

STANDARD CHARTERED CAPITAL SAUDI ARABIA
Annual Report of the Director
As of 31 December 2021

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On behalf of the Board of Directors (“**Board**”) of Standard Chartered Capital Saudi Arabia (“**the Company**”, “**SCCSA**”), I am pleased to present the Annual Report of the Directors along with the audited financial statements and the auditor’s report thereon for the fiscal year ended 31 December 2021.

Description of all major activities, plans and important decisions

Standard Chartered Capital Saudi Arabia was licensed on 01/10/1431 AH corresponding to 12/27/2009 AD to undertake the activities of Dealing as Principal and Underwriting, Arranging, Advisory and Custody in the securities business. The Company commenced its operation on 02/25/1431 AH corresponding to 01/29/2011 AD.

During the year 2021, the total income of the Company amounted to nineteen million fifty thousand five hundred fifteen Saudi Riyals (SAR 19,050,515) resulting in net income before deduction and tax calculation equivalent to one million eight hundred fifty thousand five hundred twenty-eight Saudi Riyals (SAR 1,850,528). The expenses stood at seventeen million six hundred thirty-eight thousand eight hundred eighty-three Saudi Riyals (SAR 17,638,883) driven primarily by allocations resulting from operational and technological support within the Group. The operating profit after tax amounted to one million four hundred eleven thousand nine hundred thirty-four Saudi Riyals (SAR 1,411,934). Earnings per share amounted to 0.14 Saudi Riyals.

The year 2021 witnessed a continuous recovery from the pandemic as the leadership of the Kingdom of Saudi Arabia has taken the necessary initiatives to limit the impacts of Covid-19 virus. The Company was able to deliver and meet its objectives for the fiscal year while maintaining its resiliency and effectiveness at addressing challenges. Moreover, the Board ensured effective oversight on the business strategy and plan.

From a business perspective, our debt capital markets business observed a positive year and thrived as our clients’ appetite for additional borrowing increased to support their businesses and needs during the challenging economic conditions and environment. The Company arranged numerous landmark debt capital markets transactions for clients that include the Kingdom of Saudi Arabia, National Commercial Bank, Islamic Development Bank, Saudi Arabian Oil Company, and APICORP. Moreover, the Company deepened further its relationships with existing clients and explored opportunities with new ones.

Additionally, during the year, the Company maintained strong governance and controls as the new ways of working resulted in new challenges. This resulted in a more robust and effective governance framework and foundation for the years to come. Despite the increasing demand for local skills and expertise in the Saudi market, the Company maintained its status as an employer of choice, able to attract and retain skilled and qualified Saudi nationals.

As of date, the Company continues to conduct all its activities under the Arranging License with the intention to activate the other licenses as the Saudi Arabian capital markets continue to develop, expand, and open to qualified foreign investors.

In summary, 2021 has witnessed a sharp recovery in growth post the outbreak of COVID-19. We continue to observe lucrative opportunities and business growth for Standard Chartered Capital Saudi Arabia.

1.1 The financial results of the Company and notes of the chartered accountant

In 2021, the Company achieved a net profit after tax of one million four hundred ten thousand four hundred four Saudi Riyals (SAR 1,410,404) resulting in a net profit per share of 0.14 Saudi Riyals.

	2020 SAR	2021 SAR
Revenue		
Arranging, consultancy and services fee	<u>20,362,844</u>	<u>19,050,515</u>
Total Revenue	<u>20,362,844</u>	<u>19,050,515</u>
Expenses		
Operating expenses	<u>(18,070,169)</u>	<u>(17,638,883)</u>
Total Expenses	<u>(18,070,169)</u>	<u>(17,638,883)</u>
Operating Profit	2,292,675	1,411,632
Other investment income	<u>994,794</u>	<u>438,896</u>
Net profit before tax	<u>3,287,469</u>	<u>1,850,528</u>
Income tax		
Deferred	221,146	226,576
Current	<u>462,888</u>	<u>212,018</u>
Net profit for the year	<u>2,603,435</u>	<u>1,411,934</u>
Earnings per share	0.26	0.14

1.2 The external auditor's report

The financial statements of SCCSA have been audited by the auditors of the Bank, Ernst & Young & Co.

Board of Directors

During 2021, Dr. Boutros Klink resigned from his position as the Company Chief Executive Officer while maintaining his Board membership as a Non-Executive Board Member.

