

shared services group

Overview
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The Shared Services Group continued to fast-track ongoing and scheduled projects in 2023 to align with the Bank of the Future (BOTF) Strategy objectives, powering the Bank to strengthen its leadership position across multiple business verticals that could otherwise be impacted by external threats including new fintech entrants in the market. The year in review saw the Shared Services Group continue to engage in rapid automation and digitization across all business units and subsidiaries, in order to reduce product and process complexities and enhance customer experience, delivering system upgrades and other required enhancements.

Information technology

The Information Technology (IT) Department pursued a comprehensive set of targets and objectives during the reporting period, contributing to the Bank's technology transformation while ensuring systems resilience and responsiveness. Overall, all core infrastructure upgrades, tools, and automation initiatives continued to bolster operational efficiencies, while managed services minimised operational risks. Delivery of strategic dashboards and analytical solutions empowered data-driven decision-making and facilitated a deeper understanding across all operations.

The IT Department successfully executed a comprehensive overhaul of all the Bank's legacy systems as per the Bank of the Future (BOTF) Strategy, resulting in a fundamental refresh of core banking systems. This transformation paved the way for a remarkable increase in digital transactions, with the Bank recording a Compound Annual Growth Rate (CAGR) of approximately 50% during the three-year strategy cycle from 2020 to 2023. The Bank also adopted cloud infrastructure during this time, to drive cost-effective scaling for initiatives such as fraud detection, data management, and workloads powered by Artificial Intelligence (AI).

Turnaround times of several key projects were also greatly reduced; this agile approach resulted in the Bank surpassing ambitious targets with the successful delivery of more than 1,300 projects.

Over 100 of these deliveries were major projects that significantly improved Al Rajhi's operational capabilities, while reflecting the Bank's dedication to innovation.

From the successfully delivered line-up of projects, over 700 were from IT Digital. This marked a remarkable threefold increase in deliveries YoY, powered by the Bank's strategic investments in tooling and automation. Given the accelerated delivery, substantial improvements were also made in system stability through innovative approaches, with special agile squad teams complemented by optimised systems and applications including NewGen, Experian, T24, Group IB. Periodic health checks and capacity management plans were implemented to avert business disruptions, with enhanced service monitoring giving the IT Department full visibility on performance and system availability. The balance of projects were evenly divided between IT Demand and Delivery and IT Data Delivery.

The success in increased project delivery and throughput during the reporting period showcased the Bank's dedication to meeting evolving needs of stakeholders, and underscored the IT Department's unwavering commitment to providing secure, efficient, and forward-looking services to Al Rajhi customers.

A broad range of initiatives carried out throughout the reporting year significantly enhanced systems reliability, mitigated operational risk, and further enhanced the Bank's operational resilience while consistently meeting service level agreement (SLA) standards set by the Central Bank of Saudi Arabia (SAMA). Quality of delivery remained a priority despite the rapid pace of delivery, with the IT Department consistently maintaining production SLAs well above 99.95%, ensuring uninterrupted services.

Cybersecurity was embedded across all processes from development to production. Deploying advanced technologies such as source code scanners, penetration testing tools, and vulnerability management systems into the delivery pipeline averted security incidents.

Implementation of a group-wide anti-fraud solution fortified Al Rajhi's defences against financial fraud in real-time.

During the year, significant improvements were made by executing a comprehensive Disaster Recovery (DR) and Network Resilience and Recovery (NRR) revamp. A total 53 physical servers and 1530 virtual servers were fully commissioned to enable this private cloud environment, while also strengthening the hybrid cloud environment across Al Rajhi Bank. This initiative ensured that critical services remain available even in the face of unforeseen events or disruptions, bolstering the Bank's resilience, with the IT Department successfully passing a surprise test requested by SAMA to run Bank services from the DR site.

During the year under review, the IT Operations team, recognizing the complexity of transitioning from its traditional IT infrastructure to a cloud-based infrastructure, initiated a comprehensive effort to streamline operational processes that involved optimising workflows, automating routine tasks, and establishing best practices to ensure a smoother migration process. The overall effort to improve the architecture of the infrastructure was also complemented by upgrading hardware, enhancing network configurations, and implementing cloud-native solutions to ensure that the infrastructure could support the demands of the Bank's hybrid cloud environment. By optimising operational processes and modernising infrastructure architecture, the Bank is now better prepared to handle complex application migrations and achieve the benefits of a more flexible and scalable cloud-based IT environment.

