



Deutsche Securities Saudi Arabia Board of Directors Annual Report for 2022



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Deutsche Securities Saudi Arabia Board of Director's Annual Report 2022

1. Overview

Deutsche Securities Saudi Arabia (“DSSA”), licensed by the Capital Market Authority (“CMA”), is the chosen vehicle through which Deutsche Bank Group (“DB Group”) delivers securities and investment banking activities in the Kingdom of Saudi Arabia.

DSSA is a subsidiary of Deutsche Bank AG. DSSA has no further subsidiaries.

2. The main activities of Deutsche Securities Saudi Arabia are as follows

Deutsche Securities Saudi Arabia, as a fully owned subsidiary of Deutsche Bank AG, offers a full suite of world class offering across Custody, Investment Banking and Wealth Management catering to its client base composed of institutional groups, family groups, UHNWIs:

- **Custody** is actively engaged to offer new products to its client base in close coordination with internal stakeholders and regulators.
- **Investment Banking** delivers an entire suite of advisory, risk management, financing and treasury solutions through its global and local network
- **Wealth Management** provides its client base access to innovative and registered product offerings across asset classes through funds private placements and structured products in addition to listed equities on Tadawul, which differentiates our offering from international competitors to UHNWIs

Deutsche Securities Saudi Arabia is licensed by CMA to perform the following activities:

- Dealing – Excluding Margin Lending
- Custody
- Arranging
- Advising

3. Important Plans and Decisions of DSSA in 2022

On the financial front, the entity has made significant progress with regards to path to profitability over the past 3 years, which was achieved with new business attained from clients in the Kingdom of Saudi Arabia as well as cost optimization efforts, both of which the management have spearheaded.

DSSA also continues to invest in human capital, identifying and promoting talent in the Kingdom of Saudi Arabia.



4. Changes in the Operational results

Overall, DSSA's revenues for 2022 amounted to SAR 30.2 million as compared to SAR 14.5 million in 2021 for the year. Revenues increased due to revised transfer pricing agreements implemented, increased custody revenues and Special commission income on capital placement which benefitted from increase in interest rates.

General and administrative expenses were broadly in line with prior year at SAR 48.0 million compared to SAR 47.1 million in 2021.

5. Annual Audited Financials

EY conducted an external audit of DSSA's 2022 operations.

In the auditor's opinion, the accounts taken as a whole fairly present the position of the company in all material respects and comply with the requirements of regulations for companies. No significant or material matters were raised.

The auditor's report did not have any reservations on the annual financial statements.



Summarized results for years 2018 to 2022					
Balance sheet	SAR (000's)				
	2022 (Audited)	2021 (Audited)	2020 (Audited)	2019 (Audited) Restated	2018 (Audited)
Assets					
Current assets	366,817	378,070	404,213	444,170	501,964
Non-current assets	1,169	4,078	6,842	5,865	18,442
Total assets	367,986	382,148	411,055	450,035	520,406
Liabilities					
Current liabilities	44,817	47,303	46,692	52,427	87,577
Non-current liabilities	6,672	5,228	4,701	4,542	5,359
Total liabilities	51,489	52,531	51,393	56,969	92,936
Shareholders' equity	316,497	329,617	359,662	393,066	427,470
Total liabilities and Shareholders' equity	367,986	382,148	411,055	450,035	520,406

Income statement	SAR (000's)				
	2022 (Audited)	2021 (Audited)	2020 (Audited)	2019 (Audited) Restated	2018 (Audited)
Total operating income	30,173	14,484	17,493	31,237	20,907
Expenses					
General and administration expenses	(48,060)	(47,142)	(52,096)	(62,262)	(60,985)
Total operating profit/(loss)	(17,887)	(32,658)	(34,603)	(31,025)	(40,078)
Net special commission	6,100	1,874	3,438	7,743	9,423
Exchange (Loss)/Gain	621	84	193	(305)	(550)
Net profit/(loss) before tax	(11,166)	(30,700)	(30,972)	(23,587)	(31,205)
Tax	(1,192)	1,459	(2,505)	(11,790)	(1,638)
Net profit/(loss) after tax	(12,358)	(29,241)	(33,477)	(35,377)	(32,843)



6. Capital Adequacy Disclosures

In line with the pillar three disclosures requirements under the prudential rules by CMA, detailed capital disclosures are included in the DSSA financial statements for 2022.

DSSA is capitalized with SAR 316.5 million of tier 1 capital. There was a marginal movement in the total capital requirements totalling SR 25.5 million versus SR 27.1 million in 2021

7. Implemented Provisions of CMA Regulations

As far as we are aware, there have been no departures from applicable regulatory requirements during 2022.

