

To ensure that the Bank abides by all development and regulatory requirements, the Governance and Legal Group monitored and, where necessary, updated all approved policies and procedures for its businesses across the Kingdom and at overseas branches.



Governance and legal group →

The Governance and Legal Group has provided through its sub-departments the expected added value to the work of the Bank; therefore, has succeeded in achieving numerous accomplishments, and developed procedures aimed to control business and reduce errors and risks. For example, the Governance Department has developed many policies, practices, procedures and control processes related to governance within the Bank including Related Party Transactions and Dealing with Conflicts of Interest Policy, ARB Board Members Nomination and Appointment Policy and Authorities Matrix for high-level management to comply with regulatory requirements.

In addition, it has updated ARB Governance Manual and has monitored performance of different committees to ensure having an approved charter for each committee; while it has worked on creating new committees and developing Charters of some committees to meet business needs and requirements of regulators.

Furthermore, it has monitored all approved policies and procedures in ARB KSA and overseas branches to be updated as required and to assure abiding by development requirements.

Governance Department aims at achieving adherence of the Bank to all governance related regulatory requirements and it represents the Bank's arm to set rules and regulations that guarantee compliance of all business levels with best practiced rules of governance.

Board Secretariat has finished all its assigned jobs in a professional manner and has utilised modern technology, represented in Convene system, in circulation of Board and Executive Committee resolutions to shorten the length of processing proposals, ensure smooth and efficient work flow in a timely manner with immediate access of all Board and Executive Committee members to Convene.

In addition, Board Secretariat has developed work process by updating its business regulations to be compatible with the Bank's strategy and targets. It has coordinated and collaborated with all proposals' stakeholders to meet business requirements and achieve the best interest for the Bank and other related parties as per approved business regulations.

Board Secretariat has continued to follow up with Board or Executive Committee members and the management to ensure effective processing of all matters related to their resolutions and instructions.

The Legal Department continued to provide legal and advisory services as an internal consultant sector within the Bank and document the Bank's rights to defend them in order to preserve its assets and earnings.

The Shareholders Register Secretariat continued to maintain its performance and professional communication while implementing formal regulations and abiding by their rules. In addition to the disclosure of all mandatory requirements and distribute all reports and declarations, where all investors can review the Bank's performance on a regular basis.

Human resources group →



Total staff strength

2018
12,732
2017 – 13,077



Saudisation rate

2018
96.0%
2017 – 91.8%

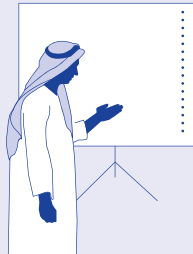


New staff recruited

2018
over 725
2017 – 671

Number of training hours

2018
over 65,000
2017 – 64,000



Learning and development

Al Rajhi Academy



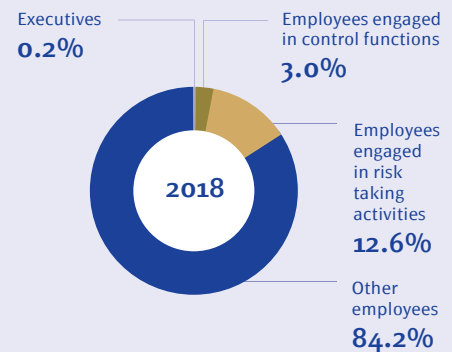
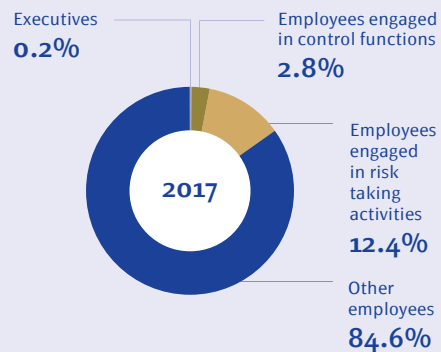
School of Leadership

School of Banking

Accolades:

GCC Best Employer Brand Award for Best Graduate Programme amongst KSA Banks.

Employee function



Becoming the employer of choice is one of the pathways of the Bank's 2020 ABCDE strategy.