IT enabled new lines of business in 2023 including the Micro and Small Business (MSB) Unit, Small and Medium Enterprise (SME) business service 'SME in a Box', and explored a number of opportunities in Open Banking under newly introduced SAMA regulations, introducing Account Information Systems and Payment Initiation Systems during the reporting period.

The IT Department's dedication to technological excellence, innovation, and customer-centric

improvements has demonstrated remarkable results in the Bank's performance over the last five years; digital transactions accounted for 94% of the total transactions in 2023, a significant rise from 50% in 2018. Transactions conducted physically via branches, ATMs and IVR now account for only 6%, highlighting the effective execution of the bank's digital transformation strategy.

Al Rajhi Bank's mobile and internet banking platforms were entirely revamped in record time inline with the BOTF strategy to further simplify customer journeys, growing in transactions and driving self-service, cementing Al Rajhi as the preferred digital bank of customers. By the end of the reporting period, the Al Rajhi Bank mobile app surpassed 280 million logins per month – a substantial increase with 50% of these logins secured through mobile PIN (MPIN), a remarkable 300% growth compared to 2020.

Customer Interactions were enhanced with the expansion of real time personalised data driven marketing capabilities during the year in review, which allowed the Bank to engage with more than 10 million customers across various channels, delivering over 149 million notifications and supporting 235 Live Use Cases, a significant achievement underscoring the IT Department's dedication to providing highly responsive and personalised customer services.

The year 2023 marked the successful completion of the roll-out of new lending systems – Temenos and Newgen – at all Al Rajhi Bank branches across the Kingdom for personal finance products. This resulted in the migration of over 7,000 users, the disbursement of 115,000+ finance transactions, and over SAR 12 Bn. in sales. The success of this digital transformation is being extended to Auto, Mortgage and other products as at the end of the reporting year.

New financing systems were also introduced for Point of Sale (POS), Fleet, Business Instalment Financing (BIF), e-Commerce financing, as well as for EIRAD credit facilities, Invoicing Financing, and Payroll. The new platforms continued to deliver great results; over 10,000 POS contracts

have thus far been disbursed, with more than 756 BIF contracts that have been disbursed, with a significant growth in both fleet financing and e-Commerce sales.

The Corporate Banking Group too, initiated a program during the year in review to decommission legacy systems and consolidate corporate banking lending functionality into the Lending platforms Temenos and Newgen, further streamlining processes and enhancing services for corporate clients.

A number of key systems and their infrastructure upgrades were carried out by the IT Department during the year in review; a number of Oracle upgrades were carried out including Oracle Business Interface migration to Oracle Cloud Infrastructure (OCI) with over 40 apps migrated to the Al Rajhi Bank Cloud, and Oracle Financial Services Analytical Systems (OFSA) data flow re-engineering; IBM Data Storage migration; Disaster Recovery (DR) network revamp to DR Switchover and Health Check Assessment Services with Private Cloud for the Bank's main DR sites; modernisation of ATMs with management and support with Base24; an upgrade of Enterprise Fraud Management software to strengthen the Bank's capabilities in detection and management of potential fraud; and CCTV enhancement with network infrastructure upgraded at 720 branches and 2719 ATMs across the Kingdom, to name a few major bank-wide improvements.

New systems and capabilities introduced by the IT Department during the reporting period included Enterprise Monitoring with Elastic Dynatrace, a revamp on supply chain finances with Qualco fintech solutions, remote underwriting with Blue World, the cloud-based payments hub, as well as the timely modernisation of the Enterprise Service Bus (ESB) for seamless integration of enterprise applications. A notable new capability that was introduced during the reporting period was the event-driven Enterprise Kafka data streaming platform, which has significantly improved the controlled data exchange among Al Rajhi subsidiaries in near real time.

A number of key automations implemented during the reporting period greatly improved the Bank's operational performance, including the automation of over 200 strategic and regulatory reports from across the Bank's data platforms, which streamlined the reporting process, ensuring accuracy and compliance while reducing manual effort. The integration of multiple Al Rajhi subsidiaries into a unified data lake facilitated cross-functional analytics and empowered various business use cases, which in turn unlocked new insights and opportunities for the Bank. Furthermore, the creation of a Network Operations Center (NOC) dashboard enabled 24/7 monitoring of real time personalised data driven marketing use cases, which not only enhanced the reliability of our services but also ensured swift issue resolution.

