

Audit Committee Annual Report for the fiscal year ended 31 December 2023

The Audit Committee comprises five members including two ARB's Board members and three independent members as follows. The previous term of Audit Committee was ended on 14 November 2023 and the new term has commenced and included appointment of 3 new independent members. The sixth meeting of Audit Committee in 2023 is the first meeting in its new term.

Audit Committee Members – Al Rajhi Bank KSA	
Name	Membership
Mr. Abdulatif bin Ali Al Seif	Audit Committee Chairman at the previous & current term and Board Member
Mr. Raed bin Abdullah Al Tamimi	Audit Committee Member at the previous & current term and Board Member
Dr. Abdullah bin Ali Al Muneef	Independent Committee Member "Audit Committee at the previous term"
Mr. Farraj bin Mansour Abothenain	Independent Committee Member "Audit Committee at the previous term"
Mr. Walid bin Abdullah Tamairik	Independent Committee Member "Audit Committee at the previous term"
Mr. Osama bin Saleh Alhadithi	Independent Committee Member "Audit Committee at the current term"
Mr. Khaled bin Saleh Alsubail	Independent Committee Member "Audit Committee at the current term"
Mr. Yousef bin Mohammed Alsuhaibani	Independent Committee Member "Audit Committee at the current term"

During the fiscal year of 2023, Audit Committee held six meetings to discuss and examine the topics of its annual plan in accordance with its Charter in addition to other related topics.

The following table illustrates dates of Audit Committee meetings and attendees' information during 2023:

Description	Date	Attendees Number
First	29 January	All Committee members (previous term)
Second	26 April	All Committee members (previous term)
Third	25 May	All Committee members (previous term)
Fourth	23 July	All Committee members (previous term)
Fifth	22 October	All Committee members (previous term)
Sixth	24 December	All Committee members (current term)

Below is a summary of Audit Committee activities for the year ended 31 December 2023 including its significant activities and duties it performed and followed up in line with its Charter approved by the Bank's General Assembly.

First: ARB's Financial Statements

During its meetings, the Audit Committee discussed consolidated interim quarterly and annual financial statements of the Bank for 2023 including many related topics with the Executive Management and External Auditors as follows:

- Discussed the Bank's consolidated quarterly financial statements with the External Auditors and Executive Management.

- Discussed the Bank's consolidated annual financial statements as of 31/12/2022 with the External Auditors and Executive Management.
- Followed up results of Management Overlays during 2023 and related notes with the External Auditors and Executive Management.
- Reviewed the results of the first issuance of sustainable Sukuks as part of ARB's international Sukuk Program.
- Followed up results of recovering VAT, which was paid by the Bank for customers against their first house, from Ministry of Municipal & Rural Affairs and Housing.
- Reviewed the enhancements made by the Bank to the process of calculating expected credit losses in 2023 for retail & non-retail sectors.
- Followed up results of recovering ARB dues at ZATCA against the VAT amounts related to financed properties and paid by the Bank for the first house buyers.
- Reviewed the results of Securitization Agreement with Saudi Real Estate Refinance Company (SRC) related to selling part of ARB's Mortgage Portfolio.
- Discussing ARB's Agreement with Real Estate Development Fund regarding the updated Housing Subsidy Program.

Second: External Auditors

- The Committee has recommended to the Board of Directors and General Assembly to select ARB's external auditors after reviewing the submitted proposal. Accordingly, the General Assembly has approved appointment of Ernest & Young and KPMG as ARB's external auditors and determined their fees to examine and audit the quarterly and annual financial statements for the fiscal year 2023 and first quarter of 2024.
- Audit Committee has approved the External Auditors' plan to audit ARB's activities and it discussed the annual declaration statement of the Management. In addition, the Committee discussed the issued observations and has instructed the concerned departments to implement and follow related corrective plans.

Third: Internal Audit

Audit Committee followed up results of Internal Audit Group activities and progress of the approved strategic and annual plan. Further, the Committee discussed significant observations, recommendations and related corrective actions as well as approving many charters and policies related to Internal Audit Group activities as follows:

- Discussed and approved Internal Audit Group annual plan for 2023, initiatives, and related performance KPIs including ARBK & ARBJ.
- Discussed significant results of Internal Audit Group activities for 2023 for different sectors of the Bank and international branches as well as Internal Audit Group reports and submitted related recommendations.
- Followed up progress of implementing corrective actions stated in Internal Audit Group reports and submitted related recommendations.
- Approved KPIs of the Chief Internal Auditor for 2023.
- Ensured effectiveness and independency of Internal Audit and lack of constraints on its scope of work.
- Reviewed Audit Committee Charter and recommended to the Board to approve the same.
- Reviewed and approved Internal Audit Group Charter.
- Followed up level of human capital adequacy for Internal Audit Group in the Bank and its international branches including recruiting qualified staff for vacancies in Internal Audit Group.
- Followed up and ensured closure of all engineering observations monitored by Internal Audit Group (419 observations).

