

## Dividends Policy

## 11-10 Dividends policy

### 11-10-1 Introduction.

The policy of dividing and distributing profits is one of the important policies of the Bank, given its direct and indirect repercussions and its relationship with shareholders/investors and other stakeholders in the Bank, and the importance of the decision to divide and distribute profits, whether distributed to shareholders, or retained for years to come, and given the impact of the policy or mechanism for dividing and distributing profits on the Bank's growth rate and consequently the impact on the share price. Therefore, this policy came in response to the most important legal and regulatory requirements and as part of the Bank's orientation to preserve the rights and interests of stakeholders for the Bank, especially the shareholders.

### 11-10-2 Policy Objectives

This policy aims to the following:

11-10-2-1 Determining the general provisions for the distribution and division of profits;

11-10-2-2 Developing mechanisms to determine the amount, manner and dates of dividend distribution and announcement of the same.

### 11-10-3 General provisions and rules.

The process of dividing and distributing profits shall be subject to the provisions related to the Companies Law and its regulations and the regulatory controls and procedures issued in implementation of the Companies Law for Listed Shareholding Companies, the rules of registration and listing, the updated Corporate Governance Regulations, the relevant circulars and principles of the Central Bank of Saudi Arabia, and the Bank's Articles of Association. Its controls and provisions shall define this policy.

The most important of which are the following:

11-10-3-1 The Board of Directors shall include in its annual report submitted to the General Assembly the percentage of profits distributed to shareholders during the different periods of the financial year, in addition to the percentage of profits proposed to be distributed at the end of the financial year and the total of these profits.

11-10-3-2 The distribution of profits shall be recorded on the account of the accumulated retained earnings from previous years or the agreed reserves or both, taking into account the chronology and regularity in the manner and proportions of the distribution of profits according to the capabilities and liquidity available at the bank. The Board of Directors shall disclose and announce the regular periodic dividends that are decided to be distributed to the shareholders on their due dates.

11-10-3-3 The Bank, when deciding to distribute interim dividends, shall be obligated to disclose and announce immediately on the website of the Saudi Stock Exchange (Tadawul) and provide the Capital Market Authority with a copy as soon as it is issued, provided that this shall be after obtaining the Saudi Central Bank's no-objection.

#### **11-10-4 Regulations and the mechanism of dividing and distributing profits**

11-10-4-1 The Bank's annual net profits approved by the General Assembly shall be distributed after deducting all general expenses and other costs, and the formation of the necessary precautions to face doubtful debts, investment losses and contingent obligations that the Board of Directors deems necessary in accordance with the provisions of the Banking Control Law and the directives of the Central Bank of Saudi Arabia as follows:

11-10-4-1-1 The amounts necessary to pay the prescribed zakat on shareholders shall also be calculated, and the Bank shall pay these amounts to the competent authorities.

11-10-4-1-2 At least (25%) twenty five percent of the remaining net profits after deduction of zakat shall be transferred to the statutory reserve until the said reserve becomes at least equal to the paid-up capital.

11-10-4-1-3 The remainder of the profits after deducting the statutory reserve and zakat shall allocate an amount of no less than (5%) five percent of the paid-up capital for distribution to shareholders in accordance with what the Board of Directors proposes and approved by the General Assembly. If the remaining percentage of the profits due to shareholders is not sufficient to pay this percentage, the shareholders may not demand its payment in the following year or years, and the General Assembly may not decide to distribute a percentage of the profits in excess of what was proposed by the Board of Directors.

11-10-4-1-4 The remainder, after allocating the amounts mentioned in the paragraphs (the three above), shall be used in the manner proposed by the Board of Directors and decided by the General Assembly.

11-10-4-1-5 Subject to the provisions of paragraph (4-1) of this item above, the Bank may distribute interim dividends to shareholders on a semi-annual or quarterly basis, after fulfilling the following requirements:

11-10-4-1-5-1 The Ordinary General Assembly authorizes the Board to distribute interim dividends by virtue of a resolution that shall be renewed annually.

11-10-4-1-5-2 The Bank should have good and regular profitability.

11-10-4-1-5-3 That the bank shall have reasonable liquidity and can reasonably expect the level of its profits.

11-10-4-1-5-4 The Bank shall have distributable profits in accordance with the latest audited financial statements, sufficient to cover the proposed profits to be distributed, after deducting what has been distributed and capitalized from those profits after the date of these financial statements.

**11-10-5 Provisions of the mechanism for issuing and announcing the dividends distribution decision.**

**11-10-5-1 The mechanism for issuing the dividend distribution decision:**

11-10-5-1-1 The amount of profits proposed to be distributed shall be determined based on the following:

11-10-5-1-1-1 A recommendation from the Board of Directors to distribute the proposed profits for the past year to be submitted to the General Assembly for approval.

11-10-5-1-1-2 A decision by the Board of Directors to pay interim dividends based on the authorization granted to it by the General Assembly.

11-10-5-1-2 **The eligibility for profits shall be for shareholders registered** in the Bank's shareholders' register with the Securities Depository Center Company (Edaa) at the end of the second trading day following the date of the general assembly meeting, or at the end of the second trading day following the maturity date specified by the Board's decision to distribute interim dividends, as the case may be.

11-10-5-1-3 The issue of dividend distribution should be a separate item on the agenda of the Ordinary General Assembly.

**11-10-5-2 Announcement of the dividend distribution decision:**

Shareholders shall be informed of the procedures and date of dividend distribution through publication and announcement on the Saudi Stock Exchange (Tadawul) website and the Bank's website, in accordance with the regulations and instructions issued in this regard.

**11-10-6 Implementation of the decision to pay dividends to shareholders.**

The Board of Directors shall implement the resolution of the General Assembly regarding the distribution of cash dividends or bonus shares to the registered shareholders within 15 days from the due date of these profits specified in the General Assembly resolution or in the Board of Directors' resolution to distribute interim dividends.

**11-10-7 Approval of issuing, developing and amending the policy.**

The issuance and update/amendment of this policy shall be approved by the Board of Directors based on the recommendation of the Compliance and Governance Committee.