

Board of Directors' Report

The Board of Directors of The Saudi Investment Bank ("Bank") is pleased to present its annual report of the Bank's activities as of and for the year ended December 31, 2017 which includes information about the Bank's activities, achievements, strategies, financial results, Board of Directors and its subcommittees, in addition to other complementary information that aims to meet the needs of the reader.

Overview

The Bank is a Saudi Arabian joint stock company formed pursuant to a Royal Decree M/31 issued in 1976, with its Head Office in Riyadh. The Bank operates 49 branches including 12 ladies sections located throughout the Kingdom of Saudi Arabia. The Bank's website address is www.saib.com.sa.

The Bank's major shareholders include:

Public Pension Agency	17.32%
General Organization for Social Insurance	17.26%
JP Morgan International Finance Limited	7.49%
Saudi Oger Limited	5.77%

Main banking activities

The Bank offers a wide of conventional and Shariah-compliant products and services for corporate clients, individuals, and commercial businesses comprising small and medium size enterprises through the Bank's head office and a network of retail branches located throughout the Kingdom. The Bank also provides tailor-made financial products and services to corporate, government, and public sector entities through its three regional offices located in Riyadh, Jeddah, and Al-Khobar. The Bank, through its wholly-owned subsidiary Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital), also provides brokerage services in the Saudi and international markets, as well as offering asset management products and services.

The Bank is subject to the laws and regulations of the Kingdom of Saudi Arabia and is regulated by the Saudi Arabian Monetary Authority ("SAMA"). The Bank also follows regulations issued by the Ministry of Commerce and Investment ("MOCI") and the Capital Market Authority ("CMA").

Significant highlights

Significant highlights for the year included continued progress in several core business and financial ratios, increasing our customer base, and improving service quality, expansion of our personal financing programs and ATM network, and further automation and expansion

of the retail banking business. As part of our ongoing retail activities, the Bank continued to enhance the ALASALAH Islamic Banking brand. Under this brand, the Bank also operates forty-five Shariah-compliant branches within the Kingdom. Finally, the Bank also continued its credit rating review process with Standard & Poor's and Fitch Ratings. The Bank currently has investment grade ratings of ('BBB'/'A-2') and ('BBB+'/'F2'), with Standard & Poor's and Fitch, respectively.

During 2017, the Bank received the Best Loyalty Program Saudi Arabia 2016 Award and the Best Environmental Sustainable Bank 2016 Award by the International Finance Magazine, and was only Saudi Bank ranked among all Saudi listed companies in 2017 at the 1st Corporate Governance Office Conference hosted in 2017 by the Al Faisal University in collaboration with Harvard University.

Strategy and objectives

The Bank offers traditional wholesale, retail and commercial banking products. In particular, we arrange financing of quasi-government and private industrial sectors and trade finance products for facilitating imports and increasing Saudi exports.

The Bank continues to pioneer in providing corporate banking services. The Bank also concentrates on expanding its customer base of individuals by providing them smart banking solutions that meet their different needs, especially the youth as the case is with Travel Cards and EasyShopping Cards.

Regardless of the economic and competitive challenges SAIB encounters today, the Bank sees bigger opportunities for growth with Vision 2030 as its guide towards establishing ambitious plans by focusing on meeting the financial and banking needs of the sectors mostly focused on in Vision 2030.

SAIB's vision is to offer the simplest and most accessible products and services to each of our customers.

Our mission towards our customers is to make banking simple and accessible for each of our customers, we are flexible, adaptive and responsive to deliver what suits our customers, and most importantly is that we listen to our customers and understand their needs and preferences in order to evolve and improve.

While towards our employees, we value ideas, inputs, and initiatives, empower our staff to bring out their best and go the extra mile. We recognize individual contribution and support individual development, enhancing team spirit, which allows us to collectively build the smartest solutions.

Operating results

The Bank's net income for the year ended December 31, 2017 was SAR 1,411 million, an increase of SAR 358 million, or 34%, compared to the 2016 net income of SAR 1,053 million.

The Bank's return on average assets was 1.51% in 2017 compared to 1.13% in 2016. The Bank's return on average shareholders' equity was 10.72% in 2017 compared to 8.54% in 2016.

Total operating income was SAR 2,660 million in 2017, compared to SAR 2,406 million in 2016, an increase of SAR 254 million, or 10.6%. This was mainly due to an increase in net special commission income.

Net special commission income, which includes special commission income from placements, investments, and loans, less special commission expense from deposits and other borrowings, reached SAR 2,042 million in 2017 compared to SAR 1,672 million in 2016, an increase of SAR 370 million, or 22.1%. This increase was due to a positive rate variance of SAR 313 million and a positive volume variance of SAR 57 million.

Fees from banking services totaled SAR 412 million in 2017, compared with SAR 415 million in 2016, a decrease of SAR 3 million, or 0.7%.

Exchange income reached SAR 137 million in 2017, compared to SAR 146 million in 2016, a decrease of SAR 9 million, or 6.2%.

Gains on investments and dividend income were SAR 69 million in 2017 compared to SAR 173 million in 2016, a decrease of SAR 104 million, or 60.1%.

Operating expenses before impairment charges for credit losses and investments were SAR 1,059 million in 2017 compared to SAR 1,051 million in 2016, an increase of 0.8%. The level of operating expenses in 2017 resulted in a net efficiency ratio of 38.0% compared to 39.4% in 2016. The net efficiency ratio, defined as normal operating expenses before impairment charges, divided by total income excluding non-recurring income, is a key indicator of how resources are controlled and managed.

Salaries and employee-related expenses in 2017 were lower compared to 2016 by 2.2%. Rent and premises-related expenses increased by 15.4%, depreciation and amortization increased by 4.0%, while other general and administrative expenses decreased by 1.6%.

The impairment charge on investments was SAR 109 million in 2017 compared to SAR 207 million in 2016, while the impairment

charge for credit losses was SAR 213 million in 2017 compared to SAR 246 million in 2016. The impairment charge on investments was due to lower valuations of equity securities which are traded in the local market. The 2017 impairment charge for credit losses reflects the improvement in the Bank's asset quality.

Consolidated net income by operating segment

The consolidated net income of the Bank's reportable operating segments for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017 SAR '000	2016 SAR '000
Retail Banking	446,091	234,055
Corporate Banking	717,246	789,224
Treasury and Investments	341,320	203,712
Asset Management and Brokerage	6,368	9,649
Business Partners	31,209	92,731
Others*	(131,436)	(276,413)
Net income	1,410,798	1,052,958

*Others include the net results related to Information Technology, Operations, Risk, and other support units.

Consolidated Statement of Financial Position

Total assets were SAR 93.8 billion as of December 31, 2017 and increased by 0.8% compared to December 31, 2016 which were SAR 93.1 billion.

Total investments increased by SAR 0.3 billion or 1.4% to SAR 21.7 billion as of December 31, 2017. Investments classified by rating agencies as investment grade represent 86.7% of the Bank's investment portfolio as of December 31, 2017.

Net loans and advances remained overall flat at SAR 59.6 billion as of December 31, 2017 compared to the 2016 level of SAR 60.2 billion. The Bank's non-performing loans and advances reached SAR 773 million as of December 31, 2017 compared to SAR 1,070 million as of December 31, 2016. The percentage of non-performing loans and advances to total loans and advances decreased to 1.27% as of December 31, 2017 compared to 1.75% in 2016. The allowance for credit losses as of December 31, 2017 totaling SAR 1,075 million represents 139% of non-performing loans, compared to 93% in 2016. The estimated fair value of collateral held by the Bank as security for non-performing loans and advances as of December 31, 2017 is approximately SAR 600 million.

Customer deposits increased by SAR 1.3 billion, or 2%, to SAR 66.9 billion as of December 31, 2017. Demand deposits increased by SAR 0.6 billion, or 2.6%, and represent 36.7% of total deposits. Special commission bearing deposits increased by SAR 0.7 billion, or 1.8%.

On May 30, 2011, the Bank entered into a five-year medium-term loan facility agreement with SAMBA Financial Group for an amount of SAR 1.0 billion for general corporate purposes. The facility was due and repaid on May 30, 2016. On June 24, 2012, the Bank entered into another five-year medium-term loan facility agreement with National Commercial Bank for an amount of SAR 1.0 billion for general corporate purposes. The facility was due and repaid on September 5, 2017.

On June 19, 2016, the Bank entered into a five-year medium-term loan facility agreement with SAMBA Financial Group for an amount of SAR 1.0 billion for general corporate purposes. The facility has been fully utilized and is repayable on June 19, 2021. On September 26, 2017, the Bank entered into another five-year medium-term loan facility agreement with SAMBA Financial Group for an amount of SAR 1.0 billion for general corporate purposes. The facility was fully utilized on October 4, 2017 and is repayable on September 26, 2022.

The term loans bear commission at market-based variable rates. The Bank has an option to effect early repayment of the term loans subject to the terms and conditions of the related-facility agreements. The facility agreements above include covenants which require maintenance of certain financial ratios and other requirements, with which the Bank is in compliance. The Bank also has not had any defaults of principal or commission on the term loans.

On June 5, 2014, the Bank concluded the issuance of a SAR 2 billion subordinated debt issue through a private placement to local investors of a Shariah-compliant Tier II Sukuk in the Kingdom of Saudi Arabia. The Sukuk has a tenor of ten years with the Bank retaining the right to call the Sukuk at the end of the first five-year period, subject to certain regulatory approvals.

Total equity and capital adequacy

As of December 31, 2017, the Bank's total equity increased to SAR 14.3 billion compared to SAR 13.3 billion as of December 31, 2016. The total number of shares outstanding as of December 31, 2017 was 750 million shares. The ratio of total equity to total assets as of December 31, 2017 was 15.22%, compared to 14.33% as of December 2016. The Bank's leverage ratio was 6.95 on December 31, 2017 compared to 7.25 as of December 31, 2016.

The Group completed the establishment of a Shariah-compliant Tier I Sukuk Program (the Program) in 2016. The Program has been approved by the Group's regulatory authorities and shareholders. On November 21, 2016, the Bank issued SAR 500 million under the Program. On June 6, 2017, the Bank issued another SAR 285 million under the same program.

The Tier I Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Group classified under equity. However, the Group has the exclusive right to redeem or call the Tier I Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.

The applicable profit rate on the Tier I Sukuk is payable semi-annual in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Group, whereby the Group may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such a non-payment event or non-payment election are not considered to be an event of default, and the amounts not paid thereof shall not be cumulative or compound with any future distributions.

