

Corporate governance encompasses the set of rules, practices, systems and procedures which direct and control the activities of an organisation. The governance structure helps the Organisation to balance the interests of the various stakeholders in the process of value creation.

Policies relating to the governance manual

In 2014, the Bank issued a Corporate Governance Manual and a Governance Manual Supplement which includes term of references (Charters) for Board Committees and Management Committees.

These documents are subject to annual review. Furthermore, the Bank applies the key principles of the Saudi Arabian Monetary Authority's (SAMA) Corporate Governance Principles for Banks operating in the Kingdom of Saudi Arabia that was issued in June 2012, as updated on 23 March 2014, in addition to Capital Market's Authority's (CMA) Corporate Governance Regulations and International best practices

A number of policies, practices and procedures relating to corporate governance have been developed. The Governance Manual was updated during the year. The Delegation of Authorities (DOA) matrix has been amended to adequately reflect internal practices.

A comprehensive policy of the Bank relating to Management of Related Parties Transactions and conflicts of interest was adopted in 2018 in order to address relevant regulatory requirements from the Companies Law, CMA Governance Manual and SAMA's principles and guidelines; a policy for Nomination and Membership in the Board of Directors was adopted by the General Assembly Meeting held on 4 March 2013 and was further amended and approved by the General Assembly Meeting held on 22 October 2017 to reflect all the changes derived from the Companies law and

relevant regulations from CMA and SAMA, detailed procedures were developed in 2018.

In addition, a policy for Remunerations and Compensation of Board Members was approved by the General Assembly Meeting held on 22 October 2017, such policy provides detailed approach for determination of remuneration paid to Board and External members within the Board of Directors, Board Committees and Audit and Compliance Committee.

The competencies and functional succession policy and plans has also been adopted both for Board members and key positions within Executive Management. This provides for career development for staff with high potential and also meets the immediate and future staffing needs of the Bank. It also promotes Saudization. The Whistle-Blowing policy encourages the reporting of improper behavior or any activity that violates the Bank's policies, procedures and instructions.

The Bank, through its comprehensive disclosure policy, ensured that all material information, inclusive of banking information required to be disclosed by SAMA and CMA regulations is disclosed to shareholders. The Bank has also adopted a policy for social responsibility, that aims at strengthening the social role of the Bank.

The Bank has developed an Introduction Pack to assist new Board members. This pack contains information on the financial and legal aspects of the Bank. In addition, Board members are provided with all information needed to perform their duties. They are also provided with training on any relevant subject including the regulatory, financial and economic aspects pertaining to the Bank and its operating environment.

The Bank has procedures in place to settle customer complaints which are monitored by the SAMA.

Corporate Governance Regulations of the CMA

Bank has given due cognisance to the currently applicable corporate governance regulations as enumerated by the Capital Market Authority 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 Capital Market Authority (CMA), except the following guiding provisions:

Profiles of the members of Board, Committee and Executive Management

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.

Refer Board of Directors on page 18 and Executive Management on page 22 for the profiles of the Members of Board, Committee and Executive Management.

