

UBS Saudi Arabia

(A Closed Joint Stock Company)

Board of Directors'

Annual Report

As of 31 December 2023

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 Laysen Valley building 6, 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 2023

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. Overall Status

2023 Summary Initiatives:

UBS Saudi Arabia continues to develop its business in Saudi Arabia with primary focus on Global Wealth Management. Some highlights for UBS Saudi Arabia in 2023 are as follows:

- ❖ Witnessed the successful acquisition of Credit Suisse AG by the Parent company UBS Group AG;
- ❖ Started exploring options to integrate operations under the local entities owned by the Parent company UBS AG; namely, UBS Saudi Arabia, Credit Suisse Riyadh Branch, and Credit Suisse Saudi Arabia;
- ❖ Seamlessly incorporated the regulatory developments issued by the CMA and other regulators;
- ❖ Successfully managed several infrastructure projects for Information Technology and Group Corporate Services without interruption of day to day business activities in order to move to a new location in 2024; and,
- ❖ Increased the UBS Saudi Arabia profile and footprint through more unique Wealth Management clients events that took place throughout 2023.

Financially, UBS SA continued to rely on transfer pricing methodologies as financial support for its operations in the Kingdom for 2023.

2024 initiatives:

- ❖ Focus on growing UBS Group AG's presence in the Kingdom of Saudi Arabia by expanding both client base as well as client offerings in the market across all business lines, namely Global Wealth Management and Investment Banking

3. Board of Directors Members

Mr. Ali Janoudi resigned and left the board of directors on 5 October 2023.

Structure of the Board of Directors:

Ramzi Abukhadra	Chairman – Independent Director
Ali Janoudi (until 5 October 2023)	Vice Chairman – Non Executive Director
Mark Petheram	Board Member - Non Executive Director Chairman of the Audit Committee, and of the Nomination and Remuneration Committee
Schady Saeb	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	Board Member – Executive Director (CEO)

Board meetings and attendance:

Four Board meetings were held in 2023 on 16-Feb-23, 11-May-23, 24-Jul-23, and 4-Dec-23. The attendance was as follows:

Name	Position	Dates of meetings			
		16 February	11 May	24 July	4 December
Ramzi Abukhadra	Chairman - Independent Director	√	√	√	√
Ali Janoudi until 5 Oct 23	Vice Chairman – Non Executive Director	√	√	√	Vacant
Mark Petheram	Member – Non Executive Director	√	√	√	√
Wahdan Alkadi	Member – Independent Director	√	√	√	√
Ghassan Soufi	Member – Executive Director (CEO)	√	√	√	√
Schady Saeb	Member – Non Executive Director	√	√	√	√

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

Director's Name	Inside KSA	Outside of KSA
Ramzi Abukhadra	Mayaasim Al-Khaleej Al-Sariyah Al-Khadraa Al-Zaytouna Al-Nadjiha Yammam Al-Mustakbal Abdulmohsin Al-Hokair Group for Tourism & Development Al-Hokair Holding Golden Brown cookies company	ADF Property Company – Cayman Islands
Ali Janoudi until 5 Oct 23	N/A	UBS Qatar Children Action, Geneva, Switzerland Coseco AG, Zürich, Switzerland UBS Global Visionaries, Switzerland
Ghassan Soufi	Swiss Business Network Saudi Arabia	N/A
Mark Petheram	N/A	N/A
Wahdan Alkadi	Assir Municipality Company (Qimm Assarat) Chubb Arabia Cooperative Insurance Company Saudi Tennis Federation	N/A
Schady Saeb	N/A	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 Forum. The Board establishes other committees and forums 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
Wahdan AlKadi	Committee Member	Board Member – Independent
Schady Saeb	Committee Member	Board Member – Non Executive

Fady Fakhoury	Secretary	Corporate Administrator and Secretary of the Board.
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The AC met twice in 2023 as follows:

Name	Position	Attended ✓		Did Not Attend X	
		22 March	24 October		
Mark Petheram	Chairman of the Committee	✓	✓		
Wahdan AlKadi	Member – Independent Director	X	✓		
Schady Saeb	Member – Non Executive 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
Wahdan AlKadi	Committee Member	Board Member – Independent
Schady Saeb	Committee Member	Board Member – Non Executive
Fady Fakhoury	Secretary	Corporate Administrator and Secretary of the Board.

The NRC met twice in 2023 as follows:

Name	Position	Attended ✓		Did Not Attend X	
		17 May	24 October		
Mark Petheram	Chairman of the Committee	✓	✓		
Wahdan AlKadi	Member – Independent Director	✓	✓		
Schady Saeb	Member – Non Executive Director	✓	✓		

Risk Forum

The Forum 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 Forum is comprised of the following members:

Name of Members	
Schady Saeb	UBS SA Non Executive Board Member - (Chair)
Ghassan Soufi	CEO, UBS Saudi Arabia
Fady Fakhoury	UBS SA Business Risk Organization (Secretary)
Hussain Al-Huraiz	UBS SA C&ORC and MLRO
Imran Ali	UBS SA Finance Manager
Matteo Galetti	MEA Business Risk Organization
Jae-Min Kan	Head BRO, MEA, until November 2023 Head C&ORC, Middle East Locations, from October 2023
Abdullah Najia (Until November 2023)	WM Lead Market Head Saudi Arabia
Arne Balthesen (from October 2023)	Head BRP TIGA, ME, EE
Zi Udezue	Group Operating Head MENA
Thomas Birrer	Head, Quality Desk CH

The Risk Control Forum met four times in 2023 as follows:

