



Credit Suisse Saudi Arabia (CSSA)

Board of Directors Report

31st December 2019

CSSA Board of Directors Report for FY 2019

On behalf of the Members of the Board of Credit Suisse Saudi Arabia, I am pleased to present to you the company's Annual Report, which includes the company profile, the company's main activities during the FY 2019, the results of the annual audits, and the financial indicators and an analysis highlighting the 2019 financial performance. The report also includes the audited financial accounts and accompanying notes, and the external auditor's report for the year ended 31 December 2019.

Mahdy S. Katbe

Chairman of the Board

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1. 0 CSSA Overview

Company profile

Credit Suisse Saudi Arabia (“CSSA” or the “**Company**”) is a closed joint stock company (single shareholder company) registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010228645 dated 1 Safar 1428H (corresponding to 19 February 2007).

CSSA offers various innovative products and services designed to meet the investment and financial needs of its clients. These include:

1. Dealing in securities
 - As Principal
 - As Agent
 - Underwriting

2. Securities management
 - Managing investment funds
 - Managing client portfolios

3. Arrangement
4. Advisory
5. Custody

CSSA obtained CMA license No. 08104-37 and approval to commence business on 20th October 2008.

The share capital of the Company was held by the following shareholder:

	31 December 2019	31 December 2018	01 January 2017	
	<u>Percentage</u>	<u>No. of shares</u>	<u>Percentage</u>	<u>No. of shares</u>
Credit Suisse AC	100%	73,750,000	100%	62,500,000

2.0 Statement of the Board of Directors

Credit Suisse Saudi Arabia (“CSSA”) continues to make progress towards the execution of the strategy approved by its board of directors in 2016. The strategy calls for a significant expansion of CSSA’s footprint in the wealth management space in the Kingdom of Saudi Arabia (“KSA”) and its presence in the Saudi capital markets by supporting the service requirements of its domestic and international clients. Accordingly, CSSA undertook several initiatives in 2019 to enhance its Equity Brokerage and Investment Banking capabilities with very positive results.

Wealth management operations continue to be the most critical component of CSSA’s business strategy. Our KSA platform aims to capitalize on Credit Suisse’s world-class expertise in wealth management, bringing our international strengths and capabilities to Saudi Arabia for the benefit of our clients. We have a team comprising highly skilled relationship managers and investment consultants committed to providing the best possible investment solutions to our individual and corporate clients. During the year, there has been a noticeable increase in activity levels, details of which are provided in Section 2.0 below.

CSSA also successfully relaunched its local Equities business that caters for Qualified Foreign Investors (“QFIs”) in 2019 and SWAP clients and has achieved positive results within a short period of time. The business broke even on direct costs in only 7 months of operations. Currently multiple initiatives are ongoing to leverage on the existing momentum, broaden client base and deepen revenue streams.

Finally, in 2019, CSSA successfully executed the first Investment Banking transactions since its inception. There is strong potential for growth in the Investment Banking space for CSSA, and we are determined to capture market share by leveraging on Credit Suisse Group’s global capabilities.

Our governance mechanism continues to remain robust and function effectively. The objective of our corporate governance infrastructure is to ensure that the management team can proactively detect risks and weaknesses in our business and operation processes and initiate necessary action on a timely basis. All governance committees continue to function normally, are attended by the concerned participants and operate in alignment with the international standards of the Credit Suisse Group.

Notwithstanding our progress and achievements in 2019, we are determined to grow in each of our business lines during the upcoming year. Our sound business offerings for Saudi and foreign investors enable CSSA to actively partake in the development of the Saudi capital markets, allowing us to emerge as a trusted partner towards the implementation of the Saudi Vision 2030.

3.0 Principle Activities

3.1 Wealth Management:

The wealth management clientele includes individuals as well as corporates. The current platform enables the wealth management team to provide advisory services that conform to Credit Suisse's investment vision. We offer investment recommendations and investment plans that are tailored to each clients' risk appetite and financial requirements.

CSSA's offering to its clients incorporates more than 50 investment products, all of which are registered with the Capital Market Authority ("CMA") of Saudi Arabia. These investment products include domestic and international securities and investment funds managed by Credit Suisse and third parties.

This business has witnessed increasing level of business activity with 42 accounts opened and at an entity-level, the combined Assets under Management ("AuM") and Assets under Custody ("AuC") stood at SAR 2.5 Billion as on 31st December 2019.

Efforts are currently underway to further diversify revenue streams with the successful launch of the Custody business in February 2020.

