



Al Rajhi Bank

ESG Investor Presentation

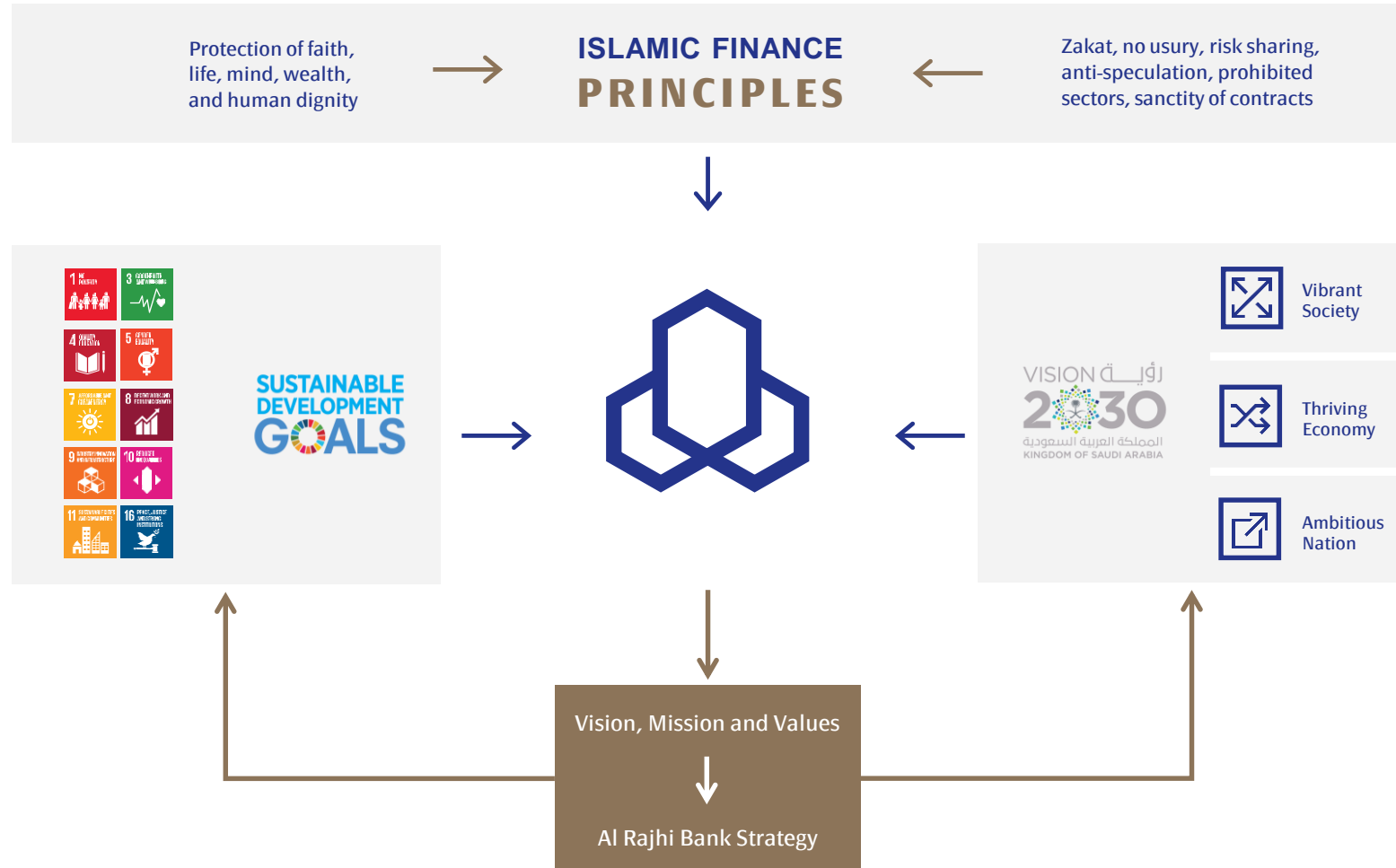
30 June 2019

The Blue Chip Islamic Bank



ESG is part of Al Rajhi Bank's DNA

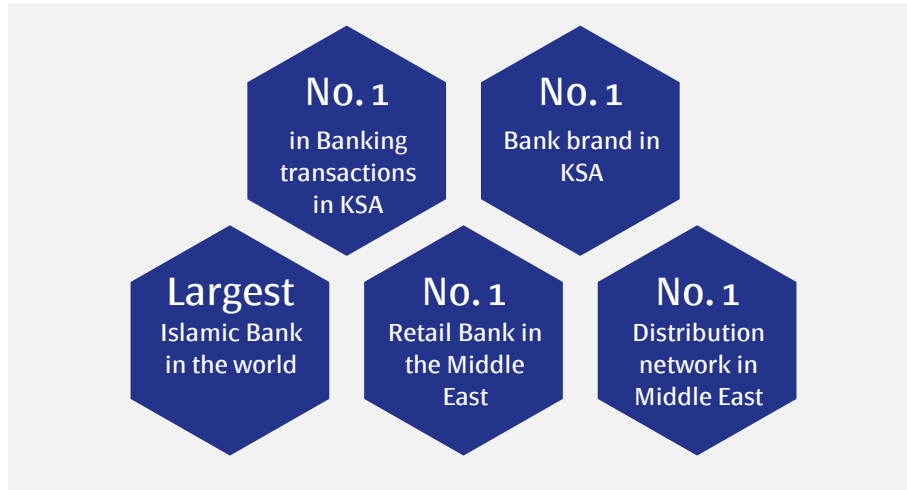
Ethical values are central to Islamic Finance, UN SDGs and KSA Vision 2030



Al Rajhi Bank - The Blue Chip Islamic Bank

We maintain a strong market position and financial performance

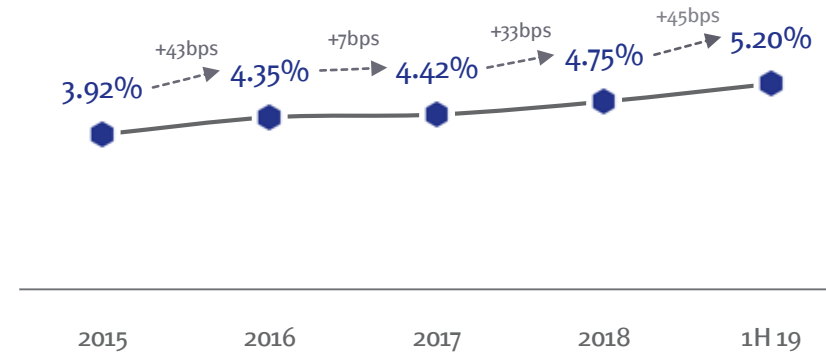
Strong Market Position¹



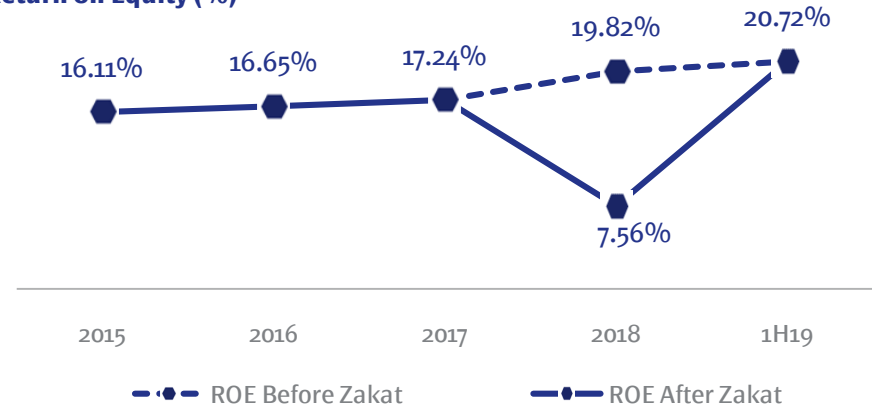
Sustainable Blue Chip Status and Excellent Shareholder Returns



Net Profit Margin (%)



Return on Equity (%)

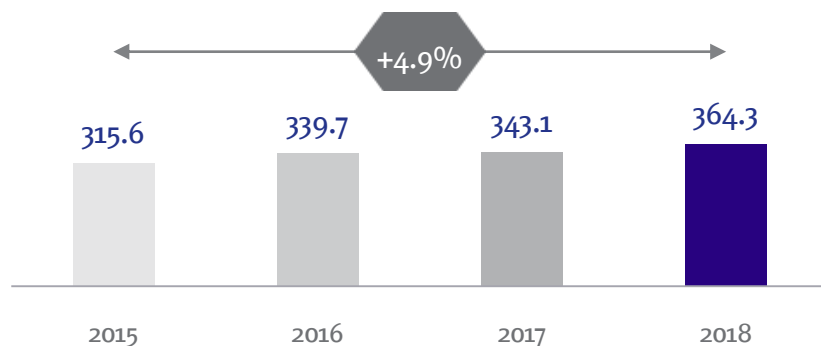


¹ Market Sources and ARB Analysis
² As of 1H 2019

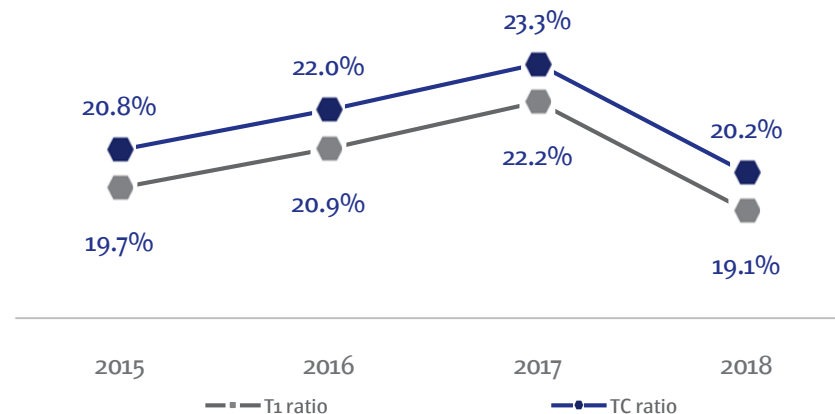
Al Rajhi Bank - The Blue Chip Islamic Bank

