

Message from the Chairman



Recording another record year, the Bank continued to grow and fortify its position as the world's largest Islamic Bank. Group net income for the current year increased to SAR 10,297 Mn. from SAR 9,121 Mn. in 2017. This achievement is all the more significant given the complex dynamics at work in the wider operating environment.



Traversing closer to Vision 2030 →

As Saudi Arabia pushes ahead with plans to reduce dependence on oil and diversify the economy, the Bank continued to align its own strategies with KSA's Vision 2030. The Kingdom's focus on further revitalising the financial sector by fostering private sector growth, creating an advanced capital market, and nurturing financial responsibility among its people will contribute greatly towards its goal of being a global investment powerhouse. During the year under review, the Kingdom continued to make good progress in its mission to achieve its Vision 2030 goals. With GDP continuing to grow, private sector contribution to GDP which was 48.2% in 2017 is projected to be well on its way to reach the target of 65% by 2030. Public debt to GDP is projected to be 21% by end 2018. Saudi owned dwellings (occupied with Saudi households) increased from 49.1% in 2017 to 51.7% in 2018, while foreign direct investment edged up to USD 2,388 Mn. for the three quarters ended 30 September 2018 compared to USD 1,420 in 2017.

Within Saudi Arabia, our five strategic pillars, which focus on growth, employees, customers, digital leadership, and execution excellence, are continuing to show robust results. Our subsidiary in Malaysia and our branches in Kuwait and Jordan ensure that the Bank remains geographically diverse. We will continue forging strong partnerships beyond our borders to provide our stakeholders with greater value over the years to come.

Plotting a sustainable course →

The Bank is fully aware of its responsibility to be sustainable in running every aspect of its business. Corporate governance at the Bank covers the rules, practices, systems and procedures which direct and control its activities. Our governance structure helps the Bank to balance the interests of our multiple stakeholder groups as we focus our energies on value creation.

The Corporate Governance Manual and Regulations for Board Committees and Management Committees, published in 2014, are reviewed annually to ensure that they remain relevant to the changing times. We also apply the key principles of the Saudi Arabian Monetary Agency's (SAMA) Corporate Governance Code for Banks in all our operations within the Kingdom of Saudi Arabia and Corporate Governance Regulations issued by CMA.

Such stringent adherence to corporate governance is vitally important in an environment that is continuously in motion. Every day new players alight on the global arena, disrupting the banking industry as we know it with advanced technology that had not even been dreamed of a few years ago. If we do not move nimbly to capitalise on the opportunities while mitigating the risks, we and our stakeholders risk being marooned in the past.

The Board is well aware of these developments and has already taken prudent but pragmatic steps to make the best of such rapid advancements. A number of policies, practices and procedures relating to corporate governance were developed during the year and the Governance Manual updated. In addition, the Delegation of Authorities (DOA) matrix has been amended according to regulator requirements.

An independent policy of the Bank relating to conflicts of interest was adopted while the policy on related party transactions was also approved. The aim of approving of such policy is to establish guidelines to deal with transactions which have conflict of interest.

Provisioning for the future →

We are well aware of the critical role that employees play in the success of the Bank. To ensure that our employees career development needs are met, the Bank adopted the competencies and functional succession policy. This policy also helps meet the immediate and future staffing needs of the Bank. The promotion of Saudisation is another benefit of these policies.

To create and sustain an open and enabling culture within the Bank, the violations reporting policy was also adopted. It encourages the reporting of improper behaviour or any activity that violates the Bank's policies, procedures and instructions.

Naturally, we also apply SAMA regulations regarding remuneration in accordance with the provisions of the Saudi Company Law.

Our shareholders are a key stakeholder group that the Bank is committed to continue serving. As a result of their trust and loyalty, the Bank is ultimately provided with the means to expand its business further or capitalise on sudden business opportunities, should the need arise. To retain their trust and promote transparency, the Bank ensured that all material information, inclusive of banking information required to be disclosed by SAMA and CMA regulations, was also disclosed to shareholders.

Focusing on strengthening the Bank's role in society, we also adopted a policy for social responsibility. We continue to give back to the community by supporting a range of programmes that are geared to provide relief and support for the marginalised or disabled segments of society. We are immensely proud of the active participation of our employees in community efforts and look forward to an increase in the number of volunteer hours contributed. Taking a leadership role in increasing financial literacy among the communities within which we operate, we also undertook a number of awareness programmes during the year.

Dividends →

I am pleased to report that the Bank distributed a dividend of SAR 2 per share for the first half of 2018, and proposed a final dividend of SAR 4.25 per share. Total dividends for the year amounted to SAR 6,906 Mn., representing 67% of earnings.

Acknowledgements →

Together with the Board of Directors, I express our appreciation to the Custodian of the Two Holy Mosques and the Crown Prince for their strategic vision and leadership.

My appreciation, expressed on behalf of the Board, also goes out to the Ministries of Finance, and Commerce and Investment; the Saudi Arabian Monetary Agency; the Capital Market Authority; and their eminences the Chairman and the members of the Bank's Sharia Board, for their invaluable advice and guidance.

The Board and I extend our gratitude to our shareholders, correspondent banks and customers. We also thank all employees for their dedication towards making the Bank's Vision and Mission a reality. In conclusion, I thank my colleagues on the Board of Directors whose support and counsel I hold in high regard.

Abdullah bin Sulaiman Al Rajhi
Chairman