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank's ability to continue as a going concern and to maintain a strong capital base.

Capital adequacy and regulatory capital are closely monitored by the Bank's Management. SAMA also requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total regulatory capital to risk-weighted assets at or above the minimum requirement of 9.875%.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its Consolidated Statement of Financial Position assets, commitments, and notional amounts of derivatives, at the required weighted amount to reflect their relative risk.

As of December 31, 2017, the Bank's Tier I plus Tier II capital adequacy ratio increased to 20.38% compared to 18.93% as of December 31, 2016.

Five-year financial highlights

	2017 SAR millions	2016 SAR millions	2015 SAR millions	2014 SAR millions	2013 SAR millions
Total income (1)	2,792	2,557	2,667	2,610	2,178
Total expense (2)	1,059	1,051	1,033	943	762
Operating profit	1,733	1,506	1,634	1,667	1,416
Impairment charges	322	453	305	231	129
Net income	1,411	1,053	1,329	1,436	1,287
Loans and advances, net	59,588	60,249	60,269	57,473	47,567
Investments, net	21,714	21,448	18,983	22,397	17,696
Investments in associates	1,020	1,000	939	846	1,071
Total assets	93,796	93,047	93,578	93,626	80,495
Term loans	2,015	2,032	2,011	2,000	2,000
Subordinated debt	2,003	2,002	2,000	2,000	–
Customer deposits	66,943	65,640	70,518	70,733	57,044
Total shareholders' equity	13,494	12,834	12,036	11,852	10,253
Tier I Sukuk	785	500	–	–	–
Total equity	14,279	13,334	12,036	11,852	10,253
Return on average equity %	10.72	8.54	11.12	13.00	13.11
Return on average assets %	1.51	1.13	1.42	1.65	1.84
Capital adequacy %	20.38	18.93	16.94	17.08	15.12
Equity to total assets %	15.22	14.33	12.86	12.66	12.74

(1) Total income includes total operating income plus Bank's share in earnings of associates.

(2) Total expense includes total operating expenses before impairment charges.

Micro, Small & Medium Enterprises (MSME)

Qualitative disclosures

The Bank's currently approved definition of MSMEs includes Customers with SAR 0 – SAR 100 million in Annual Sales Turnover.

During 2017, there was a continued focus on the MSME segment which incorporated a growth strategy under which the following initiatives were implemented:

- Adopted a faster credit approval process.
- Developed a pipeline to acquire new customers.
- Sponsored and participated in the Massachusetts Institute of Technology Enterprise Forum (MITEF) hosted by Community Jameel for the promotion of young entrepreneurship and innovation in Saudi Arabia.

The Bank's MSME unit is managed within the Corporate Banking segment. It includes eight staff members. The number of man-days of training provided to the Bank's staff totaled 34 days. The Number of man-days of training provided to customers totaled 2 days.

Quantitative disclosure

The following table summarizes key financial information for the Bank's MSME operations in SAR '000:

	Micro	Small	Medium	Total
Loans to MSMEs on balance sheet	6,765	72,707	57,031	136,503
Loans to MSMEs off-balance sheet (notional amount)	2,851	33,652	21,634	58,137
On-balance sheet MSME loans as a % of total loans	0.01%	0.12%	0.09%	0.22%
Off-balance sheet MSMEs position as a % of total off-balance sheet position	0.00%	0.06%	0.04%	0.10%
Number of loans (on and off-balance sheet)	12	305	190	507
Number of customers for loans (on and off-balance sheet)	8	58	16	82
Number of loans guaranteed when the Kafalah program (on and off-balance sheet)	7	189	0	196
Amount of loans guaranteed by Kafalah program (on and off-balance sheet)	3,387	43,960	0	47,347

Geographical distribution of revenues

The Bank's total operating income is entirely generated from its operations in the Kingdom of Saudi Arabia and is summarized below in SAR '000:

	Central region	Western region	Eastern region	Total
2017	1,763,173	548,039	348,671	2,659,883
2016	1,712,466	424,035	269,365	2,405,866

Risk management

The complexity of today's financial services sector in a globalized economy requires the identification, measurement, aggregation, and effective management of risks, including an efficient allocation of regulatory capital to support the balance sheet and derive an optimal risk and return ratio. The Bank endeavors to:

- Ensure that significant and measurable risks are identified, quantified, and managed proactively to avoid loss; and
- Enhance risk adjusted returns and provide financial comfort and stability to our many customers and other stakeholders.

The Bank's stakeholders including regulators and rating agencies also expect the Bank to have a clear and well-documented risk management framework in place that addresses the various dimensions of the Bank's business.

The Bank has a comprehensive set of policies dealing with all aspects of risk management. The Board Approved Risk Management Policy Guide is the overarching policy document prepared in conformity with SAMA guidelines which covers in depth the risks the Bank is exposed to in the pursuit of its business. It also describes the

risk governance structures and risk management policies in place for the management, monitoring, and control of the risks through the Board Approved Risk Appetite Framework, Credit Policy Guide, and Treasury Policy Guide.

The Bank manages its risks in a structured, systematic, and transparent manner through a broad-based Risk Appetite Framework (RAF) approved by the Board of Directors that incorporates comprehensive risk management into the Bank's organizational structure, risk measurement, and monitoring processes. The Bank's RAF is aligned with the Bank's strategy, business planning, capital planning, and policies and documents approved by the Bank's Board of Directors. The Bank's RAF is in compliance with the Financial Stability Board's "Principles for an effective Risk Appetite Framework" dated November 18, 2013, as adopted by SAMA.

The Bank's RAF includes the following key characteristics:

- The nature of risks to be assumed as a result of the Bank's strategy;
- The maximum level of risk at which the Bank can operate (Risk Capacity) and the maximum level of risk it should take (Risk Appetite);

- The maximum level of other quantifiable risks that should be considered (Other Risk Limits);
- The desired balance of risks versus returns by Business Line (Business Unit Risk Appetite measurements); and
- The desired risk culture, compensation programs, business continuity management, information technology and cybersecurity risk, and the overall compliance environment of the Bank for a successful implementation of the RAF (Qualitative Reporting).

As a part of risk governance, the Bank has a Board Risk Committee and various committees at the management level, including the Credit Committee, Management Asset Liability Committee, Operational Risk Management Committee, Stress Testing Committee, Enterprise Risk Management Committee, Information Security Steering Committee, and the Business Continuity Planning Committee.

In addition to the above, the Bank's Internal Audit Function Reports to the Audit Committee of the Board of Directors and provides an independent validation of business and support units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a Bank-wide basis.

The following provides a description of the Bank's significant risks including how the Bank manages these risks:

Credit risk

Credit Risk arises from the potential that a borrower or counterparty will fail to perform on its financial obligations to the Bank. The exposure to credit risk arises primarily from loans and advances to customers and the investment portfolio. Credit risk is also present in off-balance sheet financial instruments such as Letters of Credit, Guarantees, Derivatives, and Commitments to extend credit.

The Bank has a comprehensive framework for managing credit risk which includes an independent credit risk review function and credit risk monitoring process. The Bank assesses the probability of default of counterparties using internal rating tools. This is supplemented by external ratings of major rating agencies, where available.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices.

(a) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Board of Directors has established commission rate gap limits for stipulated time periods. The Bank also routinely monitors its positions and uses hedging strategies to ensure maintenance of positions within established gap limits.

(b) Currency risk

Currency risk is the risk of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are independently monitored.

(c) Equity price risk

Equity price risk is the risk of a decrease in fair values of equities in the Bank's investment portfolio as a result of possible changes in levels of equity indices and the value of individual shares. The Board of Directors sets limits on the level of exposure to each industry, and overall portfolio limit, which are independently monitored.

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements when needed and at an acceptable cost. Liquidity risk can be caused by market disruptions or credit rating downgrades for the Bank, which may cause certain sources of funding to dry-up unexpectedly.

The Bank's management carefully monitors the maturity profile of its assets and liabilities to ensure that adequate liquidity is maintained on a daily basis. In addition, the Daily Liquidity Ratio, Net Stable Funding Ratio, and the Loans to Deposit Ratio are monitored regularly and independently to ensure compliance with SAMA guidelines. The Bank also conducts regular liquidity stress testing under a variety of scenarios which covers both normal and more severely stressed market conditions. All liquidity policies and procedures are subject to review and approval by the Bank's Asset and Liability Committee.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events.

The Bank's Operational Risk Management Framework provides a Bank-wide definition of operational risk and lays down the processes under which the operational risks are to be identified, assessed, monitored, and controlled. The key components of this framework are comprehensively documented in the Bank's operational risk policies, procedures, and controls. The continuous assessment of operational risks and their controls in all business and support units of the Bank are monitored through Risk and Control Self-Assessment (RCSA) exercises, close monitoring of agreed action plans as a result of the RCSA exercises, and establishing an Operational Risk Appetite Matrix for the Bank as a whole. This includes monitoring the operational risk losses incurred on an ongoing basis and taking corrective actions to eliminate or minimize such losses in the future. The Bank has also developed a set of Key Risk Indicators (KRIs) covering all the business and support units to facilitate proactive monitoring and management of operational risks.

Financial crime risk

Financial crimes are considered a significant risk on both financial institutions and their staff, since the occurrence of such crimes can have a negative impact on the Bank's reputation of its banking services. Financial crimes too have negative impact of stakeholders' trust and threatens the Bank's reputation locally and internationally. Therefore, SAIB continued in 2017 executing its plans for improving and developing Anti-Financial Fraud Control System.

Cyber information security risk

The Cyber and Information Security Risk landscape was very dynamic and challenging during 2017. The Bank's Information Security Division (ISD) proactively addressed current information security challenges and deployed defenses in depth with multiple countermeasures to ensure prevention, detection, and correction of vulnerabilities. Along with the technical controls, awareness training of staff and customers was provided on an ongoing basis. The Bank also implemented a security governance structure and inculcated a security culture throughout the organization. ISD also completed a security strategy during 2017 which was approved by the Information Security Committee. Confidentiality, integrity, and access controls were introduced as an integral part of all business and technical processes.

A risk-based audit by internal audit, external agencies and certifications bodies, e.g., ISO 27001 (Information Security Management System) were also completed, and findings were satisfactory, PCI-DSS (Payment Card Industry Data Security Standard) provided further assurance of information security controls. Furthermore, ISD also complies with the Saudi Information and Cyber Security Regulations as well as SAMA guidelines and adheres to international best practices. No ISD related downtime or operational losses were incurred in 2017. Further, due to controls enhancement in 2017, the ISD Risk Appetite reduced from SAR 50,000 in 2016 to SAR 23,000 in 2017.