| Article | 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 BoD. |

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

| Member name | Names of companies where the Board member is a member of its current Boards or one of its Directors | Inside/ outside Kingdom | Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability) | Names of companies, in which the Board member is a member of its previous Boards or one of its previous Directors | Inside/ outside Kingdom | Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability) |
|----------------------------------|---|-------------------------|---|---|-------------------------|--|
| Abdullah bin Sulaiman Al Rajhi | <ul style="list-style-type: none"> • Al Rajhi Bank • Al Rajhi Company for Cooperative Insurance • Farabi Petrochemicals Company • Al Rajhi Holding Group • Al Rajhi Capital • Fursan Travel & Tourism Company | Inside the Kingdom | <ul style="list-style-type: none"> • Listed joint stock company • Listed joint stock company • Unlisted company • Unlisted company • Unlisted company • Limited liability company | <ul style="list-style-type: none"> • Al Rajhi Bank (CEO) | Inside the Kingdom | <ul style="list-style-type: none"> • Listed joint stock company |
| Salah bin Ali Aba Alkhail | <ul style="list-style-type: none"> • Al Rajhi Bank • Al Rajhi Capital • National Veterinary Company • Abalkhail Consulting Engineers • Salah Aba Alkhail & Co. Information Technology | Inside the Kingdom | <ul style="list-style-type: none"> • Listed joint stock company • Unlisted company • Unlisted company • Limited liability company • Limited liability company | | | |
| Abdulaziz bin Khaled Al Ghefaily | <ul style="list-style-type: none"> • Al Rajhi Bank • Al Rajhi Capital • Savola Group • Panda Retail Company | Inside the Kingdom | <ul style="list-style-type: none"> • Listed joint stock company • Unlisted company • Listed joint stock company • Unlisted company | <ul style="list-style-type: none"> • Industrialization & Energy Services Company (TAQA) • Dur Hospitality • Saudi Industries Development Company • Tabuk Agriculture Development Company • National Medical Care Company • Herfy Food Company | Inside the Kingdom | <ul style="list-style-type: none"> • Unlisted company • Unlisted company • Unlisted company • Listed joint stock company • Listed joint stock 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 Kingdom | Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability) | Names of companies, in which the Board member is a member of its previous Boards or one of its previous Directors | Inside/ outside Kingdom | Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability) |
|---------------------------------|---|-------------------------|---|---|--------------------------------|--|
| Bader Bin Mohamed Al Rajhi | <ul style="list-style-type: none"> • Al Rajhi Bank • Mohammed Abdulaziz Al-Rajhi & Sons Investment Company • Rajhi Steel Industries Limited • Global Beverage Company • Al-Jazirah Home Appliance Company, Ltd. • Falcon Plastic Products Company | Inside the Kingdom | <ul style="list-style-type: none"> • Listed joint stock company • Limited liability company • Limited liability company • Limited liability company • Limited liability company • Limited liability company | | | |
| Khaled bin Abdulrahman Al Qwaiz | <ul style="list-style-type: none"> • Manafe Investment Company • Al Rajhi Bank • Swicorp Company • Riyadh Cables Group Company • EMCOR Facilities Management Co • Unique Solutions for Chemical Industries (USIC) | Inside the Kingdom | <ul style="list-style-type: none"> • Limited liability company • Listed joint stock company • Unlisted company • Unlisted company • Unlisted company • Unlisted company | <ul style="list-style-type: none"> • ACWA Holding Company • ASTRA Industrial Group • Samba Financial Group • Arab National Bank | Inside the Kingdom | <ul style="list-style-type: none"> • Unlisted company • Listed joint stock company • Listed joint stock company • Listed joint stock company |
| Alaa bin Shakib Al Jabri | <ul style="list-style-type: none"> • Al Rajhi Bank • Construction Products Holding Company • Rolaco Group • Medical and Pharmaceutical Services Company | Inside the Kingdom | <ul style="list-style-type: none"> • Listed joint stock company • Unlisted company • Unlisted company • Unlisted company | <ul style="list-style-type: none"> • SABB • Gulf International Bank | Inside and outside the Kingdom | <ul style="list-style-type: none"> • Listed joint stock 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 Kingdom | Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability) | Names of companies, in which the Board member is a member of its previous Boards or one of its previous Directors | Inside/ outside Kingdom | Legal entity (listed joint stock company/ unlisted joint stock company/ limited liability) |
|-----------------------------|--|--------------------------------|--|---|--------------------------------|--|
| Ibrahim Fahad Al Ghefaily | <ul style="list-style-type: none"> Al Rajhi Bank Jiwar Real Estate Management, Marketing and Development Company | Inside the Kingdom | <ul style="list-style-type: none"> Listed joint stock company Unlisted company | <ul style="list-style-type: none"> Alinma Bank Al Rajhi Bank | Inside the Kingdom | <ul style="list-style-type: none"> Listed Joint stock company Listed Joint stock company |
| Amin bin Fahad Al Shiddi | <ul style="list-style-type: none"> Al Rajhi Bank VIVA – Kuwait Telecom Company Deutsche Gulf Finance Oger Telecom Company | Inside and outside the Kingdom | <ul style="list-style-type: none"> Listed joint stock company Unlisted company Unlisted company Unlisted company | <ul style="list-style-type: none"> STC Solutions Advanced Sale Limited Company Arab Submarine Cables Company Aqalat Company Viva Bahrain Company | Inside and outside the Kingdom | <ul style="list-style-type: none"> Unlisted company Unlisted company Unlisted company Unlisted company Unlisted company |
| Hamza bin Othman Khushaim | <ul style="list-style-type: none"> Al Rajhi Bank Dallah Healthcare Holding Company Hassana Investment Company | Inside the Kingdom | <ul style="list-style-type: none"> Listed joint stock company Listed joint stock company Unlisted company | | | |
| Raid bin Abdullah Al Tamimi | <ul style="list-style-type: none"> Al Rajhi Bank Cooperative Insurance Company Najm for Insurance Services National Medical Care Company | Inside the Kingdom | <ul style="list-style-type: none"> Listed joint stock company Listed joint stock company Unlisted company Listed joint stock company | <ul style="list-style-type: none"> Waseel Electronic Information Transfer Cooperative Insurance Company Al Tawunyah Real Esatet Company | Inside the Kingdom | <ul style="list-style-type: none"> Unlisted company Listed joint stock company Unlisted company |
| Abdullatif bin Ali Al Seif | <ul style="list-style-type: none"> Al Rajhi Bank Arabian Cement Al Ra'idah Investment Company | Inside the Kingdom | <ul style="list-style-type: none"> Listed joint stock company Listed joint stock company Unlisted company | <ul style="list-style-type: none"> HSBC Saudi Arabia Executive Director – Vision Combined Limited Company | Inside the Kingdom | <ul style="list-style-type: none"> Unlisted company Limited liability company |

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

According to the definitions of Article 2 of the Corporate Governance Regulations issued by CMA, Board members are classified as follows:

| No. | Member name | Membership classification (Executive/Non-Executive/Independent) |
|-----|----------------------------------|---|
| 1. | Abdullah bin Sulaiman Al Rajhi | Non-Executive |
| 2. | Salah bin Ali Aba Alkhail | Non-Executive |
| 3. | Abdulaziz bin Khaled Al Ghefaily | Non-Executive |
| 4. | Bader bin Mohamed Al Rajhi | Non-Executive |
| 5. | Khaled bin Abdulrahman Al Qwaiz | Non-Executive |
| 6. | Alaa bin Shakib Al Jabiri | Independent |
| 7. | Ibrahim bin Fahad Al Ghofaily | Independent |
| 8. | Amin bin Fahad Al Shiddi | Non-Executive |
| 9. | Hamza bin Othman Khushaim | Non-Executive |
| 10. | Raid bin Abdullah Al Tamimi | Independent |
| 11. | Abdullatif bin 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:

Executive Committee

The Executive Committee (ExCom), headed by the Chairman of the Board of Directors, carries out all the functions and authorities the Bank entrusts it with, including: assuming the responsibility for all businesses of Al Rajhi Bank, taking the quick decisions with respect to urgent matters and issues related to the business of the Bank. Also, ExCom will be responsible for approving all credit facilities exceeding the authorities of the Credit Committee, approving the real estate guarantees documented for default facilities, approving the contracts exceeding the powers of the Committees operating in the Bank and the CEO within limits of the approved budget and within powers determined by the Board of Directors.