Robust balance sheet with 97% non-profit-bearing deposits at 2Q 2019

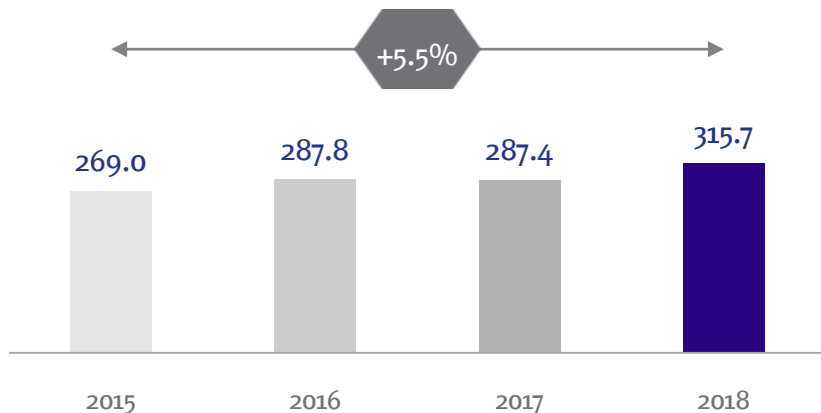
Total Assets (SARbn)



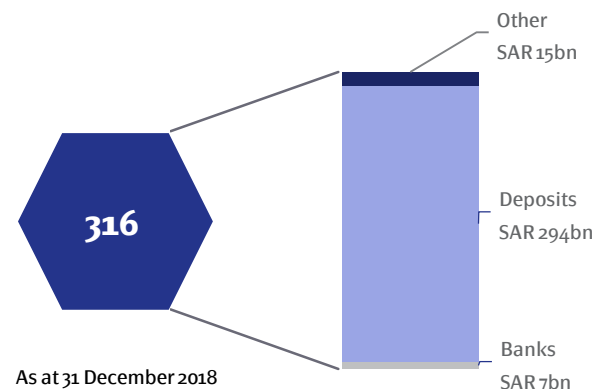
Capital Ratios (%)



Total Liabilities (SARbn)



Total Liabilities Mix By Type (SARbn)

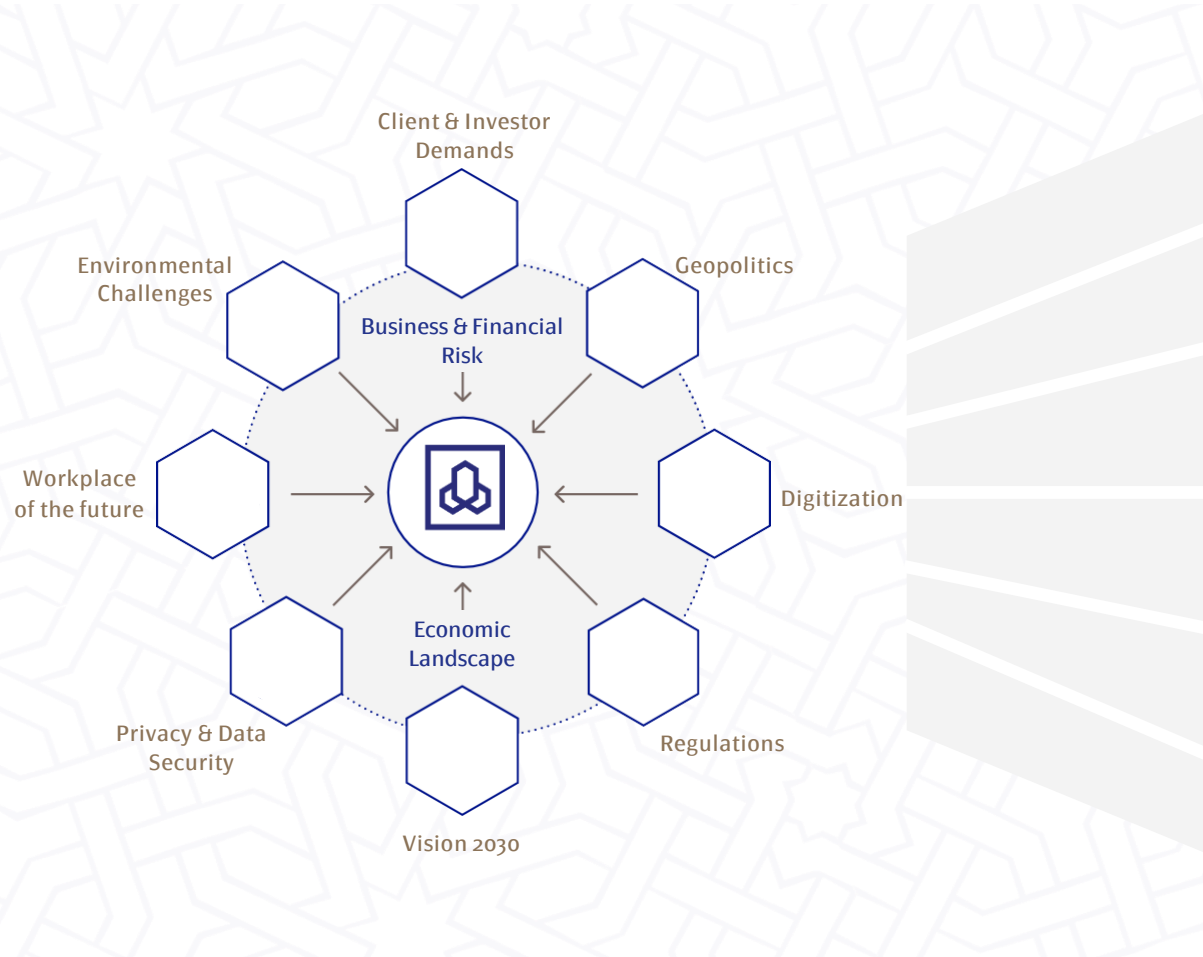


Developments impacting Al Rajhi Bank's operating environment



Major factors integrated into our approach to ESG and our value creation model

Major Factors



'ABCDE' Strategy



Accelerate growth

Improve portfolios in key customer segments



Become Employer of choice

Create a performance-driven culture where the customer comes first



Customer focus

Provide greater convenience and security in customer offering



Digital leadership

Expand digital channels and migrate customers to self-service banking



Execution excellence

Explore and execute measures to improve operations

Strategy Outputs

ABCDE 'Back to Basics' strategy delivers strong results



A

Accelerate Growth

12.7% YoY operating income growth

39% YoY growth in mortgages

9.0% YoY growth in current accounts

55bps YoY net profit margin improvement to 5.20%

Mortgage Financing (SARbn)



2015

1H 2019

Exceed Industry

B

Become Employer of Choice

Al Rajhi Bank Academy

School of Banking

Graduate Program

16,660 training days delivered

Number of Female Employees



2015

1H 2019

Higher Engagement

C

Customer Focus

13 new products launched to cater to customers' needs

Enhanced Distribution Network

#1 Bank brand in KSA (BrandPower Score 2018)

#1 Net Promoter Score in KSA

Net Promoter Score



2015

1H 2019

Most Recommended

D

Digital Leadership

97K POS

5K ATMs

27 ITMs

280 Self Service Kiosks

4.7mn active digital users

Digital : Manual Ratio



2015

1H 2019

Best-In-Class

E

Execution Excellence

253 Bots

24K transactions per day

New head office and data center

Further enhanced turnaround time

Transactions per month (Avg.)