8. Formation of DSSA's Board of Directors

The board is currently composed of the following individuals:

Sameer Alhamidi*	Chairman	Independent
Bassel Farid-Zaouk	Member	Executive
Maha Alsudairi*	Member	Independent
Loic Voide	Member	Non-Executive
Hauke Burkhardt	Member	Non-Executive
Riaan Visser	Member	Non-Executive

*Approved by CMA on 9/3/2023

9. Outside Directorships and Managerial roles by DSSA Board Directors

DSSA's Board Directors are on the boards or senior manager of the following companies:

Board Member	Company Name
Sameer Alhamidi	Al Hamidi Contracting Establishment Company
	Ace International
	Saco
Maha Alsudairi	Chief Governance and Risk Officer - King Abdullah Financial District Development and Management Company
	Saudi Tadawul Group - Governance Risk and Compliance Committee
	STCPay - Board of Directors, Risk Committee, Audit Committee
	NUPCO - Board of Directors, Audit Committee



Bassel Farid-Zaouk	Deutsche Gulf Finance
Loic Voide	CO-CEO MIDDLE EAST & AFRICA - DB MEA
	DB HEAD OF INTERNATIONAL PRIVATE BANK MEA
	CHIEF COUNTRY OFFICER - DB UAE
	DB GENERAL MANAGER DUBAI DIFC
Hauke Burkhardt	Deutsche Bank - Global Head of Corporate Bank Lending
Riaan Visser	DB Chief Operating Officer Middle East & Africa
	DB Chief Financial Officer Middle East & Africa
	DB Chief Operating Officer UAE & Qatar
	DB General Manager Doha Branch

10. Board meetings and Committees:

a. Audit Committee

The Audit Committee is responsible for monitoring the integrity of the company's financial statements, reviewing significant financial reporting issues and evaluating whether the company has followed appropriate accounting standards. The Committee also assesses the effectiveness of DSSA's internal controls and risk management systems, as well as the internal audit function. The Committee oversees the relationship with the external auditor, which includes making recommendations about their appointment, re-appointment, removal and remuneration, assessing their independence, approving the audit plan and reviewing the findings.

The Audit Committee is composed of the following 3 persons.

	Designation
Yousef Almobarak	Chairman
Sameer Al Hamidi	Member
Kumaran Balasubramanian	Member

There were 4 meetings held for year 2022.

	Q1 2022	Q2 2022	Q3 2022	Q4 2022
	9th Mar 2022	4th July 2022	13th Sep 2022	14th Dec 2022
Yousef Almobarak	Yes	Yes	Yes	Yes
Sameer Al Hamidi	Yes	Yes	Yes	Yes
Kumaran Balasubramanian	Yes	Yes	Yes	Yes



b. Nomination & Remuneration Committee

The Nomination & Remuneration Committee ensures the suitability of the Board's structure, which includes nominating and re-appointing directors and committee members, formulating succession plans and reviewing the Board's performance. It keeps under review the company's leadership needs and any related strategic issues that may affect the company.

The committee is currently composed of the following members. New committee members are being nominated and approved for appointment:

Abdulhadi Shayif	Chairman	Independent
Bassel Farid-Zaouk	(Member)	CEO
Alanoud Alqahtani	(Member)	DB AG Branch Manager

There was one meeting held in 2022 and it was attended by the following:

	6 November 2022
Abdulhadi Shayif	Yes
Bassel Farid-Zaouk	Yes
Alanoud Alqahtani	Yes

The committee remains satisfied by the structure and composition of the Board.

c. Board attendance for the Board Meetings is as follows:

There were 2 meetings held for year 2022.

	15 Mar 2022	11 Oct 2022
Abdulhadi Shayif*	Yes	Yes
Sameer Al Hamidi	Yes	Yes
Bassel Farid-Zaouk	Yes	Yes
Loic Voide	Yes	Yes
Riaan Visser	Yes	Yes
Hauke Burkhardt	Yes	Yes

*Deregistered with the CMA on 15/12/2022



11. Remuneration

Table of Disclosure of Compensations and Remunerations:

Statement	Executive Board Members*	Non-Executive	Independent Board Members
Allowance for attendance of the board of directors' sessions	-	-	20,000
Allowance for attendance of the committees' sessions	-	-	20,000
Periodic and annual Remunerations	-	-	600,000
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total	-	-	640,000

Figures are in Saudi Riyal

*As members of the board of directors.

* The executive and non-executive member does not receive any amounts under his membership in the board of directors

Statement	Five of 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	3,195,573
Allowances	1,227,734
Periodic and annual remunerations	803,363
Incentives Plans	-
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually*	2,915,806
Total	8,142,476

*The amount Including end of service benefits

12. Penalties, Litigations and Provisions

DSSA was not a subject to any penalties, litigations, and disciplinary measures or provisions during 2022.