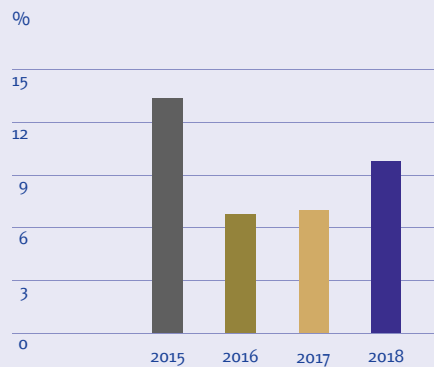


Employer of choice

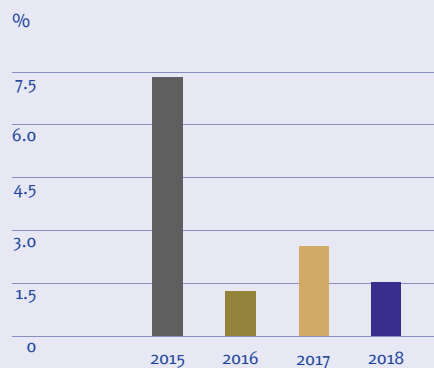
Becoming an employer of choice is one of the Bank's key strategies as it is keenly aware of the positive impact of an engaged workforce. With this goal in view, HR has transformed itself as it worked towards building a motivated, competent and engaged workforce over the past few years; one that is capable of surmounting the current and future challenges of the Bank.

HR has successfully achieved several key milestones already, recording significantly lower attrition in the high performer category.

Overall turnover



High performers turnover



The Bank has been recognised for the third consecutive year as the Best GCC Employer Brand by Employer Branding Institute and the Most Preferred Banking Employer in KSA for Saudi graduates by UNIVERSUM for the second year in a row.

Given below are some of the key strategic initiatives that HR Group has implemented successfully in order to deliver on the broader sustainability objectives.

Recruiting the best

The HR pipeline



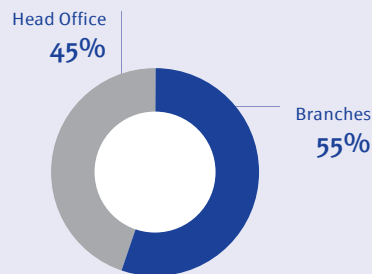
Being the largest banking employer in KSA, we recruited over 725 new employees during 2018. To do so we implemented best-in-class selection tools that include:

- Ability tests
- Psychometric assessments
- Criteria-based interviews
- Fully-fledged assessment centres

The Bank's graduate programmes are also designed to provide the necessary knowledge foundation and resilience for young Saudi female talent to navigate across the current complex banking environment.



Recruitments 2018



To ensure a smooth and effective recruitment process across all regions of the Kingdom we partnered with and depended on:

- Recruitment specialists
- The on-boarding team
- The automated on-boarding process

Developing and managing talent

The HR pipeline



Once on board, new recruits are carefully cultivated by the Talent Council to ensure that they have the best experience with us and that we create an environment that brings out their latent talents.

Review of Other Operations

Establishing sustainable core talent management practices is an integral part of the 2020 HR Strategy and a key driver for achieving our strategic aspirations towards becoming Employer of Choice. With this intent, we have set up the ARB Talent Council, under the patronage of our CEO to reflect our commitment in developing strong Saudi leadership. The Talent Council plays a critical role in identifying, developing, nurturing and mobilising the Bank's Saudi talent. It prioritises talent under the following categories for the purpose of succession planning for critical roles across the Bank:

- Senior leaders – Tier 1
- Junior leaders – Tier 2
- Emerging leaders – Tier 3

Catering to graduates

The HR pipeline



The Bank's graduate programme has been rated as the best among all the financial institutions in the Kingdom for the second consecutive year by UNIVERSUM. We adopt best in class selection methodology, including an online ability test and a motivational interview approach to select the best Saudi graduates from different national and international universities.

The Bank's graduate programmes are also designed to provide the necessary knowledge foundation and resilience for young Saudi female talent to navigate across the current complex banking environment.