Business continuity plan

The Bank recognizes the importance of planning for Business Continuity and continued to make progress in this area in 2017. An effective Business Continuity Plan ('BCP') facilitates the Bank in mitigating a serious disruptive crisis in a controlled, timely, and structured manner.

It also helps the Bank to effectively manage any disruption in its operations effectively and to recover as quickly and effectively as possible from an unforeseen disaster or emergency that may interrupt normal business operations in full or in part.

During 2017, the Bank further strengthened the testing of its BCP and procedures. Detailed tests were completed on two separate occasions. Further, the Bank as specified by SAMA, successfully conducted in November 2017 a continuous five days disaster recovery test of all critical IT systems by switching and operating them from the Bank's Disaster Recovery Center and then switching them back to the Bank's Head Office IT Center. The tests were successful and provided confidence that the Bank will be able to handle such a crisis, should it occur. The Bank will continue testing its process for business continuity annually.

In its effort to provide uninterrupted service to its customers, the Bank will continue to implement hot backups for critical systems in 2018. The Bank has made progress in building a new Disaster Recovery Center and expects this to be completed in 2018. The Bank also continued its emphasis on training of staff on Business Continuity.

In recognition of its BCM efforts, the Bank received the ISO 22301 Certification in 2012 for its Business Continuity Management in the Bank. The certificate was renewed in January 2016.

Information technology transformation strategy

Several factors drove the Information Technology Group (ITG) during 2017 which are summarized below:

- A full commitment to the Bank's five-year strategy (2015-2019), focus on flexible infrastructure and innovative business solutions to meet increasing business demands, rising cost of capital, more stringent local and international regulatory requirements, and the Board of Directors mandate to support long-term sustainability and effective governance.
- The automation of new products such as the roll over and enabled straight through processing of ITM transactions and reconciliations, the roll out of the Remittance platform and "Flexx Transfer" in six countries with two additional countries to be added in 2018 to serve the Bank and its Prepaid cardholders customers.
- The introduction of new technologies such as the coin deposit machines in addition to enabling the new Direct Sales Agents Portal and supporting the automation of profit plan reporting.
- The card initiatives technology spectrum included enhancements to issuance functions on contactless cards, EasyShopping Card, 'easypay' Household Card, and 'easypay' Payroll Card and enabled managing cards through IVR channel and Internet Banking.
- The implementation of new enrichments that have had a major impact on services and operations, Online Branch Appointments, Refer Card Automation, and Charity Transfers across all channels.
- The completion of enhancements to AML processing, and implementation of Risk-Based Customer Assessments.
- The completion of enhancements to IVR services to automate all call center services, and provide dynamic IVR capability.
- The completion of infrastructure enhancements including implementing a new state-of-the-art flash disk storage and the introduction of a new service-oriented architecture based on IBM enterprise service bus as a middleware.

Business segments

In 2017, SAIB achieved a number of key milestones. The Bank continued to create value for customers by developing products and services for our different segments in pursuit of fulfilling its customers' needs and expectations. The Bank is managed on a line-of-business basis. Transactions between business segments are conducted on normal commercial terms and conditions through the use of funds transfer pricing and cost allocation methodologies. A detailed summary

of the business segment results for 2016 and 2017 is presented in Note 29 to the Consolidated Financial Statements.

The Bank has three significant business segments, each of which is described below:

(a) Retail banking

Retail banking offers a wide range of conventional and Shariah-compliant retail services for individuals, government and public sector entities through a network of branches throughout Saudi Arabia. Services include current accounts, savings, and time deposit accounts. The Bank also offers a full range of Shariah-compliant products through its Shariah-compliant branches, including Islamic Murabaha. The Bank also has an extensive network of ATMs covering all regions of Saudi Arabia.

(b) Corporate banking

Corporate banking focuses on providing tailor-made financial products and efficient customer services to corporate, micro, small and medium enterprises (MSME) and financial entities. It operates from three regional headquarters based in Riyadh, Jeddah, and Al-Khobar which offer innovative financial solutions to its customers. The services and products offered include project finance, working capital finance, trade finance and services, import and export documentary credit, standby letters of credit, letters of guarantee, bill discounting, documentary and clean collections, and other trade-related products, including conventional and Shariah-compliant products. It also provides innovative financial solutions using advanced technological systems.

(c) Treasury and investments

Treasury and investments are responsible for foreign exchange trading, funding and liquidity management, as well as the Bank's investment securities portfolio and derivative products. It also manages the Bank's asset-liability structure and interest rate and market risks and liquidity.

Silver, Gold and Platinum Customer Programs

SAIB provides its valued customers three-customer programs, which are designed to meet our customers banking needs through a package of products and services that suit their different lifestyles. "Gold" and "Platinum" customer programs provide a high class banking relationship and exclusive services tailored for our elite customers; where we serve them in total privacy and luxurious comfort.

Ladies Banking Services

SAIB has 12 ladies sections providing products and services that meet SAIB female customers' aspirations. SAIB continued to provide its valued female customers' the best of its new and developed products and services which have contributed to the increase of its female customer base. SAIB is currently developing special new services to provide to its valued female customers.

E-Banking Services

The Saudi Investment Bank has been in the forefront of introducing various innovative services and products to its customers in order to provide friendly digital banking experience that aligns with the Bank's strategy in digitalization.

During the past few years, the Bank introduced new technologies, channels and services to meet increasing business demands, which made an impact on the overall customer experience.

Our personal digital banking services have multiple distribution channels, including online banking (Website & Mobile Applications), ATM, Interactive Teller Machines (ITM), Interactive Voice Recognition (IVR). Our corporate digital banking services currently has multiple distribution channels including corporate online banking, eTrade, ePayroll, Cash Management, and B2B services.

In addition, there are several services and enhancements introduced to SAIB customers highlighted below:

- Digitalization and automation of critical business processes in SAIB branches with huge optimization in service delivery.
- Enablement for SAIB customers' to interact easily with Customer Care Unit for their request fulfillment through a digital experience.
- Introduction of a complete digital-based customer Loyalty Program (WooW).
- Introducing a 24/7 card issuing services, which includes issuing of mada debit and Travel Cards.
- easypay online banking channels (Web and Mobile), offered in many different languages, has been designed for labours and households employees and holders of our easypay card, in order to perform wide set of services, like account management and remittance services without visiting branches.
- Extended services after working hours through our Interactive Teller Machine channel.
- Launching an Emergency Cash Withdrawal Service 24/7 without the need of using a card.

- For Travel Cardholders, continuous enrichment of further currencies. There are now 17 available currencies which can be added and managed through the electronic banking channels.
- Securing our personal banking customers by introducing a digital soft token (FlexxSafe) to logon and perform transactions online and via mobile banking channels anytime anywhere either by PIN or using biometric methods.
- Implementing a fully-automated B2B service that enables our Corporate, MSME and Government clients to perform various types of seamless payment instructions via our banking services.
- Enhancing online and mobile banking performance by applying the latest technology practices for better usability and user experience.
- Letters Authenticity Verification Service was introduced to allow SAIB customers' submitted letters to third parties to be authenticated by The Saudi Investment Bank by digital means.

As digital business development grows within the Kingdom and in delivering financial services, the Bank is working on new and innovative FinTech-based initiatives to enable digital payment services for SAIB and Non-SAIB customers.

In addition to that, digital media communication is becoming as a key factor of promoting digital channels and services in terms of awareness, promotions and customer awareness, which has given the Bank an edge of the overall customer experience.

Branch network

As of December 31, 2017, the number of branches operating under the Bank was forty-nine, twelve of which contain a ladies section. The Bank currently operates a network of 416 ATMs and 4 Interactive Teller Machines throughout Saudi Arabia. The Bank also introduced 386 new POS terminals in 2017 bringing the total POS terminals to 9,178.

Alasalah Islamic Banking

The Bank provides Shariah-compliant products and services under the ALASALAH Islamic Banking brand. These products have been given particular attention to ensuring their compliance with Shariah Principles and their suitability to the local market in recognition of the increasing demand for Shariah-compliant products and services, and the significance of Islamic Banking as a strategic direction for banks operating in the Kingdom. The Bank now operates forty-five Shariah-

compliant branches. The Bank successfully increased its Shariah-compliant loans during the year ended December 31, 2017 to SAR 37.3 billion. The Bank's Shariah compliant deposits during the year ended December 31, 2017 reached SAR 58.4 billion, or 87% of total deposits.

Strategic partnerships

The Bank has four subsidiaries as follows:

- Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital), which offers brokerage, asset management, and other services in the Kingdom of Saudi Arabia. The total capital of the Company is SAR 250 million with 25 million shares outstanding. The Bank owns 100% of the Company, and the Company does not have any debt instruments issued. The Company was established in July 2007 as a limited liability Company, and in 2015 the Company was converted into a closed joint stock company. The Company provides brokerage services, investment management services in the form of mutual funds and portfolios, custody services, and investment banking advisory. Assets under management totaled SAR 6,816 million as of December 31, 2017, of which SAR 2,219 million is considered Shariah approved.
- The Saudi Investment Real Estate Company. The Bank owns 100% of the SAR 500 thousand in capital, and the Company does not have any debt instruments issued. The main activity of this Saudi limited liability Company is to hold real estate assets given to the Bank as collateral.
- Saudi Investment First Company Ltd. The Bank owns 100% of the SAR 25 thousand in capital, and this Saudi limited liability Company does not have any debt instruments issued. The main activity of this Company is to hold shares in American Express (Saudi Arabia).
- SAIB Markets Limited Company, was registered as a limited liability Company in the Cayman Islands in July 2017. The Bank has 100% ownership, and this Cayman Islands limited liability Company does not have any debt instruments issued. The objective of SAIB Markets Limited Company is trading in derivatives and Repo activities on behalf of the Bank.

In addition to the above, the Bank has investments in three associate companies in Saudi Arabia as follows:

- American Express (Saudi Arabia) – (“AMEX”), is a Saudi Arabian closed joint stock Company. The total capital is SAR 100 million with 10 million shares outstanding, and the Bank holds a 50% interest or 5 million shares. The principal activities of AMEX are to issue credit cards and offer other American Express products and services in Saudi Arabia.

