



# **Deutsche Securities Saudi Arabia Board of Directors Annual Report for 2021**



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## 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

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

## 3. Important Plans and Decisions of DSSA in 2021

Deutsche Securities Saudi Arabia has placed an increased focus on **Wealth Management** and its UHNWI and family group client base in 2021. The division is continuing on its growth path by investing in human capital and providing its client base access to an innovative product offering across asset classes as well as access to Tadawul, differentiating our offering from local and international competitors.

On the **institutional coverage** and investment banking division, Deutsche Securities Saudi Arabia continues to support our institutional and corporate client base. DSSA’s institutional coverage delivers the entire suite of financing, risk management and treasury product solutions to corporate, financial institutions, sovereign and agency clients. The division also continues to provide local corporates with access to international markets.

On the **Custody side**, DSSA continues to invest in upgrading its systems and is actively engaged with internal stakeholders and regulators in relation to new product initiatives to offer its clients.



#### 4. Changes in the Operational results

Overall, DSSA's revenues for 2021 amounted to SAR 14.5 million as compared to SAR 17.5 million in 2020 for the year. Revenues declined due to cessation of equities brokerage for international investors arrangements with DB London

General and administrative expenses decreased on the prior year by SAR 5.0 million to SAR 47.1 million in 2021 from SAR52.1 due mainly to a reduction in intergroup charges of SAR 4.8 million.

#### 5. Annual Audited Financials

EY conducted an external audit of DSSA's 2021 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 2017 to 2021**

<b>Balance sheet</b>	<b>SAR (000's)</b>				
	<b>2021 (Draft)</b>	<b>2020 (Audited)</b>	<b>2019 (Audited) Restated</b>	<b>2018 (Audited)</b>	<b>2017 (Audited)</b>
<b>Assets</b>					
Current assets	378,070	404,213	444,170	501,964	596,626
Non-current assets	5,376	6,842	5,865	18,442	20,963
<b>Total assets</b>	<b>383,446</b>	<b>411,055</b>	<b>450,035</b>	<b>520,406</b>	<b>617,589</b>
<b>Liabilities</b>					
Current liabilities	48,601	46,692	52,427	87,577	149,991
Non-current liabilities	5,228	4,701	4,542	5,359	7,243
<b>Total liabilities</b>	<b>53,829</b>	<b>51,393</b>	<b>56,969</b>	<b>92,936</b>	<b>157,234</b>
<b>Shareholders' equity</b>	<b>329,617</b>	<b>359,662</b>	<b>393,066</b>	<b>427,470</b>	<b>460,355</b>
<b>Total liabilities and Shareholders' equity</b>	<b>383,446</b>	<b>411,055</b>	<b>450,035</b>	<b>520,406</b>	<b>617,589</b>

<b>Income statement</b>	<b>SAR (000's)</b>				
	<b>2021 (Draft)</b>	<b>2020 (Audited)</b>	<b>2019 (Audited) Restated</b>	<b>2018 (Audited)</b>	<b>2017 (Audited)</b>
<b>Total operating income</b>	14,484	17,493	31,237	20,907	31,578
<b>Expenses</b>					
General and administration expenses	(47,141)	(52,096)	(62,262)	(60,985)	(78,513)
<b>Total operating profit/(loss)</b>	<b>(32,657)</b>	<b>(34,603)</b>	<b>(31,025)</b>	<b>(40,078)</b>	<b>(46,935)</b>
Net special commission	1,874	3,438	7,743	9,423	7,530
Exchange (Loss)/Gain	84	193	(305)	(550)	
<b>Net profit/(loss) before tax</b>	<b>(30,699)</b>	<b>(30,972)</b>	<b>(23,587)</b>	<b>(31,205)</b>	<b>(39,405)</b>
<b>Tax</b>	<b>1,459</b>	<b>(2,505)</b>	<b>(11,790)</b>	<b>(1,638)</b>	<b>11,476</b>
<b>Net profit/(loss) after tax</b>	<b>(29,240)</b>	<b>(33,477)</b>	<b>(35,377)</b>	<b>(32,843)</b>	<b>(27,929)</b>



## 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 2021.

DSSA is capitalized with SAR 329.6 million of tier 1 capital. There was a SAR 6.4 million reduction in the total capital requirements with the main item related to credit risk. There were no equities exposures as at December 2021.

## 7. Implemented Provisions of CMA Regulations

As far as we are aware, there have been no departures from applicable regulatory requirements during 2021.