The Committee held 12 meetings in 2018 as follows:

| Meeting | Date | Member name | | | | |
|---------|------------------|---|----------------------------------|---|---------------------------------|----------------------------------|
| | | Abdullah bin Sulaiman Al Rajhi Chairman | Salah bin Ali Aba Alkhail member | Abdulaziz bin Khaled Al Ghefaily member | Alaa bin Shakib Al Jabri member | Hamza bin Othman Khushaim member |
| 1. | 4 February 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. | 15 February 2018 | ✓ | ✓ | ✓ | × | ✓ |
| 3. | 25 February 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. | 25 March 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5. | 9 April 2018 | ✓ | × | ✓ | ✓ | ✓ |
| 6. | 14 May 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7. | 24 June 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 8. | 17 July 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9. | 22 October 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 10. | 19 November 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 11. | 3 December 2018 | ✓ | ✓ | ✓ | × | ✓ |
| 12. | 20 December 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |

Nominations and Compensations Committee

The main purpose of the Nominations and Compensations Committee include recommending the selection of Board members, Committee members, and Senior Executives to Board of Directors, preparing description of abilities and qualifications required for BoD membership, assessing the effectiveness and efficiency of BoD and High Management, compliance of the Bank with the internal incentive schemes, and rules of incentive practices issued by SAMA, principles and criteria of compensations, in the way best achieves the interests of depositors, shareholders and Bank's strategic objectives.

The Committee held two meetings during 2018 as follows:

| Meeting | Date | Member name | | | |
|---------|------------------|-----------------------------------|---|--|------------------------------------|
| | | Alaa bin Shakib Al Jabri Chairman | Abdulaziz bin Khaled Al Ghefaily member | Khaled bin Abdulrahman Al Qwaiz member | Raid bin Abdullah Al Tamimi member |
| 1. | 13 May 2018 | ✓ | ✓ | ✓ | ✓ |
| 2. | 19 November 2018 | ✓ | ✓ | ✓ | ✓ |

Governance Committee

The main purpose of Governance Committee includes the annual review of Board of Directors structure and Board Committees, and governance framework in the Bank, updating policies related to BoD and Board members, Bank's governance and conflict of interests, supporting and maintaining the application of the highest standards of corporate governance issued by SAMA and Corporate Governance Regulations issued by CMA, in addition to following up the application of Governance Manual and its appendixes, Bank's matrix of authorities, and following up the works of Management Committees.

The Committee held four meetings during 2018 as follows:

| Meeting | Date | Member name | | |
|---------|------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| | | Salah bin Ali Aba Alkhail Chairman | Ibrahim Fahad Al Ghefaily member | Raid bin Abdullah Al Tamimi member |
| 1. | 14 February 2018 | ✓ | ✓ | ✓ |
| 2. | 17 May 2018 | ✓ | ✓ | ✓ |
| 3. | 3 September 2018 | ✓ | ✓ | ✓ |
| 4. | 13 December 2018 | ✓ | ✓ | ✓ |

Audit and Compliance Committee

Audit and Compliance Committee comprise of five members – two members from the Bank's Board of Directors and three non-executive members. The Committee's responsibilities includes reviewing the Bank's Financial Statements, accounting and regulatory policies, supervising the activities of internal audit group, external Auditors and compliance group. The Committee held (10) ten meetings during 2018.

The below table shows that the Committee' members attended most scheduled meetings during 2018:

| Meeting | Date | Member name | | | | |
|---------|------------------|--|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | Amin bin Fahad Al-Shadi – Chairman | Abdul Latif bin Ali Al Seif | Abdullah bin Ali Al-Muneef | Faraj bin Mansour Abuthnin | Walid bin Abdullah Tamirik |
| 1. | 30 January 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. | 15 February 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. | 11 March 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. | 23 April 2018 | ✓ | ✓ | × | × | ✓ |
| 5. | 20 May 2018 | ✓ | × | ✓ | ✓ | ✓ |
| 6. | 19 July 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7. | 6 September 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 8. | 18 October 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9. | 22 November 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 10. | 23 December 2018 | ✓ | ✓ | ✓ | ✓ | ✓ |

The Committee during its meetings discussed and considered the agenda within its annual plan as approved by the Board of Directors in addition to other related matters, which includes:

- Discussion of the annual Financial Statements with external auditors as of 31 December 2017.
- Discussion and approval of internal audit plan and compliance group programme for the year 2018.
- Discussed internal audit and compliance groups' quarterly performance.
- Review the Bank's quarterly Financial Statements.

- Review the level of implementation of recommendations reported by Internal Audit Group, external Auditors and regulatory supervisory team level of efforts made by the Bank's management to implement such recommendations.
- Recommending for the appointment of the external auditors for the year 2018.
- Review the Bank's policies and those policies pertain to overseas branches (Kuwait and Jordan) including reports issued by respective regulators.
- Discussion of the impact of IFRS 9 on the Bank.
- Review the Banks' legal cases that has an impact on the Bank's Financial Statements.