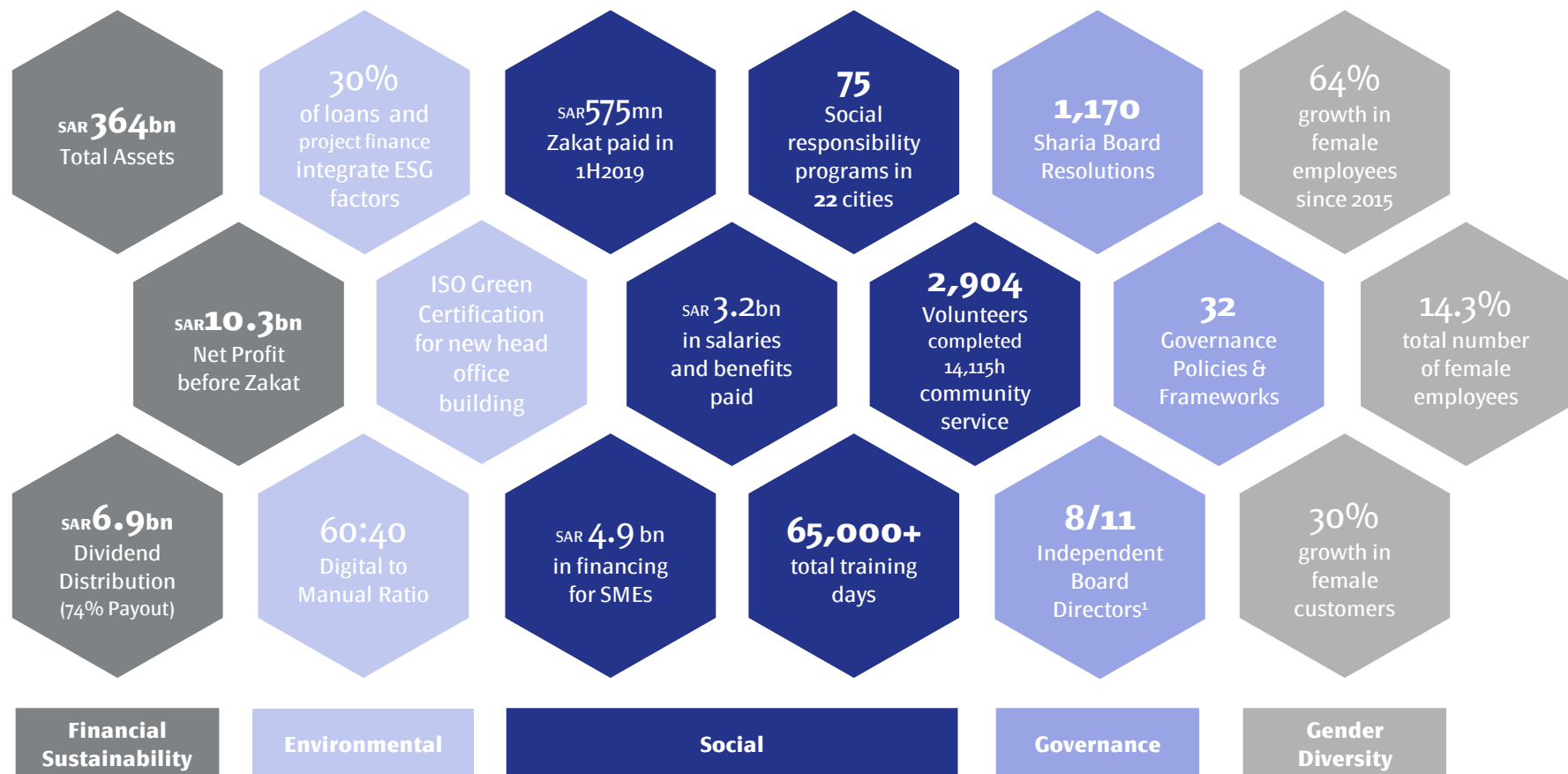
2015

1H 2019

Deliver

Sustainability Highlights

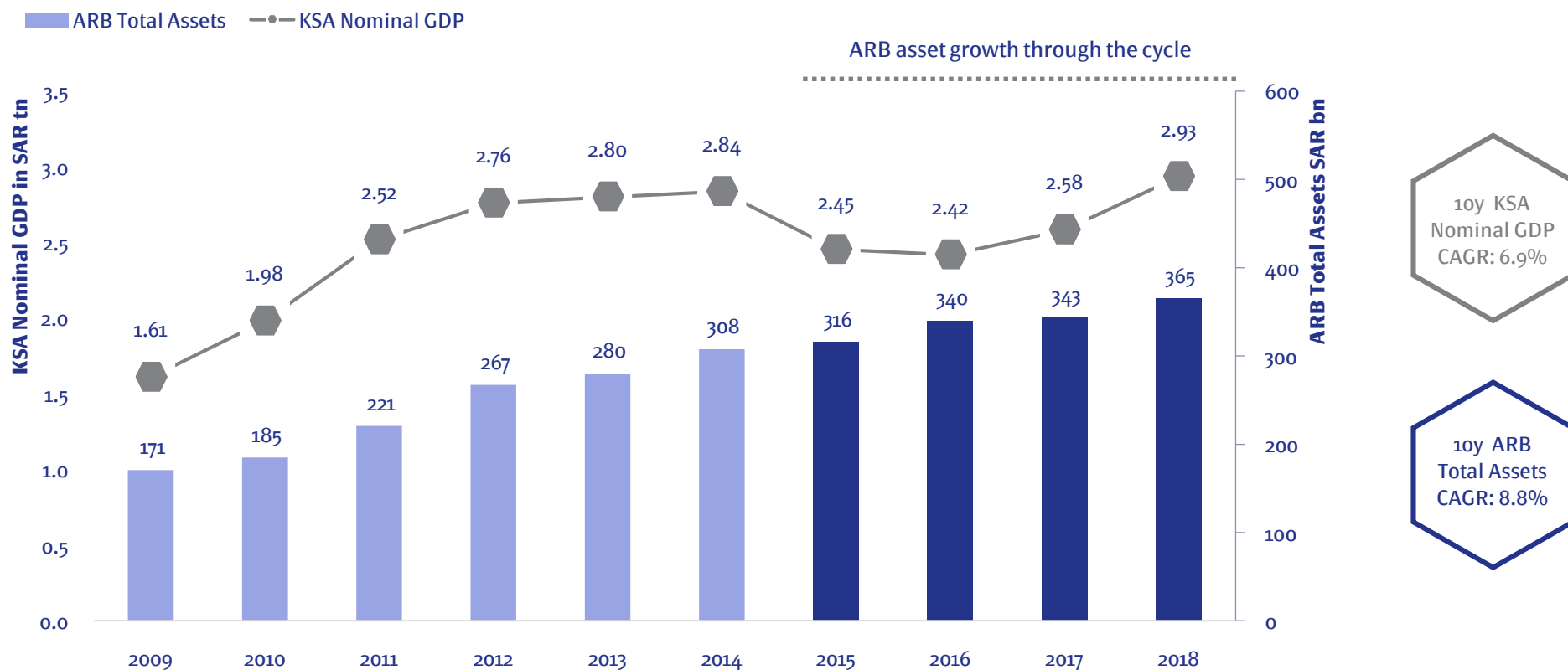
As of FY2018 unless stated otherwise



Al Rajhi Bank's Financial Sustainability

In the last ten years, ARB's Assets grew 1.3x Nominal GDP

ARB Total Assets vs KSA Nominal GDP



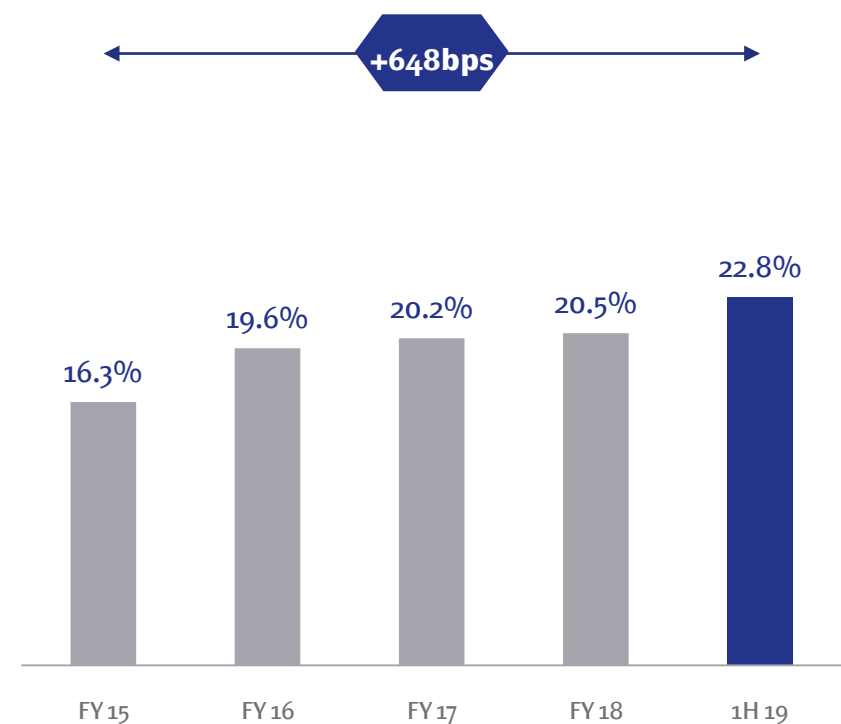
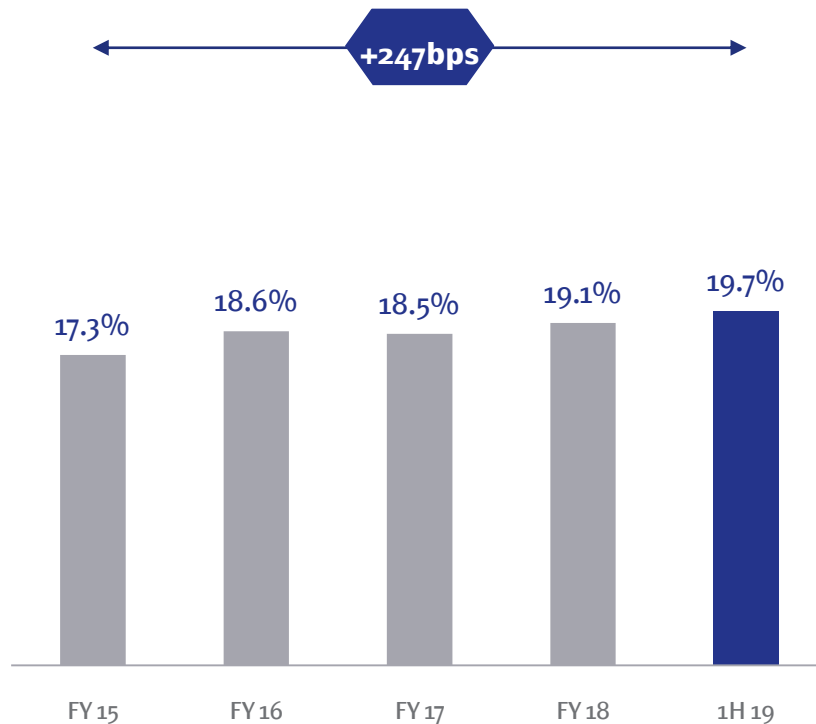
Al Rajhi Bank's Market Resilience

Growing market share in the Saudi banking sector



Market Share Operating Income

Market Share Net Income After Zakat



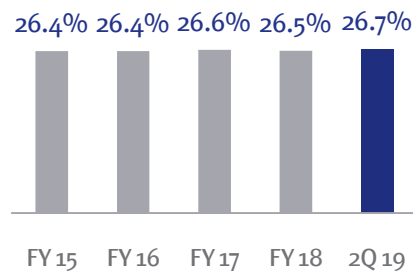
We are a key enabler of financial inclusion in KSA



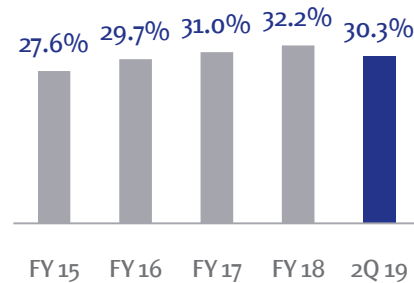
Our large distribution network and leading market share in Saudi Arabia...

Market Share in Saudi Arabia

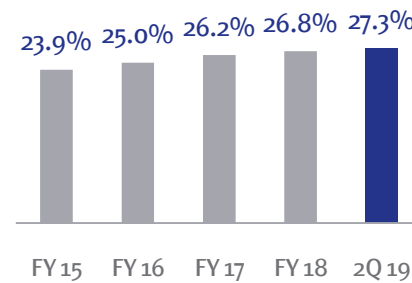
Market Share - Branches



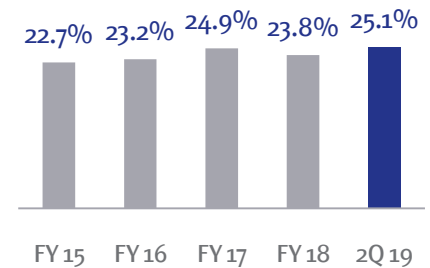
Market Share - Remittance Centers



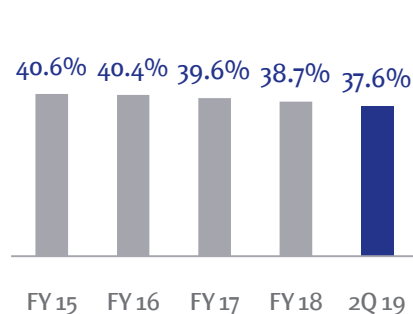
Market Share - ATMs



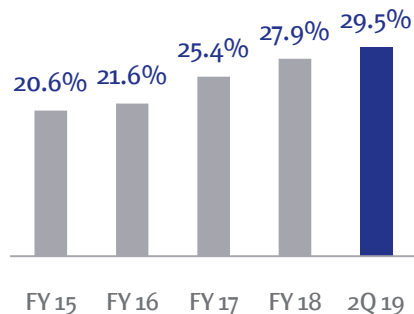
Market Share - POS (Terminals)