- Saudi Orix Leasing Company (“Orix”). Orix is a Saudi Arabian closed joint stock Company in Saudi Arabia. The total capital is SAR 550 million. Orix has 55 million outstanding shares, and the Bank holds 20.90 million shares representing 38% of the outstanding shares. The primary business activities of Orix include lease financing services in Saudi Arabia.
- Amlak International for Finance and Real Estate Development Co. (“Amlak”). Amlak is a Saudi Arabian closed joint stock Company in Saudi Arabia. The total capital is SAR 903 million. Amlak has 90.3 million outstanding shares, and the Bank holds 29 million shares representing 32% of the outstanding shares. Amlak offers real estate finance products and services.

All the above associate companies are incorporated and doing business in Saudi Arabia.

Credit rating

Credit ratings are an integral component for participation in the international financial markets. As the global economy becomes more integrated, credit ratings are necessary not only to ensure funding and obtain access to capital markets but also to demonstrate a commitment to meeting a high level of internationally recognized credit and risk management standards. During the year, the Bank continued its program of rating reviews with Standard & Poor's Ratings Services (S&P) and Fitch Ratings.

S&P have maintained the Bank's long-term and short-term counterparty credit ratings to 'BBB'/A-2' with a Stable Outlook. S&P defines these ratings as follows:

- **Long-Term Issuer Credit Ratings** – An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity of the obligor to meet its financial commitments.
- **Short-Term Issuer Credit Ratings** (less than 12 months) – An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

Fitch affirmed the Bank's 'BBB+'/'F2' long-term and short-term ratings, and have changed the Outlook from Negative to Stable. Fitch defines these ratings as follows:

- **Long-Term Issuer Default Ratings** – 'BBB+' ratings indicate that there is currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate, but adverse changes in circumstances and economic conditions are more likely to impair this capacity.

- **Short-Term Issuer Default Ratings** (less than 12 months) – 'F2' ratings indicate good credit quality with a satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.

The Bank's ratings are the result of our financial performance, asset quality, and capitalization levels, supported by a stable strategy and adequate liquidity profile. Our ratings take into consideration the fact that the Bank operates in one of the strongest banking sectors and best regulated markets both in the Middle East and among all emerging markets. The ratings also reflect Saudi Arabia's sovereign credit ratings from S&P and Fitch, in addition to the country's economic fundamentals.

The credit ratings from S&P and Fitch are considered "Investment Grade Ratings" in the international markets.

Compliance

The Banks Compliance Group is a separate group that practices identifying, evaluating, advising, supervising and reporting non-compliance risks which might expose the Bank to administrative and legal penalties, financial losses, or damage to the Bank's reputation for not complying with regulations, conducts, and professional practices.

The Compliance Group is one of the Bank's key success factors due to the significant role it plays in protecting the Bank's reputation, credibility, shareholders' interests, and depositors by protecting them from:

- Preventing risks, especially methodological and reputation risks and financial penalties.
- Strengthening relationships with regulators.
- Implementing mechanisms and frameworks to prevent SAIB channels being used to commit crimes, especially in relation to anti-money laundering and combating terrorism financing.
- Protecting professional practices and values in exercising banking best practices.
- The implementation of the best compliance principles is one of the priorities of the Bank, starting with members of the Board of Directors and Executive Management and all employees.

The senior management team has established a culture based on high standards of integrity and affirms compliance principles, which are not only the responsibility of the Compliance Group, but the responsibility of all SAIB employees, and which is an integral part of our commercial and operational activities in general.

Quality Assurance Department

The Bank's quality Group has undertaken a variety of initiatives to meet the requirements of SAMA, to support development and innovation, and to adhere to the best banking standards as follows:

- Supported central governance by establishing a memorandum of approval for each product or service submitted to meet SAMA requirements, implemented mandatory controls, and identified risks in these products or services before they were introduced.
- Maintained 100% of customer complaints processing in accordance with the requirements of SAMA. More than 4,700 complaints were dealt with under the Service Level Agreement of 2017. The Quality Group has also resolved the internal complaints of employees in accordance with the agreed time frame to ensure compliance with the best quality standards and support for streamlining work.
- Supported customer protection through a variety of awareness campaigns on the Bank's website, visiting and training branches and printing leaflets and brochures. Also carried out were awareness campaigns for customers and the community through platforms and visits to several public and private sector entities.
- ISO 9001: 2008 was renewed in the area of customer complaints management and handling, which demonstrates the Bank's commitment to continuously improving operations and providing the best services.

The quality group also improved the customer experience and enhanced the Bank's brand by:

- Surveying more than 150,000 customers, measuring their satisfaction with the Bank's products and services and the efficiency of electronic channels, and sharing these results with management to enhance and improve operations.
- Completing the feedback process from customers via the CRM system and analyzing the satisfaction levels.
- Creating a customer voice page on the Bank's website to view customer survey results, and adding a new channel to collect customer feedback via email.
- Training more than 50 employees on quality improvement (Six Sigma & Line), and conducting 10 (ten) workshops for more than 150 employees to enhance and improve quality.

As a result of these initiatives, the Bank in 2017 received the following awards:

- King Abdulaziz Award for Quality 2016 at its 3rd session held by the Saudi Standards, Metrology, and Quality, with the authority to use this certificate for three years.

- The best Saudi Bank Award in the SQI (3.25 of 5.0) by Finalta, with the second wave of the project currently being processed.

Profit distribution

The net income of the Bank will be distributed as directed by the Board of Directors in accordance with the provisions of the Banking Control Law, as follows:

- (a) Withholding the necessary amounts for payment of the Zakat owed by the Saudi shareholders and any income tax owed by the non-Saudi shareholders according to the applicable laws of the Kingdom. The Bank will pay the required amounts to the authorities and deduct the Zakat owed by the Saudi shareholders and any unreimbursed income tax of the non-Saudi shareholders from amounts due to these shareholders, respectively.
- (b) Allocating not less than 25% of the remaining net income, after the deduction of the Zakat and income tax as mentioned in paragraph (a) above, to the Statutory Reserve until this Reserve is equal to at least the Paid-Up Capital.
- (c) The remainder, after all, allocations mentioned in paragraphs (a) and (b) above are made, shall be used in any manner recommended by the Board of Directors and approved by the General Assembly.

In 2016, the Board of Directors proposed a cash dividend of SAR 350 million equal to 0.5 per share, net of Zakat to be withheld from the Saudi shareholders totaling SAR 70 million. The Board of Directors also proposed a bonus share issue of 50 million shares with a par value of SAR 10 per share, or one bonus share for each 14 shares outstanding. The Bank's shareholders approved the proposed dividend and bonus share issue in an Extraordinary General Assembly Meeting held on 21 Rajhab 1438 H., corresponding to April 18, 2017. The net dividends and bonus shares were distributed to the shareholders thereafter.

Regulatory payments

Zakat attributable to the Saudi shareholders paid by the Bank is deducted from their share of cash dividends. Any unreimbursed income tax payable by the non-Saudi shareholders on their share of profits is also deducted from cash dividends.

The Bank paid SAR 24.3 million in Zakat on behalf of Saudi shareholders, and SAR 12.2 million of income tax on behalf of its non-Saudi shareholders during the year ended December 31, 2017. The Bank also paid SAR 2.1 million in withholding tax on payments to non-residents made during the year ended December 31, 2017.

The Bank has received assessments for additional Zakat, income tax, and withholding tax total approximately SAR 277 million relating to the Bank's 2003 through 2009 Zakat, income tax, and withholding tax filings. The Bank has filed an appeal for these assessments.

The Bank has also received partial assessments for additional Zakat totaling approximately SAR 383 million relating to the Bank's 2010, 2011 and 2013 Zakat filings. The assessments are primarily due to the disallowance of certain long-term investments from the Zakat base of the Bank. The Bank, in consultation with its Zakat advisors, has filed an appeal with the Department of Zakat and Income Tax and is awaiting a response. At the current time, a reasonable estimation of the ultimate additional Zakat liability, if any, cannot be reliably determined.

The Bank paid SAR 47.2 million to the General Organization for Social Insurance for its employees, including the employee share of SAR 21 million during the year ended December 31, 2017. The Bank also paid approximately SAR 1.5 million for visa, other-related governmental fees, also the municipality and related fees during the year ended December 31, 2017.

Regulatory penalties and fines

During 2017, the Bank paid SAR 1.36 million in penalties and fines to the following regulatory agencies:

- No fines reported by CMA
- No fines reported by Ministry of Municipal and Rural Affairs
- SAMA penalties:

Violation subject	Financial year 2017	
	No. of penalties	Total fines amounts in SAR
Violation of SAMA's Supervisory instructions	4	760,000.00
Violating SAMA's instructions for customer protection	3	65,000.00
Violating SAMA's instructions for due diligence	1	455,400.00
Violating SAMA's instructions for ATM and POS performance*	3	85,000.00

*Two penalties have been added totaling SAR 75,000 were not reflected in the 2016 Board of Directors' Report.

Human resources

The Human Resources Department seeks to maximize the return on investment in the Bank's human capital and reduce financial risk. The Human Resources Department functions include recruiting, acquiring, developing, and maintaining qualified talent to meet the needs of the Bank. The Department includes a number of sub-departments such as recruitment, performance management, benefits and wages, personnel relations, payroll, human resources department system, and training and development.

During 2017, the Bank increased the usage of all E-Channels, such as "E-Learning – Training video tutorials – and summarization of Books" by delivering more than 9,000 different programs in different fields. The benefit of E-Learning is to help the Bank employees to improve their knowledge and competencies in a range of general skills. All portals are available 24/7 and accessible from anywhere by using any device, in both Arabic and English.

Saudization and training

As a result of the Bank's continuing commitment to increase Saudization, the percentage of Saudi nationals to total staff as of December 31, 2017 remained strong at 88.6%, compared to the end of the year 2016 where Saudization percentage was 84%. In addition, the Bank has kept the female staff percentage at 18.3% of the total workforce of the Bank.

During the year ended December 31, 2017, the Bank provided a total of 219 separate training courses resulting in 4,491 training days being delivered to the Bank's staff members.

The 2017 new program for Summer Students was also introduced, as more than 65 males and females were sponsored for an 8 weeks program in computer skills.

Employee benefits

Benefits payable to employees either at the end of their services or during the term of their employment are accrued in accordance with guidelines set by the Saudi Arabian Labor Regulations and as per the Bank's accounting policies. The amount of provision made during the year ended December 31, 2017 in respect of employees' end of service benefits was SAR 32.3 million. The balance of the accrued benefits outstanding is approximately SAR 186.3 million as of December 31, 2017.

