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Retail banking group →

Highlights for Retail Banking

Over 9 million customers	Over 3.6 million digital banking customers	Over 550 branches
Over 5,000 ATMs	Largest distribution network in the Kingdom No. 1 in ATMs No. 1 in Branches	Top market share across key products No. 1 in Personal loans No. 1 in Auto loans No. 1 in Mortgages

Operating the largest retail business in the Middle East, Al Rajhi Bank serves over nine million retail customers.

During the year, the Bank continued at its top position in terms of branch and ATM networks and remittance centers across the Kingdom, by focusing on increasing its market share in deposit. Through this wide network, ARB customers have access to the entire range of financial products and services from the Kingdom's leader in current accounts, personal loans, auto loans, and mortgages.

Improved private centres and affluent lounges

Continuing to cater to the banking needs and aspirations of its private customers, the Bank extended working hours to 9.00pm at its Private Centres in Riyadh, Jeddah, Dammam, and Makhah and at its dedicated Ladies Private Centre in Riyadh. The Bank also increased and enhanced a number of Affluent lounges with contemporary design to meet the expectations

of our valued customers and ensure that their experience with us remains comfortable and convenient. The Bank's Affluent lounges now number 300 and span the Kingdom. During the year, we also increased the number of relationship managers at our 60 dedicated Affluent Ladies Sections.

Introducing online account opening

In alignment with the Bank's strategy and its contribution towards the Saudi 2030 vision to engage with technology and implement a cashless society we introduced customers to online account opening during the year under review. By fully automating the account opening process in line with regulations, we provided an attractive new option that enhanced the customer experience and service standards while enticing potential customers to sign up.

The Bank's new retail expansion strategy was supplemented by a new layout for each branch that was designed to enhance the customer experience and entice them to try out and experience digital banking.



Developing the real estate mortgage market

Despite being one of the largest in the Gulf region, Saudi Arabia's real estate market remains underdeveloped, with only an estimated 47% of Saudis owning their own home. Rising incomes, urbanisation, growing families and a young demographic, however, mean that the long-term outlook for the KSA real estate remains positive. A stimulus package of SAR 72 Bn., that supports housing construction and waives fees for small businesses and investors provides further incentive in this market. The government's plans to launch large infrastructure projects, such as Neom City and Red Sea, to meet the goals of Vision 2030 and steer the Kingdom away from an oil-dependent economy means that the real estate market is one to watch in the coming years.

Capitalising on this situation, the Bank launched a real estate programme, in cooperation with the Real Estate Development Fund (REDF) and the Ministry of Housing (MOH) which has already resulted in a positive impact on the book size of our Real Estate financing for the Retail portfolio. The fund is based on the Murabaha principle and supports financing for customers who meet the Bank's credit conditions. The Bank will purchase the property in full on behalf of the customer, with REDF paying the Bank an advance payment on behalf of the customer. This project is one example of the Bank's contribution towards increasing home ownership in Saudi Arabia to 60% by 2020 in line with the Saudi Vision 2030.

During the year, the Bank launched 15 high-demand new products and features in the home financing space, such as self-construction and off-plan, which were supported by government initiatives including profit subsidy,

down payment support, and military support. The launch of these products and features was augmented by marketing campaigns to ensure targeted and wider reach among potential and existing retail banking customers in segments as varied as salaried, near retirement, retired, and self-employed. With more such products and features in the pipeline to be launched from 2019 to 2025, the Bank is geared to meet market demand. We look forward to facing the challenges of 2019 head on as we continue to maintain the largest market share in this segment and offer best-in-class customer service while enhancing our relationship with REDF/MOH.

Retail expansion strategy

The Bank's new retail expansion strategy was supplemented by a new layout for each branch that was designed to enhance the customer experience and entice them to try out and experience digital banking.

Retail expansion strategies implemented during 2018 include:

- **More machines at self-service kiosks**

At its 24-hour, self-service kiosks, known as ASRAA, the Bank installed a total of 230 machines during the year – considered a record even by global standards. These kiosks provide customer with 24x7 banking services.

- **Draft cheque printing**

For the first time in the market customers are now able to print draft cheques instantly at any self-service kiosk.

Customer spending behaviour and engagement continues to grow on digital platforms such as e-commerce and international transactions which significantly adds to portfolio profitability.