During 2018, more than 65,000 training hours were delivered to ARB employees covering different domains such as technical, regulatory, leadership, and personal effectiveness.



To date, we have inducted over 150 graduates within the Bank since the programme began in 2015. There are primarily two types of Graduate programmes:

• **Graduate development programme:**

The graduate development programme is an 18-month journey that includes classroom learning, rotation with business and control functions, attachment with Groups on live projects, mentoring and coaching, and contribution to our CSR initiatives. During the year, we launched the Bank's first dedicated female graduate development programme, the sixth such graduate programme since its inception four years before. So far, three batches have graduated, and three are currently undergoing training.

• **Thematic development programme:**

The thematic graduate development programme is a 12-month journey and is focused on building domain specific capabilities. To date, we have implemented four such programmes, dedicated to Corporate Banking, SME, IT and Transformation and Change Management. Upon graduation, the participants will take up roles within their respective business or functional areas.

Planning for succession

The HR pipeline



Succession Planning at Al Rajhi Bank is undertaken with the following objectives in mind:

- Identifying critical positions within the Bank which have a significant impact on its financial and control functions
- Identifying the status of these positions (filled/vacant) and the availability of in-house successors and their preparedness for identified roles
- Developing proactive strategies with respect to succession planning

The identified successors undergo a variety of development initiatives engineered and launched by the HR team in 2018/19 to make sure that the Bank is investing in bridging the gaps between the identified successor and his/her future targeted role.

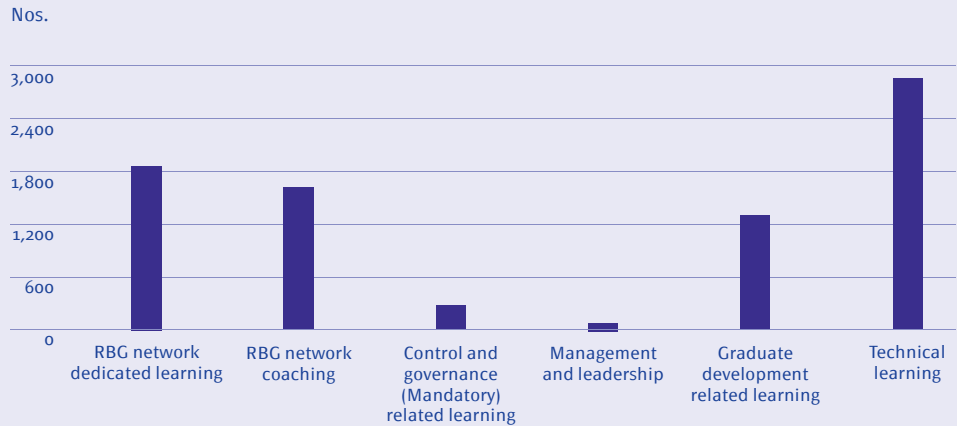
Building strong business leaders

The HR pipeline



The Bank has embarked on a mission to establish the Al Rajhi Bank Academy to develop the business and leadership capabilities of its employees and meet the goals of its 2025 strategy to be the Employer of Choice. The Academy consists of two key pillars, the School of Leadership and the School of Banking. During 2018, more than 65,000 training hours were delivered to ARB employees covering different domains such as technical, regulatory, leadership, and personal effectiveness.

Break down of 2018 training days



School of leadership

For Al Rajhi Bank to grow sustainably, it is imperative that the leadership pipeline is strong and vibrant. The following leadership programmes have been launched to address the current and emerging development needs of senior leaders at the Bank:

- Executive leadership programme: Facilitates leadership development, enabling experienced leaders to better manage their current responsibilities while making a greater contribution in an increasingly complex environment
- The leadership development programme: Addresses leadership capabilities needed to develop the next generation of leaders at Al Rajhi Bank and support effective ongoing implementation of our business strategy
- Transition management programme: Empowers individuals during their career progression journey, supporting individuals with focused development and preparing them at each transition stage of their career
- Management development curriculum: Builds confidence and efficiency in employees with people management responsibilities

School of banking

The primary focus of the school of banking is to build role specific capabilities and domain expertise across different businesses and functions of the Bank. This is delivered through a structured development and certification approach. Examples of these structured developments include:

- Treasury and FI Certification
- Corporate Banking Credit Risk Certifications
- SME Credit Risk Certification
- Retail Branch Manager Certification
- Certified Compliance Officer Certification
- Certified Auditor Certification

A blended approach of learning has been adopted in the design of these structured interventions in order to ensure learning effectiveness and drive greater efficiency.