3.2 Asset Management:

The asset management strategy covers the distribution of our services – investment funds – to our clients and increasing the size of our funds under management. A key component of our strategy is to increase our client base and augment our special portfolios products to better meet market requirements.

Credit Suisse's international asset management capabilities support CSSA's distribution operations. Moreover, CSSA's asset management team works closely with the International Wealth Management ("IWM") team at the regional level to ensure consistency of objectives.

3.3 Investment Banking:

Investment banking services witnessed the successful execution of two mandates, both of which were international IPO transactions. These were the first investment banking transactions executed by CSSA since its inception.

CSSA has the unique advantage of being able to bring Credit Suisse Group's international experience and reach to Saudi clients, enhancing our local structuring capabilities and opening up global markets to Saudi issuers. CSSA aims to effectively contribute to the ambitious expansion of the capital markets in KSA and a regional strategy for Investment Banking activities is now in place with particular focus on Saudi Arabia.

3.4 Brokerage Services:

The Brokerage business focuses on augmenting execution capabilities and market knowledge in order to serve QFIs and investment enterprises and to support their requirements to access domestic stock markets.

2018 was an important year for the Saudi equity capital markets with both the FTSE and MSCI confirming inclusion of Saudi Arabia in their Emerging Market indices starting in 2019. As a result of these announcements the volume of foreign investor trading in Saudi Arabia has increased and CSSA's equity trading operation has seen its volume grow as well. CSSA successfully launched an international trading platform in February 2019 and has achieved significant growth and traction within 7 months of full business.

The current platform aims at serving investment enterprises and providing the best execution capabilities in addition to program trading and direct access to KSA markets.

Multiple projects are currently ongoing to broaden the client base and introduce innovative products into the Saudi Arabia market.

4.0 Corporate governance and management

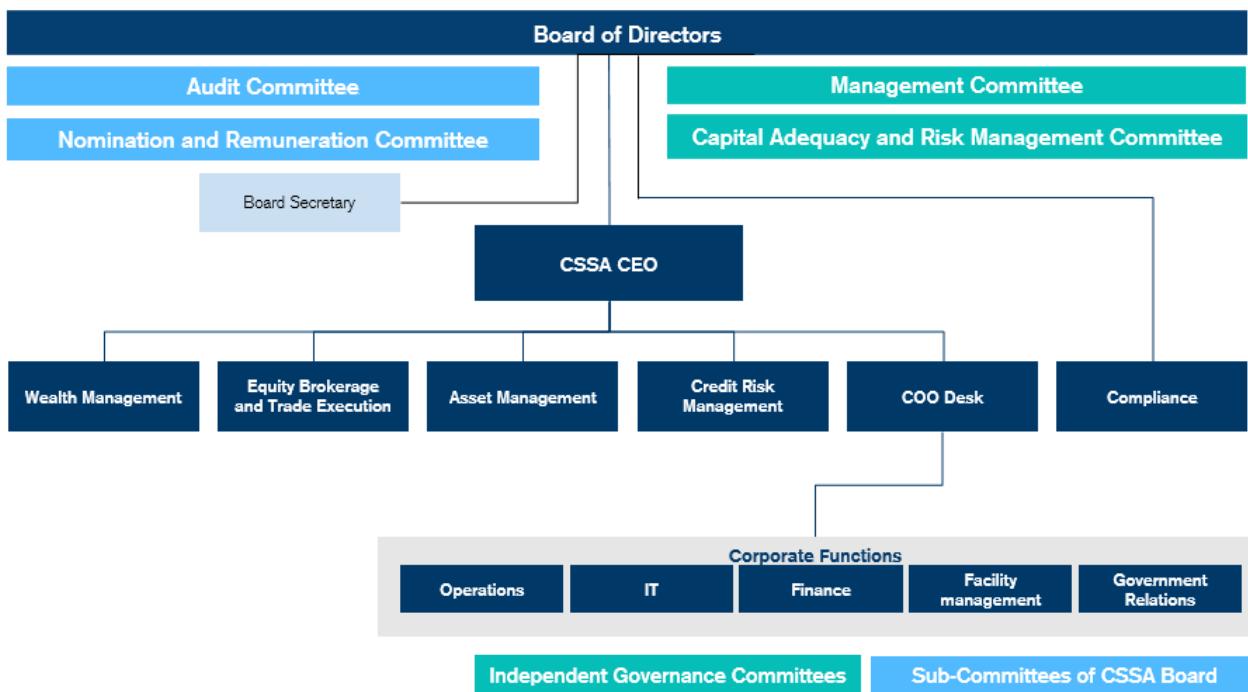
CSSA's Board (of Directors) believes that a strong corporate governance framework consistent with Credit Suisse Global Standards is essential for effective corporate management and oversight. To ensure this, it pays utmost attention to corporate governance standards and best practices as it strives to enhance transparency and protect the interests of owners and clients.