• Fingerprint technology

Customers can now update their personal information using fingerprint technology without having to visit the branch. This initiative is part of the Bank's ongoing strategy to be the market leader in innovative products and services especially in self-service banking.

• Foreign currency exchange at ATMs

Another pioneering self-service banking solution introduced during the year was the facility for customers to exchange foreign currency at ATMs located at different international airports. Able to now withdraw and deposit foreign currency from their accounts utilising fingerprint technology, usage of this new service, especially among transit passengers, is very high.

• More interactive teller machines

The Bank also installed 20 interactive teller machines (ITMs), making ARB the proprietor of the largest such network in Saudi Arabia. ITMs allow customers to communicate with remote tellers through video and audio as they perform various banking transactions. This high-tech solution provides customers with easy and convenient banking options.

• Customer loyalty programme

The MOKAFA'A programme was launched during the year to reciprocate customer loyalty. This programme allows ARB customers to earn points every time they use the Bank's many products and enhanced features. These points can be redeemed at a range of locations belonging to participating merchants or service providers.

• Electronic signatures

Signing a memorandum of understanding with the specialised companies at the Ministry of Communication and Information Technology, the Bank partnered with the National Centre for Digital Certification, to

provide "Electronic Signature" service for customers. Instead of having to ask customers to sign documents in person, the new service allows them to add signatures to documents electronically. The new service provides convenience without compromising security. After registering at the National Centre for Digital Certification, MCIT through the Bank, customers are able to request for any new service using digital mediums.

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Cards for convenience

The Al Rajhi Mada Infinite Debit Card was launched for customers with elite lifestyles. It provides access to over 1,000 airport lounges around the world through the Lounge Key Programme and global concierge services including for flight, hotel, and restaurant reservations. Using passwords and CHIP technology these debit cards have superior security features and provide customers with free instant messaging for all financial transactions.

The Al Fursan Card from Al Rajhi Bank was also launched during the year under review. Whenever customers make a payment with this card they receive free air miles on Saudi Arabian Airlines.

With the Kingdom's recent moves to provide ladies with greater autonomy, the Bank launched the Selective Credit Card exclusively for women. The first of its kind in the Kingdom, this card offers our female customers distinction and privacy while providing special offers and discounts at retail outlets for the best in women's goods and services.

The Bank has the third largest and fastest growing portfolio with a milestone of 200,000 revolving credit cards as at end 2018. The Bank continues to be the leader in the market in debit cards, with a market share of eight million cards in circulation, leading in spend volume as well.



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Responsible lending principles

In May, of the year under review, the Responsible Lending Principles were issued by SAMA under Circular Number (46538/99). The main objective of these regulations is to shift consumer behaviour towards savings and mortgage finance and away from consumer finance.

The regulation calls for tighter DBR (Debt Burden Ratio) restrictions across all products, especially auto leasing, in addition to the introduction of an affordability module which includes the consideration of external obligations.

Personal finance

The Bank continued to advance its Personal Finance offering, launching the largest buyout programme which allowed customers to transfer their salaries to Al Rajhi Bank in exchange for the settlement of their financing in other Saudi banks.

Watani Flex Finance, the Bank's fully Sharia-compliant personal financing solution and its most profitable retail banking product, was further enhanced during the year. Processes were streamlined to cater to the needs and aspirations of internal as well as external stakeholders.

Growing the auto finance business

The auto market in general has been witnessing a gradual slump since mid 2016, a trend which continued into 2018 owing particularly to the introduction of SAMA's Responsible Lending framework. Despite this, the Bank's Auto Finance arm managed to increase its yield.

Review of Business Portfolio

Issue resolution and improved customer service was a priority for the Bank's auto finance team. To this end, one of our customers' top complaints regarding missing duplicate keys was revisited and a more streamlined solution introduced. In addition, the Sub Dealer Rebate programme, a new revenue stream initiative was introduced.

Focusing on small and medium enterprises →

The Saudi Arabian banking sector has a significant growth opportunity in the small and medium-sized enterprise (SME) sector. As part of its contribution towards the Saudi Vision 2030, Al Rajhi Bank plans to increase its support towards SME growth by facilitating various programmes and providing funding for this sector.