The Bank also offers to its eligible employees ("Employees") equity shares in the Bank under an Employee Stock Grant Plan ("Plan"). Under the terms of the Plan, employees are granted shares which vest over a four-year period. The cost of the plan is measured by the value of the shares on the date purchased by the Bank and recognized over the period in which the service condition is fulfilled using an appropriate valuation model, and ending on the vesting date. Employee stock option

shares are recorded by the Bank at cost and presented as a deduction from the Bank's equity as adjusted for any transaction costs, dividends and gains or losses on sales of such shares. During 2017, the Bank vested 1,592,318 shares for a total cost of approximately SAR 21.6 million. The balance of the Plan as of December 31, 2017 is approximately SAR 24.2 million. For further information on this Plan, refer to Note 38 in the Consolidated Financial Statements.

In addition, the Bank grants to its eligible employees other types of security and savings plans that are based on mutual contributions by the Bank and the employees. These contributions are paid to the participating employees at the respective maturity date of each Plan. The balance of the accrued benefits outstanding for the Bank's security plan and the Bank's savings plan is approximately SAR 24.3 million as of December 31, 2017. The amount of provision made during the year ended December 31, 2017 for these plans was approximately SAR 18.2 million.

Related party transactions & balances

In the ordinary course of its activities, the Group transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and other regulations issued by SAMA. During 2014, SAMA issued an update to its Principles of Corporate Governance for Banks operating in Saudi Arabia which specifies the definitions of related parties, the need to process the related transactions fairly and without preference, addresses the potential conflicts of interests involved in such transactions, and mandates transaction disclosure requirements pertaining to the related parties.

The Bank's Related Party Identification and Disclosure of Transactions Policy complies with the Guidelines issued by SAMA and has been approved by the Bank's Board of Directors. These Guidelines include the following definitions of Related Parties:

- Management of the Bank and/or members of their immediate family;
- Principal shareholders of the Bank and/or members of their immediate family;
- Affiliates of the Bank and entities for which the investment is accounted for by the equity method of accounting;
- Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank; and
- Any other parties whose management and operating policies can be directly or indirectly significantly influenced by the Bank.

Management of the Bank includes those persons who are responsible for achieving the objectives of the Bank and who have the authority to establish policies and make decisions by which those objectives are pursued. Management, therefore, includes the members of the Bank's Board of Directors, and members of the Bank management that require a no objection approval from SAMA.

Immediate family members include parents, spouses, and offspring and whom either a principal shareholder or a member of management might control or influence or by whom they might be controlled or influenced because of the family relationship.

Principal shareholders include those owners of record of more than 5% of the Bank's voting ownership and/or voting interest of the Bank.

The balances as of December 31, 2017, resulting from such transactions included in the Consolidated Financial Statements were as follows:

	2017 SAR '000
Management of the Bank and/or members of their immediate family:	
Loans and advances	88,334
Customer deposits	227,848
Tier I Sukuk	2,000
Commitments and contingencies	1,880
Principal shareholders of the Bank and/or members of their immediate family:	
Due from banks and other financial institutions	12,241
Loans and advances	126,214
Customer deposits	10,416,049
Subordinated debt	700,000
Commitments and contingencies	372,991
Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting:	
Loans and advances	596,117
Customer deposits	104,094
Commitments and contingencies	106,317
Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:	
Customer deposits and other liabilities	152,572

Board of Directors' Report

Income and expense pertaining to transactions with related parties included in the Consolidated Financial Statements are as follows:

	2017 SAR '000
Management of the Bank and/or members of their immediate family:	
Special commission income	3,093
Special commission expense	34
Fee income from banking services	20
Principal shareholders of the Bank and/or members of their immediate family:	
Special commission income	42,671
Special commission expense	27,039
Fee income from banking services	4,219
Rent and premises-related expenses (Building rental)	7,758
Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting:	
Special commission income	8,736
Special commission expense	9
Fee income from banking services	5,607
Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank:	
Special commission expense	-

Board of Directors, Committees, Management

Composition of the Board of Directors

The General Assembly dated January 25, 2016, elected the Bank's Board members for the next term starting February 14, 2016 for a three-year term. The Board is comprised of the following members:

The names of the members of the Board of Directors, Committees, Management, and their current functions and their qualifications and experience

Board of Directors

Name	Classification	Current job	Previous jobs
Abdallah Saleh Jum'ah	The Saudi Investment Bank Non-Executive Member (Chairman)	Retiree	<ol style="list-style-type: none"> 1. President and Chief Executive Officer of Saudi Aramco 2. Executive Vice President for International Affairs (Aramco) 3. Senior Vice President for Human Resources (Aramco)
Mr. Abdulaziz Abdulrahman Al-Khamis	Non-Executive Member (Vice Chairman)	Investment Advisor, Alra'idah Investment Co.	<ol style="list-style-type: none"> 1. Vice governor for Investment, Public Pension Agency 2. Director General for Financial Investment, Public Pension Agency 3. Fixed Income Chief Dealer, Investment Management Dept., Saudi Arabian Monetary Authority 4. Assistant Chief Dealer, Investment Management Dept., Saudi Arabian Monetary Authority 5. Senior Fixed Income Dealer, Investment Management Department, Saudi Arabian Monetary Authority
Dr. Fouad Saud Al Saleh	Non-Executive Member	<ol style="list-style-type: none"> 1. Chairman of Project & Construction Company (Saudi Projacs) 2. Chairman of Fuad Saud Al-Saleh & Associates (Projacs) 	<ol style="list-style-type: none"> 1. Chief of Contract Administration and Construction Inspection Sections of the Construction and Maintenance Department, Ministry of Defense, Riyadh, Saudi Arabia 2. Assistant Director of Contract Administration and Construction Inspection Sections of the Construction and Maintenance Department, Ministry of Defense, Saudi Arabian Army 3. Assistant Director of Construction and Maintenance Department, Saudi Arabian Army 4. Director of Project Management Department, General Directorate of Military Works, M. O. D. A. 5. Director General of Construction Management Department, General Directorate of Military Works, M. O. D. A. 6. Took early retirement from Military Services with the Rank of Engineer Colonel

Qualifications	Current membership	Previous membership
1. Bachelor of Political Science from American University in Beirut	<ol style="list-style-type: none"> Board Member, Hassana Investment Company (UL) Board Member, Saudi Arabian Airlines Corporation (UL) The Saudi Investment Bank (L) Vice Chairman, Zamil Industrial (L) 	<p>In Kingdom</p> <ol style="list-style-type: none"> Board Member of Saudi Aramco (UL) Board Member and CEO of Saudi Consolidated Electric Company (SCECO) (L) Board Member of Saudi Aramco Mobil Refinery Co. Ltd. (SAMREF) (UL) <p>OOK (overseas)</p> <ol style="list-style-type: none"> Board Member S-Oil (S. Korea) (L) Board Member Petron Corp. (Philippines) (L) Board Member Motor Oil Hellas (MOH) (Greece) (L) Board Member Saudi Petroleum Int. (US) (UL) Chairman of the Board, Motiva Enterprise (US) (UL) Board Member Aramco Overseas Co. (Holland) (UL) Board Member Halliburton Company (USA) (L) Member JP Morgan Chase & Co. Int. Advisory Council (US) (L) Member Schlumberger Business Consulting Advisory Board (France) (L) Member Reliance Int. Advisory Board (India) (L)
Bachelor of Economics, Northeastern University, Boston, USA	<ol style="list-style-type: none"> Tawuniya Insurance Co. Board Director The Saudi Investment Bank The United Insurance Co., Bahrain 	<ol style="list-style-type: none"> Petrochem Sipchem Saudi Polymer Co. Gulf Polymers Distribution Co., UAE.
<ol style="list-style-type: none"> Bachelor of Civil Engineering (Civil Engineer), St. Martin College at Olympia, Washington Masters of Civil Engineering (Construction Management), the University of Washington at Seattle PhD of Civil Engineering (Construction Management), University of Washington – Seattle 	The Saudi Investment Bank	<ol style="list-style-type: none"> Member of American Association of Construction Managers Member of American Society of Civil Engineers Member of the Society of American Value Engineers Member of British Arbitration Association Member of Project Management Institute Member of American Arbitration Association

Board of Directors' Report

Name	Classification	Current job	Previous jobs
Dr. Abdulraouf bin Mohammed bin Abdullah Mannaa	Independent Member	Director	Managing Director and CEO of Savola Group
Dr. Abdulaziz Abdallah Alnowaiser	Independent Member	Director General of Saudi Medical Services FA Ltd.	<ol style="list-style-type: none"> 1. Director General of Saudi Charter Medical Ltd. 2. General Manager of TRAINEX Saudi Arabia Ltd. 3. Deputy General Manager of Saudi Oger Ltd. 4. Executive General Manager of King Fahad Complex for the Printing of the Holy Quran 5. Assistance Professor Physics Dept., King Saud University
Abdul Rahman bin Mohammed Al-Rawaf	Non-Executive Member	General Manager of Deposit and Bond Management – Hasana Investment Company	<ol style="list-style-type: none"> 1. General Manager of International Markets – Hasana Investment Company 2. Director of Investment Portfolio Management – General Organization for Social Insurance 3. Financial Analyst in the General Administration of Investment – General Organization for Social Insurance
Mr. Mishari Ibrahim Al-Mishari	Non-Executive Member	Director	<ol style="list-style-type: none"> 1. CEO – Bank Al-Jazira 2. Saudi American Bank – Saudi Arabia (SAMBA) General Manager – Retail Bank 3. Citi Bank/London. Consumer Services Group. Upscale Group Head (Middle East – Africa)
Mohammed bin Abdullah bin Ahmed Al Ali	Independent Member	Advisor to the Minister of Energy, Industry, and Mineral Resources	<ol style="list-style-type: none"> 1. Senior Vice President – Aramco Finance 2. Financial Controller – Aramco 3. Chief Internal Auditor – Aramco 4. Director of International Accounting and Financial Reports 5. Administrator of Sales and Petroleum
Mr. Saleh Ali Al-Athel	Independent Member	Director	Assistant General Manager – Saudi Industrial Development Fund (SIDF)