Championing a performance-driven culture

The HR pipeline

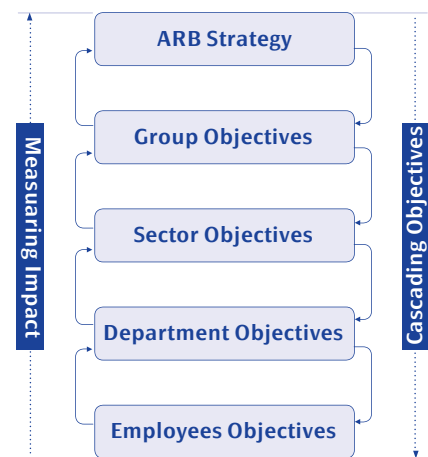


In line with our Vision, Mission, and Values each business unit and support function is required to develop its own strategy which is in alignment with the overall strategies of the Bank.

Achieving the plan of each department depends on the efforts of the employees. To ensure that each employee clearly understands their role in realising the Bank's goals, the Bank's strategic plan is cascaded to each department. Then, working as part of a team, each employee identifies and agrees to the objectives, targets and deadlines they must meet in order to contribute towards the goals of their department and ultimately the Bank itself.

Cascading the strategy to all groups and departments and ultimately to individuals is a critical success factor for the Bank.

Cascading and Cause & Effect

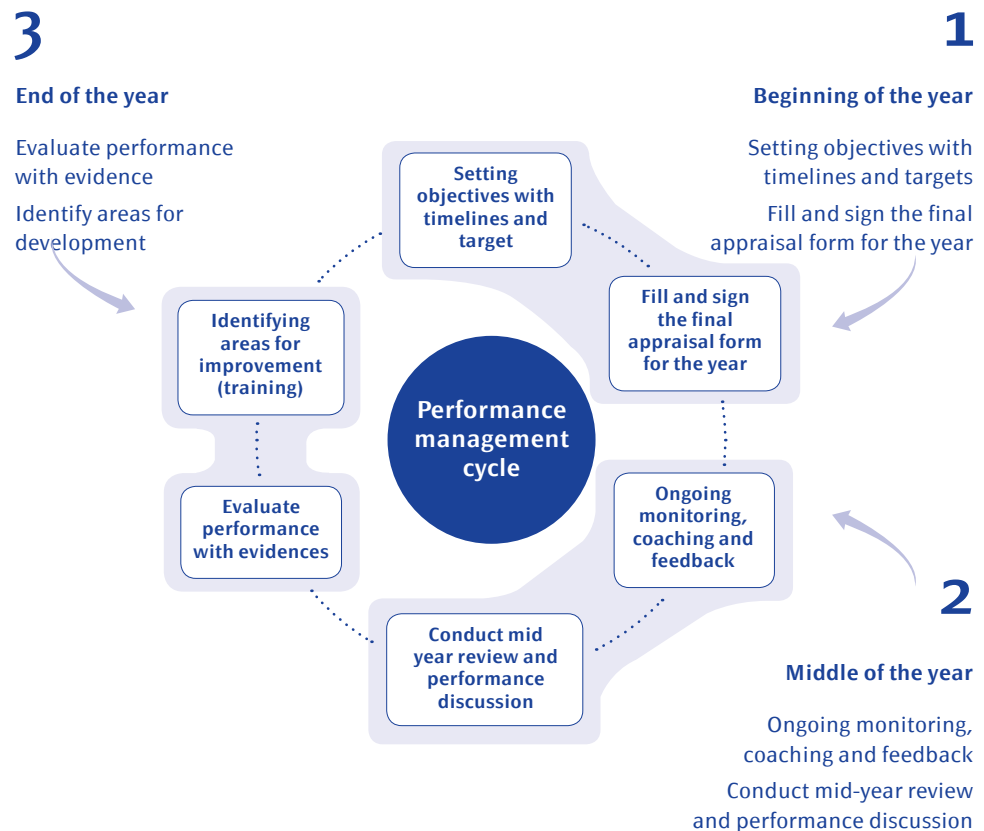


Review of Other Operations

These key performance indicators are met through the Performance Management System, which helps document each employee's progress.



