

UBS Saudi Arabia

(A Closed Joint Stock Company)

Board of Directors'

Annual Report

As of 31 December 2020

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 2020

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

2020 Summary:

UBS Saudi Arabia continues to develop its business in Saudi Arabia. 2020 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;
- ❖ Successfully mobilize UBS Staff to work from home during the pandemic period;
- ❖ Increase the UBS Saudi Arabia profile through targeted and unique WM client events that took place in the beginning of 2020;
- ❖ Manage changes to the legal ownership structure (and the governance changes that came with it) that will streamline our relationship with our parent;
- ❖ 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;
- ❖ Replace the CEO in July 2020 from Mahmoud Abdulhadi to Ghassan Soufi without disruption to the business;
- ❖ Achieve a "Satisfactory" rating during the internal audit conducted by Group Internal Audit as part of their 4 years internal audit cycle of UBS SA with no observations raised; and,
- ❖ Achieve a "clean" annual internal audit result by Deloitte with no observations raised as well.

Financially, UBS SA continued to rely on transfer pricing methodologies as its main source of revenue for 2020. Strong cost discipline saw retained losses further reduced by 94% compared to 2019.

2021 Wealth Management initiatives:

- ❖ Business focus will continue to be the High Net Worth segment.
- ❖ Focus to expand client base and introduce Wealth Management concepts and applications into the Saudi Market.

2021 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. Mahmoud Abdulhadi resigned and left UBS Saudi Arabia and its Board on 9 July 2020.

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
Mahmoud Abdulhadi (until 9 July 2020)	Board Member – Executive Director - CEO

Board meetings and attendance:

Four Board meetings were held in 2020 on 19 February, 26 March, 28 July and 28 October. The attendance was as follows:

Name	Position	Dates of meetings			
		19 February	26 March	28 July	28 October
Ramzi Abukhadra	Chairman - Independent Director	√	√	√	√
Ali Janoudi	Vice Chairman – Non Executive Director	√	√	√	x
Michel Adjadj	Member – Non Executive Director	x	√	√	√
Mark Petheram	Member – Non Executive Director	√	√	√	x
Wahdan Alkadi	Member – Independent Director	√	√	√	√
Mahmoud Abdulhadi (until 9 July 2021)	Member – Executive Director (CEO)	√	√	N/A	N/A

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

Member's Name	Inside KSA	Outside of KSA
Ramzi Abukhadra	Chairman of METLIFE - AIG – ANB (until 28 February) Cooperative Insurance Company National blood and Cancer Center (until 31 January 2020) Al-Hokair Holding Company Managing Partner of Mayaasim al-Khaleej	N/A
Ali Janoudi	N/A	Chairman of UBS Qatar Children Action, Geneva, Switzerland Coseco AG, Zürich, Switzerland UBS Global Visionaries, Switzerland Head WM Middle East and Africa & Group Head MEA, UBS Switzerland AG, Switzerland.
Mahmoud Abdulhadi (until 9 July 2020)	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 AG, Zürich, Switzerland 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 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 three times in 2020 as follows:

Name	Position	Attended ✓			Did Not Attend x		
		Dates of meetings					
		19-March	25-June	30-September			
Mark Petheram	Chairman of the Committee	✓	✓	✓			
Michel Adjadj	Member – Non Executive Director	✓	✓	✓			
Wahdan AlKadi	Member – Independent Director	✓	x	x			

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 19 March. Attendance to the meeting was as follows:

Name	Position	Attended ✓		Did Not Attend x	
		Date of Meeting			
		19-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	WM Desk Head, UBS Saudi Arabia CEO as of 12 July 2020
Mahmoud Abdulhadi	UBS SA CEO (until 9 July 2020)
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	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 2020 on 29 January, 28 April, 18 August, and 3 November as follows:

Name	Position	Date of Meetings			
		29 January	28 April	18 August	3 November
Michel Adjadj	UBS SA Non Executive Board Member - (Chair)	√	√	√	√
Mahmoud Abdulhadi	UBS SA CEO	√	√	N/A	N/A
Ghassan Soufi	Wm Desk head, UBS SA	√	√	√	√
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	√	√	√	√
May Al-Rajeh	UBS SA Finance Officer	√	√	√	√
Jae-Min Kan	MEA Business Risk Partner	√	√	√	√
Zi Udezue	Group Operating Head MENA	√	√	√	√
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 2016:

	2020 SR	2019 SR	2018 SR	2017 SR	2016 SR
Right-of-use asset	3,121,117	4,192,234	0	0	0
Property and Equipment	98,671	189,752	777,207	1,869,813	3,235,662
Current Assets and Deferred Tax Asset	112,725,953	112,408,744	108,248,289	103,976,422	102,287,931
Total Assets	115,945,741	116,790,730	109,025,496	105,846,235	105,523,593
Non-Current Liabilities	3,476,799	5,269,075	2,714,509	2,349,095	2,007,773
Current Liabilities	2,583,398	3,312,553	2,300,805	2,226,370	3,937,027
Total Liabilities	6,060,197	8,581,628	5,015,314	4,575,465	5,944,800
Share Capital	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
Accumulated Losses	(114,456)	(1,790,898)	(5,989,818)	(8,729,230)	(10,421,207)
Total Liabilities and Shareholder's Equity	115,945,741	116,790,730	109,025,496	105,846,235	105,523,593

Statement of Comprehensive Income since year 2016:

	2020 SR	2019 SR	2018 SR	2017 SR	2016 SR
Service and Other Fees	15,313,428	17,235,685	15,350,445	13,484,742	10,621,229
Arranging fees	0	0	0	0	10,126,421
Special Commission Income	1,063,975	2,478,908	1,967,121	992,763	1,743,875
Direct Cost	0	0	0	0	(5,063,210)
General and Administrative Expenses	(13,950,439)	(15,531,773)	(14,503,712)	(13,193,129)	(13,803,377)
Rent Income	0	0	703,364	860,565	858,315
Income Tax Charge for the Year	(739,829)	(932,114)	(777,806)	(452,964)	(391,142)
Re-measurement of employees' end-of-service benefits	(10,693)	948,214	0	0	0
Net Income (Loss) for the Year	1,676,442	4,198,920	2,739,412	1,691,977	4,092,111

- 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 2020 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.

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			3,146,791
Allowances			1,091,906
Periodic Bonuses and annual allowances to attend meetings		42,000	
Incentive plans			181,355
Any compensations or other in kind benefits payable on a monthly or yearly*			935,781

* End of Service Benefits and leave accrual payments on termination.

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, 2020.

11. Related Party Transactions

Name of related party	Nature of transactions	Amount of transactions	
		2020	2019
		SR	SR
UBS Switzerland AG	Service fee income (see note (a) & (b))	14,961,555	15,101,946
	Reimbursement of expenses	0	0
UBS AG London Branch	Service fee income (see note (a))	351,873	2,133,738
UBS AG Stamford Branch	Maintenance expenses (IT)	2,463,312	2,788,347
	Reimbursement of expenses	(73,083)	(56,225)
Board of Directors ("BOD")	Board fees to independent board member	66,000	99,000
Key management personnel	Salaries and other benefits	1,548,828	1,730,456

	2020	2019
	SR	SR
Due from related parties	287,697	2,458,102
Due to related parties	366,271	177,427

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 276.5 million (31 December 2019: SR 292.7 million) as at the reporting date. 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

In the context of its normal business functions, the Internal Audit function, which is outsourced to Deloitte & Touche Saudi Arabia on annual basis and to UBS Group Internal Audit every four years, is responsible for the reviews activities, which provide objective and independent assessments that cover audit activities. The audit activities cover all operational and financial aspects, performance, and compliance. The Risk Committee 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 Audit Committee studies periodic reports prepared by the company's internal auditor and the remarks of the company's external auditor, to better evaluate the internal control procedures in terms of design, effectiveness and application. The Audit Committee follows up the findings of the internal and external 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 2020.

Kind Regards



Ramzi Abukhadra
Chairman of the Board