classified as ESG. Being Sharia-compliant means that the Bank is immune from risks resulting from speculative operations such as hedging, options, forward contracts and derivatives.

Integrity and Transparency

Integrity and transparency are core values at Al Rajhi Bank and are fundamental to forging relationships of trust. This means being open and honest while maintaining the highest standards of corporate and personal ethics, wherever we operate.

Our Code of Conduct applies to all employees, from the CEO to front-line staff across all operations, sets out guiding principles for our people and outlines our expectations on integrity, respecting the rules, laws and regulations relevant to the Bank's activities, compliance with Sharia laws, protecting confidential information, handling potential conflicts of interest, and professionalism in the work environment. All employees are expected to review and acknowledge understanding of the Code of Conduct on an annual basis, and testing is done to confirm their understanding. Any instances of misconduct can lead to termination of employment or other disciplinary action.

Wherever the Bank operates geographically, we support fundamental human rights and aim to treat all employees, customers, suppliers and community members with respect and dignity.

Al Rajhi Bank is committed to leadership in complying with all rules and regulations applicable within the Kingdom, as well as with by global standards and best practices. The Bank's Board of Directors and Executive Management have set a vision for Al Rajhi Bank to build a "world-class compliance framework", a goal that is an integral part of the Bank's strategy. We continue to invest in state-of-the-art compliance systems, technology-enabled processes and people, and take a zero-tolerance approach to non-compliance with regulatory requirements.

Financial Crime is a specialized department within our Compliance Group. It is responsible for combating:

- Money laundering
- Terrorism financing
- Financing weapons of mass destruction
- Bribery and corruption
- Sanction and name screening

As one of the biggest Saudi financial institutions and the world's largest Islamic bank, we have developed robust Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF) and Sanctions frameworks. Read our [Policy Statement on Anti-Money Laundering and Combating Terrorist Financing](#).

Our dedicated Compliance Group oversees compliance controls and supports the Bank in interpreting and implementing regulatory requirements. The Group Chief Compliance Officer (GCCO) leads the compliance function and assists management in identifying and assessing compliance issues and in guiding and educating staff on related matters. The GCCO has direct contact with the Board of Directors and Chairman of the Board. In addition, he directly reports to the Board Audit and Compliance Committee, and to the CEO administratively. The GCCO has oversight of the compliance programs of the Bank's overseas branches (Jordan and Kuwait) and banking subsidiary (Malaysia).

To create and sustain an open and enabling culture within the Bank – and help us deliver on our commitment to build a world-class compliance framework – we have a Whistleblowing Policy. It encourages employees to speak up and report improper behaviour or any activity that violates the Code of Conduct or any of the Bank's policies, procedures and instructions. All employees can access whistleblowing channels through which they can voice concerns anonymously without fear of repercussions.

We focus on providing timely and accurate performance results and strategic updates. We are proud of our sound reputation

for communicating with our investors in a consistent, comprehensive and precise manner, taking this responsibility far beyond the minimum regulatory requirements. We provide information to our investors by various disclosures through the investor relations section of our website, investor presentations, quarterly disclosures and earning releases, earning calls and annual reports.

Data Protection and Cyber Security

The financial systems and networks supporting the Bank's business operations have grown in scope and complexity. Such growth is not without challenges. We endeavor to maintain pace with the needs of our customers, especially concerning cyber risk. The Bank fully understands the magnitude of risks posed to online transactions and is committed to the safety of our customers' online transactions. We have established a robust IT Risk Policy to ensure security.

From financial records to personal identification, we handle a considerable amount of information. Our banking operations depend on maintaining a secure, confidential environment, which is why we take our responsibility for protecting customer data very seriously. Remaining vigilant against potential threats is imperative for maintaining the trust of our stakeholders.

We have robust privacy and security practices in place, which include:

- Policies, standards and procedures to guide employees. These include our Banking Consumer Protection Principles, Employee Code of Conduct, Information Security Policy and Privacy Policy. Our Information Security Policy applies to all employees, contractors, third parties and others entrusted with the Bank's information.
- An Information Security Committee that oversees the overall information security posture at the bank and supports ARB's information security initiatives, compliance and implementation.
- Annual training and awareness campaigns to educate staff and customers on their security and privacy responsibilities.
- A strong security architecture consisting of firewalls, employee access controls, advanced day-to-day monitoring of our networks and physical facilities, and other controls.
- We follow external security standards and best practices. These include ISO 27001, a globally recognized standard for information security, and we run test procedures to ensure compliance with it. We also adhere to the PCI-Data Security Standard published by the Payment Card Industry Council.
- Ongoing testing and assessment of our security and privacy practices. We use tools and methods to identify and report on security and privacy vulnerabilities. For example, we conduct "penetration testing" periodically on our security systems and infrastructure, along with other types of assessment.

With the rise of the digital economy, cyber threats pose an increasing risk for all businesses. We continue to heighten our risk posture in this area while building the Bank’s cyber security defences on multiple fronts. We also collaborate with governments, law enforcement and industry peers to share security intelligence and best practices in an effort to reduce cyber-crime in society.

Beyond our organization, we take steps to educate consumers about steps they can take to protect themselves. For example, on our website we offer security tips to consumers as part of our ongoing commitment to safer banking. These include tips for online banking and shopping, ways to protect credit and debit cards, guidance on overseas transactions, and more.

How we contribute to the UN SDGs

We seek to create a sustainable future and in turn contribute to the UN’s Sustainable Development Goals.

ESG Pillar	Sustainable Development Goal	How Al Rajhi Bank Contributes
Environment		<ul style="list-style-type: none"> Managing Our Environmental Impact
Social		<ul style="list-style-type: none"> Sustainable Finance Customer Experience Responsible Customer Relations Digital Leadership Financial Inclusion
Governance		<ul style="list-style-type: none"> Corporate Governance Managing Risk Integrity and Transparency Data Protection and Cyber Security







03

Corporate Governance

07 Governance

Governance

The governance framework at Al Rajhi Bank is based on five Board Committees and a group of supporting executive committees of the first and second levels. This governance structure relies on several key pillars that ensure the clarity of good governance – those pillars include: The Bank’s values, organizational structure design, policies and procedures, the authority delegation matrix and the effective communication among various internal and external stakeholders.

Policies relating to the Governance Manual

The Bank applies Saudi Arabian Monetary Authority’s (SAMA) Corporate Governance Principles for Banks operating in the Kingdom of Saudi Arabia, as updated in March 2014, in addition to Capital Market’s Authority’s Corporate Governance Regulations (CMA), as updated in May 2019. The Bank has developed its Governance Manual and the guidelines that regulate the Board Committees and management committees, with all those documents being regularly reviewed by the Board and its committees.

The Bank adopts a set of policies, practices and procedures that enhances the governance framework considering the Board of Directors approved Delegation of Authorities (DOA) matrix, to adequately reflect internal practices. Most remarkably, the said policies include one relating to Management of Related Parties Transactions and conflicts of interest, in order to provide effective tools that address cases of conflict of interest to achieve integrity and transparency, while complying with the regulatory requirements set forth in the Companies Law, CMA Governance Manual and SAMA’s principles and guidelines.