SME business

Our SME business flat-lined in 2018 as a result of prevalent market conditions and the Bank's decision to focus on selective businesses. The Bank merged its SME business with Retail Banking to further expand its SME presence by leveraging the existing Retail Branch network and identifying key geographical concentrations of SMEs for better customer reach. The Bank continued to prudently maintain the SME lending book while stabilising asset quality and loss provisions. Key branches were instructed to provide enhanced customer service for SME customers. Our SME business has also enhanced its one-stop-shop concept with the development of comprehensive credit programmes for its business segments, and the launch of POS financing and e-SME (Internet Banking).

During the coming year, the Bank is planning a major revamp of its SME business. In line with Saudi Vision 2030 the Bank will focus on widening its share of the SME market with greater emphasis on Healthcare, Education, Tourism, Services, Transportation, and Communication. The Bank will also focus on

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cash management services for SMEs to fulfil the business needs of cash-heavy traders and retail businesses.

The Bank will also launch specific and targeted lending products. Greater emphasis will be given to process automation and channels to enhance the customer experience and provide a seamless banking service. By introducing a digital platform for customers to interact with and fulfil their banking needs the Bank will be further contributing towards the Saudi Vision 2030 to implement a cashless society.

Corporate banking group →

The Bank's Corporate Banking arm put in another robust performance during the year under review. The Bank maintained its top position by increasing volume in cash deposit machines, payroll, and payroll cards. New products and services such as the Corporate Liquidity Management solution and Business to Business were introduced and further boosted brand value. We continued to exercise stringent controls and focus on greater efficiency as we implemented improved governance standards and a strict compliance culture.

Significant achievements during the year include the following:

- Developed Corporate Sukuk proposition and participated in one of the high profile Sukuk issuances in KSA
- Launched auto receivable securitisation successfully
- Closed several structured REIT financing transactions
- Participated in large ticket syndicated and clubbed transactions
- Conducted four business events during the year, across regions, to reach out to corporate clients in order to cross sell newly launched products and services
- Enhanced KYC processes and brought in additional controls to improve the TAT and customer experience

- Launched the Corporate Liquidity Management solution to provide centralised and automated cash management for Corporates
- Launched business-to-business (B2B) solutions to provide STP (straight through processing) for Corporate Banking, integrating Banking solutions directly between businesses and the Bank
- Re-launched Cash 24 Card (for cash depositing services) in compliance with SAMA's know-your-customer (KYC) requirements
- Revamped eCorp with enhanced services to Corporate clients
 - Ensuring the e-Commerce statement is visible in eCorp
 - Providing national address filling data through eCorp
 - Upgraded SADAD account OLP Live with FG3 as required by SADAD
 - Launched SADAD Invoice Hub Live
- Achieved savings on the cost of CDM and cash pickup vehicles

Supply Chain Finance

The Bank launched a fully-fledged Supply Chain Finance solution (SCF) for Corporate customers, becoming the first Bank in the Kingdom to offer a wide-ranging suite of solutions backed by a strong technological platform available to the entire value chain of customers. The SCF contributes towards one of Vision 2030's goals of supporting private sector growth. It refers to facilities that are based on a receivables purchase agreement with the client, which allows the Bank to be the sole owner of the receivables due from buyers. Purchases are made on a structured basis, allowing the Bank to manage products, disputes, fraud and other risks that may result in non-payment by the buyer.

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The SCF products consist of the following:

- Supplier Finance Programme
- Receivable Finance
- Medical Claim Discounting
- Insurance Claim Discounting (Insurance Corporate Centric)

In addition, to enhance our customer service proposition, we continued to invest in technology, systems and our people. We launched various self-improvement certification and management development programmes in partnership with reputed third party providers, during the year. We also continued to focus on cross selling to improve customer wallet share and enhance the customer experience.

Treasury →

The Treasury Group's main responsibilities are three-fold:

- Manage the Bank's overall funding and liquidity
- Meet client requirements for treasury products
- Maintain relationships with International Financial Institutions
- Provide foreign exchange remittance services to both retail and corporate clients

New products from money market desk

Our money market desk manages the ARB balance sheet, provides funding for the Bank's requirements and optimises the use of funds. In 2018, the money market desk introduced products designed to expand the Bank's liability product mix such as Repo and Wakalah.

