

Deutsche Securities Saudi Arabia

Board of Director's Annual Report 2015

Deutsche Securities Saudi Arabia LLC ("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.

Despite the significant market challenges encountered during 2015, DSSA managed to generate SAR 42.7 million in revenues as compared to SAR 49.8 million in 2014. This is below the planned revenues of SAR 69.6 million for 2016. The decrease in revenues is primarily attributable to significant slowdown in investment banking business and the global market volatility during the year. Corporate Banking & Securities ("CB&S") was impacted by this slowdown during 2015 marking a decrease of 18% in revenues over 2014. Contributions from Asset and Wealth Management ("AWM") activity increased by 4% above 2014, and there was a decrease in revenues from Global Transaction Banking ("GTB") over 2014.

General and administrative expenses decreased from SAR 51.5 million in 2014 to SAR 39.4 million in 2015. The reduction was primarily driven by a decrease in the total employee compensation (including bonus pool) by SAR 11.2 million, as 2014 expenses included a one-off severance payment. Reversal in IT expenses of SAR 1.6 million also contributed to the total decrease of SAR 12.1 million in expenses during 2015.

The decline in revenues supported by the decrease in general and administrative expenses helped DSSA to report a net operating income of SAR 3.3 million.

Annual Audited Financials

KPMG conducted an external audit of DSSA's 2015 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. Auditor's report on the DSSA Financial Statements will be submitted to the management subject to completion of audit procedures on related party receivables and payables, and on Transfer Pricing revenues. The following items are still awaited from the auditor and are subject to receiving the final DSSA Financial Statements.

1. DSSA Audit report 2015
2. KPMG re-engagement letter 2016

Capital Adequacy Disclosures

In line with the pillar 3 disclosures requirements under the prudential rules by CMA, detailed capital disclosures are included in the DSSA financial statements for 2015.

DSSA is well capitalized with SAR 539 million of tier 1 capital and risks are minimised and appropriately mitigated. There has been minimal movement in the total capital requirements with the main item relates to market risk, which mainly comprises of FX and Equities risks. There were no equities exposures as at December 2015. The market risk capital component has increased from SAR 1.5 million at December 2014 to SAR 3.5 million as at December 2015.

Implemented Provisions of CMA Regulations

As far as we are aware, there have been no departures from applicable regulatory requirements during 2015.

Formation of DSSA's Board of Directors

Mr. Abdulhadi Shayif continued as Chairman of DSSA's Board in 2015.

The Board had six members during 2015: one Executive Director, Mr. Jamal Al Kishi (Chief Executive Officer); three Non-Executive Directors, Mr. Ashok Aram, Mr. Alexander von zur Muehlen and Mr. Marco Kistner (appointed as a Non-Executive member in September 2014) and two Independent Directors, Mr. Abdulhadi Shayif (Chairman) and Mr. Sameer Alhamidi.

Outside Directorships by DSSA Board Directors

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

Board Member	Company Name	Country
Abdulhadi Shayif	Saudi Hollandi Bank	KSA
	Bupa Saudi Arabia	KSA
	Saudi Ground Services	KSA
	AlMajdouie group	KSA
	Attieh Steel Co. Ltd	KSA
	Health Water Bottling Co	KSA
	FWU International Advisory Board	Germany
Jamal Al Kishi	Deutsche Gulf Finance	KSA
Ashok Aram	Soliton Technologies Pvt Ltd.	India
	Tyfone Inc.	USA
	Nitesh Estates	India
Alexander von zur Muehlen	Deutsche Bank Financial LLC	USA
Marco Kistner	Deutsche Bank A.S.	Turkey
Sameer Alhamidi	Astra Industrial Group	KSA
	Ace International	Panama
	Saco	KSA

Board Committees

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 with regards to their appointment, re-appointment, removal and remuneration; assessing their independence; approving the audit plan and reviewing the findings.

There were four Audit Committee meetings held in 2015. The Chairman is Mr. Yousef Al-Mobarak and the members are Mr. Sameer Alhamidi and Mr. Alexander von zur Muehlen.

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, setting levels of remuneration, 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.

There was one meeting held by circulation in 2015. The Chairman is Mr. Ashok Aram and the members in 2015 were Mr. Ashok Aram and Mr. Alexander von zur Muehlen and Mr. Marco Kistner.

The committee remains satisfied by the structure and composition of the Board. Board attendance as follows:

	16th Feb 2015	7th Sep 2015
Abdul Hadi Shayif	Yes	Yes
Jamal Al Kishi	Yes	Yes
Ashok Aram	Yes	Yes
Alexander von-zur-Muehlen	Yes	Yes
Marco Kistner	Yes	Yes
Sameer Al Hamidi	Yes	Yes

Compliance Committee

The Compliance Committee oversees the company's compliance risk, and seeks to ensure that robust, consistent and up-to-date compliance policies and procedures are in place to manage such risk. It is responsible for reviewing and considering any issues related to laws and regulations, business practices and procedures, ethics, conflicts of interest, confidentiality 'know your customer' policies and others, as well as reviewing cases of regulatory enforcement. The Committee also coordinates compliance training where necessary.