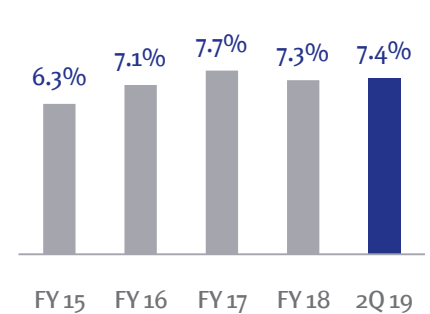
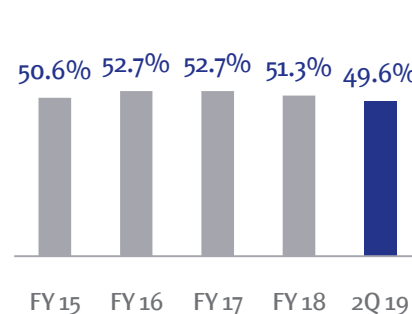
Market Share - Personal Loans



Market Share - Mortgages



Market Share - Auto Loans



Source: SAMA

Responsible Lending

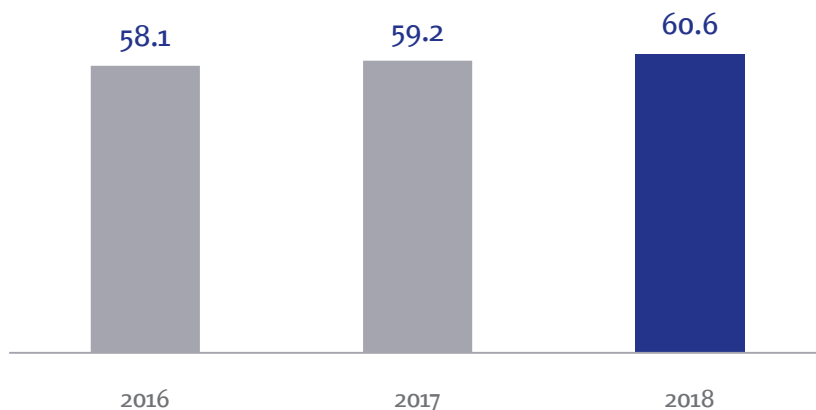


As an Islamic Bank, responsible finance is embedded in our decision-making

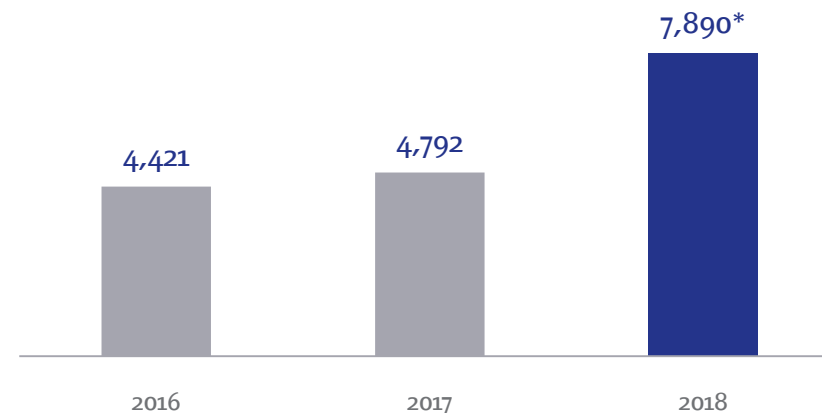
All of our financial solutions are designed to be Shariah-compliant, so we apply strict standards pertaining to credit evaluation and financing and we look to avoid funding projects that may pose negative environmental or social risks for the Bank.

- In May 2018, SAMA issued the Responsible Lending Principles.
- Al Rajhi Bank reviewed and assessed the regulations to ensure our lending practices are in full compliance
- ~30% of loans and project finance activities in 2018 integrate ESG factors

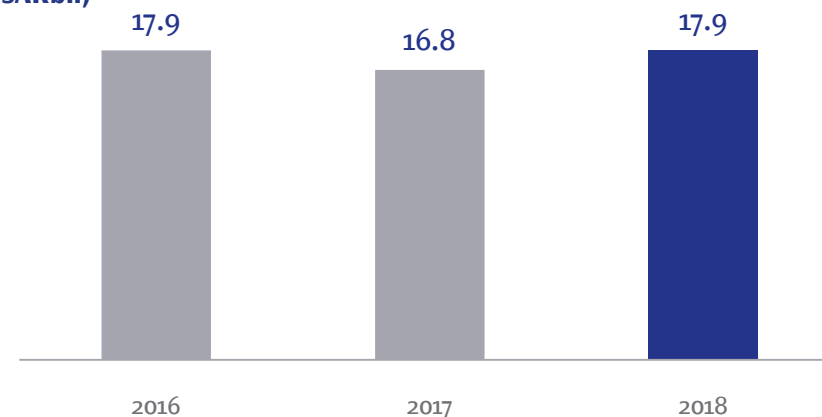
Value of loan portfolio (SARbn)



Corporate and institutional banking customers



Lending and project finance that integrates ESG factors (SARbn)



*includes both borrowing & non borrowing clients. Increase in 2018, largely on account of migration of non-borrowing clients from other group/segments

Digital Leadership

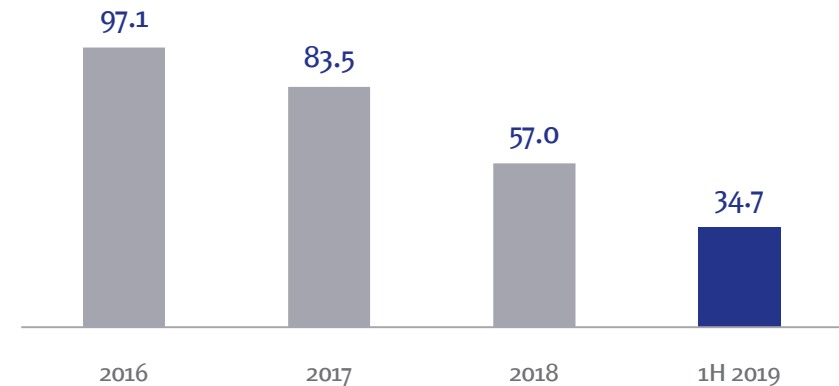
Digital leadership is one of the five pillars of our strategic plan

Management Approach

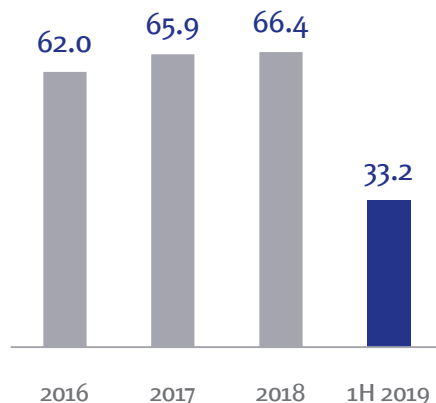
We remain focused on expanding channels, digitising customer journeys, migrating customers to self-service channels, and exploring innovations in payment methods. In 2018,

- 60% of all customer transactions are performed digitally
- 25% of all transactions were made on a mobile or desktop
- We have 253 bots processing over 22,000 transactions daily
- The number of active retail users of the Bank's online platform grew by 64% during 2018 to 3.6 million; active corporate users grew by 12.8% to 39,588.

