

UBS Saudi Arabia

(A Closed Joint Stock Company)

Board of Directors'

Annual Report

As of 31 December 2022

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 2022

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

2022 Summary:

UBS Saudi Arabia continues to develop its business in Saudi Arabia with primary focus on Global Wealth Management. 2022 saw UBS Saudi Arabia:

- ❖ Allocate better resources in the Wealth Management (WM) team
- ❖ Continue to work on refining the Wealth Management product shelf and exploring opportunities to develop wealth management activities in Saudi Arabia;
- ❖ Continue on having hybrid work system where UBS Staff can work from home and from the office;
- ❖ Increase the UBS Saudi Arabia profile through more unique Wealth Management client events that took place throughout 2022;
- ❖ Seamlessly incorporate the regulatory developments issued by the CMA and other regulators; and,
- ❖ Successfully manage several infrastructure projects for Information Technology and Group Corporate Services without interruption of day to day business activities.
- ❖ Internal Audit was conducted between 7 March and 2 May 2022 with a Satisfactory rating.

Financially, UBS SA continued to rely on transfer pricing methodologies as its main source of revenue for 2022.

2023 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.

2023 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. Michel Adjadj resigned and left the board of directors on 28 February 2022. The CMA approved the appointment of Mr. Schady Saeb as a Non Executive Board Member on 18 July 2022.

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 (Until 28 February 2022) | 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) |
| Schady Saeb (as of 18 July 2022) | Board Member - Non Executive Director Member of the Audit Committee, and of the Nomination and Remuneration Committee |

Board meetings and attendance:

Four Board meetings were held in 2022 on 15 February, 27 April, 22 August, and 24 November. The attendance was as follows:

| Name | Position | Dates of meetings | | | |
|--|--|-------------------|----------|-----------|-------------|
| | | 15 February | 27 April | 22 August | 24 November |
| Ramzi Abukhadra | Chairman - Independent Director | √ | √ | √ | √ |
| Ali Janoudi | Vice Chairman – Non Executive Director | X | √ | √ | X |
| Michel Adjadj (until 28 February 2022) | Member – Non Executive Director | √ | N/A | N/A | N/A |
| Mark Petheram | Member – Non Executive Director | √ | √ | √ | √ |
| Wahdan Alkadi | Member – Independent Director | √ | √ | √ | √ |
| Ghassan Soufi (as of 20 March 2021) | Member – Executive Director (CEO) | √ | √ | √ | √ |
| Schady Saeb (From 18 July 2022) | Member – Non Executive Director | N/A | N/A | √ | √ |

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

| Director's Name | Inside KSA | Outside of KSA |
|-----------------|--|----------------|
| Ramzi Abukhadra | Abdulmohsin Al-Hokair Group for Tourism & Development Al-Hokair Holding Golden Brown cookies company | N/A |

| Director'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 | Swiss Business Network Saudi Arabia | N/A |
| Mark Petheram | N/A | N/A |
| Michel Adjadj (until 28 February 2022) | 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 Saudi Tennis Federation | N/A |
| Schady Saeb (from 18 July 2022) | 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 |
| Michel Adjadj (until 28 February 2022) | Committee Member | Board Member – Non Executive |
| Wahdan Alkadi | Committee Member | Board Member – Independent |
| Schady Saeb (from 18 July 2022) | Committee Member | Board Member – Non Executive |
| Fady Fakhoury | Secretary | Corporate Administrator and Secretary of the Board. |

The AC met twice in 2022 as follows:

Attended v

Did Not Attend X

| Name | Position | 4 July | 10 November |
|--|---------------------------------|--------|-------------|
| | | | |
| Mark Petheram | Chairman of the Committee | √ | √ |
| Michel Adjadj (until 28 February 2022) | Member – Non Executive Director | X | X |
| Wahdan AlKadi | Member – Independent Director | √ | √ |
| Schady Saeb (from 18 July 2022) | Member – Non Executive Director | √* | √ |

* Mr. Saeb attended the 4 of July meeting as a guest.