There were three Compliance Committee meetings held in 2015. The members are:

Mr. Jamal Al Kishi, Chief Executive Officer (Chairman); Mr. Mohammed Al Ajmi, Chief Operating & Risk Officer (following the departure of Mr. Javeed Ameen); Mr. Abdulaziz Alyabes, Head of Compliance and Anti-Money Laundering ("AML") DSSA (following the departure of Mr. Fahad Alissa); and Mr. David Ghaffari, Group Audit (following the departure of Mr. Stephen Margerum).

Remuneration

Details of the compensation and remuneration paid to each of DSSA's Board Directors, and the top five paid executives at the company, will be supplied to CMA by an external firm.

Penalties

DSSA did not incur any penalties or fines during 2015.

Litigation

There were no legal proceedings involving DSSA which were either on-going or resolved during 2015.

Annual Audit: Internal Control Procedures

In line with CMA requirements, DSSA completed its annual internal audit by end of December 2015. The report dated 26th October 2015, was submitted to CMA on 28th January 2016. No critical issue was raised during the audit. One significant issue relating to 'Know Your Client' process was raised during the audit. The issue was partially self identified and is due for remediation by end of May 2016.

Five important issues were identified, of which four have already been closed and the remaining issue is expected to close within the committed timeline.

Additional disclosures as per CMA requirement

Risk Management

DSSA, as an Authorised Person operating in Saudi Arabia, is exposed to various operational, credit and market risks. Detailed guidelines for managing such risks are in place and are followed as required. Risk Management framework for DSSA is also detailed in the Internal Capital Adequacy Assessment Process (ICAAP) report submitted to CMA.

Operational Risk

DSSA manages operational risk based on a DB Group-wide framework that enables DB Group to determine the operational risk profile in comparison to the risk appetite and systematically identify OR themes and to define appropriate risk mitigation measures and priorities. Data collected within the ORM process is used to determine the Operational Risk capital demand.

Operational Risks are identified on a day-to-day basis in all components of the ORM framework and especially by identifying internal losses and deriving scenarios to complete the risk profile based on triggers. Details of the processes and requirements for the identification of operational risks as well as the roles and responsibilities are included in the OR identification key operating procedures.

In 2015, an Operational Risk Regulatory & Policy Adherence Exercise was conducted for DB Group, to monitor that the framework adheres to local regulations.

Credit Risk

DSSA faces fairly low credit exposure given its business model, which consists primarily of pre-funded equity swaps with DB London. On external counterparties, there are only two facilities (SAR10m each) for two regional banks, whereby DSSA takes overnight settlement risk.

Market Risk

Market risks assumed by DSSA are managed by Market Risk Management (MRM) as part of MRM's global risk management framework. The framework is laid out in Policies and Key Operating Procedures which apply at the DB Group level and is supplemented by specific guidelines that apply at the DSSA level.

DSSA is integrated into Deutsche Bank Group's global limit system, which is defined, monitored and controlled by MRM. Market risk measures are calculated on a daily basis by Market Risk Operations (MRO) centrally and exposures monitored against the established limits.

Loans

DSSA does not have any loans payable for fiscal year 2015.

Disclosures by DSSA Board Directors:

Transactions between DSSA and its associate

There were no transactions between DSSA and its associates, including employees and shareholders, during the fiscal year 2015.

Board members' Conflict of Interest

DSSA's Board Directors did not hold any interest, contractual securities, and subscription rights in the shares or debt instruments of DSSA during 2015.

Board members' Business or contracts

The Board confirms that during 2015, neither DSSA's Board Directors nor DSSA CFO or any associate of DSSA, held any interest in business or contracts where DSSA is counterparty.

Jamal Al Kishi
Chief Executive Officer

Compensations and Remunerations Disclosure

Statement	Executive Board Members	Non-Executive and Independent Board Members	Five of Senior Executives Who Received Highest Remunerations and Compensations in addition to the CEO and CFO If not Included in the Five*
Salaries and compensations	0	0	6,996,645
Allowances	0	0	2,530,855
Periodic and Annual Remunerations	0	0	4,801,670
Incentives Plans	0	0	0
Any compensations or other in-kind benefits paid monthly or annually	0	640,000*	0

*All numbers are in Saudi Arabian Riyal.

*The list of highest paid executives has the highest six executives including the CEO and CFO.

*Board of Directors compensation is paid on quarterly basis.