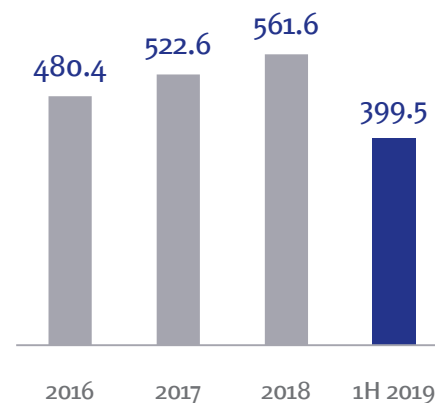
Number of branch transactions



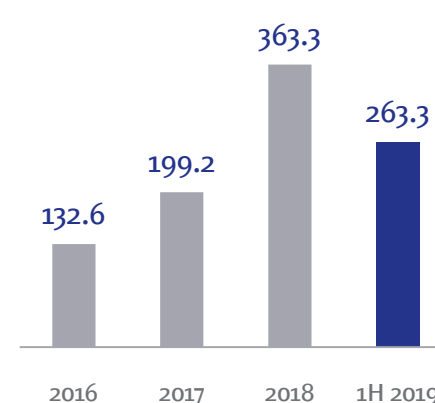
Number of online transactions



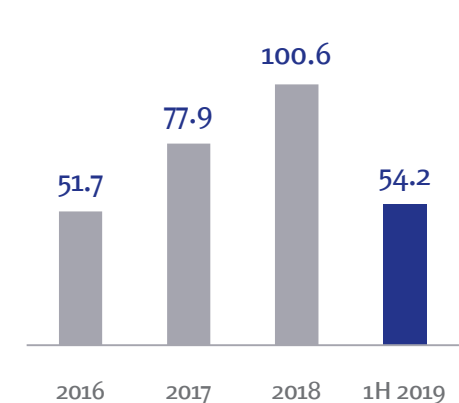
Number of ATM transactions



Number of mobile transactions



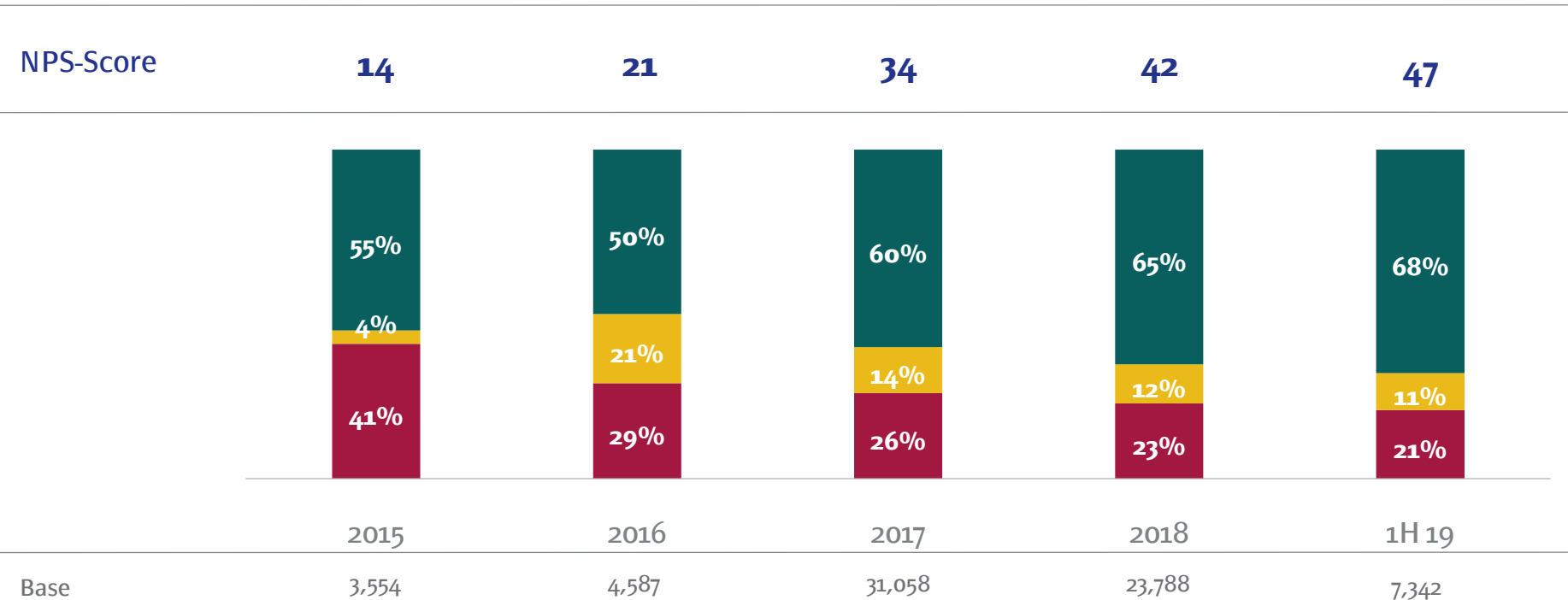
Number of phone transactions



Placing customer relationships at the heart of ARB



We achieved our target of becoming the most recommended bank in KSA



We ask customers:
Based on your experience with your main bank , how likely are you to recommend it to a friend, relative or colleague, on a scale from 0 to 10?



Ensuring ARB staff are proud, valued and energized

The ARB employee engagement index (EEI) score is at its peak



27

ARB Employee Engagement Index

66

EEI Score = Highly Engaged + Engaged

27

46

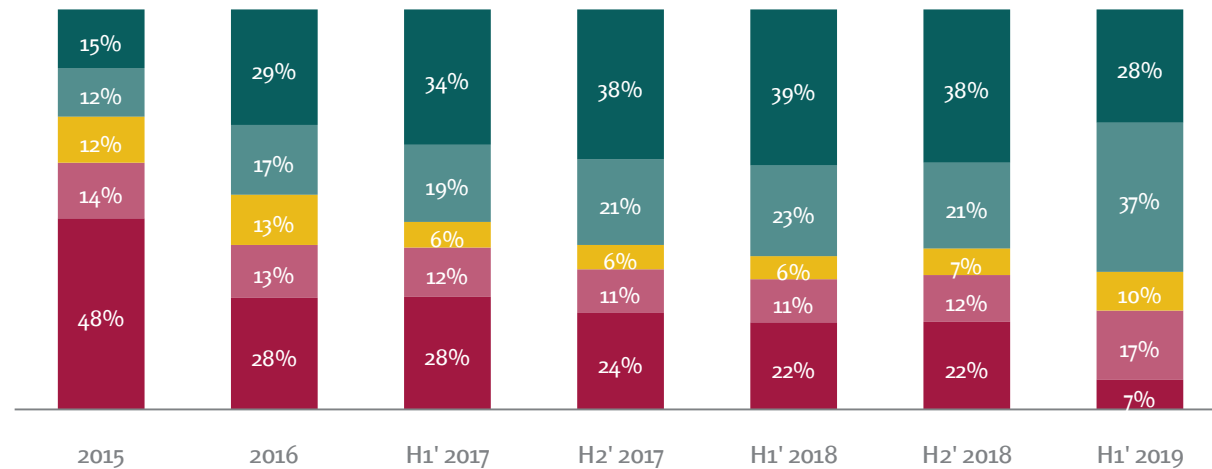
53

59

62

60

66



Base

3,934

4,398

3,003

3,435

2,598

2,407

2,723

We ask employees three equal-weighted questions to calculate the Employee Engagement Index score:

1. I am proud to work for Al Rajhi Bank
2. I feel valued
3. I am energized by work I do





Al Rajhi Bank's new head office and data centre

Two new state-of-the-art buildings cater to employees' needs

New head office building (completed in 2018)

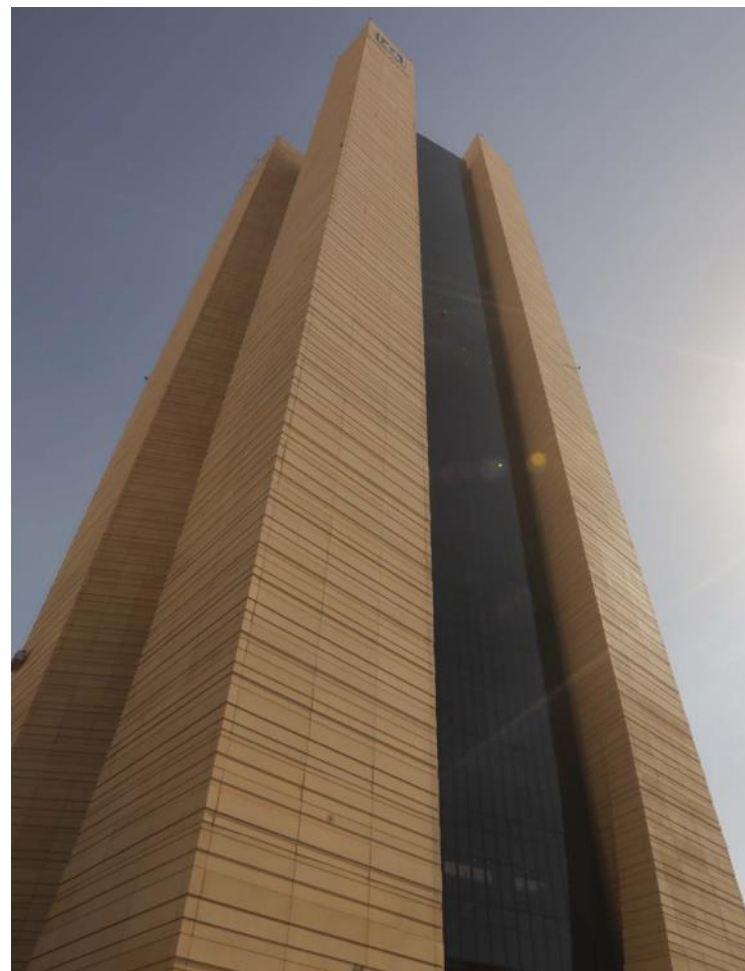
Al Rajhi Bank Tower is an ultra-modern building. Amenities include:

- GREEN CERTIFICATE ISO 29000
- Educational and administrative areas
- Break out areas for team collaboration
- Natural lighting and open office spaces
- Fully-catered dining area and recycling stations
- A gym and exercise facility with the latest equipment, a mosque and a medical unit

New data centre

The North Ring Road Complex houses our operations and technology teams. This includes a Tier 4 data centre, distinguishing Al Rajhi Bank as the first bank in the GCC to achieve Tier 4 certification.

Full migration to the new data centre is scheduled for 2020 and will provide us with a world-class infrastructure ensuring resilient risk, security and compliance controls.



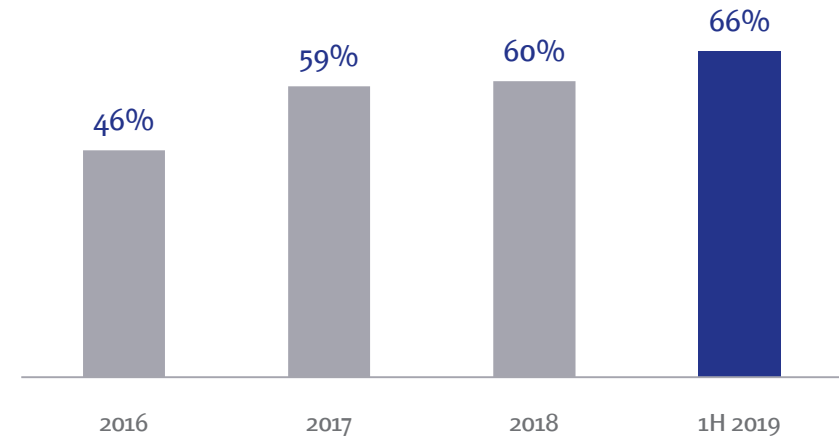
Engagement and Wellbeing

We strive to nurture an engaged workforce

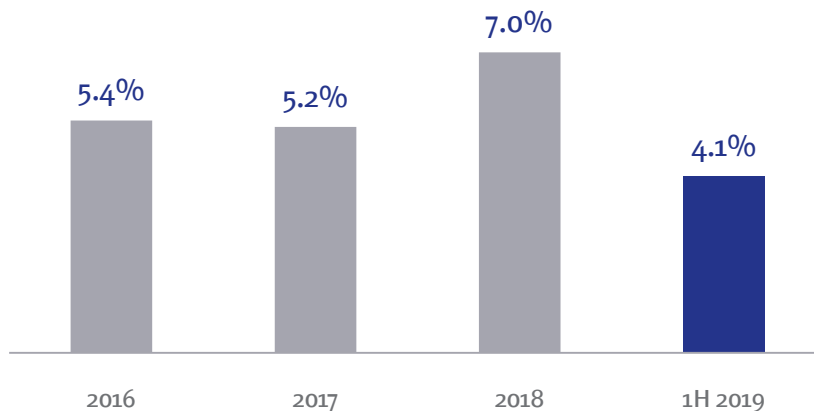
As the largest banking employer in the Kingdom, we recognize the importance of having employees with a high level of wellbeing and enthusiasm for the work they do. 2018 highlights include:

- Overall employee engagement score¹ rose to 60%
- Overall employee turnover increased to 9.93%. This was mainly due to mutual separation schemes
- Attrition in the high-performer category was 1.5%