Investment desk contributions

Our investment desk, which was established in early 2016, has contributed significantly to the expansion of our investment portfolio over the last three years. The Investment Desk manages diversified asset classes including Government

Review of Business Portfolio

and Corporate Sukuks, Mutual Funds and Equities. It has also actively worked on yield enhancement and portfolio re-balancing, which contributed positively to Treasury's overall income, forming 44% and 53% of the treasury gross yield income in 2017 and 2018 respectively.

Asset liability management function launched

In response to a more comprehensive and robust internal as well as regulatory risk management regime, an asset liability management function was formed as a separate unit in early 2018 to provide specific focus on managing the Bank's liquidity and profit rate risk.

Financial Institutions Department expands network

The Financial Institutions (FI) Department executed a strategic network expansion plan during the year to provide robust support for customer requirements. It expanded access and reach through multiple corridors in the face of strong competition and bank mergers in the market with the aim of maximising customer experience. Currently the Bank maintains a wide network of around 220 FI correspondent banks.

FI has also played a significant role in implementing new technology such as block-chain through Ripplenet. After conducting successful transactions with one of its correspondent banks, the Bank is now working with others in different countries using this technology.

Similarly, FI continues to play a significant role in supporting the Bank's Corporate business to boost its market share in the highly competitive Trade Finance market.

The Bank installed one of the most sophisticated pricing engines for FX, and will now focus on expanding this across its network.



Building new horizons in foreign exchange business

The Bank's Foreign Exchange (FX) business has embraced change, presenting customers with innovative Islamic banking products and digital solutions to offer convenient and comprehensive financial solutions. The Bank installed one of the most sophisticated pricing engines for FX, and will now focus on expanding this across its network. The Bank is now able to offer competitive pricing which moves in line with the market 24 hours a day. The fully-integrated and automated FX pricing engine has state-of-the-art technology to process multiple FX prices across multiple channels within seconds.

Bullion business

In parallel, the Bank has penetrated the KSA bullion business by establishing a Bullion Desk in a market where only few banks offer such a service. The Treasury Group has also increased its presence in the banknotes business by expanding the existing ATM grid. We initially added over 20 multi-currency ATMs at key locations across the Kingdom. The focus on Banknotes has redefined the Bank's standing in the KSA Inter-Bank market, profiling us as a market maker in the wholesale banknotes business.

OTC – Islamic FX forward and variants

The new Islamic hedging product for FX was launched recently giving our clients the flexibility to explore new opportunities to hedge their future exchange exposure risks within the Bank. The product is called the "Islamic FX Forward" (IFX FWD) and is fully Sharia compliant. This product contractually obligates two parties to a reciprocal agreement, to

exchange a certain amount in one currency to be exchanged to another currency at an agreed future date and price. The IFX FWD has been at the forefront, triggering further development in the Treasury OTC Islamic product suite.

Islamic FX flexible forward

This is an FX forward contract where settlement is flexible and the client chooses the date of settlement within the agreed/specific time period. Such a product offers our clients the flexibility to withdraw the required FX amount at the agreed rate during the life of the contract.

Re-prioritise Tahweel business

In April 2018, the Bank's remittances arm, Tahweel Al Rajhi was migrated to Treasury to garner greater synergies. Tahweel Al Rajhi is an important element of our business, providing local and global money transfer services and banknotes services in addition to many other premium services in keeping with our passion to meet all our customers' banking needs.

Tahweel has the largest network in the Kingdom with 230 centres offering competitive banking services using state-of-the-art technology and serving customers around the clock.

In line with the Bank's strategy to provide services that are more convenient to customers, Tahweel has added new electronic channels, like Tahweel Mobile Application. Such self-service banking channels allow customers to add international beneficiaries, open new memberships, and make transfers with greater convenience, without the hassle of having to line up at the centre. More than 55% of Tahweel transactions are conducted through E- channels. In addition, Tahweel has launched Al Rajhi keyboard which is an online keyboard that allows customers to execute transfers through any chatting apps including social media apps.

In 2019, our Treasury business will continue to provide new innovative services and products to the Bank's customers in order to meet their expectations and to enhance their experiences.



In 2019, our Treasury business will continue to provide new innovative services and products to the Bank's customers in order to meet their expectations and to enhance their experiences. It will also continue to increase its contribution to the Bank's overall profitability.