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 (until 28 February 2022) | Committee Member | Board Member – Non Executive |
| Wahdan AlKadi | Committee Member | Board Member – Independent |
| Schady Saeb (from 18 July 2022) | Committee Member | Board Member – Non Executive |
| Fady Fakhoury | Secretary | Corporate Administrator and Secretary of the Board. |

The NRC met on 4 of July. Attendance to the meeting was as follows:

| Name | Position | Attended √ | Did Not Attend x |
|--|---------------------------------|-----------------|------------------|
| | | Date of Meeting | |
| | | | 4 July |
| Mark Petheram | Chairman of the Committee | √ | √ |
| Michel Adjadj (until 28 February 2022) | Member – Non Executive Director | X | X |
| Wahdan AlKadi | Member – Independent Director | √ | √ |
| Schady Saeb (from 18 July 2022) | Member – Non Executive Director | √* | √* |

*Please note that Mr. Saeb attended the 4 of July meeting as a guest.

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 | |
|--|---|
| Michel Adjadj (until 28 February 2022) | UBS SA Non Executive Board Member - (Chair) |
| Schady Saeb (from 18 July 2022) | UBS SA Non Executive Board Member - (Chair) |
| Ghassan Soufi | CEO, UBS Saudi Arabia |
| Fady Fakhoury | UBS SA Business Risk Organization (Secretary) |
| Ghada Alghoraibi | UBS SA C&ORC and MLRO (until 21 August 2022) |
| Hussain Al-Huraiz | UBS SA C&ORC and MLRO (from 27 November 2022) |
| Imran Ali (from 11 April 2022) | UBS SA Finance Manager |
| 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 2022 on 8 February, 12 May, 10 August, 7 November, and 3 November as follows:

| Name | Position | Date of Meetings | | | |
|--------------------------------------|---|------------------|--------|-----------|------------|
| | | 8 February | 12 May | 10 August | 7 November |
| Michel Adjadj (until 28 February 22) | UBS SA Non Executive Board Member - (Chair) | √ | N/A | N/A | N/A |
| Schady Saeb (from 18 July 2022) | UBS SA Non Executive Board Member - (Chair) | N/A | N/A | √ | √ |
| Ghassan Soufi | UBS SA CEO | √ | X | √ | X |
| Abdullah Najia | WM Lead Market Head Saudi Arabia | √ | √* | X | X |
| Fady Fakhoury | UBS SA Business Risk Organization (Secretary) | √ | √ | √ | √ |
| Ghada Alghoraibi | UBS SA C&ORC and MLRO (until 21 August) | √ | X | X | N/A |
| Hussain Al Huraiz | UBS SA C&ORC and MLRO (from 27 Nov) | N/A | N/A | N/A | N/A |
| Sander Tietema | MENA C&ORC (CORC Representative) | N/A | N/A | √** | N/A |
| Imran Ali | UBS SA Finance Manager | N/A | √ | X | √ |
| Jae-Min Kan | MEA Business Risk Partner | √ | √ | √ | √ |
| Zi Udezue | Group Operating Head MENA | √ | √ | X | √ |
| Thomas Birrer | Head, Quality Desk CH | √ | √ | X | X |

* Mr. Najia chaired the 12 May meeting. **Mr. Tietema represented the compliance function on 10 August.

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 2018:

| | 2022 SR | 2021 SR | 2020 SR | 2019 SR | 2018 SR |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Right-of-use asset | 931,506 | 1,950,783 | 3,121,117 | 4,192,234 | 0 |
| Property and Equipment | 69,109 | 93,285 | 98,671 | 189,752 | 777,207 |
| Current Assets and Deferred Tax Asset | 115,843,903 | 113,894,315 | 112,725,953 | 112,408,744 | 108,248,289 |
| Total Assets | 116,844,518 | 115,938,383 | 115,945,741 | 116,790,730 | 109,025,496 |
| Non-Current Liabilities | 1,400,916 | 2,340,194 | 3,476,799 | 5,269,075 | 2,714,509 |
| Current Liabilities | 2,291,277 | 2,438,754 | 2,583,398 | 3,312,553 | 2,300,805 |
| Total Liabilities | 3,692,193 | 4,778,948 | 6,060,197 | 8,581,628 | 5,015,314 |
| Share Capital | 110,000,000 | 110,000,000 | 110,000,000 | 110,000,000 | 110,000,000 |