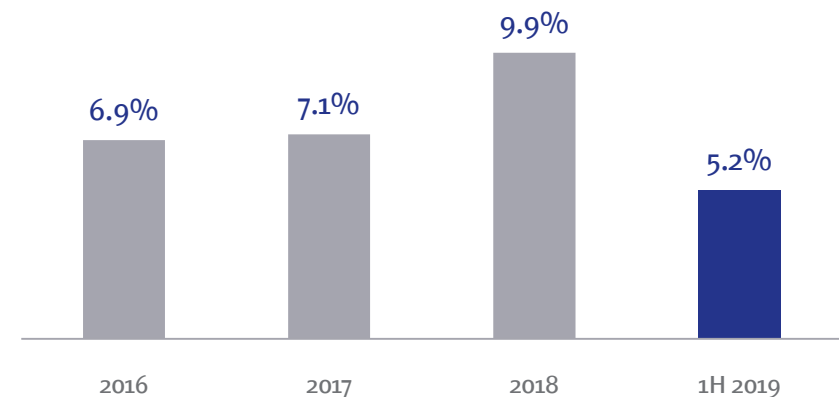
Engagement Score (%)



Voluntary Employee Turnover (%)



Overall Turnover (%)



¹Annual "pulse" survey

Talent Development



Establishing sustainable talent management practices is integral to our strategy

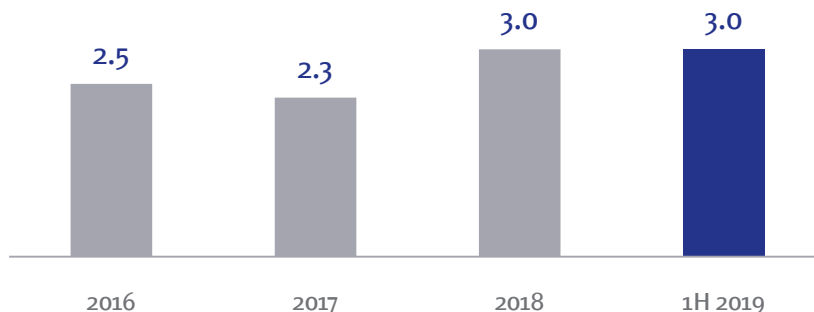
Management Approach

We invest in our people to make full use of their capabilities and provide professional development opportunities that will inspire them to build a long-term career with Al Rajhi Bank

2018 Highlights:

- We recruited 725 new employees, 55% of which took positions in our branches and 45% in head office roles
- We expanded development and training programs and delivered more than 65,000 training days to employees
- We launched 'Al Rajhi Bank Academy' to develop Saudi competence in the banking sector
- 100 % hired from Graduate Development Program

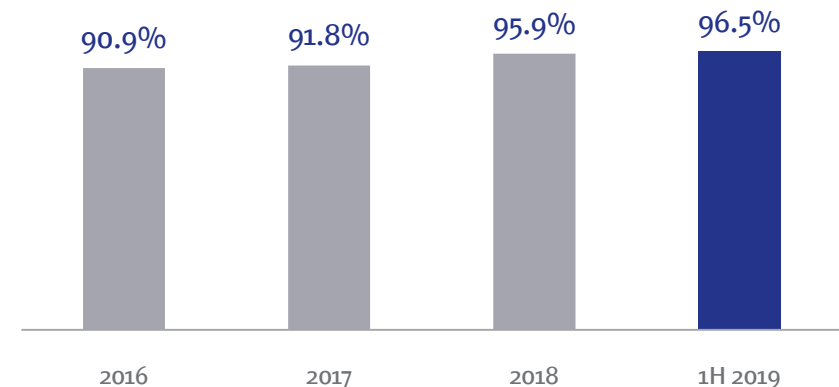
Average training per employee (days)



The HR Pipeline



Saudization (%)



Diversity & Inclusion

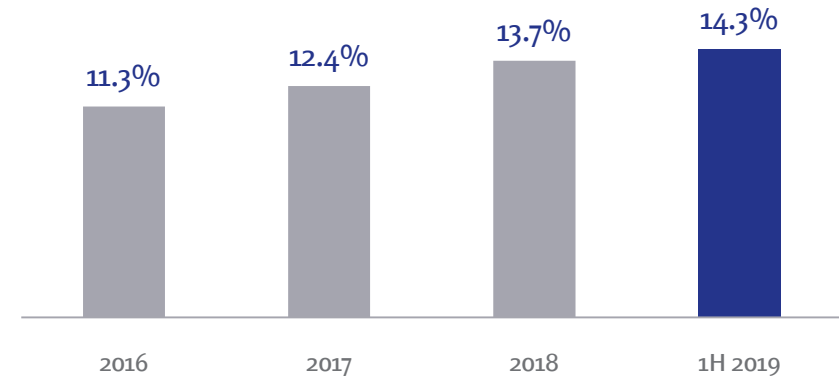


Strengthening diversity is a heightened priority for Al Rajhi Bank

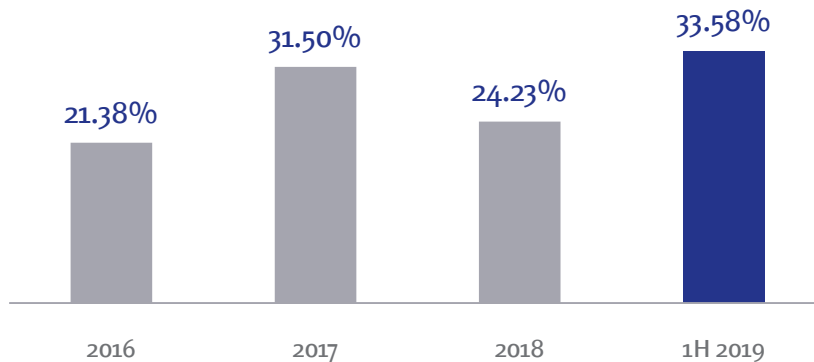
2018 Highlights

- The percentage of female talent grew by 6.2% in 2018, and today women comprise 13.7% of ARB's workforce
- Expanded management and leadership training for HIPO women
- Introduced a nursery allowance programme
- Launched the "She" programme to empower women and help them advance their careers to become the leaders of tomorrow

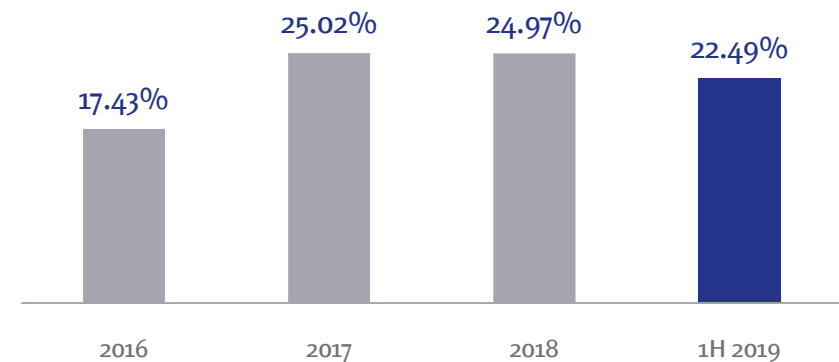
% Females in Workforce



Female % of New Hires



Female % of Employees Trained



Compensation and Benefits

We invest in attracting, retaining and rewarding top talent at Al Rajhi Bank

Management Approach

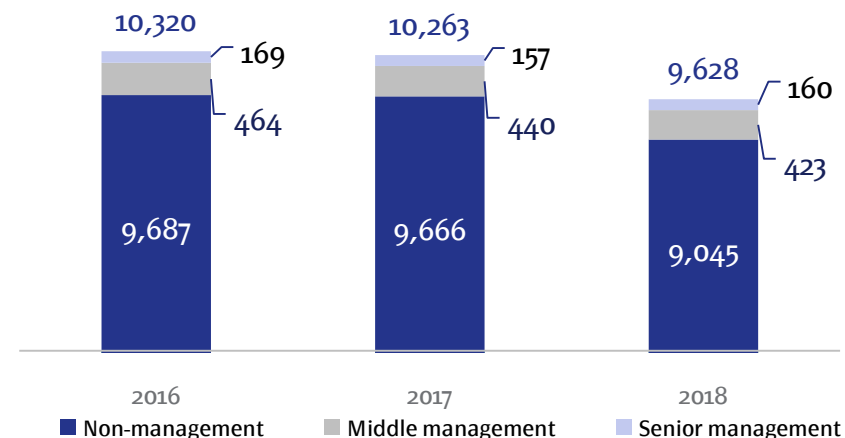
To ensure consistency and comparability, we developed:

- A clear Employee Value Proposition
- Compensation policies and practices based on a pay-for-performance-and-potential model
- Compensation packages built towards rewarding performance while encouraging behaviours that support the Bank's values, risk management framework and regulatory compliance

Compensation comprises fixed and variable components:

- Fixed compensation, including basic salary
- Variable compensation
- Full spectrum of benefits (education and travel allowances, and top medical insurance).
- Share grants to senior employees (3-year vesting period)

Workforce Overview



Facts & figures

	Number of employees	Fixed compensation (SAR'000)	Cash (SAR'000)	Shares
Executives	17	31,515	18,352	35,712
Employees engaged in risk-taking activities	1,460	391,876	57,459	15,818
Employees engaged in control functions	463	146,484	32,964	15,534
Other employees	11,592	1,876,868	197,110	18,360
Total	13,532	2,446,743	305,885	85,424
Accrued fixed compensation in 2018		148,136		
Other employee costs		214,570		
Gross Total	13,532	2,809,449	305,885	85,424

Community Engagement



‘Care for society’ is one of Al Rajhi Bank's core values

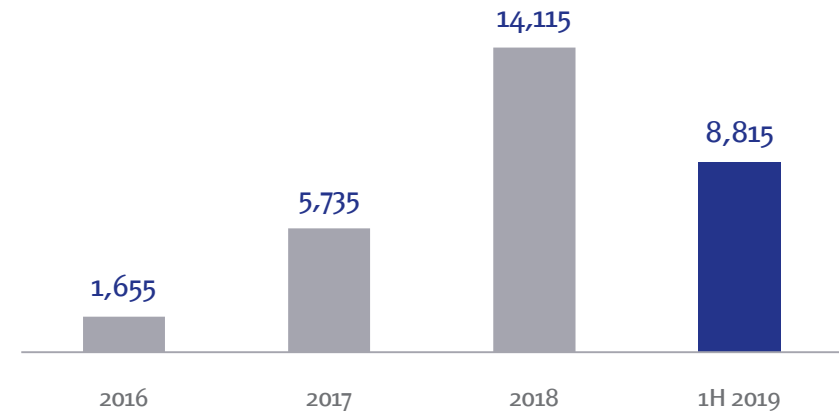
Management Approach

We contribute to a range of programmes geared to providing relief and support for marginalised or disadvantaged segments of society. We also partner with the public sector to help improve the services it delivers. We develop an annual CSR plan that details our community investment goals.