As of December 31, 2021, the Board consisted of the following members:

Name	Designation	Classification	Other Directorships
Mr. Tahir Al Dabbagh	Chairman	Independent Non-Executive	Mohamed Yousuf Naghi & Brothers Group – Group Board Member Mulaga Investment Ltd. UAE – Board Member Mudaraba Al Maliya Co. Ltd. – Partner/Co-Founder Rabya Trading & Agriculture Co., Ltd. – Chairman, Audit Committee United Tri-Generation Co. (UTG) – Board Member Roots Group Arabia – Chairman, Board of Directors Tamwilly Int'l. (Previously Aqsat Int'l. Trdg. Co.) – Chairman, Audit Committee, Vice-Chairman and Board member Bayt Al Qoot UK LTD. – Board Member Wataniyah Insurance Company – Board Member Mudaraba Financial Company – Chairman, Board of Directors
Dr. Abdullah Al Beshar	Vice Chairman	Independent Non-Executive	King Salman Charity for Housing – Board Member Saudi VAMED (KSV) – Board Member Economy Company for Investment and Development – Chairman
Dr. Boutros Klink	Member	Executive – till 31 July 2021 Non- Executive – Since 01 August 2021	-
Ms. Souad Benkredda	Member	Non-Executive	-
Mr. Saqib Ahmad	Member	Non-Executive	-

2.1 Board of Directors meetings

Board of Directors	Q1 28 Mar 2021	Q2 27 May 2021	Q3 05 Sep 2021	Q4 07 Nov 2021
Mr. Tahir Al Dabbagh	✓	✓	✓	✓
Dr. Abdullah Al Beshar	✓	✓	✓	✓
Dr. Boutros Klink	✓	✓	✓	✓
Ms. Souad Benkredda	✓	✓	✓	✓
Mr. Saqib Ahmad	✓	✓	✓	✓

Board Committees

3.1 Board Audit Committee

The Committee reviews, on behalf of the Board, the Company's internal financial controls to identify, assess, manage, and monitor risks and to review the Company's internal control environment.

The details of the membership and meeting attendance of the Audit Committee are given below:

Board of Directors	Q1 28 Mar 2021	Q2 27 May 2021	Q3 05 Sep 2021	Q4 07 Nov 2021
Dr. Abdullah Al Beshar	✓	✓	✓	✓
Ms. Souad Benkredda	✓	✓	✓	✓
Mr. Saqib Ahmad	✓	✓	✓	✓

3.2 Board Nomination and Remuneration Committee

The Committee reviews, on behalf of the Board, the structure, size and composition of the Board and the requisites for its membership.

The details of the membership and meeting attendance of the Nomination and Remuneration Committee are given below:

Nomination and Remuneration Committee	Q4 07 Nov 2021
Dr. Abdullah Al Beshar	✓
Ms. Souad Benkredda	✓
Mr. Saqib Ahmad	✓

Compensation and remuneration of Board members and senior executives

Directors of the Board (other than the Independent Board Directors) were not paid any compensation, remuneration or fees in relation to their services as Board members of Standard Chartered Capital Saudi Arabia. Full details of the remuneration, fees and compensation paid to the Independent Non-Executive Board members in the year 2021 are provided in Appendix 1 (such payment represents their attendance fees of the Board and Committee meetings). Appendix 1 also provides details of compensation and bonuses for senior executives who were employed for the year ending December 31, 2021. There are no arrangements or waivers by the members of the Board or senior executives of any remuneration and compensation.

Penalties or Fines

There were no penalties or fines imposed on the Company during the year ending on December 31, 2021, by the Capital Market Authority or any other supervisory, regulatory or judicial authority.

Results of the Annual Review of the Effectiveness of Internal Control Procedures and the Audit Committee's Opinion on the Efficiency of the Internal Control System

An Audit Committee meeting was held on Tuesday March 29, 2022, in the presence of all its members. The committee discussed and reviewed the level of internal controls and governance based on the results of the annual review of the company's systems and control procedures for the year 2021, in addition to the administrative reports throughout the year. The committee has provided its opinion on these results and the level of internal controls and governance to the Board of Directors.

The company has established effective internal controls and governance mechanisms to monitor and support its current activities and manage emerging risks. The Country Executive Risk Committee ("ERC") provides adequate levels of governance oversight for key business risks and operates according to its approved terms of reference.

Management has established control monitoring activities and any concerns identified from these monitoring activities are escalated at the ERC and supervised till closure.

Currently there are no open issues, and the only open issue as per the last update with regards to obligation management now stands closed. From a Group perspective, operations and technology, data sovereignty and Information and Cyber Security remain a key theme being closely monitored.

Management has a good understanding of the current risks as well as any emerging risks and has implemented the Standard Chartered Group's enterprise risk management framework. In general, the current control environment is considered "Satisfactory" for the current business activities undertaken by the company.