The Bank also adopts a set of comprehensive disclosure policies that enable shareholders and stakeholders to get all material information and developments in a timely manner

without discrimination, inclusive of banking information required to be disclosed by SAMA and CMA regulations.

The Bank gives sufficient attention to the training and qualification of Board members and Executive Management and has developed executive programs to ensure such training. To that end, the Bank has developed an Introduction Pack to assist new Board members, which contains information pertaining to the Bank’s strategy and the financial and operating aspects, as well as the obligations and duties of Board members.

The Bank has procedures in place to settle customer and shareholder complaints, which are monitored by the SAMA and CMA. It has also implemented a corporate social responsibility policy that aims to strengthen the social role of the Bank.

Corporate Governance Regulations of CMA

The Bank has given due cognizance to the currently applicable corporate governance regulations as enumerated by the CMA of the KSA. Given below is a report on corporate governance practices at the Bank and the extent of compliance with the relevant CMA regulations.

Implementation and non-implementation of provisions of the CMA Regulations

The Bank applies all provisions of Corporate Governance Regulations issued by the CMA, except the following guiding provisions:

Article / Clause	Requirements	Reasons for not applying
Article (41) – Clause “E”	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years. (Guiding paragraph)	The assessment is conducted internally on an annual basis.
Article (54) – Clause “B”	The Chairman of the Audit Committee shall be an Independent Director. (Guiding paragraph)	A Non-Executive Board member chairs the Audit and Compliance Committee at ARB and he has been selected based on his qualifications which are found appropriate for the position.
Article (87)	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community. (Guiding article)	ARB has a Social responsibility Policy approved by the Board of Directors.



Board structure

The Board of Directors of the Bank comprises 11 members elected by the Ordinary General Assembly every three years. Any member may stand for re-election after completing his or her term in accordance with the Bank's regulations.

Names of the companies inside and outside the Kingdom in which a Board member is a manager or a member of their current or previous Board

Member name	Names of companies where the Board member is a member of its current Boards or one of its Directors	Inside/ outside the Kingdom	Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability)
Abdullah bin Sulaiman Al Rajhi	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Al Rajhi Company for Cooperative Insurance		Listed joint stock company
	Farabi Petrochemicals Company		Unlisted company
	Al Rajhi Holding Group		Unlisted company
	Al Rajhi Capital		Unlisted company
	Fursan Travel & Tourism Company		Unlisted company
	Al Farabi Investment Company		Limited liability company
	Farabi Yanbu Petrochemicals Company		Unlisted company
	Farabi Transformation Industries Company		Unlisted company
	Saudi Carpet Supplies Manufacturing Company		Unlisted company
	Jubail Saudi Company for flooring fabric solutions		Limited liability company
	Green Vision for Artificial Grass Company		Limited liability company
	Al Ajial Holding Company		Unlisted company
Salah bin Ali Abalkhail	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Al Rajhi Capital		Unlisted company
	National Veterinary		Unlisted company
	Salah Ablkhail Engineering Consultants		Limited liability company
Abdulaziz bin Khaled Al Ghafaily	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Al Rajhi Capital		Unlisted company
	SAVOLA Group - Savola Food Company		Listed joint stock company

Names of companies, in which the Board member is a member of its previous Boards or one of its previous Directors	Inside/ outside the Kingdom	Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability)
Al Rajhi Bank (CEO)	Inside the Kingdom	Listed joint stock company
Industrialization & Energy Services Company (TAQA)	Inside the Kingdom	Unlisted company
Dur Hospitality		Unlisted company
Saudi Industries Development Company		Unlisted company
Tabuk Agriculture Development Company		Listed joint stock company
National Medical Care Company		Listed joint stock company
Herfy Food Company		Unlisted company
Panda Retail Company		Unlisted company

Member name	Names of companies where the Board member is a member of its current Boards or one of its Directors	Inside/ outside the Kingdom	Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability)
Bader bin Mohammed Al Rajhi	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Mohammed Abdulaziz Al-Rajhi & Sons investment Co		Limited liability company
	Rajhi Steel		Limited liability company
	Global Beverage Co		Limited liability company
	Al Jazirah Co		Limited liability company
	Falcon Plastic		Limited liability company
	Manafe Investment Company		Limited liability company
	Al Badr Al Zaher Investment Company		Limited liability company
Khaled bin Abdulrahman Al Qoaz	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Riyadh Cables Group Company		Unlisted company
	Emcor Facilities Management Co		Unlisted company
	Unique Solutions for Chemical Industries (USIC)		Listed joint stock company
	Bawan Company		Listed joint stock company
	Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)		Limited liability company
	Synergy Management Consulting Co.		
Alaa bin Shakib Al Jabiri	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Medical and Pharmaceutical Services Company		Limited Liability Company
Ibrahim Fahad Al-Ghofaily	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Jiwar Real Estate Management, Marketing and Development Company		Unlisted company
Ameen Fahad Al Shiddi	Al Rajhi Bank	Inside and outside the Kingdom	Listed joint stock company
	VIVA – Kuwait Telecom Company		Unlisted company
	Deutsche Gulf Finance		Unlisted company
	Oger Telecom Company		Unlisted company
	STC Towers Co Ltd		Limited liability company
	STC		Listed joint stock company

Names of companies, in which the Board member is a member of its previous Boards or one of its previous Directors	Inside/ outside the Kingdom	Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability)
ACWA Holding Company	Inside the Kingdom	Unlisted company
ASTRA Industrial Group		Listed joint stock company
Samba Financial Group		Listed joint stock company
Arab National Bank		Listed joint stock company
Swicorp Company		Unlisted company
Unique Solutions for Chemical Industries (USIC)		Unlisted company
SABB	Inside and outside the Kingdom	Listed joint stock company
Gulf International Bank		Unlisted company
Construction Products Holding Company		Unlisted company
Rolaco Group		Unlisted company
Alinma Bank	Inside the Kingdom	Inside the Kingdom
Al Rajhi Bank		Inside the Kingdom
STC Solutions Advanced	Inside and outside the Kingdom	Unlisted company
Sale		Unlisted company
Arab Submarine Cables Company Ltd.		Unlisted company
Aqalat Company LLC.		Unlisted company
Viva Bahrain Company		Unlisted company

Member name	Names of companies where the Board member is a member of its current Boards or one of its Directors	Inside/ outside the Kingdom	Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability)
Hamza bin Othman Khushaim	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Hassana Investment Company		Unlisted company
Raed Abdullah Al-Tamimi	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Cooperative Insurance Company		Listed joint stock company
	Saudi Public Transport Co.(SAPTCO)		Listed joint stock company
	National Gas and Industrialization Co. (GASCO)		Listed joint stock company
Abdullatif Ali Alseif	Al Rajhi Bank	Inside the Kingdom	Listed joint stock company
	Arabian Cement Company		Listed joint stock company
	Al Ra'idah Investment Company		Unlisted company
	National Petrochemical Company PETROCHEM)		Listed joint stock company
	Wisayah Al Khaleej Investment Company		Limited liability company