The company's Board of Directors is comprised of 6 members including three representing Credit Suisse AG.

Two committees, an Audit Committee and a Nomination and Remuneration Committee, emanate from the Board. Both are supervised by the Board to ensure their independence

4.1 Governance Structure and Committees

**Credit Suisse Saudi Arabia (CSSA)
Organization Structure**



Board Members

Profile of the Board of Directors as at 31 December 2019 comprised of the following:

Members	Title	Membership in other boards of directors
Mahdy Katbe	Chairman of the Board - INDEPENDENT	<ul style="list-style-type: none"> • Unicharm Gulf Hygienic Industries - Executive member of the board. • The International Association for the Nonwovens and Related Industries (EDANA) - Member of the board. • Unicharm Middle East and North Africa Hygienic Industries – Executive member of the board. • Tarjama Ltd. – Member of the board. • The International American School (Riyadh) - Member of the board of trustees.
Khalid Alghamdi	Chief Executive Officer and Board Member – EXECUTIVE	<ul style="list-style-type: none"> • Nil
Bruno Daher	Board Member – NON EXECUTIVE	<ul style="list-style-type: none"> • Credit Suisse Lebanon – Member of the board. • Credit Suisse Qatar- Member of the board. • Credit Suisse AG/ Dubai Branch-CEO.
Mohammed Hijazi	Board Member – NON EXECUTIVE	<ul style="list-style-type: none"> • Credit Suisse Qatar- Member of the board. • Credit Suisse Turkey- Member of the board. • Aventicum Capital Management – Member of the board. • Credit Suisse AG/ Dubai Branch-Operations CEO.
Saad Osseiran	Board Member – NON EXECUTIVE	<ul style="list-style-type: none"> • Credit Suisse Bahrain – CEO
Huda Al Ghosn	Board Member – INDEPENDENT	<ul style="list-style-type: none"> • General Organization for Social Insurance (GOSI) - Member of the board. • Institute of Public Administration (IPA) - Member of the board.

		<ul style="list-style-type: none"> • Saudi Telecommunications Company (STC) - Member of the bonuses and indemnities committee. • BUPA Arabia – Member of the board
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Board members who were appointed during 2019

Name	Title	Date of appointment
Khalid Alghamdi	Chief Executive Officer and Board Member – EXECUTIVE	September 16 th 2019

During 2019, the board of directors held two meetings. The attendance report for these meetings is as follows:

Members	The First Meeting Apr. 17th, 2019	The Second Meeting Oct. 1st, 2019
Mahdy Katbe	√	√
Huda Al Ghosn		
Bruno Daher	√	√
Mohammed Hijazi	√	√
Khalid Alghamdi*		√
Saad Osseiran		√
Attendance Rate (%)	60%	83%

* Joining date: September 2019

Board Committees

Audit Committee

The Audit Committee reports directly to the Board of Directors, and meets a minimum of four times during the year. The Audit Committee consists of at least three members including Non-Executive or Independent Board Members, and non-board members.

The committee reviews matters relating to financial reporting and the effectiveness of internal control and financial control systems. It also safeguards the independence of the company's internal audit function and oversees its performance as well as monitoring the effectiveness of the external auditor.

The Audit Committee during 2019 comprised of the following members:

◎ Mr. Yassin Tabet, (Chairman and Member from outside the Board)

◎ Mr. Mahdy Katbe, (Member of the Board)

◎ Mr. Mohammed Hijazi, (Member of the Board)

The Audit Committee held four meetings during the year ended 31 December 2019, as follows:

Committee members	The First Meeting April 9th, 2019	The Second Meeting May 22nd, 2019	The Third Meeting July 3rd, 2019	The Fourth Meeting Oct. 1st, 2019
Mahdy Katbe	√		√	√
Yassin Tabet	√	√	√	√
Mohammed Hijazi	√	√	√	√
Attendance Rate (%)	100%	67%	100%	100%

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (“NRC”) is a sub-committee of the Board and meets at least once during the year. The committee consists of three members appointed by the Board and reports directly to the Board.

The committee provides recommendations to the Board of Directors on nominations for Board membership, annually reviews the skills and capabilities required of those suitable for Board membership, including the time needed by a Board member for Board business, reviews the structure of the Board and submits the necessary recommendations. The Committee sets the overarching principles, parameters and governance framework of the company's remuneration policy and the remuneration of executive directors and other senior company employees. Further, it periodically reviews the effectiveness of the remuneration policy in the context of a prudent risk management framework.