Information related to any risks faced by the Capital Market Institution and the policy for managing and monitoring these risks

Operational risks:

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people, and systems, or from external events. Given the activity conducted by the Company is fee based under the Arranging License and the framework and controls in place, the operational risks remain low. However, given the Covid-19 pandemic special circumstances resulting in employees working from home, increased vigilance was exerted to ensure operational risks remain contained and well controlled. Risk events embraced during the year were all tabled in Operational Risk system and discussed in Executive Risk Committee (“ERC”).

Credit risks:

Given the activity conducted by the Company is fee based under the Arranging License, the Company's credit risk is minimal.

Market risk:

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. For the Company, the market risk arises from the investment of the capital. This risk is minimal as the capital is invested in short term liquid deposits.

Company's business results in the last five financial years

	2017 SAR	2018 SAR	2019 SAR	2020 SAR	2021 SAR
Revenues					
<i>Arranging/Advisory fees</i>	<u>13,480,126</u>	<u>8,981,400</u>	<u>12,711,645</u>	<u>20,362,844</u>	<u>19,050,515</u>
Total operating income	<u>13,480,126</u>	<u>8,981,400</u>	<u>12,711,645</u>	<u>20,362,844</u>	<u>19,050,515</u>
Expenses					
<i>Operating expenses</i>	<u>(13,680,411)</u>	<u>(11,881,147)</u>	<u>(9,034,250)</u>	<u>(18,070,169)</u>	<u>(17,638,883)</u>
Total cost	<u>(13,680,411)</u>	<u>(11,881,147)</u>	<u>(9,034,250)</u>	<u>(18,070,169)</u>	<u>(17,638,883)</u>
Operating profits	(200,285)	(2,899,747)	3,677,395	2,292,675	1,411,632

Names and information of Subsidiaries of the Capital Market Institution

There is no subsidiary of Standard Chartered Capital Saudi Arabia.

Interests, contractual securities and subscription rights of Board members

There are no interests, contractual securities and subscription rights of the members of the company's Board of Directors in the shares or debt instruments of Standard Chartered Capital Saudi Arabia.

Information related to any loans made by the Capital Market Institution

The Company confirms that no loans have been made.

Transactions between the Company and any related person

The majority of the transactions carried out by the company are with Standard Chartered Bank ("the Bank"), as the company's role is limited to arranging these transactions between the Bank and its clients.

Information related to any business or contracts in which the Capital Market Institution is a party or in which a member of the Board has an interest

The company declares that there are no transactions or contracts between the company and any other party in which any of the members of the Board has an interest or in which any of the members of the Board is a party.

Appreciation and gratitude

We are pleased to take this opportunity to express our thanks and gratitude to our business partners for their support and trust. We also extend our sincere appreciation to the Capital Market Authority for its continued guidance and cooperation with the Company. In conclusion, we extend our thanks to our partners, colleagues, and employees for their utmost commitment.

On behalf of the Board of Directors

**Mr. Tahir AlDabbagh
Chairman
March 2022**

Appendix 1

Table of disclosure of remunerations and compensations for the fiscal year 2021

Statement	Executive Board Members	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	-	-	599,322
Allowance for attendance of the committees' sessions	-	-	-
Periodic and annual remunerations	-	-	-
Incentive plans	-	-	-
Any compensation or other in-kind benefits paid monthly or annually	-	-	-
Total	-	-	599,322

Statement	Five senior executives who received the highest remuneration and compensation, in addition to the CEO and the CFO if they were not among them
Salaries and wages	1,308,531
Allowances	676,851
Periodic and annual remunerations*	739,705
Incentive plans	107,277
Commissions	-
Any compensation or other in-kind benefits paid monthly or annually	16,146
Total	2,848,510

*This entitlement is against the expected bonuses for the year 2021, to be paid at the end of March 2022

Appendix 2

Table of the company's assets, liabilities and business results for the last five years

	2017 SAR	2018 SAR	2019 SAR*	2020 SAR*	2021 SAR*
Total assets	112,434,720	118,814,324	121,518,560	323,447,543	130,891,055
Total liabilities	8,709,503	12,938,046	13,473,533	215,791,481	24,074,484
Total operational revenue	8,981,400	13,480,126	12,711,645	20,362,844	19,050,515
Net profit after deduction Tax	(1,062,980)	1,226,424	4,354,710	2,603,435	1,411,934

**The financial statements for 2019, 2020 and 2021 have been prepared in accordance with International Financial Reporting Standards*