Names of companies, in which the Board member is a member of its previous Boards or one of its previous Directors	Inside/ outside the Kingdom	Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability)
Dallah Healthcare Holding Company	Inside the Kingdom	Listed joint stock company
Waseel ASP Ltd	Inside the Kingdom	Unlisted company
Cooperative Insurance Company		Listed joint stock company
Cooperative Real Estate Company		Unlisted company
Najm for Insurance Services		Unlisted company
National Medical Care Company		Listed joint stock company
HSBC Saudi	Inside and outside the Kingdom	Unlisted company
Shared Vision Company Ltd		Limited liability company

Composition of the Board and classification of its members, as Executive Directors, Non-Executive Directors, or Independent Directors

Member name	Membership classification (Executive/Non-Executive/Independent)
Abdullah bin Sulaiman Al Rajhi	Non-Executive
Alaa bin Shakib Al Jabiri	Independent
Salah bin Ali Abalkhail	Non-Executive
Abdulaziz bin Khaled Al Ghefaily	Non-Executive
Bader bin Mohamed Al Rajhi	Non-Executive
Khaled bin Abdulrahman Al Qoaiz	Non-Executive
Ibrahim Fahad Al Ghofaily	Independent
Ameen Fahad Al Shiddi	Non-Executive
Hamza bin Othman Khushaim	Non-Executive
Raed bin Abdullah Al-Tamimi	Independent
Abdullatif Ali Al Seif	Independent

Committees of the Board of Directors

The functions and responsibilities of the Committees are laid down in internal guidelines and regulatory requirements. The membership term is three years which ends with the term of the Board. The Board of Directors has the authority to appoint, reappoint or terminate any member of the Committees. The Committees submit their recommendations and the minutes of meetings to the Board of Directors.

A brief description of ARB Committees' competences and functions is given below:

A. Executive Committee

The main purpose of the Executive Committee (ExCom) is to assume the responsibility for all businesses of ARB, taking quick decisions with respect to urgent matters and issues related to the business of the Bank. Also, The Executive Committee will be responsible for the review, follow up and approval of financial and non-financial, commercial, investment and operational matters related to the Bank, within powers determined by the Board of Directors.

The Committee held 13 meetings during 2019 as follows:

Meeting	Date	Member name				
		Abdullah bin Sulaiman Al Rajhi Chairman	Salah bin Ali Abalkhail member	Abdulaziz bin Khaled Al Ghefaily member	Alaa bin Shakib Al Jabiri member	Hamza Othman Khushaim member
1	24 January 2019	√	√	√	X	√
2	6 February 2019	√	√	√	√	√
3	19 March 2019	√	√	√	√	√
4	3 April 2019	√	√	√	√	√
5	24 April 2019	√	√	X	√	X
6	25 June 2019	√	√	√	√	√
7	1 July 2019	√	√	√	√	√
8	8 September 2019	√	√	√	X	√
9	18 September 2019	√	√	√	√	√
10	20 October 2019	√	√	√	√	√
11	26 November 2019	√	√	√	√	√
12	5 December 2019	√	√	√	√	√
13	16 December 2019	√	√	√	√	√

B. Nominations and Compensations Committee

The main purpose of the Nominations and Compensations Committee includes recommending the nomination of Board members, Committee members, and Senior Executives to the Board of Directors, preparing a description of abilities and qualifications required for Board of Directors membership,

assessing the effectiveness and efficiency of Board of Directors and Senior Management, ensuring compliance of the Bank with the internal incentive schemes, and rules of incentive practices issued by SAMA, principles and criteria of compensations, in a manner that best achieves the interests of depositors, shareholders and Bank's strategic objectives.

The Committee held four meetings during 2019 as follows:

Meeting	Date	Member name			
		Abdulaziz bin Khaled Al Ghefaily member	Khaled bin Abdulrahman Al Qoaiz member	Alaa bin Shakib Al Jabiri member	Raed bin Abdullah Al-Tamimi member
1	5 December 2019	√	X	√	√
2	11 November 2019	√	√	√	√
3	2 April 2019	√	√	√	√
4	15 January 2019	√	√	√	√

C. Governance Committee

The main purpose of Governance Committee is to support and maintain the implementation of the highest corporate governance standards. This is achieved through several activities conducted by the Committee, on behalf of the Board of Directors, to ensure good governance practices are followed through the Bank's activities. This includes the annual review of the Bank's governance and monitoring cases that present a conflict of interests, ensuring the continuous update of the conflict of interests record, in addition to reviewing exemption requests from the applicable governance requirements at the Bank, and coordinating with the Bank's subsidiaries to support good corporate governance standards that are consistent and

harmonized for all ARB activities. The Committees' tasks also include increasing awareness of the importance of governance and its activities in the bank among all employees, shareholders and external stakeholders, conducting an annual review of Board of Directors' performance and the performance of all Board members, Committees and Management Committees. It is also responsible for the review and update of policies related to the Board of Directors and its members, the Bank's governance and the conflict of interests, in addition to following up on the application of the Governance Manual and its appendices and the Bank's matrix of authorities.

The Committee held three meetings during 2019 as follows:

Meeting	Date	Member name		
		Salah bin Ali AbalKhail member	Ibrahim Fahad Al Ghefaily member	Raed bin Abdullah Al-Tamimi member
1	22 January 2019	√	√	√
2	18 April 2019	√	√	√
3	19 December 2019	√	√	√

D. Audit and Compliance Committee

Main responsibilities assigned to the Audit and Compliance Committee include supervising the process of submitting the Bank's Financial Statements, supervising the activities of internal and external Auditors, submitting recommendations to the Board of Directors and shareholders to approve, appoint, decide the remuneration or terminate external Auditors. In addition to reviewing and approving the scope of Audit processes and their implementation, receiving key Audit reports and ensuring that the Senior Management takes the needed

corrective measures in a timely manner to address weak controls or incompliance with policies, laws or regulations, or any other issues identified by the Auditors. The Audit and Compliance Committee held nine meetings during 2019, during which it discussed the topics listed in its annual agenda approved by the Board, in addition to other relevant topics. The Audit and Compliance Committee comprises five members – two members from the Bank's Board of Directors and three Non-Executive members.