Board of Directors' Report

Qualifications	Current membership	Previous membership
<ol style="list-style-type: none"> 1. Bachelor of Mechanical Engineering from Petroleum and Minerals University 2. Master of Science in Engineering and Mechanical Engineering from the University of California at Berkeley, Ph.D. in Mechanical Engineering from the University of Washington at Seattle 	The Saudi Investment Bank	<ol style="list-style-type: none"> 1. Managing Director and CEO of Savola Group 2. Managing Director and CEO – Emaar, Economic City 3. Board of Directors of Almarai Company 4. Board of Directors of Panda 5. Board of Directors of the General Organization for Social Insurance 6. Board of Directors of Hassana from the General Organization for Social Insurance 7. Board of Knowledge Economic City 8. Enjaz (NGO) 9. Board of Kinan International Real Estate Development
<ol style="list-style-type: none"> 1. Bachelor of Physics and Mathematics – University of California 2. Master's of Physics – Duke University, USA 3. Ph.D. Of Physics – University of Maryland College Park 	The Saudi Investment Bank	<ol style="list-style-type: none"> 1. The National Insurance Committee 2. USB Bank, Investment Fund 3. Medgulf Insurance and Reinsurance Co.
<ol style="list-style-type: none"> 1. Bachelor of Science, Arkansas State University 2. Master of Public Administration, University of Southern California 	The Saudi Investment Bank	<ol style="list-style-type: none"> 1. Board of Directors of the Industrialization and Energy Services Company 2. The Board of Directors of Sahara Petrochemical Company 3. Member of SAMBA Financial Board 4. Member of the Board of Directors of Bank Aljazira 5. Member of several committees (Audit, Executive Committee, Nominations, and Rewards) in several companies and banks
Bachelor of Science Business Administration, University of Oregon Eugene USA	<ol style="list-style-type: none"> 1. Board Member of the Saudi Re-Insurance Co. 2. The Saudi Investment Bank 3. Board Member of Hana Food Industries Company 4. Chairman of Droob AlElm for Training and Education 	<ol style="list-style-type: none"> 1. Board Member of the Saudi Fund for Development 2. Board Member of the AlOula Real Estate Company 3. Board Member of Sadan International 4. Board Member of Bank Al-Jazira
<ol style="list-style-type: none"> 1. Bachelor of Accounting, University of Texas Arlington 2. Master of Business Administration from the University of Denver 3. Education Program for Executives at Carnegie Mellon University and Oxford University Creative Placement Center 	<ol style="list-style-type: none"> 1. The Saudi Investment Bank 2. Saudi Energy Efficiency Services Company 	<ol style="list-style-type: none"> 1. Member of several executive committees of Aramco 2. Chairman of Saudi Aramco Investment Management 3. Chairman of Aramco International 4. Chairman of Saudi Aramco Trading 5. Chairman of the Board of Governors of the GCC-BDI "Board of Directors Institute"
<ol style="list-style-type: none"> 1. Bachelor of Philosophy and Sociology, University of Damascus, Syria 2. Management Higher Diploma, University of Hartford, USA 	<ol style="list-style-type: none"> 1. Board Member, Saudi Telecommunication Company 2. The Saudi Investment Bank 	<ol style="list-style-type: none"> 1. Board Member, Saudi House for Consultation 2. Board Member, Saudi Electrical Industries Company 3. Board Member, Saudi Laboratory Company

Committee Members

Name	Classification	Current job	Previous jobs
Saleh Khalifi	Independent Board Audit Committee Member	General Director of Sultan Bin Abdulaziz Al Saud Charity Foundation	<ol style="list-style-type: none"> 1. Saudi Company for Hotels and Tourist Areas 2. Arab Investment Company 3. Saudi Fund for Development
Abdullah Al Anzi	Independent Board Audit Committee Member	Head of Internal Audit of Saudi Telecom Group	General Manager of Information Systems and Network Audit
Menahi Al-Muraikhi	Independent Board Audit Committee Member	Retiree	<ol style="list-style-type: none"> 1. Head of Internal Auditor – Bank Albilad 2. Department Manager of Automated Audit – Al Rajhi Bank 3. Department Manager of IS Operation & Control – Al Rajhi Bank 4. Department Manager of IS Audit & Security – Al Rajhi Bank 5. Manager of Programming Systems – Ministry of Defense
Dr. Mohamed A. Elgari	Chairman of the Shariah Committee as an External Independent Member	Committee Member	<ol style="list-style-type: none"> 1. Professor of Islamic Economics, King Abdulaziz University (formerly) 2. Director of Islamic Economics Research Center, King Abdulaziz University (formerly) 3. Expert in Islamic Fiqh Academy, Organization of the Islamic Conference (Jeddah Complex)

Board of Directors' Report

Qualifications	Current membership	Previous membership
<ol style="list-style-type: none"> 1. Bachelor of Administrative Sciences, Accounting, King Saud University 2. Master of Accounting from United States 	<ol style="list-style-type: none"> 1. Saba Real Estate Company 2. Umm Al Qura Cement Company 	<ol style="list-style-type: none"> 1. Management of the National Company for Agricultural Development – Nadec 2. Saudi Company for Land Transport – Mubrad 3. Emaar Al Watan Real Estate Investment Company 4. Hail Cement Review Committee
<ol style="list-style-type: none"> 1. Bachelor of Information Systems from the Faculty of Computer Science, King Saud University 2. Master of Business Administration, King Fahd University of Petroleum and Minerals 3. Internal Auditor Fellowship 4. CISA Fellowship 5. CRMA Risk Management Fellowship 6. CFE Fraud and Fraud Fellowship 		
Bachelor of Computer Science and Mathematics from the University of East Washington		
	<ol style="list-style-type: none"> 1. Member of the Islamic Classification Board of the Islamic Rating Agency (Bahrain) 2. Member of the Advisory Board of the Harvard Series in Islamic Law, Harvard Law School 3. Founding Member of the National Society for Human Rights in Saudi Arabia (Riyadh) 4. Member of a number of Sharia bodies in Islamic banks and financial institutions in the Kingdom and abroad 	<ol style="list-style-type: none"> 1. Member of the Shari'a Council, AAOIFI (Bahrain) 2. Member of the Scientific Committee of the Islamic Institute for Research and Training, Islamic Development Bank in Jeddah (formerly)

Board of Directors' Report

Name	Classification	Current job	Previous jobs
Dr. Abdulaziz Bin Ahmed Almezeini	Member of the Shariah Committee as an External Independent Member		
Dr. Fahd Bin Nafel Alsigheir	Member of the Shariah Committee as an External Independent Member	<ol style="list-style-type: none"> 1. Member of the Faculty of the Higher Judicial Institute at Imam Muhammad Bin Saud Islamic University, Comparative Jurisprudence Department (currently) 2. Deputy of the Higher Institute of Judiciary at Imam Muhammad Bin Saud Islamic University (currently) 3. Member of the Council of the Higher Institute of Justice at the University of Imam Muhammad bin Saud Islamic (currently) 	Judge in the Ministry of Justice (former)

Executive Management

Name	Current job	Previous jobs	Qualifications	Experiences
Musaed Mohammed Al Mineefi	Chief Executive Officer	Director of Finance	Bachelor of Accounting	<ol style="list-style-type: none"> 1. Director of Finance at Al Salam Aircraft Company 2. Senior Accountant at Petromin Saudi Lube 3. Deputy Finance Controller at Saudi Telecommunications
Faisal Abdullah Al Omran	Deputy Chief Executive Officer	Treasurer and Chief Investment Officer	Bachelor of Finance and Accounting	<ol style="list-style-type: none"> 1. General Manager at Awraq Al Jazeera Investment Company 2. Insurance Consultant at General Organization of Social Insurance 3. Accountant at Liberty Mutual Insurance Company
Ramzi Abdullah Al-Nassar	General Manager – Personal Banking Group	Officer – International Banking Division Riyadh Bank	Bachelor of Petroleum Engineering	<ol style="list-style-type: none"> 1. Officer – International Banking Division Riyadh Bank 2. Head – Contract Account at the General Petroleum & Mineral Organization
David Kent Johnson	Chief Financial Officer	Senior Director with (PWC) Saudi Arabia	Bachelor of Science in Industrial Administration Accounting Degree with minor degrees in Economics and Finance	<ol style="list-style-type: none"> 1. CFO – The Saudi Investment Bank 2. Senior Director at PWC Saudi Arabia 3. Independent Consultant 4. Partner, KPMG Sacramento, California 5. Manager, KPMG Des Moines, Iowa

Qualifications	Current membership	Previous membership
<ol style="list-style-type: none"> 1. Doctoral Degree in Law and exact specialization in Islamic Finance from Georgetown University in Washington, D.C. The thesis was entitled – Selling debt in Islamic jurisprudence, comparative analytical comparative study 2. Master's Degree in Law and exact specialization Financial Regulations and Regulations of Georgetown University in the American Capital Washington 3. Master of Systems from the Higher Institute of Judiciary at Imam Muhammad bin Saud Islamic University in Riyadh. The research was entitled: Internal Crimes of Information in Financial Markets, A Comparative Juristic Study 4. Bachelor in Islamic Law, Faculty of Sharia, Imam Muhammad bin Saud Islamic University, Riyadh 	<ol style="list-style-type: none"> 1. Member of the Faculty of the Higher Judicial Institute at Imam Muhammad bin Saud Islamic University in Riyadh (currently) 2. Founding partner in the Office of Mohammed Al-Marzouq, Lawyers and Consultants in Cooperation with Ku 	
<ol style="list-style-type: none"> 1. Doctorate Degree from the Faculty of Sharia at the University of Imam Muhammad bin Saud Islamic University in Riyadh with an excellent grade with honors first 2. Master Degree from the Higher Judicial Institute, Imam Muhammad bin Saud Islamic University, Riyadh 3. Bachelor of Islamic Sharia, from the Faculty of Sharia at the University of Imam Muhammad bin Saud Islamic University in Riyadh with an excellent grade with honors first <p>He is a member of many Shariah scientific committees as the Arbitrator and Supervisor of Research and specialized scientific programs in the transactions of jurisprudence and jurisprudence</p>		

The Board of Directors has the following Committees:

- The Executive Committee is comprised of five Board members. This committee supervises the credit and financial policies of the Bank.
- The Audit Committee is comprised of five members: two Board members and three non-Board members. The Audit Committee's activities include supervising the Bank's Internal Audit function, recommending the appointment of the External Auditors, and related activities.
- The Nomination and Remuneration Committee is comprised of five Board members. This committee is responsible for recommending to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards, reviewing on an annual basis the requirements for the suitable skills for membership of the Board of Directors, and reviewing the structure of the Board of Directors and recommending changes to it. It is also responsible for recommending to the Board the approval of the Bank's compensation policy and amendments to that, and other activities related to the Bank's compensation policies and guidelines.
- The Governance Committee is composed of three members. The Committee is responsible for promoting and implementing best practices of governance by acting on behalf of the Board to ensure the implementation of these practices in all activities of the Bank. The Committee also monitors the Bank's compliance with relevant local and international regulations.
- The Risk Committee is comprised of five Board members. This committee supervises the risk management activities of the Bank including market, credit, and operational risks.
- The Shariah Committee is comprised of three members and is responsible for providing Shariah opinions on submitted applications and related contracts and forms. The Committee is also responsible for ensuring the Bank's compliance with Shariah principles and decisions through the Shariah control function. In addition, the Committee answers Shariah-related inquiries for the Bank and its customers.