These key performance indicators are met through the Performance Management System, which helps document each employee's progress. It consists of three main phases as shown below:



- **Pay for Performance Rewards Culture**
To ensure consistency and comparability, the Bank has developed its Employee Value Proposition and Compensation policies and practices on a differentiated, pay-for-performance-and-potential model that is linked to the Bank's and the individual's performance and market pay position.

The Bank's rewards strategy and policies are in complete alignment with SAMA's requirements. In February 2018, the Human Resources Group completed a self-assessment review of the Bank's Compensation Incentive Schemes against SAMA rules and FSB standards.

The key pillars of the Bank's compensation framework are:

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

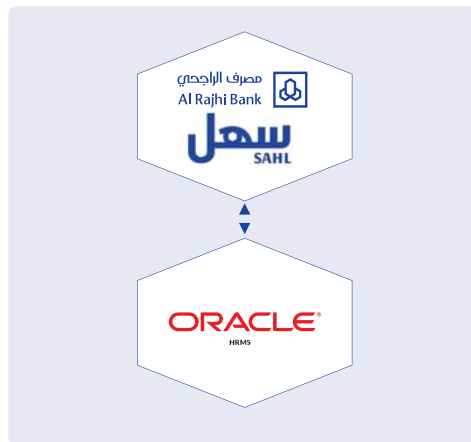
Risk factors are an integral part of the balanced scorecard for performance management of Senior Executives. The Bank's total compensation approach comprises fixed and variable compensation. The variable components are in alignment with good corporate governance and include claw back and holdback arrangements.

The Bank promotes a culture of strong open communication with all employees to assess engagement levels and identify areas that require further attention.



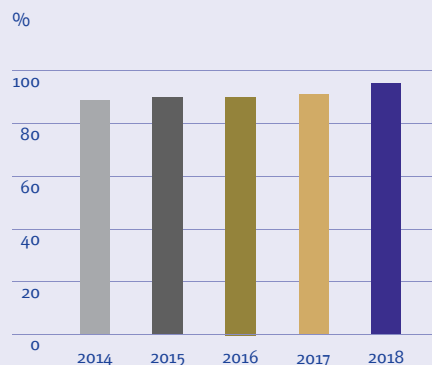
Digitised HR services

In line with the Bank's ABCDE Roadmap and the HR Strategy to Become an Employer of Choice, the Human Resources Group launched "SAHL", a new generation HR Services application. "SAHL" is a mobile application that is compatible with IOS and Android and is integrated with HR systems that provide employees with the ability to execute their HR Services anywhere, anytime. It improves the convenience, efficiency and reliability of HR services.



Embracing the Kingdom's Vision 2030

Saudisation trend



In line with Vision 2030, the Bank increased its Saudisation ratio to 96% by end of 2018 and increased the female workforce by 32% since 2016.

HR Governance

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

Employee engagement and communication

The Bank promotes a culture of strong open communication with all employees to assess engagement levels and identify areas that require further attention. Communication channels include:

- Pulse surveys
- Focus group discussions
- HR Newsletter
- Online employee communication portal TAWASUL
- Annual roadshows and town halls
- Ramadan family activities

The overall engagement score significantly improved in 2018 and we continue to enhance HR solutions and deliverables to meet employee expectations.

As part of the multi-year transformation journey, Internet and Mobile banking continues to be a key focus of our Digital Agenda.