Board Committees members (Non-Board members):

| No. | Name | Committee memberships | Current positions | Previous positions | Qualifications | Experience |
|-----|----------------------------|--------------------------------|--|--|--|---|
| 1. | Abdullah bin Ali Al Maneef | 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 – National Guard • Director General of Finance and Administration Affairs – 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 • 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 Abuthnain | 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 of Petrochem Member of Audit Committee – Almarai 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 – National Industrialisation Company (Tasnee) | <ul style="list-style-type: none"> Bachelor of Industrial Management – University of Wisconsin – Milwaukee | Held many leading positions in the Saudi Industrial Development Fund |
| 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 – Ewaan Global Residential Company Member of Advisory Committee of College of Management and Economics – King Abdulaziz University Tmairak is a Chartered Accountant | <ul style="list-style-type: none"> Arthur Andersen & Co Ernst & Young | <ul style="list-style-type: none"> Bachelor of Accounting – King Abdulaziz University Fellowship of SOCPA | Has more than 25 years of experience in accounting, auditing and economics |

Board Risk Management Committee

This Committee was formed after the election of BoD in the current tenure. The purpose of BRMC is to assist Board of Directors in management of credit, market, operational, business, investment and financial businesses and reputational risks. Additionally, it includes the provision of consultation to the BoD with respect to the risk appetite and risk strategy, Internal Capital Adequacy Assessment Process (ICAAP), Internal

Liquidity Adequacy Assessment Plan (ILAAP), credit policies, liquidity risk and market risk management policies, dealing with finance and liquidity limits. The Committee is also responsible for approving losses arising out of banking operations, fraud, system errors and compensation of customers that falls beyond the powers of the Risk Management Committee.

The Committee held seven meetings during 2018 as follows:

| Meeting | Date | Khaled bin Abdulrahman Al Qwaiz Chairman | Alaa bin Shakib Al Jabri member | Hamza bin Othman Khushaim member |
|---------|------------------|---|------------------------------------|-------------------------------------|
| 1. | 11 February 2018 | ✓ | ✓ | ✓ |
| 2. | 19 March 2018 | ✓ | ✓ | ✓ |
| 3. | 9 April 2018 | ✓ | ✓ | ✓ |
| 4. | 13 May 2018 | ✓ | ✓ | ✓ |
| 5. | 18 July 2018 | ✓ | ✓ | ✓ |
| 6. | 23 October 2018 | ✓ | ✓ | ✓ |
| 7. | 16 December 2018 | ✓ | ✓ | ✓ |

Procedure taken by the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance.

ARB registers shareholders' suggestions provided through the General Assembly and notifies the Chairman of any suggestions to be presented at the next Board meeting. In addition, there is an email address published on the Bank and Tadawul websites dedicated to receive comments and suggestions of shareholders which are delivered directly to the Board Secretary who presents same to the Board.

Performance of the Board and Committees

The Bank has an integrated mechanism with time frames to evaluate the work of the Board of Directors and its supporting committees. There is also a mechanism to use the findings of the evaluation. These are made use of in the nomination process for membership of the Board and Committees and in ascertaining future training needs.

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

Governance Committee evaluates performance of Board, Board Committees and Board members via specific surveys on three different levels. Evaluation is conducted based on BoD terms of reference specified in ARB's Governance Manual. Evaluation of Board Committees and Audit and Compliance Committee is conducted based on its approved charters. Evaluation of Board and Board Committee members is conducted by the respective members themselves. After that, Governance Committee raises the annual assessment report to Board of Directors to be approved. Finally, a copy of the final report is provided to Nominations and Compensations Committee.

Remuneration and compensation of the Board members and Executive management

The Bank pays the expenses and remuneration to Board members including the compensation they are entitled for attendance at Board meetings. It also pays salaries, remuneration and compensations to Senior Executives according to their contracts.

a) Summary of significant items of policy for remunerations of BoD and 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 BoD 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 will include any other remuneration paid for the Director for his 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 and accommodation expenses.

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 his participation in its activities provided that annual remuneration for Audit and

Compliance Committee member from inside the Board shall not exceed the annual limits set by Policy for Remuneration and Compensation approved by ARB's General Assembly.

- 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, 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 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 FSB 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 employees 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 take into account 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 (3) 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 material deviations between granted remunerations and applicable remunerations policy.

b) Remuneration and compensation paid to members of BoD, Board Committees, Audit and Compliance Committee in 2018:

| No. | Name | Board meetings | | BACC meetings | | ExCom meetings | | NCC meetings | | Governance Committee meetings | | BRMC | | Special Committees | | Annual Bonus | Total (SAR) | Total paid to the member as per the Policy (SAR) |
|--------------|-------------------------------------|----------------|----------------|---------------|----------------|----------------|----------------|--------------|---------------|-------------------------------|---------------|-----------|---------------|--------------------|----------------|------------------|------------------|--|
| | | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | | | |
| 1. | Abdullah bin Sulaiman Al Rajhi | 7 | 35,000 | - | - | 12 | 60,000 | - | - | - | - | - | - | - | - | 400,000 | 495,000 | 495,000 |
| 2. | Saleh bin Ali Abdullah Aba Alkhalil | 7 | 35,000 | - | - | 11 | 55,000 | - | - | 4 | 20,000 | - | - | - | - | 400,000 | 510,000 | 500,000 |
| 3. | Abdulaziz bin Khaled Al Ghefaily | 7 | 35,000 | - | - | 12 | 60,000 | 2 | 10,000 | - | - | - | - | - | - | 400,000 | 505,000 | 500,000 |
| 4. | Khalid bin Abdulrahman Al Quaiz | 7 | 35,000 | - | - | - | - | 2 | 10,000 | - | - | 6 | 30,000 | - | - | 400,000 | 475,000 | 475,000 |
| 5. | Bader bin Mohammed Al Rajhi | 7 | 35,000 | - | - | - | - | - | - | - | - | - | - | 3 | 15,000 | 400,000 | 450,000 | 450,000 |
| 6. | Alaa bin Shakib Al Jabri | 7 | 35,000 | - | - | 10 | 50,000 | 2 | 10,000 | - | - | 6 | 30,000 | 4 | 20,000 | 400,000 | 545,000 | 500,000 |
| 7. | Ibrahim bin Fahad Al Ghefaily | 7 | 35,000 | - | - | - | - | - | - | 4 | 20,000 | - | - | - | - | 400,000 | 455,000 | 455,000 |
| 8. | Raid bin Abdullah Al Tamimi | 7 | 35,000 | - | - | - | - | 2 | 10,000 | 4 | 20,000 | - | - | - | - | 400,000 | 465,000 | 465,000 |
| 9. | Hamza bin Othman Khushaim | 7 | 35,000 | - | - | 12 | 60,000 | - | - | - | - | 6 | 30,000 | 7 | 35,000 | 400,000 | 560,000 | 500,000 |
| 10. | Ameen bin Fahad Al Sheddi | 7 | 35,000 | 11 | 55,000 | - | - | - | - | - | - | - | - | 4 | 20,000 | 550,000 | 660,000 | 500,000 |
| 11. | Abdullatif bin Ali Al Saif | 7 | 35,000 | 10 | 50,000 | - | - | - | - | - | - | - | - | 3 | 15,000 | 550,000 | 650,000 | 500,000 |
| 12. | Abdullah bin Ali bin Ali Al Manif | - | - | 10 | 50,000 | - | - | - | - | - | - | - | - | - | - | 150,000 | 200,000 | 200,000 |
| 13. | Waleed bin Abdullah Tmairak | - | - | 11 | 55,000 | - | - | - | - | - | - | - | - | - | - | 150,000 | 205,000 | 205,000 |
| 14. | Faraj bin Mansour Abu Thnain | - | - | 10 | 50,000 | - | - | - | - | - | - | - | - | - | - | 150,000 | 200,000 | 200,000 |
| Total | | 77 | 385,000 | 52 | 260,000 | 57 | 285,000 | 8 | 40,000 | 12 | 60,000 | 18 | 90,000 | 21 | 105,000 | 5,150,000 | 6,375,000 | 5,945,000 |

c) Remunerations and compensations paid to five Senior Executives who have received highest remunerations from the Company including CEO and CFO in 2018.

| Description | Five Senior Executives (CEO and CFO included) |
|--|---|
| Salaries and compensations | 9,765,000 |
| Allowances | 5,085,744 |
| Periodic and annual rewards | 35,228,250 |
| Incentives schemes | – |
| Any other in-kind compensations or benefits paid annually or monthly | – |
| Total | 50,078,994 |

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

Fines imposed by CMA: NIL

Fines imposed by SAMA:

| Violation | Fiscal year 2017 | | Fiscal year 2018 | |
|---|-----------------------|--------------------------------------|-----------------------|--------------------------------------|
| | Number of resolutions | Total amount of fines in Saudi Riyal | Number of resolutions | Total amount of fines in Saudi Riyal |
| SAMA supervisory instructions | 43 | 15,864,000 | 34 | 2,315,000 |
| SAMA instructions related to customer protection | 1 | 10,000 | – | – |
| SAMA instructions related to due-diligence | – | – | – | – |
| SAMA instructions related to service level of ATMs and POSs | 2 | 227,377 | – | – |
| SAMA instructions related to due diligence in AML and TF | 1 | 120,000 | 3 | 450,000 |

Fines imposed by Ministry of Municipal and Rural Affairs:

| Violation | Fiscal year 2017 | Fiscal year 2018 |
|--|--|--|
| | 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 | 2,044,500 | 1,588,000 |

Internal control

The Bank's Management is responsible for designing an appropriate internal control system through the Board of directors direct supervision to ensure availability of effective controls in mitigating those risks may impact achieving the Bank's strategic and operating objectives. The Bank's executive management has adopted a comprehensive internal control system aligned with SAMA regulatory requirements.

The following are some of the key components of the Bank's internal control system:

- The Bank has developed and approved a governance framework, which is the mandate for preparing and updates controls requirements including defining roles and responsibilities at the Bank's different levels including Board of Directors and Board committees and other committees.
- The Bank has group of policies and procedures that govern its business activities, which subject to a periodic updates to ensure it's completeness, efficiency and appropriateness to Bank's activities.

- Most of the Bank's operating activities carried out automatically through different core system, which minimizes manual errors and fraud incidences opportunities.
- Oversight on the Bank's activities and important decisions taken through committees established to ensure that the Bank's activities carried out appropriately in order to safeguard the Bank's assets.
- The Bank has dedicated specialized functions on evaluating the effectiveness of the Bank's internal control systems, which includes 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 beside reviews of effectiveness of internal control by the External Auditors and supervisory reviews conducted by the SAMA.

Annual review of internal control procedures

During 2018, the Bank explored all possible efforts to ensure appropriateness and effectiveness 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 2018, which included a review of effectiveness of internal controls systems in addition to existence of necessary tools, systems and procedures to identify, assessing and mitigating high risks being faced by the Bank. As a result, no material weaknesses have been identified negatively impacts appropriateness of internal

control environment. Based on the outcome of assessment of the Bank's internal control effectiveness, the Bank has an adequate internal control system that operates appropriately and being reviewed on a continues basis. It should be noted that despite of effective design and effectiveness, no absolute assurance can be provided on the effectiveness of internal control system.