The composition of the six Board Committees is presented below:

Executive Committee	Audit Committee	Nomination and Remuneration Committee	Governance Committee	Risk Committee	Shariah Committee
Mr. Abdulaziz Al-Khamis (Chairman)	Mr. Muhammad Al Ali (Chairman)	Dr. Abdulaziz Al Nowaiser (Chairman)	Dr. Abdulaziz Al Nowaiser (Chairman)	Mr. Mishari Al-Mishari (Chairman)	Dr. Muhammad Ali Elgari (Chairman)
Mr. Abdulrahman Al-Rawwaf	Dr. Fouad Al-Saleh	Dr. Abdulraouf Mannaa	Dr. Abdulraouf Mannaa	Mr. Abdulrahman Al-Rawwaf	Dr. Fahad Nafil Alsigheir
Dr. Fouad Al-Saleh	Mr. Abdullah Al-Anizi (non-board)	Mr. Mishari Al-Mishari	Mr. Saleh Al-Athel	Mr. Muhammad Al Ali	Dr. AbdulAziz Ahmad Almezeini
Mr. Mishari Al-Mishari	Mr. Mnahi Al-Muraki (non-board)	Mr. Saleh Al-Athel	–	Dr. Abdulraouf Mannaa	–
Dr. Abdulaziz Alnowaiser	Mr. Saleh Al-Khulaifi (non-board)	Mr. Abdulrahman Al-Rawwaf	–	Dr. Abdulaziz Alnowaiser	–

Directors' attendance

Four Board of Directors meetings were held during 2017 as follows:

Date of meeting	Members attended
March 23, 2017	Abdallah Saleh Jum'ah , Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Abdulraouf Mannaa, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari, Saleh Al Athel, Muhammad Al Ali
May 25, 2017	Abdallah Saleh Jum'ah, Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari, Saleh Al Athel
September 26, 2017	Abdallah Saleh Jum'ah, Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Abdulraouf Mannaa, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari, Saleh Al Athel, Muhammad Al Ali
December 11, 2017	Abdallah Saleh Jum'ah, Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Abdulraouf Mannaa, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari, Saleh Al Athel, Muhammad Al Ali

Thirteen Executive Committee meetings were held during 2017 as follows:

Date of meeting	Members attended
January 23, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
February 28, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
March 21, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
April 18, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Mishari Al Mishari
April 30, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
May 25, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
June 20, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
July 23, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
September 19, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Mishari Al Mishari
October 02, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
October 24, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
November 21, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari
December 14, 2017	Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Fouad Al Saleh, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari

Four Nomination and Remuneration Committee meetings were held during 2017 as follows:

Date of meeting	Members attended
January 3, 2017	Dr/Abdulaziz Al Nowaiser, Abdulrahman Al Rawaf, Mishari Al Mishari, Saleh Al Athel, Dr. Abdulraouf Mannaa
April 18, 2017	Abdulrahman Al Rawaf, Mishari Al Mishari, Saleh Al Athel, Dr. Abdulraouf Mannaa
September 19, 2017	Dr/Abdulaziz Al Nowaiser, Abdulrahman Al Rawaf, Mishari Al Mishari, Saleh Al Athel, Dr. Abdulraouf Mannaa
November 27, 2017	Dr/Abdulaziz Al Nowaiser, Abdulrahman Al Rawaf, Mishari Al Mishari, Saleh Al Athel, Dr. Abdulraouf Mannaa

Two Governance Committee meetings were held during 2017 as follows:

Date of meeting	Members attended
September 25, 2017	Dr/Abdulaziz Al Nowaiser, Dr. Abdulraouf Mannaa, Saleh Al Athel
November 23, 2017	Dr/Abdulaziz Al Nowaiser, Dr. Abdulraouf Mannaa, Saleh Al Athel

Five Audit Committee meetings were held during 2017 as follows:

Date of meeting	Members attended
February 06, 2017	Muhammad Al Ali, Dr/Fouad Al Saleh, Saleh Al Khulaifi, Abdullah Al Anizi, Monahy Al Moreikhy
March 22, 2017	Muhammad Al Ali, Dr/Fouad Al Saleh, Saleh Al Khulaifi, Monahy Al Moreikhy
May 23, 2017	Muhammad Al Ali, Dr/Fouad Al Saleh, Saleh Al Khulaifi, Abdullah Al Anizi, Monahy Al Moreikhy
September 25, 2017	Muhammad Al Ali, Dr/Fouad Al Saleh, Saleh Al Khulaifi, Abdullah Al Anizi, Monahy Al Moreikhy
December 10, 2017	Muhammad Al Ali, Dr/Fouad Al Saleh, Saleh Al Khulaifi, Abdullah Al Anizi, Monahy Al Moreikhy

Five Risk Committee meetings were held during 2017 as follows:

Date of meeting	Members attended
January 22, 2017	Mishari Al Mishari, Abdulrahman Al Rawaf, Dr/Abdulraouf Mannaa, Dr/Abdulaziz Al Nowaiser, Muhammad Al Ali
March 06, 2017	Mishari Al Mishari, Abdulrahman Al Rawaf, Dr/Abdulaziz Al Nowaiser, Muhammad Al Ali
April 30, 2017	Mishari Al Mishari, Abdulrahman Al Rawaf, Dr/Abdulaziz Al Nowaiser, Muhammad Al Ali
September 19, 2017	Mishari Al Mishari, Abdulrahman Al Rawaf, Dr/Abdulaziz Al Nowaiser, Muhammad Al Ali
November 27, 2017	Mishari Al Mishari, Abdulrahman Al Rawaf, Dr/Abdulraouf Mannaa, Dr/Abdulaziz Al Nowaiser, Muhammad Al Ali

Six Shariah Committee meetings were held during 2017 as follows:

Date of meeting	Members attended
February 16, 2017	Dr. Mohamed A. Elgari, Dr. Fahd Bin Nafel Alsigheir, Dr. Abdulaziz Bin Ahmed Almezeini
April 27, 2017	Dr. Mohamed A. Elgari, Dr. Fahd Bin Nafel Alsigheir, Dr. Abdulaziz Bin Ahmed Almezeini
June 06, 2017	Dr. Mohamed A. Elgari, Dr. Fahd Bin Nafel Alsigheir, Dr. Abdulaziz Bin Ahmed Almezeini
November 08, 2017	Dr. Mohamed A. Elgari, Dr. Fahd Bin Nafel Alsigheir, Dr. Abdulaziz Bin Ahmed Almezeini
December 05, 2017	Dr. Mohamed A. Elgari, Dr. Fahd Bin Nafel Alsigheir, Dr. Abdulaziz Bin Ahmed Almezeini
December 21, 2017	Dr. Mohamed A. Elgari, Dr. Fahd Bin Nafel Alsigheir, Dr. Abdulaziz Bin Ahmed Almezeini

The General Assembly was held once as follows:

Date of meeting	Members attended
April 17, 2017	Abdallah Saleh Jum'ah, Abdulaziz Alkhamis, Abdulrahman Al Rawaf, Dr/Abdulraouf Mannaa, Dr/Abdulaziz Al Nowaiser, Mishari Al Mishari, Saleh Al Athel, Muhammad Al Ali

Performance of Board of Directors

Corporate Governance has become one of the most important concerns in the business world. The Board of Directors is entrusted to oversee the business, including implementation of the organization's strategic objectives, approving risk strategy, approving corporate governance rules and principles of professional conduct, and supervision of senior management. As per the Principles of Corporate Governance for Banks Operating in Saudi Arabia, issued by SAMA and endorsed by the CMA and International practices, the Board carries out, on a periodic basis, a regular assessment of the Board as a whole, of the individual Board members, and of the Board committees. The aim is to review the effectiveness of its own controls and work procedures, and identify weak points and make any necessary changes whenever the need arises thereof.

Changes in the Bank's ownership (Board of Directors and Senior Executives)

The Board of Directors is composed of natural persons represented on the Board in their personal capacities. Below is the list of the overall ownership of Bank's shares and debt instruments by the Board of Directors and Senior Executives and their immediate relatives who have an interest in such ownership.

Directors

No. Name	Beginning of the year		End of the year		Net change	Percentage of change %
	Shares	Debt instruments	Shares	Debt instruments		
1. Abdallah Saleh Jum'ah	263,126	–	281,920	–	18,794	7
2. Abdulrahman Al-Rawwaf	1,555	–	1,666	–	111	7
3. Dr. Abdulraouf Mannaa	1,270	–	1,360	–	90	7
4. Saleh Al-Athel	236,776	–	253,688	–	16,912	7
5. Mishari Al-Mishari	3,110	–	3,332	–	222	7
6. Dr. Fouad Al-Saleh	233,332	–	249,998	–	16,666	7
7. Abdulaziz Al-Khamis	1,555	–	1,666	–	111	7
8. Dr. Abdulaziz Alnowaiser	1,270	–	1,360	–	90	7
9. Muhammad Al-Ali	2,332	–	2,498	–	166	7

Senior Executives

No. Name	Beginning of the year		End of the year		Net change	Percentage of change %
	Shares	Debt instruments	Shares	Debt instruments		
1. Musaed Al-Mineefi	1,838,455	–	2,009,831	2	191,376	10
2. Faisal Al-Omran	17,990	–	0	–	17,990	100
3. Ramzi Al-Nassar	200,000	–	250,000	–	50,000	25
4. David Johnson	182,338	–	224,250	–	41,912	23

Board of Directors' Report

Number of orders related to the register of company shareholders and the dates and causes of such applications.