13. Annual Audit: Internal Control Procedures

The annual audit of DSSA was completed in 2022 per the Capital Market Authority (CMA)'s requirement. The audit report was published on 16 September 2022. There were no findings raised and the report was graded satisfactory.

Audit Committee is satisfied that the internal controls applied at DSSA are adequate and satisfactory.

14. Additional disclosures as per CMA requirement

1) Risk Management

As a Capital Market Institution operating in the Kingdom of Saudi Arabia, Deutsche Securities Saudi Arabia is exposed to credit and market risks. Detailed guidelines to manage these risks are in place and complied with as required.

2) Operational Risks

The company manages operational risks based on the framework adopted in Deutsche Bank Group to determine the operational risk profile compared to risk appetite and systematically identify appropriate risk mitigation measures and priorities. Information collected during the operational risk management process is used to identify demand on operational risk capital.

Operational risks are identified on daily basis in all operational risk management framework components, particularly via identifying internal losses and deriving scenarios to develop risk profiles based on triggers. The operational risk identification procedures include details of processes and requirements for identifying operational risks and roles and responsibilities.

3) Credit Risks

Deutsche Securities Saudi Arabia is exposed to a low credit risk in its business model.

4) Market Risks

Deutsche Securities Saudi Arabia is integrated in the Deutsche Bank Group global limit system, which is identified, controlled and monitored by Market Risk Management. Market risk measures are calculated centrally on a daily basis by the Market Risk Operations while exposures are monitored against established limits.

5) Loans

DSSA had a SR 16m intergroup loan in 2022 with a related party, DB Riyadh. The loan balance at 31 December 2022 was SR 16m. The loan is renewed on a rolling basis every three months. During the year and at 31 December 2022 DSSA had book overdraft balances with Deutsche Bank (AG) Riyadh Branch in various currencies amounting to SR 1.36 million.



15. Disclosures by DSSA Board Directors:

a. Transactions between DSSA and its associate

Within its ordinary course of business, the Company enters into commercial transactions with affiliates, including Deutsche Bank Group Head Office, regional offices and other branches including Deutsche AG, Riyadh Branch.

The company concluded agreements with Deutsche Bank AG and its branches (main shareholder) which set out the principles governing the sharing of revenues and the recovery of expenses incurred in generating such revenues.

Fees include revenues received by the company from Deutsche Bank AG and its affiliates under the agreements for sharing revenues.

Revenues and expenses related to transactions with affiliates and which are listed in the financial statements are as follows, the below are in Saudi Arabian Riyals in '000:

	<u>2022</u>	<u>2021</u>
Income		
Fee income – Deutsche Bank Group regional offices and other branches	6,215	5,712
DB London	295	3,561
DB Riyadh	5,920	2,151
Service fee income – Deutsche Bank Group regional offices and other branches	15,473	2,270
Special commission income – Deutsche Bank Group regional offices and other branches	6,370	1,874
	<u>2022</u>	<u>2021</u>
Expenses		
Charges for support services		
Deutsche Bank Group regional offices and other branches:	14,087	12,723
DB Suisse	1,994	2,203
DB Riyadh	483	5
DB London	3,427	--
DB Frankfurt	3,081	53
Other DB entities	5,102	10,462

The balances at 31 December resulting from such transactions included in the financial statements are as follows:

	<i>31 December</i>	<i>31 December</i>
	<u>2022</u>	<u>2021</u>
Due from Deutsche group regional offices and other branches	20,848	7,810
Due to Deutsche group regional offices and other branches	34,146	35,403



In addition to the above balances, the Company held a balance in an account with Deutsche Bank AG (both current and term deposits), Riyadh Branch of SAR 327 million (2021: SAR 367 million) who act as banker for the Company.

b. Conflict of Interest

The Board confirms that during 2022, neither DSSA's Board of Directors nor DSSA's CFO or senior executives of DSSA or any associated or related person to them, held any interest, contractual securities, and subscription rights in the shares or debt instruments of DSSA.

DSSA did not have any deal with any associated person.

c. Business or contracts

The Board confirms that during 2022, neither DSSA's Board of Directors nor DSSA's CFO or senior executives of DSSA or any associated or related person to them, held any interest in business or contracts where DSSA is counterparty.

d. DSSA ownership interests in other Companies:

Deutsche Securities Saudi Arabia does not have any ownership interest in any company inside or outside the kingdom of Saudi Arabia

e. Compensation waivers:

None of the board members has waived any compensation, allowance or any type of remuneration.

Sameer Alhamidi
Chairman of the Board