Core Announcements

The following are the main Al Rajhi Bank announcements that have been published on the Saudi Stock Exchange (Tadawul) website during 2018:

| No. | The announcements | Date |
|-----|---|------------------|
| 1. | Al Rajhi Bank announces the outcome of the settlements for Zakat claims with General Authority of Zakat & Tax (GAZT) | 20 December 2018 |
| 2. | AL Rajhi Bank Announcement on the Relocation of its Principal Office | 20 December 2018 |
| 3. | Al Rajhi Bank announces the appointment of the Deputy Chairman and the appointment of a Deputy Chief Executive Officer (CEO) | 5 November 2018 |
| 4. | Al Rajhi Bank announces its interim financial results for the period ending on 30 September 2018 (nine months) | 24 October 2018 |
| 5. | Al Rajhi Bank announces the interim financial results for the period ending on 30 June 2018 (six months) | 26 July 2018 |
| 6. | Al Rajhi Bank announces the distribution of dividend for period first half of 2018 | 15 July 2018 |
| 7. | Clarifying announcement for Al Rajhi Bank announces the interim financial results for the period ending on 31 March 2018 (three months) | 1 May 2018 |
| 8. | Al Rajhi Bank announces the interim financial results for the period ending on 31 March 2018 (three months) | 1 May 2018 |
| 9. | Al Rajhi Bank announces its results of the 29th Ordinary General Meeting (Second meeting) | 26 March 2018 |
| 10. | Al Rajhi Bank invites its shareholders to attend the 29th Ordinary General meeting (1st meeting) (reminder) | 21 March 2018 |
| 11. | Al Rajhi Bank invites its shareholders to attend the 29th Ordinary General Meeting (1st meeting) | 15 March 2018 |
| 12. | Al Rajhi Bank announces that the Board of Directors has recommended the distribution of dividend for period the second half of 2017 | 18 February 2018 |
| 13. | Al Rajhi Bank announces the annual financial results for the period ending on 31 December 2017 (twelve months) | 11 February 2018 |

General Assembly

The Bank always adheres to the concerned Government regulations in all matters relating to Ordinary General Assembly and Extraordinary ones. 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:

| No. | Name | Attendance record | |
|-----|---|---|---|
| | | Ordinary AGM number 29 on 25 March 2018 | |
| 1. | Abdullah bin Sulaiman Al Rajhi | | ✓ |
| 2. | Salah bin Ali Aba Alkhail | | ✓ |
| 3. | Alaa bin Shakib Aljabri | | ✓ |
| 4. | Khaled bin Abdulrahman Alqwaiz | | ✓ |
| 5. | Amin bin Fahad Alshiddi | | ✓ |
| 6. | Bader bin Mohammed Al Rajhi (Representative of Mohammed Abdulaziz Al Rajhi & Sons Investment Co.) | | ✓ |
| 7. | Abdullatif bin Ali Alseif (Representative of Public Pension Agency) | | ✓ |
| 8. | Hamza bin Othman Khushaim (Representative of GOSI) | | ✓ |
| 9. | Abdulaziz bin Khalid A Alghefaily | | ✓ |
| 10. | Raid bin Abdullah Al Tamimi | | ✓ |
| 11. | Ibrahim bin Fahad Alghefaily | | ✓ |

Bank's significant plans, decisions and the future expectations

ARB maintains its leading position in retail as its market share represents 36.4% of total retail loans granted in Q3 2018. The Bank intends to enhance its leadership in this sector by increasing finance portfolio in general and real estate finance in particular. The Bank intends to initiate investment in the latest technology 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 dividends 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:

- The due Zakat amounts scheduled to be paid by shareholders are calculated and the Bank pays such amounts to competent parties.
- The Bank transfers not 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.
- Of the remaining profits, not 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.
- 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.

Distribution of dividends

| Profits distributed during the year | 18 July 2018 | Percentage of profits to be distributed at the end of the year | Total profits |
|--|------------------|--|---------------------|
| Percentage of dividend to share book value | 20 | 22.5 | 42.5 |
| Total | 3,250,000 | 3,656,000.25 | 6,906,000.25 |

Description of any interest, contractual papers and subscription rights of Board members and their relatives in Bank's shares or debit instruments:

| No. | Name of beneficiary | Number of shares at beginning of year 2018 | Ownership % | Number of shares at end of year 2018 | Ownership % | Net change | % of change |
|-----|--|--|-------------|--------------------------------------|-------------|------------|-------------|
| 1. | Abdullah bin Sulaiman Al Rajhi | 35,221,483 | 2.167 | 35,221,483 | 2.167 | – | 0.00 |
| 2. | Salah bin Ali bin Abdullah Abal Khail | 1,460,000 | 0.090 | 1,470,000 | 0.090 | 10,000 | 0.68 |
| 3. | GOSI | 165,667,525 | 10.195 | 165,667,525 | 10.195 | – | 0.00 |
| 4. | Abdulaziz bin Khaled bin Ali Al Ghefaily | – | 0.000 | – | 0.000 | – | 0.00 |
| 5. | Mohammed Abdulaziz Al Rajhi & Sons Co. for investment | 33,343,641 | 2.052 | 33,343,641 | 2.052 | – | 0.00 |
| 6. | Bader bin Mohammed Al Rajhi, (representative of Mohammed Abdulaziz Al Rajhi & Sons Co. for investment) | 11,207 | 0.001 | 11,207 | 0.001 | – | 0.00 |
| 7. | Khaled bin Abdulrahman Al Qoaiz | 1,000 | 0.000 | 1,000 | 0.000 | – | 0.00 |
| 8. | Alaa bin Shakib Al Jabiri | 6,000 | 0.000 | 6,000 | 0.000 | – | 0.00 |
| 9. | Ibrahim bin Fahad ALGhofaily | 459,981 | 0.028 | 459,981 | 0.028 | – | 0.00 |
| 10. | Raeed bin Abdullah AlTamimi | 1,000 | 0.000 | 1,000 | 0.000 | – | 0.00 |
| 11. | Abdulatif bin Ali AlSeif Representative of Public Pension Agency | 40,000 | 0.002 | 40,000 | 0.002 | – | 0.00 |
| 12. | Hamzah bin Othman Khushaim representative of GOSI | – | 0.000 | – | 0.000 | – | 0.00 |
| 13. | Ameen bin Fahad AlShddi | – | 0.000 | – | 0.000 | – | 0.00 |

