

UBS Saudi Arabia

(A Closed Joint Stock Company)

Board of Directors' Annual Report

As of 31 December 2021

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 2021

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), dealing as underwriting, managing client portfolios, arranging, advising, and in custody of securities.

The Company is owned 100% by UBS AG.

2. Status

2021 Summary:

UBS Saudi Arabia continues to develop its business in Saudi Arabia with primary focus on Global Wealth Management. 2021 saw UBS Saudi Arabia:

- ❖ Increase the size of the Wealth Management (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;
- ❖ Successfully introduced the hybrid work system where UBS Staff can work from home and from the office as agreed with the CEO;
- ❖ Increase the UBS Saudi Arabia profile through targeted and unique WM client events that took place in the beginning of 2021;
- ❖ Seamlessly incorporate the regulatory developments issued by the CMA and other regulators;
- ❖ Successfully manage several infrastructure projects for Information Technology and Group Corporate Services without interruption of day to day business activities;
- ❖ Change of designation of CEO to CEO and Executive Board Member on March 2021; and,
- ❖ Successfully implemented the new VAT e-Invoice system.

Financially, UBS SA continued to rely on transfer pricing methodologies as its main source of revenue for 2021.

2022 Wealth Management initiatives:

- ❖ Business focus will continue to be on the High Net Worth Segment.
- ❖ Focus to expand client base and introduce more Global Wealth Management products and services in the Saudi Market.

2022 Investment Bank initiatives:

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

3. Board of Directors Members

Mr. Ghassan Soufi has been appointed Executive Director on 20 March 2021.

Structure of the Board of Directors:

Ramzi Abukhadra	Chairman – Independent Director
Ali Janoudi	Vice Chairman – Non Executive Director
Mark Petheram	Board Member - Non Executive Director Chairman of the Audit Committee, and of the Nomination and Remuneration Committee
Michel Adjadj	Board Member - Non Executive Director Member of the Audit Committee, and of the Nomination and Remuneration Committee
Wahdan Alkadi	Board Member - Independent Director Member of the Audit Committee, and of the Nomination and Remuneration Committee - Independent Director
Ghassan Soufi (as of 20 March 2021)	Board Member – Executive Director (CEO)

Board meetings and attendance:

Four Board meetings were held in 2021 on 9 February, 28 April, 12 July and 30 November. The attendance was as follows:

Name	Position	Dates of meetings			
		9 February	28 April	12 July	30 November
Ramzi Abukhadra	Chairman - Independent Director	√	√	√	√
Ali Janoudi	Vice Chairman – Non Executive Director	√	√	√	√
Michel Adjadj	Member – Non Executive Director	√	√	X	√
Mark Petheram	Member – Non Executive Director	√	√	√	√
Wahdan Alkadi	Member – Independent Director	√	X	√	√
Ghassan Soufi (as of 20 March 2021)	Member – Executive Director (CEO)	√	√	√	√

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

Member's Name	Inside KSA	Outside of KSA
Ramzi Abukhadra	Abdulmohsin Al-Hokair Group for Tourism & Development Abdullah Turki Al-Duhayyan & Sons Contracting Company Al-Hokair Holding Golden Brown cookies company	N/A

Member's Name	Inside KSA	Outside of KSA
Ali Janoudi	N/A	Chairman of UBS Qatar Children Action, Geneva, Switzerland Coseco AG, Zürich, Switzerland UBS Global Visionaries, Switzerland
Ghassan Soufi (as of 20 March 2021)	Swiss Business Network Saudi Arabia	N/A
Mark Petheram	N/A	N/A
Michel Adjadj	N/A	Coseco AG, Zürich, Switzerland Restom / Quatrom Trust
Wahdan Alkadi	Chubb Arabia Cooperative Insurance Company Saudi Tennis Federation	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 Board 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.

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
Wahdan AlKadi	Committee Member	Board Member – Independent
Fady Fakhoury	Secretary	Corporate Administrator and Secretary of the Board.

The AC met twice in 2021 as follows:

Name	Position	Attended ✓		Did Not Attend x	
		18 March	20 October		
Mark Petheram	Chairman of the Committee	✓	✓		
Michel Adjadj	Member – Non Executive Director	✓		X	
Wahdan AlKadi	Member – Independent Director	✓		✓	

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.

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
Fady Fakhoury	Secretary	Corporate Administrator, and Secretary of the Board.