The Bank ordered the following registers during 2017:

Number of order	Date of order	Reason of order
1.	02-Jan-2017	End of month report
2.	02-Feb-2017	End of month report
3.	01-Mar-2017	End of month report
4.	04-Mar-2017	To verify the execution of the sale outside the market
5.	02-Apr-2017	End of month report
6.	10-Apr-2017	The stock restrictions file has been requested as a result of a shareholder's inquiry
7.	01-May-2017	End of month report
8.	04-Jun-2017	End of month report
9.	02-Jul-2017	End of month report
10.	01-Aug-2017	End of month report
11.	10-Sep-2017	End of month report
12.	01-Oct-2017	End of month report
13.	01-Nov-2017	End of month report
14.	03-Dec-2017	End of month report

Directors' and Senior Executives' remuneration (in SAR '000)

The Bank's policy regarding remuneration of the Chairman and members of the Board of Directors shall be based on the limits set out in the Companies Regulations and the instructions of the Saudi Arabian Monetary Authority, as stated in the Bank's Governance Manual, which is available on the Bank's website.

The remuneration paid to Directors and Executives during the year ended December 31, 2017 was as follows:

Board Remuneration

	Fixed remunerations				Total	Percentage of the profits	Variable remunerations				Total	End-of-service award	Aggregate amount	Expenses allowance
	Specific amount	Allowance for attending Board Meeting	Total allowance for attending Committee Meetings	Remunerations of the Chairman, Managing Director or Secretary, if a Member			Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares				
First: Independent Directors														
Total	-	70	225	1,852	2,147	-	-	-	-	-	-	-	2,147	80.8
Second: Non-Executive Directors														
Total	-	85	375	2,352	2,812	-	-	-	-	-	-	-	2,812	81.0

	Committees members remuneration		Total
	Fixed remuneration (Expect for the allowance for attending Board meetings)	Allowance for attending Board meeting	
Audit Committee Members			
Total	688	70	758
Shariah Committee Members			
Total	450	90	540

Remunerations of Senior Executives

Senior Executive	Fixed remunerations				Periodic Remunerations	Profits	Variable Remunerations				Total	End-of- service award	Total remunerations for Board executives, if any	Aggregate amount
	Salaries	Allowances	In-kind Benefits	Total			Deferred amount	Short-term incentive plans	Long-term incentive Plans	Granted shares				
Total	13,280	5,603	-	18,883	-	-	1,133	6,418	-	1,964	9,514	3,272	-	31,670

Board of Directors' declaration

The Board of Directors hereby declares that to the best of its knowledge and belief and in all material respects:

- Proper books of account have been maintained;
- The system of internal control is sound in design and has been effectively implemented;
- There are no significant doubts concerning the Bank's ability to continue as a going concern; and
- Based on the information and data provided, there are no significant doubts concerning any contracts or activities where the Bank is a party thereof, or where the Bank's Board of Directors, CEO, Chief Financial Officer, or any other related person has an interest in.

The Bank has worked in enhancing effective communication and transparency with all shareholders to ensure consistency and transparency of disclosures at all times. To this end the Bank has established procedures to ensure that shareholders' suggestions and feedback relating to the Bank and its performance are well reported to the Board.

Auditors

The Extraordinary General Assembly Meeting held on April 17, 2017 appointed PricewaterhouseCoopers and KPMG Al Fozan and Partners as the Bank's Auditors for the financial year 2017. The Auditors' Report has stated no significant material, no none with the applicable regulations, Banking Control Law and Banks Article of Associations.

Auditors' qualified opinion on the annual Financial Statements

The Auditors' report shows that the Financial Statements are free of any major errors and there are no qualified opinions with respect to that.

The Board of Directors' recommendation and reason to replace the Auditors

The Board of Directors has not recommended to replace the Auditors before the end of the period they have been assigned for.

Corporate governance in the Kingdom of Saudi Arabia

The Bank substantially complies with the Principles of Corporate Governance for Banks Operating in Saudi Arabia issued by SAMA in March 2014.

The Bank also complies with the Corporate Governance guidelines included in the Rules Governing the Companies in the Kingdom of Saudi Arabia issued by the Capital Market Authority on 16 Jumada Al Awwal 1438 H., corresponding to February 13, 2017. The Bank keeps abreast of all governance developments, and continues to update the relevant policies and procedures in the event of new or updated regulations.

Accounting Standards

On April 11, 2017, the Saudi Arabian Monetary Authority (SAMA) issued Circular No. 381000074519 with subsequent amendments regarding certain clarifications relating to the accounting for Zakat and income tax. The impact of the Circular and amendments are as follows:

- The Accounting Standards for Commercial Banks promulgated by SAMA are no longer applicable from January 1, 2017; and
- Zakat and income tax are to be accrued on a quarterly basis and recognized in the Consolidated Statement of Changes in Equity with a corresponding liability recognized in the Consolidated Statement of Financial Position.

Applying the above SAMA Circular and amendments to the Framework, the Bank's Consolidated Financial Statements as of and for the year ended December 31, 2017 have been prepared using:

- International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of Zakat and income tax, which requires adoption of all IFRS's as issued by the International Accounting Standards Board (IASB) except for the application of International Accounting Standard (IAS) 12 – "Income Taxes" and IFRIC 21 – "Levies" in so far as these relate to Zakat and income tax. As for the SAMA Circular No. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for Zakat and income tax (SAMA Circular), the Zakat and income tax are to be accrued on a quarterly basis through shareholders' equity under retained earnings; and
- Are in compliance with the Banking Control Law, the applicable provisions of Regulations for Companies in the Kingdom of Saudi Arabia, and the Bank's Articles of Association.

Until December 31, 2016, the Consolidated Financial Statements were prepared in accordance with the Accounting Standards for Commercial Banks promulgated by SAMA, IFRS, and IFRIC. This change in framework resulted in a change in the accounting policy for Zakat and income tax.

Bank's Code of Conduct and Ethical Standards

The Bank's Ethical Standards and Code of Conduct represent a standard and a Guide for high ethical principles and professional business dealings practices. Through its Code of Conduct, the Bank is committed to instil and maintain a culture of professionalism where the utmost ethical standards prevail. The Bank's Code of Conduct is based on fundamental principles of integrity, confidentiality, and professionalism. It applies to all Directors, employees, consultants, affiliates, and any other person that may represent the Bank. The Bank operates under the governing authority of its Board of Directors, which oversees the implementation and effectiveness of the Bank's Ethical Standards and Code of Conduct.

Annual review of the effectiveness of internal control

Management is responsible for establishing and maintaining an adequate and effective internal control system across the Bank. An internal control system includes the policies, procedures, and processes, which are designed under the supervision of the Board of Directors to achieve the strategic objectives of the Bank.

The scope of the Internal Control Unit, independent from line management of the Bank, includes the assessment of the adequacy and effectiveness of the internal control system across the Bank. All significant and material findings related to internal controls are reported to the Audit Committee of the Bank. The Audit Committee actively monitors the adequacy and effectiveness of the internal control system to ensure that identified risks are mitigated to safeguard the interests of the Bank.

Concerted and integrated efforts are made by all functions of the Bank to strengthen the control environment at a grass root level through a continuous process of reviewing and streamlining procedures to prevent and rectify any control deficiencies. Each function, under the supervision of senior management, is entrusted with the responsibility to oversee the rectification of control deficiencies identified by Internal and External Auditors, and various control units across the Bank.

The Management of the Bank has adopted the Internal Controls Integrated Framework as recommended by the Saudi Arabian Monetary Authority through its Guidelines on Internal Controls.

The Internal Control System of the Bank has been designed to provide reasonable assurance to the Board, on the management of risks and to achieve the Bank's strategic objectives. Internal control systems, no matter how well designed, have inherent limitations, and may not prevent or detect all control deficiencies. Moreover, the projection of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in conditions or compliance with policies or procedures.

Based on the results through ongoing testing and assessment of controls by the Internal Control Unit of the Bank carried out during the year, Management considers that the Bank's existing internal control system is adequate and operating effectively. For further enhancing of controls, Management continuously evaluates the internal control system of the Bank.

Based on the above, the Board has duly endorsed Management's evaluation of the Bank's internal control system.

Community service and sustainability

Using a formalized framework, anchored to Islamic principles of good governance and management, the Bank continues to actively work to maximize its sustainability, contribution to the community and alignment to Saudi Arabia's Vision 2030. The Bank's sustainability framework is defined by five key pillars that guide its operations across the business. These pillars are Takleef, Nummow, Rea'ya, Hifth, and Awn.

The Bank recognizes its important role in helping the community grow and in developing a sustainable economy; hence, our sustainability strategy is to influence all stakeholders to adhere to practices that benefit society, the economy and the nation. We have a responsibility to our communities – from providing support to employees to increase awareness on important local issues, as we strive to make a positive impact on our society.

The Bank WooW Alkhair program continues to grow with over 40 Charities participating in the program, creating a qualitative integration between the Bank and its customers in donations. In 2017, the Bank and its Customers invested over SAR 5,916,375 in the community through programs such as the King Faisal University Agricultural Project for Disabled Persons Development in Al Hasa, sponsoring events and donating to sustainable charitable causes.

From an environmental perspective, we successfully implemented our Building Management System to reduce water and electricity consumption from our various buildings. Active campaigns to recycle paper, plastics and electronic items continued throughout the year. Our Volunteers Team continued to grow with over 126 Volunteers contributing over 450 hours to various community activities in 2017.

We continue to implement programs to attract and employ young Saudi graduates and promote gender equality with a significant increase in our female workforce.

Internationally, the Bank was the first, and one of ten global Companies, to have issued a Sustainability Report using the new Global Reporting Initiative (GRI) Core Standards reporting option. Alistithmar Capital became a signatory of the United Nations Principles for Responsible Investment (UNPRI), and the Bank continued its commitment of the United Nations Global Compact universal sustainability principles.

Conclusion

It is a pleasure, once again, for the Board of Directors to express its gratitude to the Government of the Custodian of the Two Holy Mosques, and in particular to the Ministry of Finance, as well as to the Saudi Arabian Monetary Authority, the Ministry of Commerce and Investment, and the Capital Market Authority, for their continued and constructive support. The Board of Directors would also like to thank its shareholders and customers for their support and trust, this support and trust encourages us to achieve more. The Board of Directors acknowledges with appreciation the dedication and loyalty of the Bank's officers and staff to improve the performance of the Bank in order to achieve its strategic objectives.