



Just as the Kingdom is in the process of a great transformation, the Bank too continues to engage in its own journey of change – one that will complement and contribute towards Saudi Arabia's Vision 2030. During the year under review, we accelerated our transformation, continuing to deliver superior returns for our shareholders while further enhancing our customer and staff engagement.



Accelerate growth →

For all our shareholders, the starting point of their expectations remains value creation through accelerated growth – growth which, while it exceeds industry, remains both prudent and pragmatic. Building on its momentum, the Bank outperformed peers in the market yet again, registering meaningful market share improvements across key product lines. Our mortgage portfolio grew by over 27% through the introduction of new products such as Self Construction, a home financing solution for Ministry of Housing and Real Estate Development Fund beneficiaries. These efforts increased the Bank's market share to 27.9% compared with 20.6% three years ago. The Bank also registered market share increases of 4.6%, 6.6% and 30% in terms of remittance centres, current accounts, and female customers respectively. With 551 branches, including 157 ladies sections and branches and 236 remittance centres as well as 300 affluent lounges, we ensured that the Bank's distribution network remained the largest and most technologically advanced in the Kingdom.

To further accelerate growth, we introduced many firsts during the year, such as "FX Forwards", a first of its kind in the Islamic hedging market, and also a comprehensive Supply Chain Financing programme which provides a wide range of solutions for corporate

customers. We also launched POS Merchant Financing for Small and Medium Enterprises, merging our SME and retail arms to leverage our network and enhance customer service.

While we remained focused on our domestic organic strategy we continued to invest outside the Kingdom. In Kuwait, we became the first foreign Bank to launch a second branch. In Jordan, we opened three more branches, which will provide our customers with a wide range of banking products and services. Malaysia performance improved substantially and we signed an exclusive 10-year agreement with Sun Life Malaysia Takaful Berhad, appointing them sole distributor of Family Takaful products and services.

We remain focused on effective balance sheet management in a rising rate environment and witnessed successful (6%) growth in non-profit bearing deposits, which increased our market share to represent over 25% and represents 94% of our total deposits. As a result, the Bank's net profit margin improved by 26 basis points in 2018 to 4.34%. During 2018, a Corporate Sukuk proposition was developed and the Bank participated in a high profile Sukuk issuance in the Kingdom and in several large syndicated transactions.

Become employer of choice →

For our employees, we must continue being the employer of choice – providing them with the career development opportunities they need to excel. It is only when they are truly engaged that our employees are able to anticipate and meet the banking needs of our customers and empowered to act in our customers' best interest.

During the year, we provided 65,000 hours of training and development. With the aim of strengthening diversity and increasing the number of female employees, the Bank also launched the first dedicated female graduate development programme during the year. In 2018, the number of female employees grew by 54% from 2015, representing 13.5% of the Bank's total employee base. Contributing towards Vision 2030, the Bank also increased its Saudisation ratio to 96% during the year.

We also sought to provide our employees with every opportunity to excel at what they do. For instance, on its journey of transformation, our HR function embraced innovation. We launched "SAHL", a new generation HR Services mobile application that is integrated with HR systems. SAHL provides employees with greater flexibility in utilising and requesting HR services on their mobiles.

Giving back to the communities within which we operate, has always been a part of our ethos and this year was no different. Nearly 3,000 of our people banded together, contributing over 14,000 hours on 75 social responsibility programmes in 22 cities. By 2020, our goal is to be able to report 50,000 cumulative hours of employee volunteering.

Customer focus →

With our people and digital systems increasingly geared towards providing a superior customer experience, the Bank is on a clear trajectory towards meeting its customer advocacy goals. We monitor our Net Promoter Score (NPS) very closely focusing on whether a customer would recommend the Bank to others. Among banks in the Kingdom, our NPS improved from 14% in 2015 to 42% in 2018. We now rank second, up from seventh position in 2015 out of a total of 12 banks in Saudi Arabia. We also lead in social media, ranking first on Twitter, YouTube and Instagram.

We are establishing an innovation centre in our new facility and will be expanding the level of customer input in both the design and prioritisation of new features and products. The feedback and suggestions from customers have enhanced our ability to increase conversion to digital channels and functionality, continuing to enhance customer experience further.

We delivered 11 new products during 2018 and have a full pipeline in place for 2019 and beyond.

Digital leadership →

In today's always-connected, always switched-on world, to meet the needs of our customers, we must compete with the latest technological innovations and market disruptions introduced by both start-ups and the biggest brands in the consumer and technology space. While this is no easy challenge, we have already begun focusing on some of the latest innovations in the market. Blockchain is one such innovation. The Bank has partnered with RippleNet, a global payments network that makes it easier for customers to connect and transact across a network of over 200 banks and payment providers worldwide.

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To further meet customer needs, during the year, we harnessed technological innovations such as fingerprint identification technology and electronic signatures to make banking safer and more convenient for our customers.

As part of the ongoing digital transformation journey, we also focused on mobile and internet banking enhancements, further expanding our digital footprint. At year's end, 56% of customer transactions were being performed digitally. In addition, the number of active retail users of the Bank's "Mubashar" online banking platform for Retail customers grew strongly by 61% during 2018 to 3.6 Mn., while active Corporate users grew by 12.5% to almost 40,000. In terms of point of sale, we captured 18.9% of the value of the point of sale in the Kingdom, up from 16.3% in 2017. We deployed 250 self-service kiosks and plan to add 200 more in 2019. In 2018, 25% of transactions were made on a mobile or desktop. We will continue to forge new partnerships with Fintech companies in various parts of our business, including payments, and expanded use of robotics in our operations.

Execution excellence →

Al-Rajhi Bank is committed to ensuring the highest standards of compliance across all its activities and functions. With the overarching goal of maintaining a "World-Class" Compliance Program, the Bank continues to invest in "State-of-the-Art" compliance Systems, technology enabled processes and people. The Bank successfully transformed its Anti-Money Laundering (AML), Counter-terrorist Financing (CTF) and Sanctions frameworks; and has achieved an established state of maturity.

While continuing to improve the Bank's compliance standards and procedures, we focused on protecting the interests of our customers and meeting the increasingly rigorous demands of local and international regulators. To ensure that we abide with all the regulatory requirements and new developments during the year, the Bank updated its Governance Manual, as well as all approved policies and procedures for its businesses across the Kingdom and at our branches abroad.

We will continue to seek process improvements, such as digital solutions for retail credit approvals, sanction screening and other operational processes. In the near future we will roll out these initiatives to other lines of business in the Bank so that efficiency and effectiveness can be further improved across business lines and functions. We are one of the largest users of robotics in the Middle East, with 253 bots processing around up to 22,000 transactions per day, improving turnaround time. We also completed our new head office and data centre during the year.

Acknowledgements →

I extend my sincere appreciation to the Chairman and the Board for their support and guidance, the Bank's customers and investors for their continued loyalty and patronage, and our employees for their commitment and hard work.

The quest to succeed has always been strong within Al Rajhi Bank. While this spirit has stood the Bank in good stead over the past six decades, I have no doubt that our leadership team, our people and our clear ABCDE strategy outlined in the Report, will continue to position the Bank for long-term success.

Stefano Paolo Bertamini

Chief Executive Officer