The below table shows meeting dates and member attendance during the year:

Meeting	Date	Member name				
		Ameen Fahad Al Shiddi Chairman	Abdul Latif bin Ali Alseif	Abdullah bin Ali Al-Muneef	Farraj bin Mansour Abuthnein	Walid bin Abdullah Tamairik
1	27 January 2019	√	√	√	√	√
2	14 February 2019	√	√	√	√	√
3	14 March 2019	√	√	√	√	√
4	18 April 2019	√	√	√	√	√
5	23 June 2019	√	√	√	√	√
6	25 July 2017	√	√	√	√	√
7	26 September 2019	√	√	√	√	√
8	23 October 2019	√	√	√	√	√
9	22 December 2019	√	√	√	√	√

Audit and Compliance Committee members (other than Board of Directors members)

No.	Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
1	Abdullah bin Ali Al-Muneef	Audit and Compliance Committee	<ul style="list-style-type: none"> Member of Audit and Compliance Committee – Al Rajhi Bank Member of Shura Council Member of the Arab Parliament 	<ul style="list-style-type: none"> Chief Executive Officer – Al Muneef Financial and Management Consultancy Office Advisor – Saudi Arabian National Guard Director General of Finance and Administration Affairs – Saudi Arabian National Guard Head of Accounting Department, King Saud University Associate Professor of Accounting Department, King Saud University Executive Director of Financial and Administrative Affairs – King Faisal Specialist Hospital & Research Centre Head of Accounting Association, King Saud University Assistant Professor of Accounting Department, King Saud University Lecturer at Accounting Department, King Saud University 	<ul style="list-style-type: none"> Bachelor of Accounting – King Saud University Master Degree in Accounting – University of Southern California, USA PhD in Accounting – University of South Carolina, USA 	Held many academic, leading and advisory positions in financial and management fields

No.	Name	Committee memberships	Current positions	Previous positions	Qualifications	Experience
2	Farraj Bin Mansour Abuthnein	Audit and Compliance Committee	<ul style="list-style-type: none"> Member of Audit and Compliance Committee – Al Rajhi Bank Board Member – Astra Industrial Group Board Member - Al Moammar Information Systems Company Board Member – Aljazira Capital Company 	<ul style="list-style-type: none"> Director of Loan Department – Industrial Development Fund Member of the Project Loan Committee – Industrial Development Fund Member of the Industrial Projects Performance Audit Committee – Industrial Development Fund Senior Vice President of Finance and Investment and Region Council member – National Industrialisation Company (Tasnee) Riyadh Board Member - National Petrochemical Company (PETROCHEM) Member of Audit Committee – Almarai Company 	<ul style="list-style-type: none"> Bachelor of Industrial Management – University of Wisconsin – Milwaukee 	Held many leading positions in the Saudi Industrial Development Fund and National Industrialisation Company (Tasnee)
3	Walid bin Abdullah Tmairak	Audit and Compliance Committee	<ul style="list-style-type: none"> Member of Audit and Compliance Committee – Al Rajhi Bank Member of Audit Committee - Real Estate Development Fund Board member – Takamul International Group Member of Audit Committee – Taajeer Leasing Company Tmairak Chartered Accountants 	<ul style="list-style-type: none"> Arthur Andersen & Co Ernst & Young Member of Advisory Committee at the College of Management and Economics – King Abdulaziz University 	<ul style="list-style-type: none"> Bachelor of Accounting – King Abdulaziz University Fellowship of Saudi Organization for Certified Public Accountants (SOCPA) 	More than 25 years of experience in accounting, auditing and economics

E. Board Risk Management Committee

The purpose of the Board Risk Management Committee is to advise the Board of Directors with respect to the risk appetite and risk strategy, and to supervise the Management's

implementation of that strategy. This includes the management of capital and liquidity strategies and credit, market, operational, compliance and reputational risks, as well as any other potential risks the Bank may face.

The Committee held four meetings in 2019, as follows:

Meeting	Date	Member name		
		Khaled bin Abdulrahman Al Qoaiz Chairman	Alaa bin Shakib Al Jabiri member	Hamza Othman Khushaim member
1	10 February 2019	√	√	√
2	2 April 2019	√	√	√
3	22 October 2019	√	√	√
4	15 December 2019	X	√	√

Procedure taken by the Board to inform its members of the shareholders' suggestions and remarks on the Bank and its performance

ARB registers shareholders' suggestions provided through the General Assembly and notifies the Chairman of any other suggestions related to the Bank to be presented at the next Board meeting. In addition, there is an e-mail address dedicated to shareholders' comments and suggestions, that is published on the Bank's and Tadawul websites. The e-mail is directly linked to the Board Secretariat so that the Board could receive shareholders' comments and suggestions.

The methods used to evaluate the Board, Board Committees and members' performance:

The Governance Committee evaluates performance of the Board, Board Committees and Board members via specific surveys on three different levels. Evaluation is based on Board of Directors terms of reference specified in ARB's Governance Manual, while evaluation of Board Committees and the Audit and Compliance Committee is conducted based on their approved charters. Evaluation of Board and Board Committee members is conducted by the respective members themselves, after which the Governance Committee prepares and submits the annual assessment report to the Board of Directors for approval. Finally, a copy of the final report is provided to the Nominations and Compensations Committee.

Remuneration of the Board members and Executive Management

a) Summary of significant items of policy for remunerations of the Board of Directors, Board Committees and Executive Management members

1. Board of Directors' remuneration and compensations:

- ARB's Board members will receive a fixed annual remuneration of SAR 400,000 for their membership in ARB's Board of Directors and their participation in its activities.
- Board member will receive an attendance fee of SAR 5,000 for his attendance of each Board meeting either personally or through electronic remote channels.
- ARB shall compensate Board members for their actual expenses paid to attend the Board meetings including travelling and accommodation expenses.

2. Remuneration and compensations of the Board members for their membership in Board Committees:

- ARB's Board members will not receive an additional remuneration for their membership in ARB's Board Committees as the annual remuneration covers any other remuneration paid to the Director for his/her participation in any Board Committee.
- Board member will receive an attendance fee of SAR 5,000 for his attendance of each Board Committee either personally or through electronic remote channels.
- ARB shall compensate Board members for their actual expenses paid to attend the Committees' meetings including travelling

3. Remuneration and compensations of Audit and Compliance Committee members:

- ARB's Audit and Compliance Committee members, either from inside or outside the Board, will receive a fixed annual remuneration of SAR 150,000 for their membership in the Committee and their participation in its activities, provided that annual remuneration for Audit and Compliance Committee member from inside the Board shall not exceed the annual limits of annual remunerations and compensations granted to the Board member.
- Audit and Compliance Committee members will receive an attendance fee of SAR 5,000 for his attendance of each Committee meeting either personally or through electronic remote channels.
- ARB shall compensate Committee members for their actual expenses paid to attend the Board meetings including travelling and accommodation expenses.

4. Granting shares:

- ARB does not grant shares as remuneration for any Board member, Board Committee and Audit Compliance Committee members.

5. Allocation and payment mechanisms for remuneration and compensation:

- Remuneration and compensation for Board members and Non-Board members will be allocated annually based on recommendation from Nomination and Compensation Committee and approval of Board, amounts will then be presented to the next General Assembly meeting for ratification.
- Remuneration can vary to reflect the Director's experience, independence and number of attended meetings among other criteria.
- Attendance fees are paid annually to Directors based on their attendance sheets for Board, Board Committees, and Audit and Compliance Committee meetings.
- Payments are done through bank transfers, cheques, or any other methods, and Directors are informed of details through relevant departments.
- Remuneration and Compensations paid to directors should not exceed SAR 500,000 annually, payment of any additional due amounts will be stopped. Total amounts paid to Directors should not exceed 5% of total net profits.