A number of performance updates were also carried out across various platforms and systems across the Bank, underscoring the IT Department's commitment to maintaining and enhancing the operational excellence of Al Rajhi's systems and infrastructure. These improvements have not only increased the Bank's operational capacity, but also contributed to improved user experiences and more efficient operations across the board.

Business continuity and crisis management

Throughout 2023, Al Rajhi Bank continued to augment and improve its Business Continuity Management System (BCMS), which has been a foundational pillar since the approval of the first business continuity policy at Al Rajhi in 2009.

Key Objectives of BCMS

- **Enabling a Responsive Mechanism:** To promptly minimise the impact of incidents
- **Strategic Alignment:** Ensuring that Al Rajhi Bank achieves its strategic objectives and effectively meets stakeholder expectations
- **Crisis Management:** Enabling the Bank to make timely decisions and efficiently manage adverse events and crises
- **Reputation Protection:** Safeguarding Al Rajhi Bank's reputation and credibility through effective crisis communication

- **Regulatory Compliance:** Ensuring Al Rajhi Bank complies with all applicable legal and regulatory requirements
- **Cultural Embedment:** Embedding business continuity in Al Rajhi Bank's corporate culture through effective awareness, training, and regular exercises.

During the year in preview, Al Rajhi Bank focused on enhancing roles, tasks, responsibilities, and authority to increase resiliency in the face of potential and/or unprecedented disruptions. The Bank also extended its efforts to standardise business continuity practices across its subsidiary companies, providing them with necessary support and mastered framework.

All BCM reports including business impact analyses (BIAs), threat risk assessments (TRAs), and business continuity plans (BCPs) transitioned from traditional periodic reviews to real-time information. These were updated throughout the year to reflect significant changes affecting continuity plans. A periodic review is conducted to ensure no more than 12 months pass without development.

Most notably, Al Rajhi Bank enhanced its crisis management and response plans in 2023 by establishing a Crisis Communications Team, thereby strengthening internal and external communication during crises. Various response teams were developed at different levels to support the team in making timely decisions. Additionally, the BCM Department received a satisfactory evaluation from the Internal Audit Department and continued to comply with the ISO 22301 standard.

Technical investments and infrastructure improvements continued during the year in review have positively impacted the Bank's Recovery Time Objectives (RTOs) for products and services. Further improvements are expected to continue once the on-going infrastructure projects are successfully completed.

Al Rajhi Bank conducted a comprehensive testing program in 2023, including tests of employee relocation, cybersecurity systems, and various technical tests across the Bank as well as its subsidiaries to observe the Group's responsiveness and employee readiness to

various types of business disruption scenarios. A surprise test, initiated by SAMA, involved a week-long failover from the main data centre to the disaster recovery centre. The tests included advanced scenarios and were conducted under a robust governance framework.

The Bank continued its efforts to evaluate business continuity capabilities of critical suppliers, resulting in a strong database for supplier compliance. Suppliers were actively involved in testing during the reporting period, with continuity requirements documented in their contracts, backed by acknowledgment of their proven ability to meet these requirements.

Providing business continuity training across all levels of operation remained a top priority at Al Rajhi Bank. This included simulations for members of the crisis management team, one-on-one awareness sessions for new team members, workshops for response teams, and regular awareness messages disseminated among all employees. E-Learning materials were made mandatory for new employees within their first three months of employment. A significant number of employees also obtained professional certificates in business continuity.

Procurement

GRI 204-1

Phase two of the Procurement Transformation Programme was implemented in 2023, with the aim to enhance the end-to-end procurement process for the Bank and its subsidiaries, and achieve globally recognised benchmarks to demonstrate the significance of the Bank's procurement function as an essential value driver and organisational influencer.

The Procurement function continued to support the competitive positioning of the Al Rajhi Bank by maximising the quality of goods and services acquired and ensuring the best possible value is achieved, whilst strengthening mutually beneficial relationships with the best vendors to acquire goods and services in a timely manner, and mitigating supply risks wherever possible.

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Procurement performance for 2023

Savings for 2023:

SAR 170.5 Mn.