Investments services and brokerage →

Business performance

Retained its status as the leading broker on Tadawul in 2018, Al Rajhi Capital grew its market share to 20.26%. Asset Management continued to perform strongly, with total assets under Management increasing by 40% to SAR 38 Bn. Its real estate business grew substantially thanks to the successful IPO of the Al Rajhi REIT Fund, which was oversubscribed by 174%. Proprietary Investments, which are based on income-generating assets, benefited from the full-year impact of initiatives taken in 2017, and contributed 24% to overall revenues in 2018.

These achievements were recognised by several industry awards:

- "Best Broker in Saudi Arabia" by EMEA Finance
- "Broker of the Year" by Euromoney Global Investor
- "Best Provider of Sharia-Compliant Funds - 2018" by Global Finance
- "Real Estate Investment Firm of the Year" from Euromoney Global Investor

Awards such as the above reflect the strength and diversity of Al Rajhi Capital's investment products and solutions, and the committed efforts of the entire team.

Review of Business Portfolio

Strategic progress

Towards the implementation of its five-year strategy and growth vision for 2020, Al Rajhi Capital introduced a number of key initiatives in 2018. The Company's strategy is closely aligned with the Kingdom's Vision 2030, National Transformation Plan 2020; and the Strategic Plan 2019 of the Capital Market Authority.

Key strategic developments in 2018 include the launch of a major digital transformation initiative, to deliver products and services to clients through digital channels based on a "mobile first" approach.

During the year, the institutional client base of Brokerage and Asset Management saw encouraging growth, with the Institutional Brokerage team partnering with two leading regional brokers to execute transactions for their clients. They helped to position Al Rajhi Capital as the local broker of choice for international clients.

With leading funds performing well, Asset Management successfully added a number of new discretionary institutional mandates across asset classes. In addition, the IPO and subsequent listing on Tadawul of the Al Rajhi REIT Fund significantly expanded the real estate business, with the Company's overall real estate portfolio now standing at over SAR 3 Bn.

Institutional capability was strengthened through further enhancements to the critical areas of employee capital, information technology and digitisation, operations, risk and compliance – ably supported by innovative customer service and marketing initiatives.

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International business group →

A pioneer in its field and the world's largest Islamic bank by capital, the Al Rajhi Bank brand is one that is on par with other major international banks around the globe. Promoting and developing Islamic banking in countries where the Bank operates through the introduction of innovative banking products is one of its key goals. During 2018, the Bank's International business performed well.

Al Rajhi Bank – Malaysia

Beginning the year with the announcement of a new Chairman and member to the Board of Directors the Bank's Malaysia subsidiary performed well during 2018. In fact, our Malaysia operations outperformed all foreign-owned Islamic banks in the country from 2014 to 2017, turning in another stellar performance in 2018. Signing an exclusive 10-year agreement with Sun Life Malaysia Takaful Berhad, the Bank appointed the former as its sole distributor of Family Takaful products and services to its 150,000 customer base across the nation.

Presence and Branches



During the year under review, the Bank's International business performed as well as expected.



The Bank also expanded our Cash Management System to be able to provide our customers in Malaysia with an improved experience. Keen to provide customers with products that meet their needs, the Bank also focused on expanding product offerings such as Commodity Murabaha.

In the short term we will be looking to:

- Drive corporate and retail deposits
- Expand our digital offering by introducing Retail Internet Banking and Tablet Banking
- Tap into regional markets with new offerings
- Keep investing in talent management
- Roll out infrastructure improvements
- Continue investing in IT solutions that are focused on improving efficiency and enhancing the customer experience.

(Refer Review of subsidiaries for more details.)

Al Rajhi Bank – Kuwait

The Bank became the first foreign bank in Kuwait to launch a second branch in the region after local regulations on foreign banks were lifted.

The Bank's collaboration with one of the local banks to provide ATM access to our customers is a one-of-a-kind project in Kuwait, providing customers with a wider network to access our banking services. The Bank also began operating our first ever call centre in Kuwait to provide customers with ready access to their Bank in Kuwait. The Bank also launched Ijara and Murabaha mortgages to better serve our customers in Kuwait.

Al Rajhi Bank – Jordan

As part of its strategy to expand its network of branches, the Bank opened three new branches in Jordan, taking the total of branches in the country to 10. Each branch will provide a wide range of banking products and services including home finance, personal finance, car finance and commodities finance, in addition to other products such as current account, joint investment account and many other financial solutions.