Description of any interest, contractual papers and subscription rights of Senior Executives and their relatives in Bank's shares or debit instruments.

| No. | Name of beneficiary | Number of shares (at beginning of 2018) | Ownership % | Number of shares (at end of 2018) | Ownership % | Net Change | % of change |
|-----|----------------------------|---|-------------|-----------------------------------|-------------|------------|-------------|
| 1. | Abdullah bin Ali Alkhalifa | 2,455 | 0.000 | 10,228 | 0.001 | 7,773 | 316.62 |
| 2. | Christopher Mark Macleen | 2,209 | 0.000 | 9,204 | 0.001 | 6,995 | 316.66 |

Board sessions and attendance

The Board of Directors held seven sessions during 2018:

| No. | Member name | Number of meetings (7) | | | | | | |
|-----|----------------------------------|--------------------------------------|------------------------------------|---------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|--|
| | | First meeting 25 February 2018 | Second meeting 25 March 2018 | Third meeting 14 May 2018 | Fourth meeting 17 July 2018 | Fifth meeting 22 October 2018 | Sixth meeting 23 October 2018 | Seventh meeting 20 December 2018 |
| 1. | Abdullah bin Sulaiman Al Rajhi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. | Salah bin Ali Aba Alkhail | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. | Abdulaziz bin Khaled Al Ghefaily | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. | Bader bin Mohamed Al Rajhi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5. | Khaled bin Abdulrahman Al Qwaiz | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6. | Alaa bin Shakib Al Jabri | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7. | Ibrahim Fahad Al-Ghefaily | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 8. | Amin bin Fahad Al Shiddi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9. | Hamza bin Othman Khushaim | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 10. | Raid bin Abdullah Al-Tamimi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 11. | Abdullatif bin Ali Al Seif | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Bank requests for shareholders' register

| No. | Request date | Request reasons |
|-----|------------------|--|
| 1. | 1 January 2018 | Updating shareholders records |
| 2. | 3 January 2018 | Updating shareholders records |
| 3. | 5 February /2018 | Updating shareholders records |
| 4. | 1 March 2018 | Updating shareholders records |
| 5. | 22 March 2018 | Preparing to Extraordinary General Assembly |
| 6. | 27 March 2018 | Dividend distribution |
| 7. | 3 April 2018 | Updating shareholders records |
| 8. | 1 May 2018 | Updating shareholders records |
| 9. | 5 June 2018 | Updating shareholders records |
| 10. | 2 July 2018 | Updating shareholders records |
| 11. | 18 July 2018 | Preparing a file for shareholders eligible for dividend of H1 2018 |
| 12. | 3 September 2018 | Updating shareholders records |
| 13. | 4 October 2018 | Updating shareholders records |
| 14. | 4 November 2018 | Updating shareholders records |
| 15. | 5 December 2018 | 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 2018. The nature and balances resulting from such transactions for the year ended 31 December 2018 are as follows (all amounts are in thousand Saudi Riyals).

| Related party | Balances resulting from the transaction |
|--|---|
| Loans and advance payments | 10,312,909 |
| Potential obligations | 6,929,817 |
| Current accounts | 77,788 |
| Contributions receivable | 252,706 |
| Debtors against liabilities | 144,640 |
| Bank's balances | 274,705 |
| Income from finance and other income | 139,496 |
| Mudaraba fees | 68,272 |
| Employees' salaries and benefits (air tickets) | 4,142 |
| Rental expenses | 2,238 |
| Contributions – policies written | 1,059,392 |
| Incurred and reported claims during the year | 900,207 |
| Paid claims | 905,840 |
| Board members remunerations | 5,945 |
| Short-term benefits | 85,579 |
| End of service provision | 11,536 |

Information of 2018 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:

Commercial and services contracts (Figures are in SAR)

| No. | Related party | Party with direct indirect interest | Position in ARB | Type of relation with related party | Relation type | Period | Conditions | Transactions/ contracts amount SAR |
|-----|---|-------------------------------------|-----------------|--|--|---|---|------------------------------------|
| 1. | Fursan Travel & Tourism Co. | Abdullah bin Sulaiman Al Rajhi | Board member | Owned by Board member | Travel tickets for employees contract | Pricing contract and annually renewable | Standard conditions without preferences | 4,141,611 |
| 2. | STC | Amin bin Fahad Alshiddi | Board member | Senior executive in the company | Integrated communications services and solutions contract – SMS services | Pricing contract for two years | Standard conditions without preferences | 36,708,895 |
| 3. | STC | Amin bin Fahad Alshiddi | Board member | Senior executive in the company | Integrated communications services and solutions contract – rented lines | Pricing contract for three years | Standard conditions without preferences | 55,450,171 |
| 4. | STC | Amin bin Fahad Alshiddi | Board member | Senior executive in the company | Contract and services for connecting PoS devices to network | Pricing contract and annually renewable | Standard conditions without preferences | 28,208,748 |
| 5. | Arabian Internet and Telecom Services (STC Solutions) | Amin bin Fahad Alshiddi | Board member | He has an influence on company's decisions as he is a senior executive in the parent company (STC) | Internet services contract | Annual contract | Standard conditions without preferences | 1,512,000 |
| 6. | Arabian Internet and Telecom Services (STC Solutions) | Amin bin Fahad Alshiddi | Board member | He has an influence on company's decisions as he is a senior executive in the parent company (STC) | Supply, instalation and maintenance of devices Dell-EMC contract | 4 years | Standard conditions without preferences | 75,111,584 |
| 7. | Global Beverage Holding Company | Bader bin Mohammed Al Rajhi | Board member | Chairman of the company's Board of Directors | Bottled water supply services | Annual contract (as per the best quotation) | Standard conditions without preferences | 299,987 |