Number of bids/tenders:

112

Number of Purchase Orders (PO) issued:

1,463

SLA Delivery Rate of Issued POs:

>97%

Number of Blanket Purchase Agreements (BPA) released:

17,880

Number of Contracts issued:

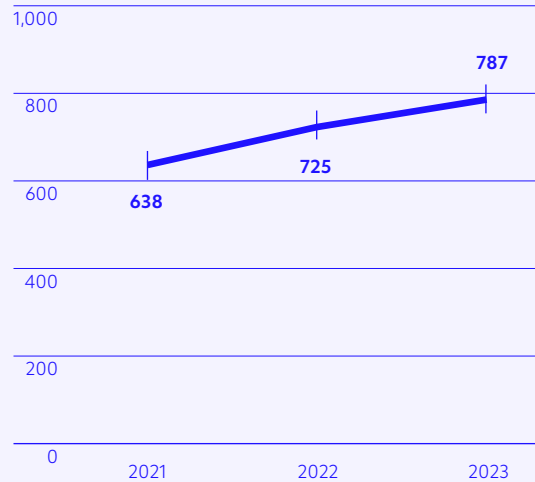
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Notably, Procurement extended support by being an effective member of Risk Task Force through the initiation of emergency tendering procedures for the Risk Projects portfolio. First batch of 9 projects out of 31 that have been finalised successfully through requests for quote (RFQ) procedures, with total Cost Avoidance amounting to SAR 10 Mn. during the first year (2022?). Currently, Procurement is managing and finalising the awarding procedure of the second batch of projects with 11 requests for proposals (RFP) and 5 RFQs, totaling a Cost Avoidance of SAR 60 Mn.

The Online Procurement Portal continued to register vendors during the reporting period, with 66 vendors registering during 2023, to take the total of active vendors on the portal up to 787 as at the end of the year.

Active vendors on online procurement portal

Nos.



The Bank's Procurement Policy aligns with multiple ethical and industry standards, and are highly compliant with national regulatory requirements, enabling the procurement operation to face challenges arising from vendor negotiations to late sourcing requests. The Bank also prioritizes sourcing from local vendors to support the development of local businesses and communities, with 96.5% of all vendor payments being made in local currency.

The Procurement Department continued to support the Bank and its subsidiaries with their purchasing processes, supporting subsidiaries with on-the-job training for employees to ensure best practices in procurement, including in vendor engagement.

Training and development

GRI 404-2

The Shared Services Group facilitated 93 training and development sessions, addressing various technological capabilities and competencies for employees across all levels within Al Rajhi Bank

and its subsidiaries. This initiative aimed to tackle identified skill gaps comprehensively. A total of 230 employees participated in these courses during the reporting period, with 159 unique users benefiting from the tailored training programs.

The cumulative sessions included a total of 40 distinct courses, with some of them outlined below. These courses were conducted in multiple sessions to accommodate varying audience sizes and trainee numbers.

Focus Area	Description	Number of Courses
Technical	Technical skill development for employees to stay up-to-date with the latest technologies and tools utilised by the Bank	14
Banking	Insights into the banking domain to improve industry-specific knowledge	7
Compliance, Regulatory and Risk	To enhance the understanding of critical aspects of compliance, regulatory requirements, and risk management	7
Induction	Designed for onboarding new employees, providing a comprehensive introduction to the organisation.	2
Management	Tailored to improve managerial skills and leadership competencies.	7
Self-Development	Empowering individuals to enhance their personal and professional development.	3

Future outlook

With the successful execution of the Bank of the Future (BOTF) strategy cycle, the IT Department will continue its mandate to enhance the technology systems and infrastructure of the Bank, ensuring Al Rajhi remains future-ready for any potential disruptions. Cloud migration will continue into 2024, with other emerging technologies and tools tested and leveraged as necessary to enrich the Bank's digital experience, while strengthening its capacities and capabilities in Open Banking.

In 2024, Al Rajhi Bank will focus on automation and integration to keep pace with business growth and accommodate fundamental changes required for stronger business

continuity. Automation will reduce manual intervention, ensuring greater data accuracy. Dependency mapping will become more sophisticated, providing decision-makers with real-time information. These initiatives aim to bolster the Bank's resilience in a rapidly changing business landscape.

Tanfeeth will continue to execute its "RISE" strategy, to expand its service offering. The Procurement function will continue to support the Bank as a true value creator, and a trusted, transparent and strategic partner with a clear focus on achieving the Bank's overall objectives.