6. Remuneration and compensation of Senior Executives:

The role of the Board of Directors includes, but is not limited to, the following:

- The Board of Directors is responsible for approving the overall design and oversight of all aspects of the

remuneration system and shall not delegate this responsibility to management.

- Despite the establishment of the Board Nomination and Compensation Committee, the Board of Directors shall be ultimately responsible for promoting effective governance and sound remuneration practices.
- The Board of Directors shall review and, if satisfied, approve the Remuneration Policy and any of its subsequent revision/ updates, on the recommendation of the Nomination and Compensation Committee, taking into account, inter-alia, the Rules on Compensation Practices of May 2010 and any future updates or revisions issued by Saudi Arabian Monetary Agency (SAMA).
- The Board of Directors shall review and, if satisfied, approve the recommendations of the Nomination and Compensation Committee regarding the level of remuneration of the key executives. The key executives for this purpose will include senior managers and all those executives whose appointments are subject to no objection by SAMA or other regulators.
- The Board of Directors shall ensure that the Management has put in place elaborate systems and procedures and an effective oversight mechanism to ensure compliance of the SAMA Rules on Compensation Practices and the Financial Stability Board Principles and Standards.

7. Structure of remuneration and compensation granted to Senior Executives:

- The Remuneration structures for various levels of employees should be designed to promote effective risk management and achieve remuneration and compensation objectives.
- The mix of forms of remuneration should vary depending on the employee's position and role, and may include cash, equity and other forms of compensation.
- The proportion of fixed and variable components of remuneration for different business lines may be determined taking into account the nature and level of responsibilities of an employee, business area in which he/she is working and the overall philosophy of the Remuneration Policy of the Bank. The Bank should ensure that the total variable remuneration does not limit its ability to strengthen the capital base.
- The remuneration structure of employees working in control functions such as risk management, compliance, internal control, etc. Should be designed to ensure objectivity and independence of these functions. In this regard, it should be ensured that performance management and determination of remuneration of such employees are not dealt with by any person working in/associated with the business areas monitored by them.
- The determination of the bonus pool should consider the overall performance of the Bank whereas its distribution to individual employees should be based on performance of the employees as well as that of the business unit or division

in which he/she is working. There should, however, be no guaranteed minimum bonuses and similar other payments, other than an employee's salary, that are not based on performance.

- The Bank may as part of the Remuneration Policy, provide deferment of a reasonable proportion of performance bonus with a minimum vesting period of not less than three years. The proportion of the bonus to be deferred and the vesting period should be determined based on the nature of the business, its risks and the activities of the concerned employee.
- Where the Remuneration Policy provides for payment of a part of the compensation in shares, it should also lay down the criteria to be used for determining the value for allocation of shares. Furthermore, the payouts in shares should be subject to an appropriate share retention policy.

- Joining bonuses are not permitted, unless clearly aligned with long-term value creation and prudent risk taking. Any such payments should be related to performance achieved over time and designed in a way that does not reward failure. Joining bonuses should be at least linked to successful completion of probation period and where possible, deferring the joining bonuses, on terms similar to the deferred bonuses foregone from the previous company.
- The Bank should demand from their employees that they commit themselves not to use personal hedging strategies or remunerations and liability-related insurance to undermine the risk alignment effects embedded in their remuneration and compensation arrangements.

The Bank confirms that there are no major deviations between granted remunerations and applicable remunerations policy.

B) Remuneration and compensation paid to the Board members, Board Committees, Audit and Compliance Committee in 2019

No.	Name	Board meetings		BACC meetings		ExCom Meetings		NCC meetings		
		No	amount	No	amount	No	amount	No	amount	
1	Abdullah bin Sulaiman Al Rajhi	6	30.000	-	-	13	65.000	-	-	
2	Salah bin Ali AbalKhail	6	30.000	-	-	13	65.000	-	-	
3	Abdulaziz bin Khaled A Al Ghefaily	6	30.000	-	-	12	60.000	4	20.000	
4	Khaled bin Abdulrahman Al Qoaiz	6	30.000	-	-	-	-	3	15.000	
5	Bader bin Mohammed Al Rajhi	6	30.000	-	-	-	-	-	-	
6	Alaa bin Shakib Al Jabiri	6	30.000	-	-	11	55.000	4	20.000	
7	Ibrahim Fahad Al-Ghofaily	6	30.000	-	-	-	-	-	-	
8	Raed Abdullah Al-Tamimi	6	30.000	-	-	-	-	4	20.000	
9	Hamza bin Othman Khushaim	6	30.000	-	-	12	60.000	-	-	
10	Ameen bin Fahad Al Shiddi	6	30.000	9	45.000	-	-	-	-	
11	Abdullatif Ali Alseif	6	30.000	9	45.000	-	-	-	-	
12	Abdullah bin Ali Al-Muneef	-	-	9	45.000	-	-	-	-	
13	Walid bin Abdullah Tmairak	-	-	9	45.000	-	-	-	-	
14	Farraj BinMansour Abuthnein	-	-	9	45.000	-	-	-	-	
TOTAL		66	330.000	45	225.000	61	305.000	15	75.000	

	Governance Committee meetings		BRMC meetings		Special Committees		Annual Bonus	Total (Saudi Riyal)	Total paid to the member as per the Policy (Saudi Riyal)
	No	amount	No	amount	No	amount			
	-	-	-	-	-	-	400,000	495.000	495.000
	3	15.000	-	-	-	-	400,000	510.000	500.000
	-	-	-	-	-	-	400,000	510.000	500.000
	-	-	3	15.000	-	-	400,000	460.000	460.000
	-	-	-	-	1	5.000	400,000	435.000	435.000
	-	-	4	20.000	-	-	400,000	525.000	500.000
	3	15.000	-	-	-	-	400,000	445.000	445.000
	3	15.000	-	-	-	-	400,000	465.000	465.000
	-	-	4	20.000	1	5.000	400,000	510.000	500.000
	-	-	-	-	-	-	550,000	625.000	625.000
	-	-	-	-	1	5.000	550,000	630.000	630.000
	-	-	-	-	-	-	150,000	195.000	195.000
	-	-	-	-	-	-	150,000	195.000	195.000
	-	-	-	-	-	-	150,000	195.000	195.000
	9	45.000	11	55.000	3	15.000	5.150.000	6.195.000	6.140.000

C) Remunerations and compensations paid to five Senior Executives who have received highest remunerations from the Company including CEO and CFO in 2019

Description	Five Senior Executives (CEO and CFO Included)
Salaries and compensations	9,982,742
Allowances	5,128,018
Periodic and annual rewards	45,570,573
Incentives schemes	-
Any other in-kind compensations or benefits paid annually or monthly	-
Total	60,681,333

Employee Benefits and Plans

The Bank provides its employees with several benefits which are paid during or at the end of their service according to Saudi Labor Law and Bank policies. The provision for employees' end of service benefits is accrued using accrual valuation according to Saudi Labor Law and local regulatory requirements. The provision for end of service benefits stood at SAR 980 million.