Rental contracts (Figures are in SAR)

| No. | Related party | Party with direct indirect interest | Position in ARB | Type of relation with related party | Relation type | Period | Conditions | Transactions/ contracts amount SAR |
|-----|---|---------------------------------------|-----------------|-------------------------------------|--|--|---------------|------------------------------------|
| 1. | Panda Retail Co. | Abdulaziz bin Khaled Ali Alghefaily | Board member | A Board member in the company | ATM site rent contract | 5 years – annually renewable for similar period | Rent contract | 45,000 |
| 2. | Panda Retail Co. | Abdulaziz bin Khaled Ali Alghefaily | Board member | A Board member in the company | ATM site rent contract | 5 years – annually renewable for similar period | Rent contract | 25,000 |
| 3. | Panda Retail Co. | Abdulaziz bin Khaled Ali Alghefaily | Board member | A Board member in the company | ATM site rent contract | 5 years – annually renewable for similar period | Rent contract | 35,000 |
| 4. | Panda Retail Co. | Abdulaziz bin Khaled Ali Alghefaily | Board member | A Board member in the company | ATM site rent contract | 5 years – annually renewable for similar period | Rent contract | 40,000 |
| 5. | Mohammed Abdulaziz Al Rajhi & Sons Investment Co. | Bader bin Mohammed Abdulaziz Al Rajhi | Board member | A Board member in the company | Southern region management building rent contract | 10 years – annually renewable for similar period | Rent contract | 245,542 |
| 6. | Mohammed Abdulaziz Al Rajhi & Sons Investment Co. | Bader bin Mohammed Abdulaziz Al Rajhi | Board member | A Board member in the company | Contract for renting direct sales office in Abha | 9 years – annually renewable for similar period | Rent contract | 40,000 |
| 7. | Mohammed Abdulaziz Al Rajhi & Sons Investment Co. | Bader bin Mohammed Abdulaziz Al Rajhi | Board member | A Board member in the company | ATM site rent contract | 5 years – annually renewable for similar period | Rent contract | 35,000 |
| 8. | Abdullah bin Sulaiman Al Rajhi | – | – | A Board member in the Bank | ATM site rent contract | 3 years – annually renewable for similar period | Rent contract | 90,000 |
| 9. | Abdullah bin Sulaiman Al Rajhi | – | – | A Board member in the Bank | Albatha'a exchange & remittance centre rent contract | 3 years – annually renewable for similar period | Rent contract | 550,000 |
| 10. | STC | Amin bin Fahad Alshiddi | Board member | A senior executive in the company | ATM site rent contract | 2 years – annually renewable for similar period | Rent contract | 30,000 |
| 11. | STC | Amin bin Fahad Alshiddi | Board member | A senior executive in the company | ATM site rent contract | 3 years – annually renewable for similar period | Rent contract | 30,000 |

Insurance Contracts

(Figures are in SAR)

| No. | Related party | Party with direct indirect interest | Position in ARB | Type of relation with related party | Relation type | Period | Conditions | Transactions/ contracts amount SAR |
|-----|--|--|-----------------|-------------------------------------|---|------------------|---|------------------------------------|
| 1. | Al Rajhi Co. for Cooperative Insurance | Abdullah bin Sulaiman Abdulaziz Al Rajhi | Board member | A Board member in the company | Comprehensive insurance for banks, properties, work disruption, managers and executives | Annual contracts | Standard conditions without preferences | 7,665,921 |
| 2. | Al Rajhi Co. for Cooperative Insurance | Abdullah bin Sulaiman Abdulaziz Al Rajhi | Board member | A Board member in the company | Comprehensive insurance for cars | Annual contracts | No preferred conditions or benefits | 1,051,726,079 |

Regulatory payments

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

Details of payments made during the year are given below:

| Description | 2018 | | Brief description | Reasons |
|--------------------------|----------------|--|-------------------|---------|
| | Paid | Payable until the end of the financial period (not paid) | | |
| Zakat | 1,081,054,185 | – | Paid | – |
| Tax | 29,181,464.05 | – | Paid | – |
| VAT | 110,120,152.12 | – | Paid | – |
| GOSI | 247,939,702.00 | – | Paid | – |
| Visa and Passports costs | 828,704.00 | – | Paid | – |
| Ministry of Labour Fees | 6,028,289.00 | – | Paid | – |

There were no amounts due for the financial period but unpaid.

Employee Benefits and Plans

The Bank provides its employees with a number of benefits which are paid during or at the end of their service according to Saudi Labour Law and Bank policies. The provision for employees' end of service benefits is accrued using accrual valuation according to Saudi Labour Law and local regulatory requirements. The provision for end of service benefits stood at SAR 848 Mn.

Al Rajhi Bank also grants free shares to its senior employees and those of its subsidiary companies 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 upon their commendation of the Nomination and Remuneration Committee.

Books of Accounts

The Consolidated Financial Statements are prepared in accordance with the Accounting Standards for Financial Institutions promulgated 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, and 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 ARB 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 2018. The next General Assembly will designate the External Auditors for the fiscal year of 2019, based on a recommendation from the Audit and Compliance Committee.

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

Acknowledgment of Board of Directors

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.
- Internal control system has been prepared based on proper fundamentals and executed efficiently.
- 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 2018. 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 & Investment, Saudi Arabian Monetary Authority (SAMA) and the Capital Market Authority (CMA) for their consistent cooperation and support in developing the banking sector, which manifests itself 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 loyal 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.