The NRC during 2019 comprised of the following members:

- ◎ Ms. Huda Al Ghosn, (Chairperson)
- ◎ Mr. Mohammed Hijazi, (Member)
- ◎ Mr. Saad Osseiran, (Member)

This committee held one meeting on Feb 10th 2020 to attend to matters relevant to FY 2019. This meeting was attended by Ms. Huda Al Ghosn, Mr. Saad Osseiran and Mr. Mohammed Hijazi.

Management Committee

The Management Committee supervises operations in CSSA across all functions, common services, and front/back desks in terms of operational issues including projects and new business initiatives. The mandate of the Management Committee is to review the executive operation of the departments' strategies and to identify main risks.

The Management Committee is chaired by the Middle East's Regional Deputy COO, Mr. Ahmed El Sarha, and consists of the following members:

#	Committee members	Title
1	Mohammed Hijazi	Board Member – Non Executive
2	Laith Al Kurdi**	Co-Country Manager - Saudi Arabia
3	Ahmed El Sarha	Deputy COO and Head of IT - Middle East & Africa
4	Mohammed Jaroudi*	Chief Operations Officer – CSSA
5	Arnab Chakraborti	Business Support - Middle East & Africa COO Desk
6	Frédéric Schmutz	Head of Asset Management Distribution - Middle East
7	Dominique Leimer	Head of Private Banking - CSSA
8	Matthew Dunster	International Wealth Management / Chief Compliance Officer - Middle East, Turkey and Africa & NRI
9	Ahmed Badr	Head of Brokerage - Middle East and Africa
10	Karim Osman	Head of Brokerage – CSSA
11	Sara Mitchell	Head of Saudi Arabia Operations
12	Andrew Kilian	International Wealth Management / Credit Risk Management - Middle East
13	Hizar Alikhan	Head of IT - CSSA
14	Adesola Lanipekun	Country HR - Middle East and Africa
15	Makan Konate	Head of First Line of Defense Support - Middle East
16	Hussain Alhunaidi	Securities Head of Operations – CSSA
17	Asia Fadel	Head of Facility Management - Middle East North Africa and Turkey
18	Asem Al Anani	Head of Credit Risk - CSSA
19	Hassan Al Khalaf	Finance Manager – CSSA

20	Michel Tschudin	Chief Operations Officer CSSA – Business Support
21	Ahmed Bin Nassar	Head of Compliance & Anti Money Laundering - CSSA
22	Sue Pickford	Head of Legal Entity Finance - Continental Europe & MENA
23	Deema Aljaber	Compliance and AML officer – CSSA
24	Eva Stamm	Business Support and Projects - Middle East Region COO Desk
25	Shireen Dorai	Head of Front Client Onboarding Unit – Middle East & Africa
26	Hind Alshehri **	Trainee Private Banking / Asset Management – CSSA
27	Bayan Alahmad **	CMA Graduate Trainee / Private Banking – CSSA

* Mohamad Jaroudi resigned in April 2019 ** Respective Members joined as members in October 2019

The Management Committee held three meetings during the year ended 31 December 2019, as follows:

#	Committee members	The First Meeting Mar. 26 th 2019	The Second Meeting July 1 st 2019	The Third Meeting Oct 21 st 2019
1	Mohammed Hijazi		√	
2	Laith Al Kurdi**			√
3	Ahmed El Sarha	√	√	√
4	Mohammed Jaroudi*	√		
5	Arnab Chakraborti	√	√	√
6	Frédéric Schmutz	√	√	√
7	Dominique Leimer	√	√	√
8	Matthew Dunster		√	
9	Ahmed Badr	√	√	
10	Karim Osman	√	√	√
11	Sara Mitchell		√	√
12	Andrew Kilian			
13	Hizar Alikhan	√	√	√
14	Adesola Lanipekun	√		√

15	Makan Konate		√	√
16	Hussain Alhunaidi	√	√	
17	Asia Fadel	√		
18	Asem Al Anani	√	√	√
19	Hassan Al Khalaf	√	√	√
20	Michel Tschudin	√	√	√
21	Ahmed Bin Nassar	√	√	√
22	Sue Pickford		√	
23	Deema Aljaber	√		
24	Eva Stamm		√	√
25	Shireen Dorai		√	
26	Hind Alshehri**			√
27	Bayan Alahmad**			√
	Attendance Rate (%)	67%	83%	65%

The Capital Adequacy and Risk Management Committee (CARMC)

CARMC is the main committee concerned with capital adequacy and risks related issues. CARMC reports to the Management Committee and the Board of Directors.