## 8. Formation of DSSA's Board of Directors

The board is currently composed of the following individuals:

<b>Abdulhadi Shayif</b>	<b>Chairman</b>	<b>Independent</b>
<b>Bassel Farid-Zaouk</b>	Member	Executive
<b>Sameer Alhamidi</b>	Member	Independent
<b>Loic Voide</b>	Member	Non-Executive
<b>Hauke Burkhardt</b>	Member	Non-Executive
<b>Riaan Visser</b>	Member	Non-Executive

The following members were appointed to the Board during 2021.

<b>Loic Voide</b>	Member	Non-Executive
<b>Hauke Burkhardt</b>	Member	Non-Executive
<b>Riaan Visser</b>	Member	Non-Executive



## 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	Country
Abdulhadi Shayif	Nama Cargo	KSA
	AlMajdouie group	KSA
	Health Water Bottling Co.	KSA
Sameer Alhamidi	Al Hamidi Contracting Establishment Company	KSA
	Ace International	Panama
	Saco	KSA
	Mohammed Abdulaziz Al Hamidi Sons Holding Company	KSA
Bassel Farid-Zaouk	Deutsche Gulf Finance	KSA

## 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
<b>Yousef Almobarak</b>	Chairman
<b>Sameer Al Hamidi</b>	Member
<b>Kumaran Balasubramanian</b>	Member

There were 4 meetings held for year 2021.

	Q1 2021	Q2 2021	Q3 2021	Q4 2021
	3rd Mar 2021	30th June 2021	15th Sep 2021	15th Dec 2021
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:

<b>Abdulhadi Shayif</b>	<b>Chairman</b>	<b>Independent</b>
<b>Bassel Farid-Zaouk</b>	(Member)	CEO
<b>Alanoud Alqahtani</b>	(Member)	COO

There was one meeting held by circulation in 2021 and it was attended by the following:

	22 April 2021
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 3 meetings held for year 2021, one of which was by circulation.

	18 Mar 2021 (By Circulation)	1 June 2021	25 Oct 2021
Abdulhadi Shayif	Yes	Yes	Yes
Sameer Al Hamidi	Yes	Yes	Yes
Bassel Farid-Zaouk	Yes	Yes	Yes
Loic Voide	Not yet a member	Yes	Yes
Riaan Visser	Not yet a member	Yes	Yes
Hauke Burkhardt	Not yet a member	Yes	Yes





## 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	-	-	-
<b>Total</b>	-	-	<b>640,000</b>

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	2,988,367.27
Allowances	1,170,259.30
Periodic and annual remunerations	890,861.93
Incentives Plans	-
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually*	1,885,723.41
<b>Total</b>	<b>6,935,211.91</b>

\*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 2021.

## 13. Annual Audit: Internal Control Procedures



The annual audit of DSSA was completed in December 2021 per the Capital Market Authority (CMA)'s requirement. The audit report was published on 4 January 2022 with two important rated finding. The findings relate to (1) Name list screening and (2) alignment of KYC KODs and are currently being remediated.

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

## 14. Additional disclosures as per CMA requirement

### d. 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. The company's risk management framework is included in the internal capital adequacy assessment process (ICAAP) report submitted to CMA.

### e. 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.

### f. Credit Risks

Deutsche Securities Saudi Arabia is exposed to a low credit risk in its business model, which consists mainly with DB London QFI and SWAP trades

### g. 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.

### h. Loans

DSSA did not have any loans in fiscal year 2021.



## 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>2021</u>	<u>2020</u>
<b>Income</b>		
Fee income – Deutsche Bank Group regional offices and other branches	<b>5,712</b>	<b>10,922</b>
DB London	<u>3,561</u>	<u>6,545</u>
DB Riyadh	<u>2,151</u>	<u>4,377</u>
Service fee income – Deutsche Bank Group regional offices and other branches	<u>2,270</u>	<u>2,194</u>
Special commission income – Deutsche Bank Group regional offices and other branches	<u>1,874</u>	<u>3,438</u>
	<u>2021</u>	<u>2020</u>
<b>Expenses</b>		
<b>Charges for support services</b>		



Deutsche Bank Group regional offices and other branches:	<u>12,723</u>	<u>17,621</u>
DB Suisse	2,203	6,755
DB Riyadh	5	3,234
DB London	--	2,056
DB Frankfurt	53	1,861
Other DB entities	10,461	3,715

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

	<u>31 December</u> <u>2021</u>	<u>31 December</u> <u>2020</u>
Due from Deutsche group regional offices and other branches	<u>7,810</u>	<u>18,094</u>
Due to Deutsche group regional offices and other branches	<u>35,403</u>	<u>31,106</u>

In addition to the above balances, the Company held a balance in an account with Deutsche Bank AG, Riyadh Branch of SAR 300 million (2019: SAR 300 million) who act as banker for the Company.

#### b. Conflict of Interest

The Board confirms that during 2021, 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 2021, 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.

Abdulhadi Shayif  
Chairman of the Board