2018 Highlights

- 75 social responsibility programmes in 22 cities throughout KSA included: environmental initiatives; food banks; initiatives for low-income, disabled and blind people
- In cooperation with Bena'a, a Charity Association for Orphans, we helped restore 10 houses and furnish 20 homes for orphans.
- Raising financial awareness at 35 secondary schools in Riyadh
- Nearly 3,000 of our people bonded together, volunteering 14,115h – up from 5,753 hours in 2017 – for various community initiatives
- We supported anti-smoking programmes at schools in cooperation with the Ministry of Education

Employee Volunteering (hours)



Responsible Procurement

Supporting local suppliers is a priority for Al Rajhi Bank

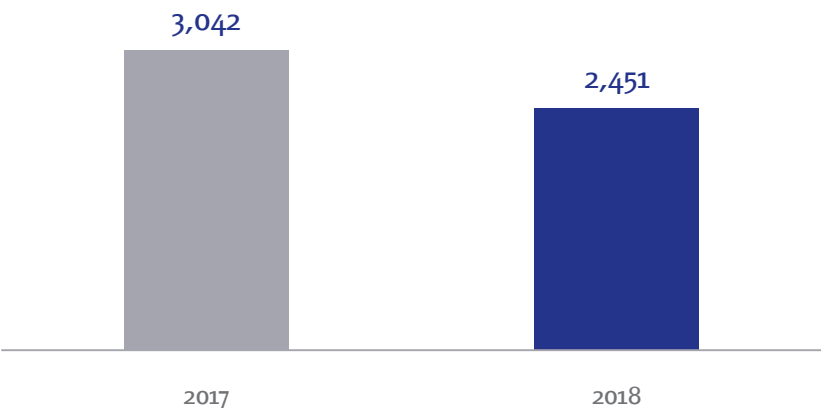
Management Approach

We formally started tracking supplier data in 2017. Supporting local suppliers, as well as supplier diversity, is a priority for us.

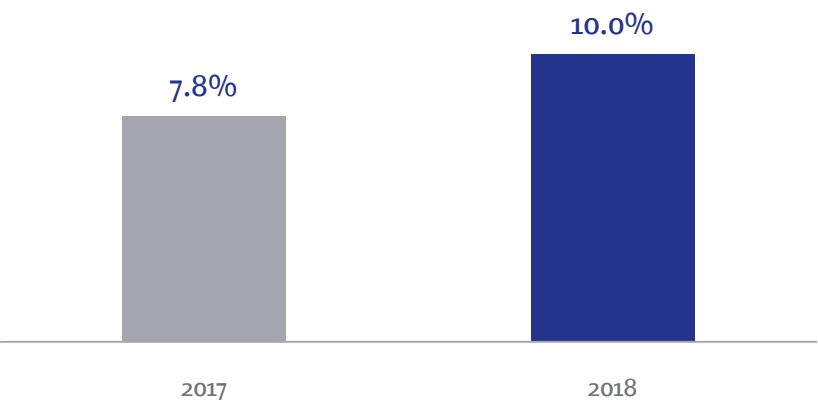
2018 Highlights

- We engaged with more than 300 suppliers with total procurement spending reaching SAR 2.45 billion
- 93% of our procurement spending in 2018 (SAR 2.28 billion) was on local suppliers in Saudi Arabia

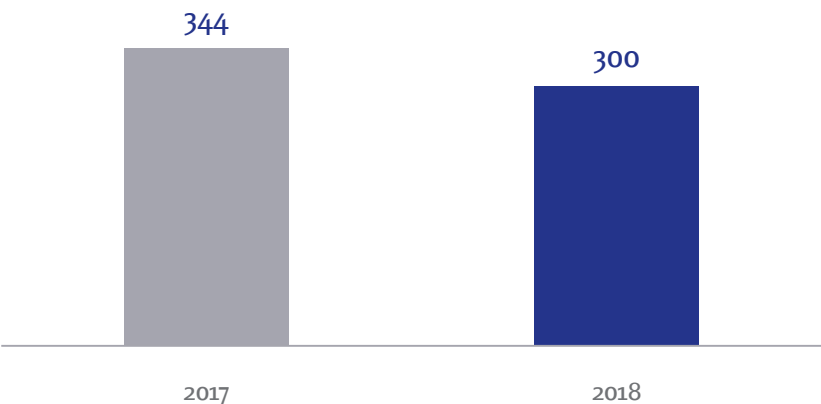
Total procurement spending (SAR mn)



Women-Owned suppliers (% of total suppliers)



Total number of local suppliers engaged



Corporate Governance



Our profitability and long-term stability depend on the foundation of robust and effective corporate governance

Management Approach

We have sound policies and procedures in place that reflect our commitment to corporate governance:

- A diversified and balanced Board of Directors
- A comprehensive Corporate Governance Manual
- Charters for Board Committees and Management Committees
- Adherence to both SAMA (CG Principles) and CMA (CG Regulations)
- Our Shariah Board issued 1,170 resolutions and 627 audit standards in 2018

Corporate Governance Practices at a glance

Corporate Governance Manual and Supplement	Code of Conduct	Independent Directors	Director Orientation and Continuing Education
Annual Board Performance Evaluation	Executive Compensation and Remuneration Standards	Nomination and Membership Policy	Policy on Related Party Transactions and Conflicts of Interest
Whistleblower Policy	Succession Planning	Stakeholder Communication and Feedback Channels	Oversight of ESG-Related Risks and Issues

Corporate Governance

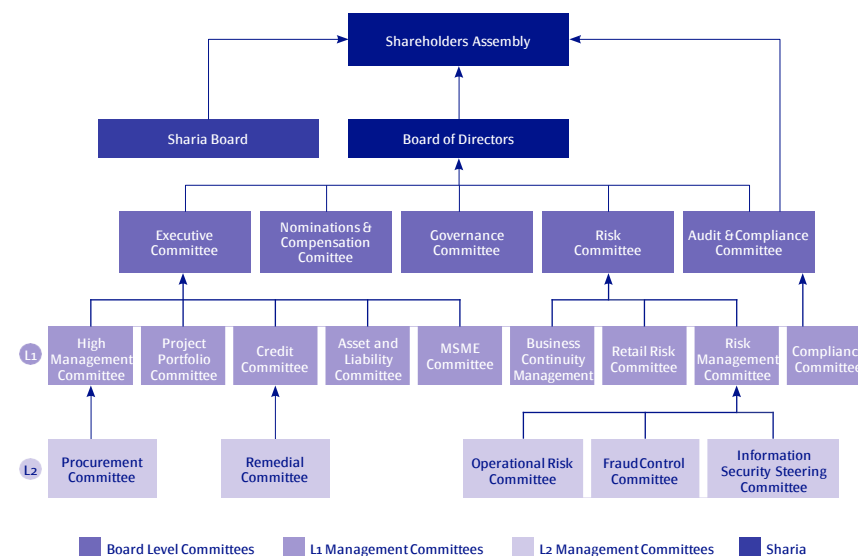
Our Board comprises only non-executive Directors



Board Snapshot

Al Rajhi Bank's Board of Directors		2016	2017	2018
Number of members		11	11	11
Executive members		0	0	0
Non – Executive members		11	11	11
Percentage of Board seats occupied by	As per SAMA	36%	45%	73%
Independent Directors	As per CMA	64%	36%	36%
Independent members of	As per SAMA	4	5	8
the Board of Directors	As per CMA	7	4	4
Non- Independent members	As per SAMA	7	6	3
of the Board of Directors	As per CMA	4	7	7
Percentage of Board seats occupied by woman		0%	0%	0%

Corporate Governance Framework



Managing Risk

Al Rajhi Bank has a strong framework in place for managing risk

Management Approach

Our risk management practices regulate the entire customer journey from onboarding to issuing finance and providing reliable and relevant products and services.

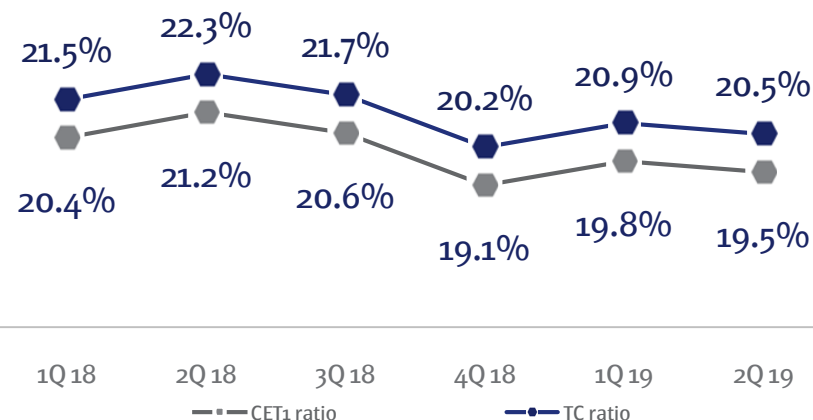
2018 Highlights

- CAR (Tier 1) stood at 19.08% in 2018 notwithstanding the one-time Zakat payment and IFRS9 Provision Adjustment.
- We maintained a low overall NPL ratio at 0.85% and an NPL coverage ratio of 342%
- Our credit ratings reflect both the strength of our business as well as our risk management framework

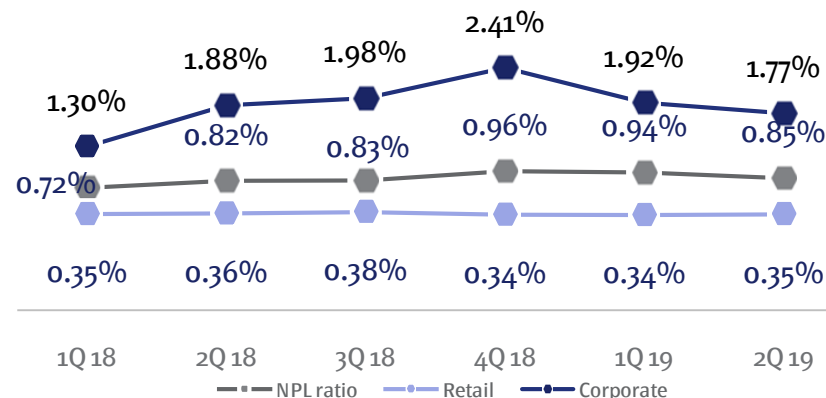
Credit Ratings

Rating Agency	Long term	Short term
S & P	BBB+	A-2
Fitch	A-	F1
Moody's	A1	P-1
Capital Intelligence	A+	A1