The main objectives of CARMC are to improve the governance and supervisory framework related to market, credit, business and liquidity risks, as well as, risks related to company capital. CARMC shall have the following responsibilities:

- Monitoring risk exposures in terms of criteria and limits to main risks and reviewing breaches and implementing proposed remedies.
- Monitoring the stringiness of corrective measures and their frameworks through the documentation of processes and corrective measures and the period for implementing the corrective measures in the internal regulations specified for such incidents.
- Regular reviewing of governance and risk management frameworks in terms of policies, regulations and processes.
- Reviewing conclusions of auditors; regulatory audit entities; the conclusions of the compliance committee reviews; and the conclusions of any other relevant entities.

- Making recommendations to the Management Committee where remedy of shortcomings or introduction of improvements is required.
- Reviewing the adequacy of control regulations.
- Reviewing anti-fraud regulations.
- Reviewing the adequacy of the business continuity plan procedures.
- Discussing and resolving issues escalated to CARMC and ensuring resolution by or support from secondary committees in relation to processes involving risks and the attraction and classification of clients.

CARMC's scope covers 11 different risk areas including strategic risks, capital risks, liquidity risks, market risks, credit risks, enterprise risks and control framework (ERCF), operational risks, IT risks, legal risks, Business and corporate governance risks and behavior risks.

The committee held 10 meetings in 2019.

The CARMC during 2019 comprised of the following members:

#	Committee Members	Role	Corporate Title
1	Daniel Wenger	Chairman and Member from outside the Board	Chief Risk Officer – International Wealth Management - International locations
2	Dominique Leimer	Member from outside the Board	Head of Private Banking - CSSA
3	Mohamad Jaroudi*	Member from outside the Board	Chief Operations Officer - CSSA
4	Arnab Chakraborti	Member from outside the Board	Middle East & Africa COO Desk – Business Support-
5	Michel Tschudin	Member from outside the Board	Chief Operations Officer CSSA – Business Support
6	Stephanie Angelov	Member from outside the Board	Head of Legal - Middle East and Africa
7	Ahmed Bin Nassar	Member from outside the Board	Head of Compliance & Anti Money Laundering - CSSA
8	Makan Konate	Member from outside the Board	Head of First Line of Defense Support - Middle East
9	Hussain Alhunaidi	Member from outside the Board	Securities Head of Operations – CSSA
10	Asem Al Anani	Member from	Head of Credit Risk - CSSA

		outside the Board	
11	Hizar Ali khan	Member from outside the Board	Head of IT - CSSA
12	Hassan Al Khalaf	Member from outside the Board	Finance Manager – CSSA

* Mohamad Jaroudi resigned in April 2019

Meeting Number	Month	Date of the Meeting
First (1st)	January	January 30th , 2019
Second (2nd)	February	February 26th , 2019
Third (3rd)	March	April 1st , 2019
Fourth (4th)	April	April 24th , 2019
Fifth (5th)	June	June 26th , 2019
Sixth (6th)	July	July 31st , 2019
Seventh (7th)	August	August 28th , 2019
Eighth (8th)	September	September 19th , 2019
Ninth (9th)	October	October 30th , 2019
Tenth (10th)	November	November 26th , 2019

#	Attendees (2019)	Jan	Feb	Mar	Apr	Jun	Jul	Aug	Sep	Oct	Nov
1	Daniel Wenger	✓	✓	✓	✓	✓	✓	✓	✓	✓	
2	Dominique Leimer				✓	✓		✓	✓	✓	✓
3	Mohamad Jaroudi	✓	✓	✓							
4	Arnab Chakraborti				✓	✓	✓	✓	✓	✓	✓
5	Michel Tschudin				✓	✓	✓	✓	✓	✓	✓
6	Stephanie Angelov	✓		✓	✓	✓	✓		✓	✓	✓
7	Ahmed Bin Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8	Makan Konate	✓	✓	✓		✓	✓	✓	✓	✓	✓
9	Hussain Alhunaidi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

10	Asem Al Anani	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11	Hizar Ali khan	✓	✓	✓		✓	✓	✓	✓	✓	✓
12	Hassan Al Khalaf	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Attendance Rate (%)		75%	67%	75%	82%	100%	91%	91%	100%	100%	91%

5.0 Risk Management

Risk management is an essential part of the CSSA's business. In addition to the practical approach, risk management is based on the concept of establishing and promoting a risk management culture to raise awareness of its importance at the different management levels of the company.