| | 2022 SR | 2021 SR | 2020 SR | 2019 SR | 2018 SR |
|--|-------------|-------------|-------------|-------------|-------------|
| Retained Earnings / Statutory Reserve | 3,152,325 | 1,159,435 | -114,456 | -1,790,898 | -5,989,818 |
| Total Liabilities and Shareholder's Equity | 116,844,518 | 115,938,383 | 115,945,741 | 116,790,730 | 109,025,496 |

Statement of Comprehensive Income since year 2018:

| | 2022 SR | 2021 SR | 2020 SR | 2019 SR | 2018 SR |
|--|-------------|-------------|-------------|-------------|-------------|
| Service and Other Fees | 15,608,151 | 17,010,294 | 15,313,428 | 17,235,685 | 15,350,445 |
| Arranging fees | 0 | 0 | 0 | 0 | 0 |
| Special Commission Income | 2,269,086 | 498,356 | 1,063,975 | 2,478,908 | 1,967,121 |
| Direct Cost | 0 | | 0 | 0 | 0 |
| General and Administrative Expenses | -14,189,183 | -15,452,141 | -13,950,439 | -15,531,773 | -14,503,712 |
| Rent Income | | | 0 | 0 | 703,364 |
| Income Tax Charge for the Year | -1,001,743 | -440,726 | -739,829 | -932,114 | -777,806 |
| Re-measurement of employees' end-of-service benefits | 296,579 | -341,892 | -10,693 | 948,214 | 0 |
| Net Income for the Year | 2,982,890 | 1,273,891 | 1,676,442 | 4,198,920 | 2,739,412 |

- 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 2022 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 2023.

| 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 |

| Statement | Executive Board Members | Non-Executive Board Members | Independent Board Members |
|--|---------------------------|-----------------------------|---------------------------|
| Allowance for attendance of the committees' sessions | N/A | Nil | 9,000 |
| Periodic and annual remunerations | 1,200,000 | Nil | Nil |
| Incentive plans | 2022 Incentive 82,500 | Nil | Nil |
| Any compensations or other in-kind benefits paid monthly or annually | Annual Allowance, 286,875 | Nil | Nil |
| Total: | 1,569,375 | 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 | 3,678,000 |
| Allowances | 1,128,875 |
| Periodic and annual remunerations | This is the same as Salary, Allowance and Incentive Amounts in this table. |
| Incentive plans | 201,500 |
| Commissions | None |
| Any compensations or other in-kind benefits paid monthly or annually | None |
| Total | 5,008,375 |

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.

initial and ongoing client due diligence and sanctions lists handling. Further, the substantive testing of client advisors' diligence in complying with ongoing clients' due diligence responsibilities and investor protection requirements did not highlight any concern. Group Internal Audit concluded that controls need to be strengthened over suitability requirements. The Audit Committee unanimously resolved to approve the Internal Audit conducted and its results including the remediation of strengthening the controls over suitability requirements.

At its meeting in November 2022, the audit committee reviewed the assessment of the services of the internal audit functions and systems, and the committee concluded that the internal audit systems are sustainably adequate and recommended to the board to continue with these systems as is.

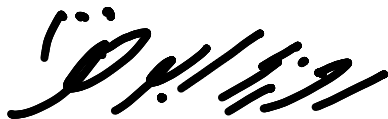
13. Statement of any arrangement or agreement whereby a member of the Board of Directors of the Company or a senior executive waives any remuneration

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 2022.

Kind Regards



Ramzi Abukhadra
Chairman of the Board