Shared Services Group →

Information Technology (IT) Department

Throughout 2018, the Bank's IT Department continued on its journey towards transformation and digitisation (refer Digital Footprint on page 54 for a detailed overview). Under the patronage of the IT Steering Committee, multi-year strategic programmes were initiated and are now well underway, moving the Bank forward in its ambition to become the leading digital bank in the region.

Against a backdrop of tightening local and international regulations, the IT Department implemented more than 400 initiatives, directly contributing to the Bank's strategic agenda, including:

- Regulatory and compliance: Increased stability and security
- Revenue generation and cost efficiency: Improved profitability
- Meeting customer needs: Increased customer satisfaction
- New and improved digital channels and services: Faster time-to-market

As part of the multi-year transformation journey, Internet and Mobile banking continues to be a key focus of our Digital Agenda. Multiple enhancements have been introduced for both Retail and SME customers to improve not only the available services but, importantly, the Internet and Mobile customer experience. The integration of the Al Rajhi Mobile Application with WhatsApp is a great example of innovation that enhanced the user experience and ease of use for customers to Bank with Al Rajhi (Refer Contact Centre Department on page 79).

A richer array of self-service options has been introduced within our ATM network enabling a broader spectrum of banking services outside Branch hours for customers who prefer physical to virtual interaction.

Review of Other Operations

The Bank continued its focus on cyber security to maintain safe and secure services for customers, 24 hours a day, and seven days a week. This strategy has enabled the Bank to mitigate and address cyberattacks with zero impact on customers.

The Bank's emphasis on customer centricity requires "state-of-the-art" customer relationship management tools. During the year, we empowered our call centre agents with tools that provided a comprehensive 360° view of customer needs, enabling us to act swiftly to fulfil customer requests or address issues.

The Bank also extended the types of accounts available to customers to enable a broader set of services to accommodate the needs of our diverse customer segments. New account types include:

- Citizen account
- Family
- Escrow
- Virtual accounts

Technology is at the heart of our customer experience as we continue to maintain and support the needs of our nine million customers, safely and securely.

Operations Excellence and Governance Department

During the year, this department continued its focus on reducing errors and enhancing the customer experience. It did so by bringing efficiency and cost effectiveness to end-to-end processes throughout the Bank's back-office functions over the short to medium term. This involves:

- Making changes to our current operating model
- Streamlining processes
- Implementing control enhancements
- Employing the latest technology

The Bank's Business Operations arm takes responsibility for the smooth delivery of banking services, handling all back office operations for all business lines within the Bank.



On its journey towards operational excellence the Bank implemented the following initiatives:

- Robotic solutions for retail credit approvals, sanction screening and other operational processes
- Managed services for functions like reconciliations and card operations
- Outsourcing of cash centre operations

One of the most important responsibilities of this department is to ensure that the Bank is in compliance with internal and external policies and regulations. We also ensure that the Shared Services group is compliant with Audit, Compliance and Risk requirements. The creation of this function has helped to improve the control environment across the Shared Services.

Over the forthcoming year, the focus will be on rolling these initiatives to other lines of business in the Bank so that efficiency and effectiveness can be further improved across the Bank.

Contact Centre Department

The Contact Centre's objectives are:

- To enhance the after-sale services
- To respond promptly and effectively to customer inquiries and requests
- To resolve complaints to the customer's satisfaction

A snapshot of Contact Centre activity in 2018:

- Received more than 7.8 million calls
- Received over 1.4 million service requests
- Resolved over 204,000 complaints

The Bank successfully launched a new customer relationship management system, with the 360 degree view of the customer as mentioned previously. Innovations such as these help us win the customer's loyalty and trust, knowing that we care enough to listen and respond to their banking needs. We also use a predictive complaints system using big data technology to resolve customer issues proactively.

In line with the Bank's strategy of Digital Leadership, the Contact Centre launched the "WhatsApp Channel" – the first bank in the Kingdom to launch WhatsApp services using an official business number. This is part of our omni-channel programme which is designed to enhance other Contact Centre channels like email and social media to deliver a seamless experience across all customer touch points.