Under CSSA's Corporate Policy Manual, the company pursues a disciplined approach by maintaining a set of policies and procedures applied to all of its activities, supported by an appropriate framework on the management and control of such activities in general. The company also takes, on a regular basis, systematic steps to identify, control, monitor and report on all risks that face or may face the company according to the nature and type of each activity carried out by the company.

The Risk Appetite Framework

One of the main functions of the risk appetite framework is to accommodate the level of risk appetite set by Credit Suisse AG and the Risk Appetite Department at CSSA with the risk levels associated with business plans in KSA through CSSA and all its departments and organizational dimensions and to ensure consistency with the company's financial and capital plans.

To ensure this, the criteria for the risk appetite capacity levels used by CSSA are based on the application of key international risk criteria, which are used in Credit Suisse AG.

Risk Management Strategies

The risk management strategy is correlated for consistency with business strategy. To adopt the risk management strategy, the board of directors is aware of the necessity of some level of risk assumption through products and services offered to clients. Key risks are: market risks; liquidity risks; credit risks; and operation risks. CSSA will aim to mitigate the risks that may impede the implementation of the group's business strategy and/or the realization of group revenues. The key principles of CSSA strategies are as follows:

- Risk appetite is assumed based on a specific risk assumption framework. The projected yield/profit must be consistent with the potential risk, provided the addition of value on the long run. CSSA does not have any intentions to assume risks without profit returns to the group.
- No risks are assumed except to the extent consistent with the strategic objectives of CSSA; the strategic objectives of Credit Suisse Group; and the implementation of the business strategy. No risks may be assumed except after verifying that CSSA has the

necessary expertise and human resources in addition to sufficient processes to manage these risks.

- An acceptable margin is set for the risk. This margin shall be consistent with existing resources and capabilities of CSSA in order to absorb the highest level of risk without impeding business strategy.
- Risk levels and risk margin levels are continuously monitored and business plans are modified accordingly to remain within these limits.

Risk Strategy Objectives

Business activities entailing risks are guided by the following risk strategy objectives, which are approved by the board of directors:

- **Capital Adequacy:** Sufficient capital levels must be maintained to keep capital higher than the minimum level of regulatory capital requirements and instances of capital stress. Volume of available capital and risks portfolio are continuously monitored to ensure meeting or surpassing the credit rating targeted by the company.
- **Stability of Profits:** This objective supports the group's capabilities to achieve authorized financial goals when the parent company meets financial objectives under normal circumstances and during mitigation of profits fluctuations. Meeting externally declared profit targets is deemed as the main driver of credit ratings, shares prices and analysts' recommendations.
- **Financial Liquidity Risks:** Liquidity and liquidity finance risks are managed through retention of sufficient funds to meet all contractual, urgent and regulatory obligations on business as usual basis and during periods of critical liquidity levels.
- **Risks Framework and Enterprise Risks:** Ensures sustainable performance through the sound management of the risks of the risk framework and enterprise risks (including operational risks, non-compliance risks and other non-financial risks) during daily operations and the strategy of future operations.
- **Non-diversity Risks:** Preemptively controls aspects of non-diversification inside the center of the risk, or revenues that constitute a material risk to capital adequacy at company level and the stability of profits while maintaining a diversified finance base.
- **Mitigation of Goodwill Related Risks:** To avoid any process, transaction or relationship with any client that may give rise to unacceptable goodwill risks.
- **Conduct Risks:** To manage and mitigate risks arising from unacceptable conduct by company employees, representatives or the like, which may leave a negative impression in relation to financial or non-financial issues, or reputation of clients, employees, the bank, the company or markets integrity.
- **Inter-enterprise Risks:** To control inter-enterprise risks, which may have potential impact on the parent company's or the group's capital adequacy; liquidity risks; or non-diversity risks.

These objectives act as key principles. These principles are applicable to the holistic bank level and across all organizational dimensions. These principles may be complemented with special objectives or principles that are defined by the legal entity, the business unit or the risks management department. When necessary, the risks objectives are set and the strategy is amended for risk categories on an annual basis as a part of the annual report to demonstrate the risk appetite.

6.0 Financial Performance and the Statutory Auditor's Report

The financial performance for 2019 and the changes in the main indicators are as follows:

Revenues:

Revenues for the fiscal year 2019 were 31.2 Million SAR compared to 8.5 Million SAR for the fiscal year 2018 with an increase of nearly 267% on an annual basis. This increase was essentially due to higher revenue from brokerage operations which increased by 846% on an annual basis to 12.3 Million SAR from 1.3 Million SAR in 2018. Revenues from arranging and advisory services touched 9.2 Million SAR in 2019 vs Nil revenues in 2018. In addition, revenues from liquid investments increased to 6.2 Million SAR from 2.9 Million SAR in 2018.