The NRC met on 18 March. Attendance to the meeting was as follows:

Name	Position	Attended ✓		Did Not Attend x	
		Date of Meeting			
		18 March			
Mark Petheram	Chairman of the Committee	✓			
Michel Adjadj	Member – Non Executive Director	✓			
Wahdan AlKadi	Member – Independent Director	✓			

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)
Ghassan Soufi	CEO, UBS Saudi Arabia
Fady Fakhoury	UBS SA Business Risk Organization (Secretary)
Wael Al-Rasheed	UBS SA C&ORC and MLRO (Until 4 July)

Ghada Alghoraibi	UBS SA C&ORC and MLRO (From 1 September)
Imran Ali	UBS SA Finance Officer (From 21 st October)
Jae-Min Kan	MEA Business Risk Partner
Abdullah Najia	WM Lead Market Head Saudi Arabia
Zi Udezue	Group Operating Head MENA
Thomas Birrer	Head, Quality Desk CH

The Risk Control Committee met four times in 2021 on 15 February, 10 May, 19 August, 10 November, and 3 November as follows:

Name	Position	Date of Meetings			
		15 February	10 May	19 August	10 November
Michel Adjadj	UBS SA Non Executive Board Member - (Chair)	√	√	X	√
Ghassan Soufi	UBS SA CEO	√	X	√	√
Abdullah Najia	WM Lead Market Head Saudi Arabia	√	√	√	√
Fady Fakhoury	UBS SA Business Risk Organization (Secretary)	√	√	√	√
Wael Al-Rasheed	UBS SA C&ORC and MLRO (Until 4 July)	√	√	N/A	N/A
Ghada Alghoraibi	UBS SA C&ORC and MLRO (From 1 September)	N/A	N/A	N/A	√
Imran Ali	UBS SA Finance Officer	N/A	N/A	N/A	√
Jae-Min Kan	MEA Business Risk Partner	√	√	√	√
Zi Udezue	Group Operating Head MENA	√	√	√	√
Thomas Birrer	Head, Quality Desk CH	√	√	√	X

6. The Expected Risks

Risk Type	Level of Risk
Credit risk	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).

Risk Type	Level of Risk
Market Risk	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.
Operational Risk	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.
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 2017:

	2021 SR	2020 SR	2019 SR	2018 SR	2017 SR
Right-of-use asset	1,950,783	3,121,117	4,192,234	0	0
Property and Equipment	93,285	98,671	189,752	777,207	1,869,813
Current Assets and Deferred Tax Asset	113,894,315	112,725,953	112,408,744	108,248,289	103,976,422
Total Assets	115,938,383	115,945,741	116,790,730	109,025,496	105,846,235
Non-Current Liabilities	2,340,194	3,476,799	5,269,075	2,714,509	2,349,095
Current Liabilities	2,438,754	2,583,398	3,312,553	2,300,805	2,226,370
Total Liabilities	4,778,948	6,060,197	8,581,628	5,015,314	4,575,465
Share Capital	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
Accumulated Losses/Gain	1,159,435	-114,456	-1,790,898	-5,989,818	-8,729,230
Total Liabilities and Shareholder's Equity	115,938,383	115,945,741	116,790,730	109,025,496	105,846,235

Statement of Comprehensive Income since year 2017:

	2021 SR	2020 SR	2019 SR	2018 SR	2017 SR
Service and Other Fees	17,010,294	15,313,428	17,235,685	15,350,445	13,484,742
Arranging fees		0	0	0	0
Special Commission Income	498,356	1,063,975	2,478,908	1,967,121	992,763
Direct Cost		0	0	0	0
General and Administrative Expenses	- 15,452,141	- 13,950,439	- 15,531,773	- 14,503,712	- 13,193,129
Rent Income		0	0	703,364	860,565
Income Tax Charge for the Year	-440,726	-739,829	-932,114	-777,806	-452,964
Re-measurement of employees' end-of-service benefits	-341,892	-10,693	948,214	0	0
Net Income (Loss) for the Year	1,273,891	1,676,442	4,198,920	2,739,412	1,691,977

- 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").
- 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 2021 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 2021.

Statement	Executive Board Members	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	N/A	Nil	24,000
Allowance for attendance of the committees' sessions	N/A	Nil	18,000
Periodic and annual remunerations	1,200,000	Nil	Nil

Statement	Executive Board Members	Non-Executive Board Members	Independent Board Members
Incentive plans	75,000	Nil	Nil
Any compensations or other in-kind benefits paid monthly or annually	Annual Allowances: 286,875	Nil	Nil
Total:	1,561,875	Nil	42,000

Statement	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them
Salaries and wages	3,583,000
Allowances	1,128,875
Incentive plans	191,000
Commissions	None
Any compensations or other in-kind benefits paid monthly or annually	None
Total	4,902,875

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 with any of the members of the Board of Directors or with the Chief Executive Officer or the Chief Finance Officer or the senior executives of the Company or with 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 Board or guarantee any loan held by any of them with others.

10. Company's Loan

There are no loans on the company to be reported as of December 31, 2021.

14. Contingent Liabilities and Regulatory Fines

There were no lawsuits, fines or other obligations against UBS Saudi Arabia during 2021.

Kind Regards



Ramzi Abukhadra
Chairman of the Board