Name	Position	Date of Meetings			
		2 February	9 May	16 August	30 October
Schady Saeb	UBS SA Non Executive Board Member - (Chair)	√	√	√	X
Ghassan Soufi	UBS SA CEO	X	√	√	√
Abdullah Najia (till Nov 23)	WM Lead Market Head Saudi Arabia	√	√	√	X
Fady Fakhoury	UBS SA Business Risk Organization (Secretary)	√	√	√	√
Hussain Al Huraiz	UBS SA C&ORC and MLRO	√	√	√	√
Imran Ali	UBS SA Finance Manager	√	√	√	√
Matteo Galetti (from October 2023)	MEA SA Business Risk Organization	N/A	N/A	N/A	√
Jae-Min Kan	Head BRO, MEA, until November 2023 Head C&ORC, Middle East Locations, from October 2023	√		√	√
Arne Balthesen (from October 2023)	Head BRP TIGA, ME, EE	N/A	N/A	N/A	X
Zi Udezue	Group Operating Head MENA	√	√	X	√
Thomas Birrer	Head, Quality Desk CH	√	√	√	√

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).
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 2019:

	2023 SR	2022 SR	2021 SR	2020 SR	2019 SR
Right-of-use asset	157,099	931,506	1,950,783	3,121,117	4,192,234
Property and Equipment	52,523	69,109	93,285	98,671	189,752
Current Assets and Deferred Tax Asset	119,536,107	115,843,903	113,894,315	112,725,953	112,408,744
Total Assets	119,745,729	116,844,518	115,938,383	115,945,741	116,790,730
Non-Current Liabilities	1,553,369	1,400,916	2,340,194	3,476,799	5,269,075
Current Liabilities	2,068,570	2,291,277	2,438,754	2,583,398	3,312,553
Total Liabilities	3,621,939	3,692,193	4,778,948	6,060,197	8,581,628
Share Capital	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
Retained Earning and Statutory Reserve	6,123,790	3,152,325	1,159,435	-114,456	-1,790,898
Total Liabilities and Shareholder's Equity	119,745,729	116,844,518	115,938,383	115,945,741	116,790,730

Statement of Comprehensive Income since year 2019:

	2023 SR	2022 SR	2021 SR	2020 SR	2019 SR
Service and Other Fees	13,331,661	15,608,151	17,010,294	15,313,428	17,235,685
Arranging fees		0	0	0	0
Special Commission Income	5,961,854	2,269,086	498,356	1,063,975	2,478,908
Direct Cost		0		0	0
General and Administrative Expenses	-12,140,547	-14,189,183	-15,452,141	-13,950,439	-15,531,773
Rent Income				0	0
Income Tax Charge for the Year	-1,540,350	-1,001,743	-440,726	-739,829	-932,114
Re-measurement of employees' end-of-service benefits	80,963	296,579	-341,892	-10,693	948,214
Net Income (Loss) for the Year	5,693,581	2,982,890	1,273,891	1,676,442	4,198,920

- 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 2023 are illustrated in the following table. The remuneration of the Independent Directors will be; (a) SR. 3,000 per meeting for the Independent Director; and (b) SR. 6,000 per meeting for the Independent Chairman. 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 2024.

Statement	Executive Board Members	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	N/A	Nil	36,000
Allowance for attendance of the committees' sessions	N/A	Nil	9,000
Periodic and annual remunerations	N/A	Nil	Nil
Incentive plans	2023 Incentive 90,000	Nil	Nil
Any compensations or other in-kind benefits paid monthly or annually	Annual Allowance – 286,875	Nil	Nil
Total:	376,875	Nil	45,000

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	3,615,000
Allowances	1,080,943
Periodic and annual remunerations	This is the same as Salary, Allowance and Incentive Amounts in this table.
Incentive plans	200,000
Commissions	None
Any compensations or other in-kind benefits paid monthly or annually	None
Total	4,895,943

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 Finance Manager or the other 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, 2023.

11. Transaction concluded between UBS SA and a connected person

		2023	2022
Name of related party	Nature of transactions	SR	SR
UBS Switzerland AG	Service fee income (see note (a) & (b))	13,267,422	15,365,550
	Reimbursement of expenses	-387,106	-225,298
UBS AG London Branch	Service fee income (see note (a))	64,239	242,601
	Reimbursement of expenses	1,327-	-132
UBS AG Stamford Branch	Maintenance expenses (IT)	1,366,095	2,605,284
	Reimbursement of expenses	0	0
UBS Group AG	Reimbursement of expenses	745,002	
Board of Directors ("BOD")	Board fees to independent board member	45,000	42,000
Key management personnel	Salaries and other benefits	1,576,875	1,569,375
		2023	2022
		SR	SR
Due from related parties		523,791	789,366
Due to related parties		151,161	88,459

a) The Company has signed service agreements to reflect any support services provided to the booking centers UBS Switzerland AG and UBS AG London Branch. The service fee is charged on the basis of a mark-up on expenses (excluding income tax) incurred by the Company.

Service and arranging fee income are recognized when the related services are performed and are accounted for on an accrual basis.

b) UBS Switzerland AG is the custodian of the Company's client assets and money amounting to SR 365.7 million as at the reporting date on 31 Dec. 2023 (and SR 306 million at 31 December 2022). Control functions including reconciliation controls are performed by the custodian.

12. Results of the Annual Review of the Effectiveness of Internal Audit Procedures, in addition to the opinion of the Audit Committee on the adequacy of the internal system of the company

No annual review of the effectiveness of Internal Audit Procedures was conducted in the year 2023.

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

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

14. Contingent Liabilities and Regulatory Fines

There were no lawsuits, fines or other obligations against UBS Saudi Arabia during 2023.

Kind Regards



Ramzi Abukhadra
Chairman of the Board