Business Operations and Support Department

The Bank's Business Operations arm takes responsibility for the smooth delivery of banking services, handling all back office operations for all business lines within the Bank. Its key activities include:

- Managing cash and operations for ATM and Point of Sale (POS)
- Managing cash collections and despatching to branches, Tahweel Centre and retailers
- Handling domestic and international payments
- Managing back office for Treasury activities
- Processing trade transactions
- Processing credit applications for retail customers
- Executing lending deals for corporate, Mid corporate and SME customers
- Supporting all consumer products operations such as personal loans, credit cards, car lease and real estate
- Archiving documents and ensuring their authenticity, quality and compliance with the regulatory instructions

During the year, the Department focused on improving process efficiency and the control environment. Business Operations optimised cash management across all channels and improved ATM availability to meet and exceed SAMA service levels. We also improved processes aimed at reducing customer ATM claims, streamlining insurance for cars and real estate assets, and reducing turnaround time for credit approvals and ancillary services.

The Compliance Group supports the Bank in achieving its objectives by complying with all rules and regulations applicable within the Kingdom of Saudi Arabia and covered by global standards and best practice.



The Bank implemented a new payments system which provides it with a platform to introduce advance payment services. A new fraud management system was also implemented to cover the cards acquiring side of transactions. In addition, we are utilising the services of specialised vendors who undertake non-core activities. All these strategies have not just enhanced efficiency but will also support standardisation of processes and reduce operational costs for the Bank.

During 2019, the Department will focus on the following:

- Realigning Business Operations' end-to-end accountability model
- Further improving service delivery and the customer experience

The Properties and Support Services Department is responsible for the management and implementation of all engineering projects for the Bank, from planning, design and construction to renovation and operation, across of all its properties in all regions of the Kingdom. The Department is currently maintaining and supporting more than 900 branches and remittance centres and more than 5,000 ATMs.

In 2018, the Department successfully completed the head office building, Al Rajhi Tower, with a built up area of 100,000m², and the operations and technology building, North Ring Road Complex with a built up area of 68,000m². Together the buildings have a staff capacity of more than 3,000 employees and offers state-of-the-art facilities. Catering to employee needs these facilities include:

- Educational and administrative facilities
- State-of-the-art gym
- Break out areas for team collaborations
- Mosque
- Medical unit
- Fully-catered dining area
- Ample parking spaces for the entire employee cadre

Review of Other Operations

In addition, the Department completed the new ladies' headquarters occupying 22,000m² with a staff capacity of more than a 1,000 female employees.

The Department is responsible for managing all of the Bank's suppliers and service providers in terms of contracts, purchase orders and invoices.

It is also responsible for providing security and safety for all Bank assets in the Kingdom, through the application of various policies, technologies, and security devices to ensure safe work flow at all times.

Compliance Group →

Compliance and financial crimes risks have become some of the most significant ongoing concerns for financial institutions in the Kingdom, where regulatory penalties have dramatically increased since 2016 and the scope of regulatory focus continues to expand. Accordingly, the Compliance Group has expanded beyond offering advice on statutory rules, regulations, and laws and become an active regulatory co-owner of risk, providing independent oversight over the control framework. The new approach starts by defining which risks apply to a given business process and identifying where exactly in the process they occur.

The Compliance Group supports the Bank in achieving its objectives by complying with all rules and regulations applicable within the Kingdom of Saudi Arabia and covered by global standards and best practice.

The Compliance Group has two main functions: compliance and financial crimes.

Compliance is mainly responsible for:

- Interpreting the regulatory requirements
- Identifying the associated risk that might impact the Bank's reputation
- Implementing regulatory requirements

Major investments in governance, systems, data, processes and people capabilities were made over the past three years.



Financial Crimes is a specialised department that is responsible for combating:

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

The Group Chief Compliance Officer (GCCO) leads the compliance function and assists Management in identifying and assessing compliance issues and in guiding and educating staff on related matters. The GCCO has a direct contact with the Board of Directors, Chairman of the Board or its members. In addition, he directly reports to the Board Audit and Compliance Committee, and also reports to the CEO administratively.

The GCCO has oversight of the Compliance programmes of the Bank's Overseas Branches (Jordan and Kuwait) and Banking Subsidiary (Malaysia).