- Ensured activating the role and membership of Internal Audit Group in the audit committees of the Bank's subsidiaries.
- Reviewed the annual audit committees' reports of ARB subsidiaries.

Fourth: Compliance

Audit Committee followed up results of Compliance Group activities and progress of its business plan for 2023. Further, it discussed significant observations and approved many related charters & policies. The significant recommendations and resolutions related to the Group activities are as follows:

- Reviewed Annual Report of Compliance for 2024 prepared by Compliance Group and recommended to the Board to approve the same.
- Discussed and approved Compliance and Financial Crimes plan and program for 2023.
- Worked on raising level of compliance with laws and instructions issued by SAMA and competent regulators in KSA.
- Promoted continuous enhancement of compliance awareness in the Bank to avoid risks related to non-compliance, particularly regulatory risks, reputation risks and financial penalties risks.
- Reviewed updates on Compliance Group operational manual and recommended to obtain necessary approvals.
- Followed up and supported Compliance Group to ensure recruiting sufficient staff in line with SAMA instructions and requirements of the departments of Compliance, AML & CTF, Combating Commercial Concealment, Anti-Bribery & Anti-Corruption, and Anti-Fraud.
- Followed up ARB's performance of implementing Compliance Group plan regarding training, awareness, and related efforts exerted by Compliance Group in cooperation with Al Rajhi Training Academy.
- Reviewed all SAMA and other regulators' fines in 2023 and Compliance Group's efforts to limit such fines and instructed the Group to exert more efforts to avoid the same.
- Discussed progress of existing projects to develop automated systems of Compliance & Financial Crimes Group and supported it with the required budgets to be implemented.
- Discussed Financial Crimes Dept., SAS performance assessment, combating financial fraud efforts, and major whistleblowing cases.
- Reviewed and followed up cases of fraud and phishing engineering as well as technical incidents received from Compliance Group.
- Reviewed the Annual Report on Customer Protection and Complaints of ARBK for 2022 and present the same to the Board of Directors for approval.
- Reviewed the updated Customer Complaints Policy – Jordan Branch and recommended to present the same to the Board of Directors for approval.
- Reviewed significant results of Compliance Committee in ARB during 2023.

Fifth: Sharia Group

- Audit Committee reviewed results of Sharia Auditing Report for 2022 and progress level of Sharia Control Dept. activities based on the approved plan for 2022. In addition, the Committee discussed significant observations related to products and its closure status.
- Reviewed the targets of Sharia Audit Department for 2023.

Sixth: Other Business

- Approved Audit Committee plan for 2023 in line with the approved Charter of Audit Committee.
- Followed up updates on Employee Fund treatment process and recommended to apply appropriate governance frameworks and submitted related recommendations.
- Followed up progress of implementing Related Party Transactions automated system.
- Reviewed the presentation of Operations Group regarding following up IT projects related to ARB activities.
- Reviewed the presentation of Risk Group regarding the results of automated risk reports and regulatory reports applied in the Bank to monitor risks.
- Reviewed ARB position in legal cases filed by or against the Bank inside or outside the Kingdom.

Seventh: Audit Committee Resolutions

During its meetings in 2023, Audit Committee recommended to the Board to approve (43) resolutions; where execution of (39) resolutions is completed and execution of the remaining (4) resolutions is in progress.

Eighth: Assessment of Internal Control System

During 2023, Al Rajhi Bank has exerted all possible efforts to ensure adequacy and effectiveness of internal control system in line with SAMA requirements. In addition, the activities executed in 2023, including review of internal control system adequacy by Internal Audit, Compliance and Risk activities, have resulted in providing reasonable assurances for adequacy of applicable internal control process along with providing an assurance that the systems and procedures required to identify, assess and handle the Bank's high risks are in place and effectively applied.

Thus, the Committee found no significant weaknesses which affect Internal Control System adequacy.

According to the results of internal control system assessment process, Al Rajhi Bank has sufficient and adequate internal control system being monitored continuously noting that no internal control system can provide absolute assurances.

Best Regards,