

# **UBS Saudi Arabia**

(A Closed Joint Stock Company)

# **Board of Directors'**

# **Annual Report**

As of 31 December 2019

UBS Saudi Arabia is a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia with a paid capital of 110,000,000 Saudi Riyals under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorised and regulated by the Capital Market Authority to conduct securities business under licence number 08113-37.

UBS Saudi Arabia is a subsidiary of UBS AG. UBS AG is a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich

# Board of Directors' Annual Report As of 31 December 2019

## 1. Activities

UBS Saudi Arabia, (the "Company" or "UBS SA") is a closed joint stock company registered with the Capital Market Authority (CMA) under license number 08113-37 dated 4 Rajab 1429H (corresponding to 7 July 2008). The Company is licensed in dealing as agent (except in the Saudi Arabia stock market), underwriting, managing client portfolios, arranging, advising, and in custody of securities.

The Company is owned 99.96% by UBS Saudi Arabia Holding Limited, 0.01% by S.G. Securities U.K. Limited, 0.01% by S.G. Warburg and Company Limited, 0.01% by UBS A.G. and 0.01% by UBS U.K. Holding Limited. UBS Saudi Arabia Holding Limited is owned 100% by UBS AG.

## 2. Status

### 2019 Summary:

UBS Saudi Arabia continues to develop its business in Saudi Arabia. 2019 saw UBS Saudi Arabia:

- ❖ Increase the size of the WM team under the new leadership of a new Desk Head;
- ❖ Continue to work on refining the WM product shelf and exploring opportunities to further enhance it going forward;
- ❖ Increase the UBS Saudi Arabia profile through targeted and unique WM client events that took place this year;
- ❖ Work on the largest IPO in history as a Joint Book Runner;
- ❖ Manage changes to the legal ownership structure (and the governance changes that came with it) that will streamline our relationship with our parent;
- ❖ Successfully appoint two new independent Board Members;
- ❖ Move the functional "ownership" of UBS SA from the Investment Bank to Wealth Management;
- ❖ Seamlessly incorporate changes to the regulatory framework around us (mainly around taxation and ongoing changes to CMA regulations);
- ❖ Successfully manage several infrastructure projects for IT and GCS without major disruption to our day to day business activities; and
- ❖ Achieve a "Satisfactory" rating for our first audit by Group Internal Audit in 4 years with no observations raised
- ❖ Achieve a "clean" internal audit result by Deloitte with no observations raised

Financially, UBS SA continued to rely on transfer pricing methodologies as its main source of revenue for 2019. Strong cost discipline saw retained losses further reduced by 70% compared to 2018.

### 2020 Wealth Management initiatives:

- ❖ Deliver on the hiring plan set by the latest strategy paper.
- ❖ Business focus will continue to be the High Net Worth segment.

### 2020 Investment Bank initiatives:

- ❖ Continue to develop a strong pipeline of CCS transactions that includes possible Mergers & Acquisitions, Privatization and Strategic Equities Solutions mandates,
- ❖ Business focus for CCS continues to be on companies who will seek to enhance shareholder value by undertaking significant strategic transactions.

### 3. Board of Directors Members

Mr. Omar AlBulaihid resigned and left the Board on 1 April 2019, and Mr. Wahdan Alkadi joined the Board as Independent Director on 1 May 2019.

#### Current structure of the Board of Directors:

Ramzi Abukhadra	Chairman – Independent Director – Since 02 January 2019
Ali Janoudi	Vice Chairman – Non Executive Director
Michel Adjadj	Board Member - Non Executive Director Member of the Audit Committee and of the Nomination and Remuneration Committee
Mark Petheram	Board Member - Non Executive Director Chairman of the Audit Committee and of the Nomination and Remuneration Committee
Wahdan Alkadi from 1 May 2019	Board Member - Independent Director Member of the Audit Committee and of the Nomination and Remuneration Committee - Independent Director
Mahmoud Abdulhadi	Board Member – Executive Director - CEO
Omar Al-Bulaihid until 1 April 2019	Board Member - Independent Director Member of the Audit Committee and of the Nomination and Remuneration Committee - Independent Director

#### Board meetings and attendance:

Four Board meetings were held in 2019 on 30 January, 26 March, 23 July and 4 November. The attendance was as follows:

Name	Position	Dates of meetings			
		30 January	26 March	23 July	4 November
Ramzi Abukhadra	Chairman - Independent Director	√	√	√	√
Ali Janoudi	Vice Chairman – Non Executive Director	√	x	√	x
Michel Adjadj	Member – Non Executive Director	√	√	√	√
Mark Petheram	Member – Non Executive Director	x	x	x	√
Omar Al Bulaihid - until 1 April 2019	Member – Independent Director	√	N/A	N/A	N/A
Wahdan Alkadi - from 1 May 2019	Member – Independent Director	N/A	N/A	√	√
Mahmoud Abdulhadi	Member – Executive Director (CEO)	√	√	√	√

#### Companies where UBS SA's Board members are also members of their boards:

Member's Name	Within the KSA	Outside of KSA
Ramzi Abukhadra	Chairman UBS Saudi Arabia (since 02 January 2019) Chairman of METLIFE - AIG – ANB Cooperative Insurance Company Board member of National blood and Cancer Center Managing Partner of Mayaasim al-Khaleej	
Ali Janoudi	N/A	Children Action, Geneva, Switzerland Coseco AG, Zürich, Switzerland OOO UBS Bank, Russia UBS Global Visionaries Group Head Middle East and North Africa. Head WM Central Eastern Europe, Middle East and Africa, UBS Switzerland AG, Switzerland
Mahmoud Abdulhadi	Swiss Business Network Saudi Arabia Chief Executive Officer, UBS Saudi Arabia Head of Investment Banking, UBS Saudi Arabia	N/A
Mark Petheram	N/A	Divisional Vice Chairman at UBS AG Asset Management, United Kingdom
Michel Adjadj	N/A	Coseco RESTOM/QUATROM Trust Divisional Vice Chairman, Wealth Management, UBS Switzerland AG, Switzerland
Wahdan Alkadi	Chubb Arabia Cooperative Insurance Company	N/A

## 4. Subsidiaries of UBS Saudi Arabia

UBS Saudi Arabia does not own any subsidiary.

## 5. Governance at UBS Saudi Arabia

Governance at UBS SA is enabled through its Board, the Audit Committee, the Nomination and Remuneration Committee, and the Risk Committee. The BoD establishes other committees as required. A brief on each body is described hereafter:

### **The Audit Committee**

The Audit Committee (the "AC") is "concerned with activities that might involve a conflict of interest, such as ensuring the integrity of the financial and non-financial reports". It manages the relationship with the external auditors and UBS AG's Group Internal Audit.

Mr. Omar AlBulaihid resigned and left the Board on 1 April 2019, and Mr. Wahdan Alkadi joined the Board as Independent Director on 1 May 2019. The Audit Committee is comprised of the following members:

Mark Petheram	Chairman of the Committee	Board Member – Non Executive
Michel Adjadj	Committee Member	Board Member – Non Executive
Omar Al-Bulaihid	Committee Member	Board Member – Independent until 01-04-2019
Wahdan AlKadi	Committee Member	Board Member – Independent since 01-May-2019
Wael Al-Rasheed	Secretary	UBS SA C&ORC and MLRO (Committee Secretary until 31-03-2019).
Fady Fakhoury	Secretary	Corporate Administrator, and Secretary of the Board (Committee Secretary since 01-04-2019).

The AC met four times in 2019 as follows:

Name	Position	Dates of meetings			
		12-March	03-July	30-September	18-December
Mark Petheram	Chairman of the Committee	√	√	√	√
Michel Adjadj	Member – Non Executive Director	X	√	√	√
Omar Al Bulaihid	Member – Independent Director	√	N/A	N/A	N/A
Wahdan AlKadi	Member – Independent Director	N/A	√	√	√

### **The Nomination and Remuneration Committee (NRC)**

The Nomination and Remuneration Committee is concerned with the “nomination to membership of the Board and committees, appointment of executive directors, and determination of their remuneration.

Mr. Omar AlBulaihid resigned and left the Board on 1 April 2019, and Mr. Wahdan Alkadi joined the Board as Independent Director on 1 May 2019. The Nomination and Remuneration Committee is comprised of the following members:

Mark Petheram	Chairman of the Committee	Board Member – Non Executive
Michel Adjadj	Committee Member	Board Member – Non Executive
Wahdan AlKadi	Committee Member	Board Member – Independent since 01-May-2019
Omar Al-Bulaihid	Committee Member	Board Member – Independent until 01-04-2019
Fady Fakhoury	Secretary	Corporate Administrator, and Secretary of the Board.