Capital Ratios (%)



NPL Ratios (%)



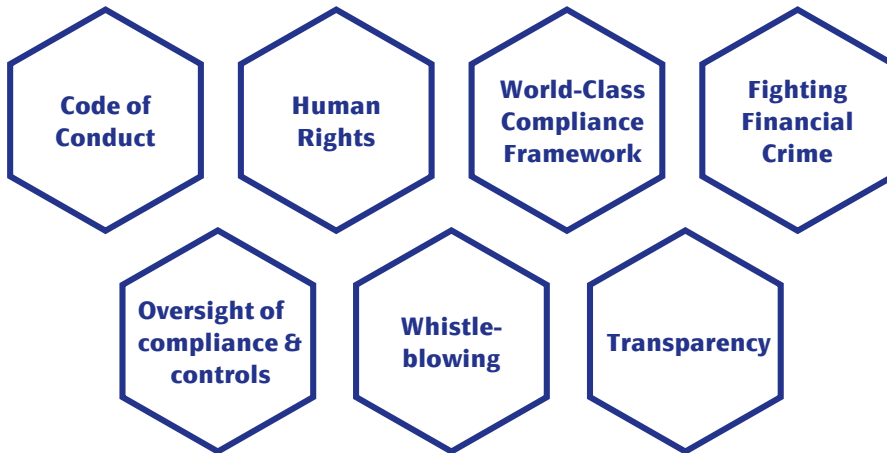
Integrity and Transparency



Management Approach

Integrity and transparency are core values at Al Rajhi Bank and are fundamental to forging relationships of trust. This means being open and honest while maintaining the highest standards of corporate and personal ethics, wherever we operate.

Areas of focus



2018 Highlights

- We continued to invest in the bank's investor relations program, promoting transparency and trust with our shareholders
- As of December 2018, we had 151 employees in the Compliance Group, a growth of 147% year-over-year
- We launched a Robotics Process Automation solution and updated our AML risk rating for all customers
- We made enhancements to our Sanctions Programme, implementing a "Daily Delta Screening" methodology
- We performed fraud risk assessments covering all business functions, products and channels.

Data Protection and Cyber Security

We maintain pace with the threats concerning cyber risk.

Management Approach

The Bank recognizes the magnitude of risks posed to online transactions and is committed to the safety of its customers' online transactions.

Areas of focus

We have established a robust IT Risk Policy to ensure security, including:

- An Information Security Policy that applies to all employees, contractors, third parties and others entrusted with the Bank's information
- Our Banking Consumer Protection Principles, Employee Code of Conduct, Information Security Policy and Privacy Policy guide all employees.
- A strong security architecture consisting of firewalls, employee access controls, advanced day-to-day monitoring of our networks and physical facilities, and other controls
- We follow external security standards and best practices (ISO27001).

2018 Highlights

- We completed two SAMA programmes to update and boost our capabilities – the Security Issues Remediation programme) and the Cyber Security Framework implementation programme
- The Bank implemented new risk appetite metrics for IT security, risk and Business Continuity Management (BCM)
- We began including IT security and cyber crime scenarios in our Integrated Stress Testing Framework
- During the year, we launched 10 new programmes involving 17 projects as part of our Cyber Security Framework

Awards

Recent international recognition



Global Awards



Best Bank in Saudi Arabia
(3 consecutive years 2016, 2017, 2018)



Best Financial Institution in Saudi Arabia

The Banker

Largest Bank in the world in terms of Sharia Assets



Best Bank in Saudi Arabia
(2 consecutive years 2017 & 2018)

Regional Awards



- **Best Bank in GCC**
- **Fastest Growing Bank in KSA**
- **Most Innovative Bank in KSA**
- **Best Retail Bank in KSA**



- **Strongest Islamic Retail Bank in the World**
- **Strongest Islamic Retail Bank in the GCC**
- **Strongest Islamic Retail Bank in the MEA**



GCC Best Employer Brand Award

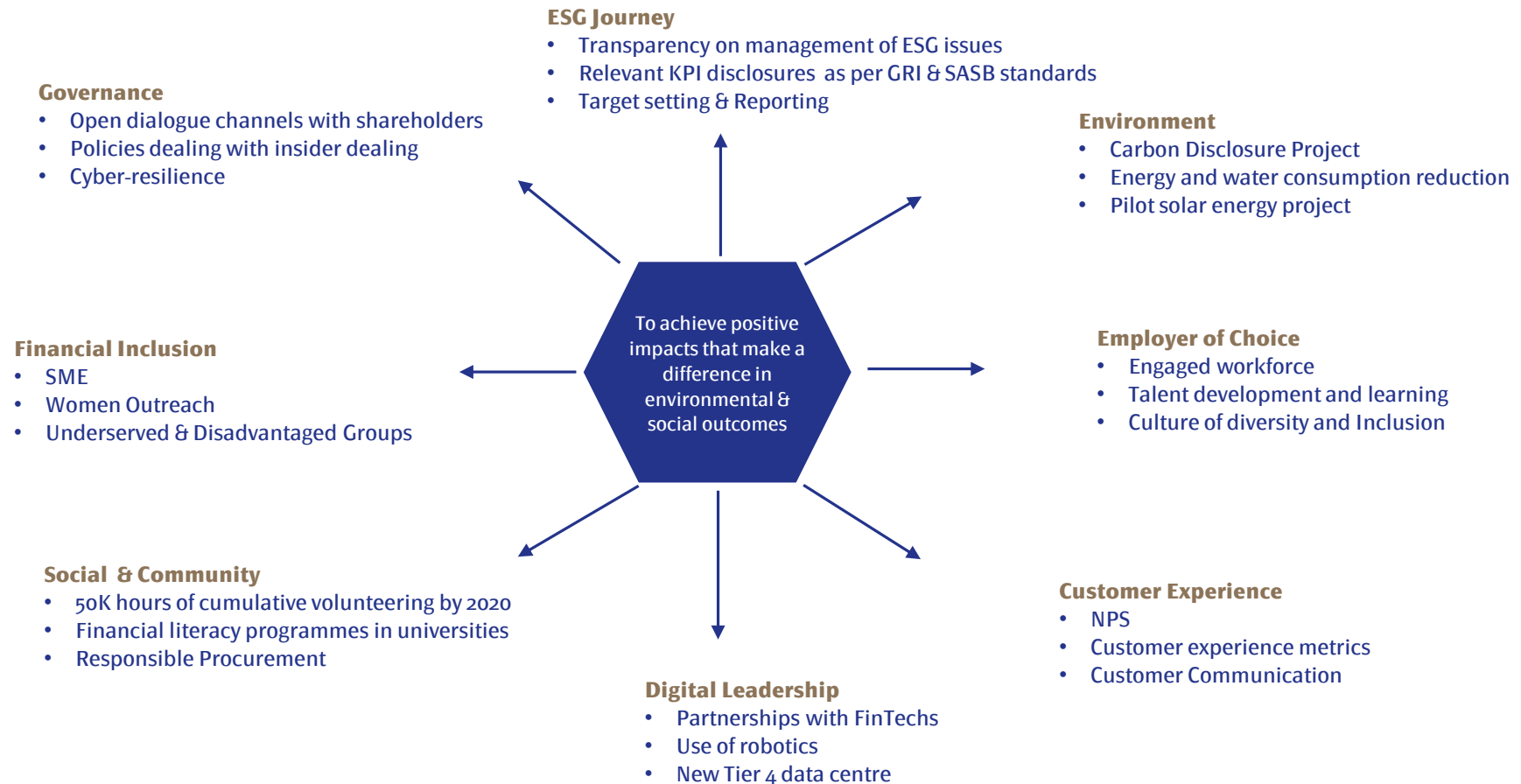


- **Most Improved Investor Relations Team – Blue-Chip (2018)**
- **Best Investor Relations in the Middle East (2019)**
- **Best Investor Relations in KSA (2019)**
- **Best CFO in the Middle East (2019)**
- **Best Investor Relations Professional (2019)**

Conclusion and the way forward



"We believe our future success is interlinked with the well-being of our stakeholders and the world around us." - Steve Bertamini, CEO



Additional Information

Contact investor relations for more information



Mr. Amr M. Sager

Head of Investor Relations

Tel: +966 (11) 828 1985

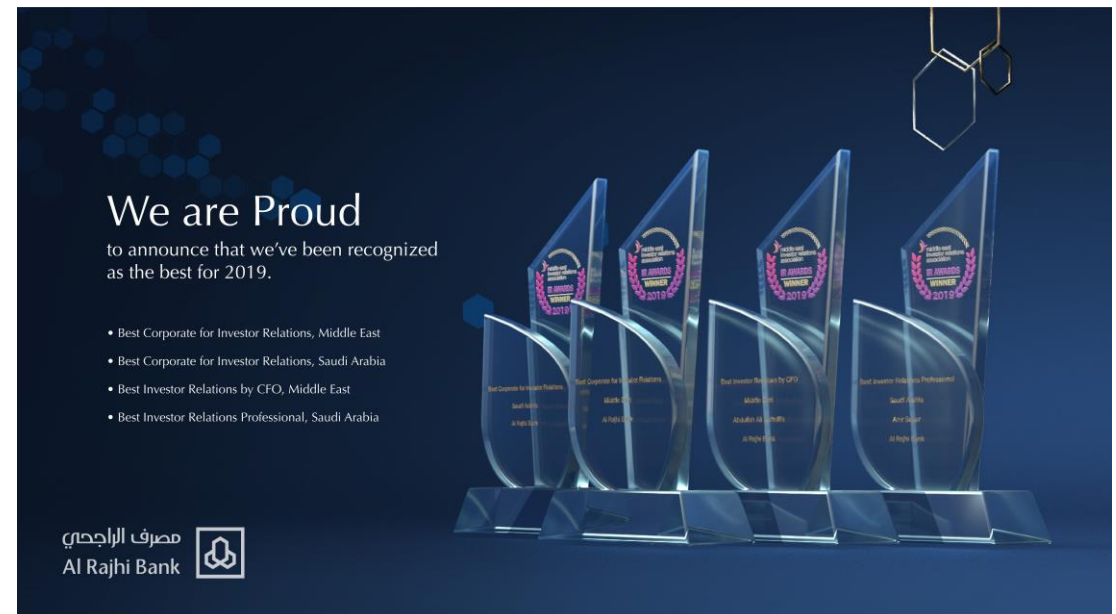
Email: sagera@alrajhibank.com.sa

Mr. Faisal F. Altimyat

Senior Investor Relations Officer

Tel: +966 (11) 828 1457

Email: altimyatff@alrajhibank.com.sa



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