The Bank also grants free shares to its senior employees and those of its subsidiary companies who are seen as valuable human assets that need to be retained, which helps ensure

the long-term relationship with those employees. Granting of shares is subject to the approval of the Board of Directors upon the recommendation of the Nomination and Remuneration Committee.

Any penalty, precautionary measure or legal binding imposed on the Bank by CMA or any other supervisory, regulatory, judicial authority

There are no official fines imposed by CMA

Fines imposed by SAMA:

Violation of	Fiscal Year 2018		Fiscal Year 2019	
	Number of resolutions	Total amount of fines in Saudi Riyal	Number of resolutions	Total amount of fines in Saudi Riyal
SAMA supervisory instructions	34	2,315,000	41	30,403,500
SAMA instructions related to customer protection	-	-	14	170,000
SAMA instructions related to due-diligence	-	-	3	262,500
SAMA instructions related to service level of ATMs and POSs	-	-	-	-
SAMA instructions related to due diligence in AML and TF	3	450,000	-	-

Fines imposed by Ministry of Municipal and Rural Affairs:

Violation of	Fiscal Year 2018	Fiscal Year 2019
	Total amount of fines in Saudi Riyal	Total amount of fines in Saudi Riyal
Increase of building area percentage for ATMs, lack of setbacks, visible advertising posters on branches facades and ATMs, and non-existence of licenses for some bank's locations.	1,588,000	1,717,000

Outcomes of the annual review of internal control procedures at the Bank, in addition to the Audit and Compliance Committee's opinion on the adequacy of the Bank's internal control system.

The Bank's Executive Management is responsible for designing an appropriate internal control system with the Board of directors' direct supervision. The system has been designed to directly mitigate risks that could impair the realization of the Bank's strategic and operational objectives. The Bank's Executive Management has adopted a comprehensive internal control system aligned with SAMA's regulatory requirements. The following are some of the key components of the Bank's internal control system:

- The Bank has completed and approved ongoing development of the governance framework, which is the mandate for preparing and updating proper control tools on the Bank level, and defining roles and responsibilities at the Bank's different levels including the Board of Directors, Board committees and other committees.
- The Bank has a set of policies and procedures that govern its business activities, which are subject to a periodic review to ensure its completeness, efficiency and alignment with the Bank's activities.
- Most of the Bank's operations are carried out automatically through different core systems, which minimizes manual errors and fraud opportunities.
- Oversight of the Bank's activities and taking important decisions through committees formed to ensure that the Bank's activities are carried out appropriately in order to safeguard the Bank's assets.
- The Bank has dedicated specialized functions on evaluating the effectiveness of its internal control systems, which include internal audit, compliance, anti-fraud and other risks management functions.

- Existence of an effective Audit and Compliance Committee supervising internal and external Auditors activities in order to support and promote their independence. This Committee receives regular and periodic reports on audits carried out on different functions within the Bank.
- Regular reviews on the efficiency and adequacy of the internal control system is carried out by Internal Audit based on an annual plan approved by the Audit and Compliance Committee, in addition to reviews of the effectiveness of internal control by the external Auditors and supervisory reviews conducted by the Saudi Arabian Monetary Authority (SAMA).

Annual review of internal control procedures

During 2019, the Bank explored all possible efforts to ensure the appropriateness and effectiveness of internal control in order to be in line with the requirements of internal control issued by SAMA. Furthermore, the Bank's activities carried out during the year 2019, which included a review of the effectiveness of internal controls systems contributed to providing reasonable confirmation of the appropriateness of applied internal controls, in addition to confirming the existence of necessary tools, systems and procedures to identify, assess and mitigate potential high risks the Bank may face, and how to address them. As a result, no material weaknesses have been identified that could negatively impact the appropriateness of the internal control system. Based on the outcomes of assessing the Bank's internal controls effectiveness, the Bank has an adequate internal control system that operates appropriately and is being reviewed on a continuous basis. It should be noted that despite having an internal control system, regardless of its design and effectiveness, no absolute assurance can be provided on the effectiveness of internal controls.

General Assembly

The Bank always adheres to the concerned Government regulations in all matters relating to Ordinary and

Extraordinary General Assemblies. All regulatory provisions are accompanied by sufficient information to enable shareholders to make their decisions.

Historical information of General Assembly meetings during the fiscal year:

		Attendance record
		Ordinary GM no. 13 on 3 April 2019
no	Name	
1.	Abdullah bin Sulaiman Al Rajhi	✓
2.	Salah bin Ali AbalKhail	✓
3.	Alaa bin Shakib Al Jabiri	✓
4.	Khaled bin Abdulrahman Al Qoaiz	✓
5.	Ameen bin Fahad Al Shiddi	✓
6.	Bader bin Mohammed Al Rajhi (Representative of Mohammed Abdulaziz Al Rajhi & Sons Investment Co.)	✓
7.	Abdullatif Ali Alseif (Representative of Public Pension Agency)	✓
8.	Hamza bin Othman Khushaim (Representative of GOSI)	✓
9.	Abdulaziz bin Khaled Al Ghefaily	✓
10.	Raed bin Abdullah Al-Tamimi	✓
11.	Ibrahim bin Fahad Al-Ghofaily	✓

Bank's significant plans, decisions and future expectations

ARB maintains its leading position in retail as its market share represents 37.6% of total retail loans granted in Q3 2019. The Bank intends to enhance its leadership in this sector by increasing its finance portfolio in general and real estate finance in particular. The Bank also intends to initiate investment in the latest technologies to ensure providing the best banking services and products as well as expanding customer base by expanding branch network and electronic banking channels.

Bank's dividend distribution policy

The Bank distributes the specified annual net profits, after deduction of all general expenses and other costs and arranging the necessary provisions to confront doubtful debts, investment losses and urgent commitments for which the Board of Directors evaluates the risk level under the Banking Control Law and Saudi Arabian Monetary Authority (SAMA) directions as follows:

- a. The due Zakat amounts scheduled to be paid by shareholders are calculated and the Bank pays such amounts to competent authorities.
- b. The Bank transfers no less than 25% of the remaining net profits to the following year after deducting the Zakat of the statutory reserve to ensure that the mentioned reserve becomes equal—at least—to the paid capital.

- c. Of the remaining profits, no less than 5% of the paid capital after deducting the statutory reserves and Zakat to be distributed to shareholders according to recommendations of the Board of Directors and decisions of the General Assembly. If the percentage left from the profits due to shareholders is insufficient to pay the above-mentioned percentage, the shareholders may not claim to pay it during the next year(s) and the General Assembly may not decide to distribute a percentage of profit greater than the one proposed by the Board of Directors.
- d. After allocating the amounts mentioned in items (a), (b) and (c); the remaining amount will be used according to the recommendation of the Board of Directors and the decision of the General Assembly

General Assembly

The Bank always adheres to the concerned Government regulations in all matters relating to Ordinary and

Extraordinary General Assemblies. All regulatory provisions are accompanied by sufficient information to enable shareholders to make their decisions.