Two NRC meetings took place in 2019 at these dates: 12 March, and 30 September

Name	Position	Date of Meeting	
		12 March	30 September
Mark Petheram	Chairman of the Committee	✓	✓
Michel Adjadj	Member – Non Executive Director	X	✓
Wahdan AlKadi	Member – Independent Director since 01-May-2019	N/A	✓
Omar Al Bulaihid	Member – Independent Director until 01-04-2019	✓	N/A

### **Risk Committee**

The committee ensures that the risk appetite of UBS Saudi Arabia is properly defined through policies and procedures and is consistent with its strategy, as well as with applicable regulatory requirements. It is responsible for the effectiveness of risk management and control. Furthermore, it is responsible for initiating and monitoring actions to prevent, control, mitigate and / or eliminate any identified deficiencies.

The Risk Committee is comprised of the following members:

Name of Members	
Michel Adjadj	UBS SA Non Executive Board Member - (Chair)
Mahmoud Abdulhadi	UBS SA CEO
Fady Fakhoury	UBS SA Business Risk Organization (Secretary)
Wael Al-Rasheed	UBS SA C&ORC and MLRO
May Al-Rajeh	UBS SA Finance Officer
Jae-Min Kan	CEEMEA Business Risk Partner
Abdullah Najja	WM Lead Market Head Saudi Arabia
Zi Udezue	Group Operating Head MENA
Thomas Birrer	Head, Quality Desk CH
Ghassan Soufi (Since 15 September 2019)	WM Desk Head, UBS Saudi Arabia

The Risk Control Committee met four times in 2019 on 22 January, 24 April, 22 July, and 28 October.

**Attended ✓**      **Did Not Attend x**

Name	Position	Date of Meetings			
		22 January	24 April	22 July	28 October
Michel Adjadj	UBS SA Non Executive Board Member - (Chair)	✓	✓	✓	✓
Mahmoud Abdulhadi	UBS SA CEO	✓	✓	✓	✓
Abdullah Najja	WM Lead Market Head Saudi Arabia	✓	✓	✓	✓
Fady Fakhoury	UBS SA Business Risk Organization (Secretary)	✓	✓	✓	✓
Wael Al-Rasheed	UBS SA C&ORC and MLRO	✓	✓	✓	✓
May Al-Rajeh	UBS SA Finance Officer	✓	✓	✓	✓
Jae-Min Kan	CEEMEA Business Risk Partner	✓	✓	✓	✓
Zi Udezue	Group Operating Head MENA	✓	✓	✓	✓
Thomas Birrer	Head, Quality Desk CH	✓	✓	✓	✓
Ghassan Soufi	Wm Desk head, UBS SA	N/A	N/A	N/A	✓

## 6. The Expected Risks

Risk Type	Level of Risk
<b>Credit risk</b>	Credit risk is the risk of loss resulting from failure by a counterparty (including issuers) to meet its contractual obligations with UBS SA. The business model of the Company is such that it does not grant funding to third parties. The small amount of credit risk exposure that arises in the Company is mainly as a result of bank deposits and receivables. Any credit exposure arising in the Company is subject to the general policies and controls for the recognition of the financial strength of the counterparties involved. The Company is not subject to significant credit risk since most of its receivables are from related parties and the term deposits and bank balances are with a counterparty that has an investment grade credit rating (i.e. where the counterparty is rated at 'BBB' or higher by Standard and Poor's or Moody's).
<b>Market Risk</b>	Market risk is the risk of loss resulting from adverse movements in the level and in the volatility of market prices of assets, liabilities and financial instruments. The business model of UBS SA is such that it is not exposed to risks associated with trading as it does not perform proprietary investments. The business is an agency business whereby there is no intention to hold open positions in the normal course of business.
<b>Operational Risk</b>	Operational risk is the risk resulting from inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural). An Operational Risk Event may be a direct financial loss (e.g. negative cash flow, asset write down, claim, litigation, fines or other penalties imposed on UBS SA) or indirect in the form of revenue forgone as a result of business suspension. The Company manages its operational risk by ensuring effective segregation of tasks and duties, reinforcing organizational ethics and by conducting periodic risk assessment.

Risk Type	Level of Risk
Liquidity risk	Liquidity risk is the risk that UBS SA will not be able to meet efficiently both expected and unexpected current and future cash flows needs without affecting either daily operations or the financial condition of the Company. The nature of the business model translates to low levels of liquidity risk. The Company manages its liquidity risk by ensuring that sufficient cash and cash equivalents are available to meet liabilities as they arise.