The above is partially offset by lower revenues from custody operations which dropped by 19% on an annual basis to 3.5 Million SAR in 2019 from 4.3 Million SAR in 2018.

Expenses:

Salaries & Employee benefits increased by 24% on an annual basis during 2019 to reach 34.5 Million SAR compared to 27.8 Million Saudi Riyals in the fiscal year 2018. This increase is essentially due to the increase in the change in employee base. Other expenses for the fiscal year 2019 were 24.5 Million SAR compared to 17.2 Million SAR for the fiscal year 2018, i.e. an increase by 42% due to higher costs of inter-enterprise support charges in accordance with the Services Level Agreements (SLA), in addition to increase in professional & consultancy fees and other general & administrative expenses.

Pretax Net Profit/Losses:

Emergent changes in revenues and expenses led to a net loss of 27.8 Million SAR for the fiscal year 2019 compared to a loss of 36.5 Million SAR for the fiscal year 2018, i.e. a decrease in losses by 24% on an annual basis.

Key financial points for the period between 2014 and 2019 are as follows (figures are in Million SAR):

Item	(Audited) Fiscal Year 2014	(Audited) Fiscal Year 2015	(Audited) Fiscal Year 2016	(Audited) Fiscal Year 2017	(Audited) Fiscal Year 2018	(Audited) Fiscal Year 2019
Cash and current assets	109,6	99,9	81,1	378,0	341,6	509,5
Non-current assets	0,3	0,1	1,3	3,0	2,8	6,8
Total assets	109,9	100,0	82,4	381,0	344,4	516,3
Current liabilities	1,6	1,4	1,1	2,0	2,0	85,1
Non-current liabilities	2,9	3,4	4,0	4,4	3,6	8,1
Total liabilities	4,5	4,8	5,1	6,4	5,6	93,2
Net shareholders equities	105,4	95,2	77,2	374,6	338,8	423,2
Total liabilities and shareholders equities	109,9	100,0	82,4	381,0	344,4	516,3
Total revenues	17,5	13,0	4,7	5,3	8,5	31,2
Total expenses	25,6	23,2	22,6	33,3	45,0	59,0
Net profits/(losses)	(8,0)	(10,2)	(17,9)	(28,0)	(36,5)	(27,8)



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Independent Auditors' Report

To the Shareholders of Credit Suisse Saudi Arabia

Opinion

We have audited the financial statements of **Credit Suisse Saudi Arabia** ("the Company"), which comprise the financial position as at 31 December 2019, the statements of profit or loss, other comprehensive income, cash flows and changes in shareholder's equity for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

Independent Auditors' Report

To the Shareholders of Credit Suisse Saudi Arabia (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Credit Suisse Saudi Arabia ("the Company").

For KPMG Al Fozan & Partners
Certified Public Accountants



Dr. Abdullah Hamad Al Fozan
License No: 348

Al Riyadh: 6 Shaban 1441H
Corresponding to: 30 March 2020



7.0 Internal Audit

The 2019 Audit Plan for Credit Suisse Saudi Arabia was fully achieved. Internal Audit performed the following audit:

- Annual Mandatory Audit - issued February 18, 2020
 - Internal Control Rating: **B2**
 - Management Risk and Control Rating: **Adequate**

This audit has been conducted as a part of the requirements of the Saudi regulatory authority (Capital Market Authority) on the annual coverage of the internal audit.

The objective of this audit was to provide assurance whether the control framework across the First and Second Lines of Defense covering client asset segregation, Know Your Client (KYC), Anti-Money Laundering (AML) and regulatory reporting for margin lending activities is designed and operating effectively.

The scope of this audit included, but not limited to, the following key areas of focus:

- **Know Your Customer and Anti-Money Laundering:** Adequacy and effectiveness of client due diligence conducted during on-boarding and client life cycle including Know-Your-Client, screening, identification and escalation of high risk indicators related to money laundering and surveillance of client activities and transaction monitoring for the identification and reporting of unusual or suspicious activity.
- **Client asset segregation and regulatory reporting for margin lending activities:** Adequacy and effectiveness of processes and controls around segregation of assets between clients and CSSA and adequacy of prepared and submitted regulatory reporting for margin lending activities to CMA.
- **Regulatory change process:** Adequacy and effectiveness of processes and controls around regulatory change within CSSA.