Key accomplishments in 2018

Major investments in governance, systems, data, processes and people capabilities were made over the past three years.

Described below are the key accomplishments in 2018:

- **Compliance organisation and people:** The Bank continues to invest in Compliance. The current headcount of the Compliance Department as of December 2018 is 151, a growth of 147 % in FTE count. Female staff number 16. Training and awareness campaigns continued to be enhanced and expanded across the Bank.
- **Transaction monitoring and reporting of suspicious transactions (AML):** In 2018, the latest version of the AML Transaction Monitoring System was introduced with improved visual analytics and case

management features implemented in the Kingdom, Jordan, and Kuwait. A Robotics Process Automation solution was also introduced.

- **Sanctions programme:** The Bank made major enhancements to its Sanctions Programme. In 2018, the Bank implemented the "Daily-Delta Screening" methodology. Using this solution, the Bank's customers and beneficiaries are screened on a daily basis against sanction list updates.
- **Customer risk assessment:** The Customer Risk Assessment Methodology and model was enhanced in 2018. The AML risk rating for all customers (KSA, Jordan, and Kuwait) was updated.
- **Compliance management system:** An automated Compliance Management System was implemented which contains the compliance catalogue (library of regulatory requirements) and risk registers. This system was rolled out across Saudi Arabia, the Bank's overseas branches (Jordan and Kuwait) and its subsidiary (Malaysia).
- **Compliance training and awareness:** Major programmes delivered to improve the training and awareness across all three lines of defense.

World-class compliance: Our vision for 2019 compliance programme

In line with global best practices in 2019, the Compliance Group will focus on emerging risks surrounding "disruptive" technologies and innovations. These include assessment and mitigation of:

- Money laundering and terrorist financing risks
- On-line customer on-boarding
- Robotics process automation
- Block-chain

The Internal Audit Group's Mission is assuring the Board of Directors independently and objectively about the efficiency and effectiveness of internal audit systems, risk management, Bank governance and the optimal use of available resources to achieve the operational and strategic objectives of the Bank.



Internal audit group →

Internal audit represents the third defence line that provides reasonable assurance on the efficiency and effectiveness of other control functions, including Risk and Compliance Departments as second line of defence. Moreover, the role of the Executive Management of the Bank includes designing and implementing effective internal controls as a first line of defence. The Internal Audit Group's objectives include providing to the Board of Directors reasonable, objective and independent assurance on the efficiency and effectiveness of internal control systems, risk management, and Bank's governance including integrity and accuracy of information, regulatory reporting, level of compliance with policies, regulatory requirements, assets safeguarding measures and best utilisation of resources to achieve the Bank's operating and strategic objectives.

The work scope of Internal Audit Group includes: Bank's activities within the Kingdom, oversight of internal audit activities located in overseas branches and subsidiaries.

To achieve its objectives, internal audit carries out its activities following a risk-based audit approach and the international auditing standards issued by The Institute of Internal Auditors supported by a qualified, skilled and experienced team to carry out its activities in an effective and professional manner. To ensure effectiveness and transparency, the audit team has been granted the required access to the Bank's records, systems, employees' activities and unlimited access to Bank's premises.

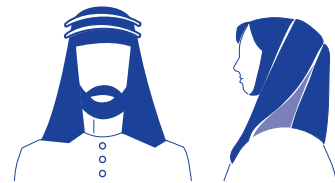
Corporate social responsibility →

In 2018, the Bank gave back to the communities within which it operates by initiating several social responsibility programmes that included the participation of Bank employees.

Review of Other Operations

75 social responsibility programmes in **22** cities

2,904 volunteer employees



2,288
male volunteers

616
females

11,215
volunteer hours
by males

2,900
volunteer hours
by females

Total volunteer hours

14,115

The Bank was keen to ensure diversity in groups that benefited from these programmes including:

- The differently-abled
- Orphans
- The unfortunate
- Those with special needs

In addition, the Bank supported anti-smoking programmes and focused on raising financial awareness in secondary schools in Riyadh. The Bank participated in international days to raise awareness of important issues and spread knowledge within the community.