Profits distributed during the year	21 July 2019	Percentage of profits to be distributed at the end of the year	Total profits
Percentage	15%	15%	30%
Total	3,750,000	3,750,000	7,500,000

Description of any interest of Board members, Senior Executives, their spouses and minor children in the Bank's securities or those of its subsidiaries:

A) Major shareholders

No.	Holder of interest, contractual papers and subscription rights	Number of shares at the beginning of year 2019	* Number of shares at the end of year 2019	Net change	Change %	Ownership %
1.	General Organization of Social Insurances	165,667,525	146,623,115	(19,044,410)	-11.50	5.86

*17 shares have been granted against every 13 owned shares to reflect the increase of the Bank's capital, based on the approval of the 13th Extraordinary General Assembly held on 3 April 2019

B) Board of Directors' members

No.	Holder of interest, contractual papers and subscription rights	Number of shares at the beginning of year 2019	* Number of shares at the end of year 2019	Net change	Change %
1.	Abdullah bin Sulaiman Al Rajhi	35,221,483	54,186,896	18,965,413	53.85
2.	Salah bin Ali AbalKhail	1,470,000	2,300,000	830,000	56.46
3.	Abdulaziz bin Khaled Al Ghefaily	25,000	34,460	9,460	37.84
4.	Bader bin Mohammed Al Rajhi	5,207	175,233	170,026	3,265.34
5.	Khaled bin Abdulrahman Al Qoaiz	1,000	14,615	13,615	1,361.50
6.	Alaa bin Shakib Al Jabiri	6,000	3,846	(2,154)	-35.90
7.	Ibrahim Fahad Al-Ghofaily	459,981	725,842	265,861	57.80
8.	Raed Abdullah Al-Tamimi	1,000	1,538	538	53.80
9.	Abdullatif Ali Alseif	40,000	61,538	21,538	53.85
10.	Hamza Othman Khushaim	-	-	-	0.00
11.	Ameen Fahad Al Shiddi	-	-	-	0.00

*17 shares have been granted against every 13 owned shares to reflect the increase of the Bank's capital, based on the approval of the 13th Extraordinary General Assembly held on 3 April 2019

C) Senior Executives

No.	Holder of interest, contractual papers and subscription rights	Number of shares at the beginning of year 2019	* Number of shares at the end of year 2019	Net change	Change %
1.	Abdulrahman Abdullah Al Fadda	2,938	3,000	62	2.11
2.	Saleh Abdullah Allhehedan	7,577	25,000	17,423	229.95
3.	Abdullah Sulaiman Al Nami	1,293	100,000	98,707	7633.95
4.	Majid Abdulrahman Algwaiz	3,322	0	(3,322)	-100.00
5.	Christopher Mark Macleen	9,204	32,923	23,719	257.70
6.	Abdulaziz Sa'ad Al Resais	Appointed on 18 August 2019		10,000	-
7.	Abdullah Ali Alkhalifa	10,228	Left on 5 December 2019		-
8.	Khaled Fahad Alhozaim	7,579	Left on 30 April 2019		-

*17 shares have been granted against every 13 owned shares to reflect the increase of the Bank's capital, based on the approval of the 13th Extraordinary General Assembly held on 3 April 2019

Board of Directors' sessions

No.	Director name	Number of meetings: seven (6)					
		First meeting 6 February 2019	Second meeting 3 April 2019	Third meeting 25 June 2019	Fourth meeting 20 October 2019	Fifth meeting 21 October 2019	Sixth meeting 16 December 2019
1.	Abdullah bin Sulaiman Al Rajhi	√	√	√	√	√	√
2.	Salah bin Ali AbaKhalil	√	√	√	√	√	√
3.	Abdulaziz bin Khaled Al Ghefaily	√	√	√	√	√	√
4.	Bader bin Mohammed Al Rajhi	√	√	√	√	√	√
5.	Khaled bin Abdulrahman Al Qoaiz	√	√	√	√	√	√
6.	Alaa bin Shakib Al Jabiri	√	√	√	√	√	√
7.	Ibrahim Fahad Al-Ghofaily	√	√	√	√	√	√
8.	Ameen Fahad Al Shiddi	√	√	√	√	√	√
9.	Hamza Othman Khushaim	√	√	√	√	√	√
10.	Raed Abdullah Al-Tamimi	√	√	√	√	√	√
11.	Abdullatif Ali Alseif	√	√	√	√	√	√

Bank requests for shareholders' register

No.	Request date	Request reasons
1	1 January 2019	Updating shareholders records
2	9 January 2019	Updating shareholders records
3	30 January 2019	Updating shareholders records
4	28 February 2019	Updating shareholders records
5	30 April 2019	Updating shareholders records
6	9 June 2019	Updating shareholders records
7	23 July 2019	Updating shareholders records
8	25 July 2019	Dividends distribution for H1 2019
9	4 August 2019	Updating shareholders records
10	2 September 2019	Updating shareholders records
11	1 October 2019	Updating shareholders records
12	31 October 2019	Updating shareholders records
13	1 December 2019	Updating shareholders records
14	11 December 2019	Updating shareholders records

Related party transactions

In the ordinary course of business, the Bank transacts business with related parties. The related party transactions are governed by the regulations issued by the regulators in the Kingdom of Saudi Arabia. The Bank has disclosed such transactions in Note (30) of its closing Financial Statements for the year 2019. The nature and balances resulting from such transactions for the year ended 31 December 2019 are as follows (all amounts are in thousand Saudi Riyals):

Type of Transaction	Balances resulting from the transaction
Loans and advance payments	7,311,890
Potential obligations	877,178
Current accounts	320,580
Contribution receivables	142,152
Debtors against liabilities	194,312
Banks' balances	332,713
Income from financing and other income	135,422
Speculation (Mudaraba) fees	79,316
Employees' salaries and benefits (airlines tickets)	4,297
Building rentals and expenses	5,521
Contributions – policies written	861,880
Incurred and reported claims during the year	662,212
Paid claims	615,901
Board members remunerations	6,140
Short-term benefits	99,533
End of service provision	10,669

Information of 2019 transactions and contracts in which the Bank is a party and any of Board members or senior executives, or any of their related parties has an interest:

1. Commercial and services contracts (Figures in Saudi Riyal)

Related No.	Party	Party with direct indirect interest	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions/ Contracts amount for 2019
1.	Fursan Travel & Tourism Co	Abdullah bin Sulaiman Al Rajhi	Board member	Owned by Board Member	Airlines tickets for Employees' contract	Price contract for four years	Standard conditions without preferences	4,471,559
2.	STC	Ameen Fahad Al Shiddi	Board member	Senior executive	Strategic agreement to provide integrated smart ICT services and solutions	Price contract for five years	Standard conditions without preferences	56,855,966
3.	STC	Ameen Fahad Al Shiddi	Board member	in the company	Contract and services for connecting PoS devices to network	Price contract for six years	Standard conditions without preferences	421,491
4.	STC	Ameen Fahad Al Shiddi	Board member	Senior executive	Communication services provision agreement	Two years and nine months	Standard conditions without preferences	998,920
5.	STC	Ameen Fahad Al Shiddi	Board member	in the company	Integrated communications services and solutions contract	Price contract for three years	Standard conditions without preferences	163,873,018
6.	STC	Ameen Fahad Al Shiddi	Board member	Senior executive	Provision of general services such as (communication, mobiles, call center)	One year	Standard conditions without preferences	32,560,532
7.	Arabian Internet and Telecom Services (STC Solutions)	Ameen Fahad Al Shiddi	Board member	He has an influence on company's decisions as he is a senior executive in the parent company (STC)	Internet services contract	Two years	Standard conditions without preferences	1,960,857
8.	Arabian Internet and Telecom Services (STC Solutions)	Ameen Fahad Al Shiddi	Board member	He has an influence on company's decisions as he is a senior executive in the parent company (STC)	Supply, installation and maintenance of devices Dell-EMC contract	Three years	Standard conditions without preferences	21,613,740
9.	Global Beverage Holding Company	Bader bin Mohammed Al Rajhi	Board member	Board Chairman	Bottled water supply services	Annual contract (as per the best quotation)	Standard conditions without preferences	557,761
10.	Thiqah Business Services Company	Abdulaziz bin Mohammad Al Shoshan	Senior executive	Senior executive and member of the Audit Committee	Trade register inquiry services (Watheq)	Price contract for four years	Standard conditions without preferences	1,248,017

2. Rental contracts (Figures are in Saudi Riyal)

No.	Related Party	Party with direct indirect interest	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions/ Contracts amount for 2019
1.	Mohammed Abdulaziz Al Rajhi & Sons Investment Co.	Bader bin Mohammed Al Rajhi	Board member	Company's Board Chairman	Southern region management building rent contract	Seven years – automatically renewable for similar period	Rent contract	260,444
2.	Mohammed Abdulaziz Al Rajhi & Sons Investment Co.	Bader bin Mohammed Al Rajhi	Board member	Company's Board Chairman	Contract for renting direct sales office in Abha	Seven years – automatically renewable for similar period	Rent contract	42,525
3.	Mohammed Abdulaziz Al Rajhi & Sons Investment Co.	Bader bin Mohammed Al Rajhi	Board member	Company's Board Chairman	ATM site rent contract	Five years – automatically renewable for similar period	Rent contract	39,375
4.	Abdullah bin Sulaiman Al Rajhi	-	-	Bank Board member	Albatha'a exchange & remittance center rent contract	One year – automatically renewable for similar period	Rent contract	577,500
5.	STC	Ameen Fahad Al Shiddi	Board member	A senior executive in the company	ATM site rent contract	Two years – automatically renewable for similar period	Rent contract	34,650
6.	STC	Ameen Fahad Al Shiddi	Board member	A senior executive in the company	ATM site rent contract	Three years – automatically renewable for similar period	Rent contract	34,650
7.	Mohammed Ibraheem Alsubeaei Company	Ahmad Saleh Al Sudais	Senior executive	Board member in the company	Al Khaldiyya District remittance center rent contract	Five years – automatically renewable for similar period	Rent contract	207,900

3. Insurance contracts

No.	Related Party	Party with direct indirect interest	Position in ARB	Type of relation with related party	Relation type	Period	Conditions	Transactions/ Contracts amount for 2019
1.	Al Rajhi Co. for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board member	Company's Board Chairman	Comprehensive insurance for banks, properties, work disruption, managers and executives	Annual contracts	Standard conditions without preferences	81,284,000
		Saleh bin Abdullah Alzumaie	Senior executive	Board Chairman at the company				
		Saleh Abdullah Allehedan	Senior executive	Board Chairman at the company				
2.	Al Rajhi Co. for Cooperative Insurance	Abdullah bin Sulaiman Al Rajhi	Board member	Company's Board Chairman	Comprehensive insurance for cars	Annual contracts	Standard conditions without preferences	780,596,000
		Saleh bin Abdullah Alzumaie	Senior executive	Board Chairman at the company				
		Saleh Abdullah Allehedan	Senior executive	Member of the Sharia Board				

Statutory payments

The Bank's regulatory payments during the year consisted of Zakat due by shareholders, taxes, amounts paid to the General Organization for Social Insurance (GOSI), Visa and Passport costs etc. Details of payments made during the year are given below:

Description	2019		Brief description	Reasons
	Paid	Payable until the end of the financial period (not paid)		
Zakat	1,808,232,526	-	Paid	-
Taxes	47,787,615,58	-	Paid	-
Value added tax (VAT)	142,273,287.23	-	Paid	-
General Organization for Social Insurance (GOSI)	251,157,100.00	-	Paid	-
Labor license & employee levy	2,471,875.73	-	Paid	-
Visas Payment	173,800	-	Paid	-
Passport Payment	280,150	-	Paid	-

Books of Accounts

The Bank prepares the Consolidated Financial Statements in accordance with the Accounting Standards for Financial Institutions published by SAMA and the International Financial Reporting Standards (IFRS). The Bank also prepares its Consolidated Financial Statements to comply with the requirements of Banking Control Law and the Companies Law in the Kingdom of Saudi Arabia, as well as the Bank's Articles of Association.

Basel 3

Certain qualitative and quantitative disclosures are published by ARB. These disclosures are available in the Annual Basel Report and are available on the Bank's website (www.alrajhibank.com.sa).

Auditors

During the Ordinary General Assembly of shareholders, PricewaterhouseCoopers and KPMG Al Fozan and Partners were designated as Auditors of the Bank's accounts for the fiscal year 2019. The next General Assembly will designate the External Auditors for the fiscal year 2020, based on a recommendation from the Audit and Compliance Committee in this regard.

The Board of Directors has not recommended replacing the External Auditors before the end of their contract.

Board of Directors' Acknowledgments

According to the available information, Auditor's report, and current market data, the Board of Directors acknowledge the following:

- Accounting records have been prepared properly.
- The Internal control system has been based on proper fundamentals and executed effectively.

- There is no doubt about the Bank's ability to continue its business.

Conclusion

The Board of Directors is pleased to express their pride in the positive results achieved by the Bank in 2019. On this occasion, the Board would like to convey its appreciation to the Custodian of the Two Holy Mosques, Crown Prince, and our wise Government.

The Board would also like to express its sincere appreciation to the Ministry of Finance, Ministry of Commerce and Investment, Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA) for their consistent cooperation and ongoing support in developing the banking sector, which plays a great role in the reinforcement and growth of the national economy.

The Board would also like to seize this opportunity to express its gratitude and appreciation to the honorable shareholders, customers and correspondents for their support, trust and cooperation, which has led to the achievement of further advancement and prosperity for the Bank. Last but not least, the Board would like to present its sincere appreciation to all the Bank employees for their dedicated efforts and devotion in accomplishing their obligations and tasks. In addition, the Bank extends its appreciation to Sharia Board members for their loyal efforts and effective contributions to the Bank's business.