Internal Audit did not identify incremental issues to the ones self-identified by the First and the Second Lines of Defense. Management should continue granting attention to the following self-identified issues:

- **Financial Crime Risk:** CL Search Data Discrepancies (**self-identified issue, medium risk**): CL Search is a name-search program for reviewing existing clients against an internal listing of sanctioned individuals and entities for negative news, regulatory enforcement actions and involvement of Politically Exposed Persons. Compliance noted that client data uploaded in 'CL Search' has inconsistencies and may be incomplete due to human error

and feed failures. This impairs the ability of the entity to timely identify AML hits related to existing clients.

- **Financial Crime Risk:** The local custodian bank is not sharing all information which might impact the transaction and sanctions monitoring done by CSSA (**self-identified issue, medium risk**): CSSA is not allowed to keep cash accounts for clients under its CMA license. Therefore, client accounts denominated in Saudi-Riyal (SAR) are maintained in an omnibus account with the Saudi British Bank (SABB). SABB stopped to inform CSSA about identified AML hits in Q1/2019. This impairs CSSA's ability to have full transparency of client's flow of funds. The residual risk is limited by the currently low number of clients and transactions and by CSSA only accepting transactions between accounts where the client is the same beneficial owner. Lastly, CS received a banking license from the Saudi Arabian Monetary Authority (SAMA) in 2019. Hence, SAAB is expected to be replaced as custodian bank for SAR in Q3 2020 by Credit Suisse AG (Riyadh) Branch.

The above issues resulted in a Control Rating of "B" which is defined as follows: Internal controls generally found to be designed and operating adequately;

- Minor internal control issues were identified, which if not addressed, could pose undue risk to CSSA; or
- Deficiencies were identified in the application of internal directives, policies or best practices; however:
 - No significant residual risk exposures were identified;
 - No instances of non-adherence to laws and regulations were noted.

The Management Risk and Control Culture was assessed with "Adequate". This rating balances the demonstrated proactivity management has shown through capturing and tracking self-identified issues through the Credit Suisse's Action Tracking system (MICOS AT), and the efforts in certain areas such as promoting self-development and seeking regulatory guidance, with the following specific areas for improvement. Management should further enhance the robustness of the local risk and control framework, such as continuing to develop local key functions including strengthening of the local supervisory framework. Moreover, there is a need of improving the quality of the self-identified issues description and assessment of the risk. The recently joined management needs to continue with its "tone from the top" and proactively monitor the initiatives taken to improve the risk and control culture within CSSA.

8.0 Audit Committee Assurance

The Audit Committee assures shareholders and other interested parties that to the best of its knowledge and in all material aspects:

- Proper books of account have been maintained
- The system of internal controls is sound in design and has been effectively implemented
- It has no evidence that suggests the Company's inability to continue as a going concern

9.0 Sanctions and statutory penalties

- CSSA applies in form and spirit all capital market laws, rules and regulations issued by the regulators in its day to day business. Through the establishment of the Three Lines of Defense framework which is part of Credit Suisse Global policies, CSSA ensures that the application of regulations is robust and sustainable across businesses and functions.
- The Board of Directors of CSSA affirms that although CSSA was subjected to a breach by the Capital Market Authority due to content requirements of the Board of Directors report for the year 2018, no monetary fines were imposed by CMA or any other regulatory bodies inside or outside the Kingdom on the company during 2019.

10.0 Other Disclosures

Loans and the indebtedness statement: CSSA obtained short term loans from Credit Suisse AG during 2019 and all loans were extinguished during the same year.

Bonuses and indemnities: No CSSA members of the board or senior executive officers waived any bonuses or indemnities.

Contractual securities and subscription rights: There are no contractual securities owned by members of the board, senior executive officers or their families in CSSA's stocks or debt instruments.

Business and transactions with stakeholders: CSSA has not conducted any business and or executes any contracts with interests to any members of the board, senior executive officers or any of persons related thereto. Furthermore, the company has not executed any transaction with stockholders during 2019.

11.0 Remunerations for Board Members and Senior Executives:

Description	Executive Board Members	Non-executive and Independent Board Members	The top five senior executive officers who received the highest bonuses or indemnities in addition to the CEO and the CFO
Salaries and wages	=	=	4,410,290
Allowances	=	200,000*	1,890,124
Annual and periodic bonuses	=	=	146,000
Incentive plans	=	=	=
Commissions	-	=	=
Any in kind indemnities or benefits made on a monthly or annual basis	-	=	=

*Accrued in Books of Accounts and unpaid in FY 2019