## 7. Financial Results

### Statement of Financial Position since year 2015:

	2019 SR	2018 SR	2017 SR	2016 SR	2015 SR
Right-of-use asset	4,192,234	0	0	0	0
Property and Equipment	189,752	777,207	1,869,813	3,235,662	4,601,512
Current Assets and Deferred Tax Asset	112,440,756	108,248,289	103,976,422	102,287,931	93,780,233
<b>Total Assets</b>	<b>116,822,742</b>	<b>109,025,496</b>	<b>105,846,235</b>	<b>105,523,593</b>	<b>98,381,745</b>
Non-Current Liabilities	5,269,075	2,714,509	2,349,095	2,007,773	1,007,660
Current Liabilities	3,344,565	2,300,805	2,226,370	3,937,027	1,772,523
<b>Total Liabilities</b>	<b>8,613,640</b>	<b>5,015,314</b>	<b>4,575,465</b>	<b>5,944,800</b>	<b>2,780,183</b>
Share Capital	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
Accumulated Losses	(1,790,898)	(5,989,818)	(8,729,230)	(10,421,207)	(14,398,438)
<b>Total Liabilities and Shareholder's Equity</b>	<b>116,822,742</b>	<b>109,025,496</b>	<b>105,846,235</b>	<b>105,523,593</b>	<b>98,381,745</b>

### Statement of Comprehensive Income since year 2015:

	2019 SR	2018 SR	2017 SR	2016 SR	2015 SR
Service and Other Fees	17,235,685	15,350,445	13,484,742	10,621,229	13,075,150
Arranging fees	0	0	0	10,126,421	0
Special Commission Income	2,478,908	1,967,121	992,763	1,743,875	488,681
Direct Cost	0	0	0	(5,063,210)	0
General and Administrative Expenses	(15,531,773)	(14,503,712)	(13,193,129)	(13,803,377)	(12,860,135)
Rent Income	0	703,364	860,565	858,315	851,565
Income Tax Charge for the Year	(932,114)	(777,806)	(452,964)	(391,142)	(803,115)
<b>Net Income (Loss) for the Year</b>	<b>3,250,706</b>	<b>2,739,412</b>	<b>1,691,977</b>	<b>4,092,111</b>	<b>752,146</b>

- The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with accounting standards generally accepted in KSA. These financial statements for the year ended 31 December 2018 are the first annual financial statements of the Company, prepared in accordance with IFRSs as endorsed in KSA.
- There is no doubt in the Company's ability to continue its operations.



- There are no significant differences in the operating results from the prior year's results or any declared expectations by the Company.
- The audit report doesn't include any qualified opinion on the financial statements.

## 8. The Compensation and the Remuneration for the Members of the Board of Directors and the Senior Executives

Details of remunerations and compensations attributed to the board members for the year 2019 are illustrated in the following table. The remuneration for the Independent Directors will be SR. 3,000 per meeting for the Independent Director and SR. 6,000 per meeting for the Independent Chairman and the payment will take place once the shareholders' approval is obtained at the ordinary general assembly that will be conducted before the end of June 2020.

Description	Executive Board Members	Non-executive / independent members	Five of the senior executives who received the highest remunerations and compensation plus Chief Executive Officer and Chief Financial Officer
Salaries and Compensation			4,838,000
Allowances			1,817,872
Periodic Bonuses and annual allowances to attend meetings		57,000	
Incentive plans			323,400
Any compensations or other in kind benefits payable on a monthly or yearly.			

## 9. The Conflict of the Interests of Members of the Board of Directors and the Senior Executives

- The Company does not have any contracts or any interest for any of the members of the Board of Directors or the Chief Executive Officer or the Chief Finance Officer or the senior executives of the Company or for any person with a relationship with any of them.
- The Company did not offer a cash loan of any kind to the members of the BoD or guarantee any loan held by one of them with others.

## 10. Company's Loan

There are no loans on the company to be reported as of December 31, 2019.



auditors and their recommendations for remedial action that is required for any shortcoming. The Committee also reviews all matters related to the effectiveness of internal control procedures in general through internal audit reports in relation to the fairness of financial statements.

The control procedures mentioned above didn't show any fundamental weakness in the internal audit system that should be revealed.

### **13. Statement of any arrangement or agreement whereby a member of the Board of Directors of the Company or a senior executive assigns any remuneration**

There are no arrangements or waiver agreement whereby a board member or a senior executive assigned any remuneration.

### **14. Contingent Liabilities and Regulatory Fines**

There were no lawsuits, fines or other obligations against UBS Saudi Arabia during 2019.

**Kind Regards**



**Ramzi Abukhadra**  
**Chairman of the Board**