

## J.P. MORGAN SAUDI ARABIA COMPANY

Annual Board Report 2024

J.P.Morgan

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## 1. Overview

J.P. Morgan Saudi Arabia Company (the “Company” and “JPMSA”) is a single shareholder closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. On 11th November 2012, JPMSA was awarded a CMA license to amend its activities to include dealing as principle, dealing as agent in the local market and underwriting and commenced its business on 6th October 2015.

In 2017, the company converted from a Limited Liability Company to a Single Shareholder Closed Joint Stock Company as directed by the CMA. The Company is a direct and wholly owned subsidiary of J.P. Morgan International Finance Limited (“JPMIF”). The Company currently has paid up share capital of SAR 93,750,000 which was approved as a capital increase by the CMA on 26<sup>th</sup> April 2015. The Company does not have any subsidiaries and does not own or control any other company.

JPMSA is located on the 8th floor of the Al Faisaliah Tower in Riyadh. The Company’s clients include banks, government institutions, large corporate clients and large family groups.

The Company continues to invest in people and expanding its platform capability to enable seamless local and international client execution.

## 2. Licenses

### a. Arranging

The Investment Banking team at the Company participates in arranging transactions on equity, debt or hybrid offerings.

### b. Advisory

The Company is licensed to advise clients on Mergers & Acquisitions, disposals, joint ventures, corporate restructurings, privatizations and financial services.

### c. Underwriting

The Company is licensed to underwrite public securities transactions in Saudi Arabia.

### d. Custody

#### *Direct Custody and Clearing (“DCC”)*

J.P. Morgan's Direct Custody and Clearing (DCC) provides clients with access to all local/domestic market infrastructures, including exchanges, clearing houses and depositories. Combining local deployment of world-class technology, proven leadership, comprehensive product and service capabilities in securities services, we meet the needs of a diverse clientele including universal banks, global custodians, market infrastructures, international broker dealers and domestic financial institutions. Through DCC we provide an end-to-end processing capability spanning the clearing, settlement, custody and asset servicing value chain.

Local market experts work in partnership with clients to deliver best-in-class securities services including on-exchange clearing, settlement, safekeeping, asset servicing, fails coverage, FX and treasury services. Close engagement with market infrastructures and decision makers ensures clients' interests are represented locally and they are kept informed of market changes impacting their business.

#### Key Benefits

- Core products and value-added services – direct local market access for clearing, settlement, custody and asset servicing
- Distinctive client experience – global, regional and local approach to relationship management and client service
- Global consistency and scale – globally consistent service levels and contractual documentation
- Breadth of J.P. Morgan products – access to J.P. Morgan's end-to-end capabilities for a wide range of asset classes and investment strategies.

#### *Global Custody*

The Company supports JPMorgan's Global Custody clients investing in international assets by establishing relationship management and local client service capabilities in the Kingdom. This group supports Saudi and GCC clients including government entities, investment firms, and banks.

#### **e. Dealing**

The Company provides brokerage services on The Saudi Stock Exchange ("Tadawul") for local, Gulf Cooperation Council ("GCC") and Qualified Foreign Investor ("QFI") clients. The Company went live with Independent Custody Model ("ICM") agency business and Algorithmic Trading in 2018. The Company acts as an agent on behalf of other J.P. Morgan entities in marketing securities and other financial instruments including OTC derivatives transactions, foreign currency, rates and credit trading.

### **3. Financials**

PriceWaterhouseCoopers ("PwC") conducted an external audit of the Company for the 2024 fiscal year and provided an unqualified audit opinion that the financial statements present fairly, in all material respects, in accordance with International Financial Reporting Standards, that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCOPA.

JPMSA's operating income in 2024 was SAR256mm, which has increased compared to prior year (2023: SAR181mm) driven primarily by increase in custody and investment

banking revenues. Operating expenses (2024: SAR100mm) increased compared to prior year (2023: SAR56mm) mainly due to one-off tax expense incurred to benefit from the tax amnesty scheme, covering VAT and WHT liabilities from 2019 to 2023 on non-cash settled inter-company expenses. Over the five year's period, operating income has increased by 169% while the related operating expenses have increased by 138%. Markets and Investment Banking businesses had been the main contributors to the income over the initial years. However, from FY 2019 onwards, Equities Brokerage and Custody businesses have also made sizeable contributions to the overall income.

There was a slight dip in net margins in FY'20 mainly due to lower markets and brokerage revenues. Net profit after tax for 2024 was SAR120mm up from 2023 (SAR99mm) driven by increased revenues in 2024. The Company's FY 2025 Annual Plan has been approved by the Board of Directors. The Company is adequately capitalised and holds sufficient levels of liquidity to meet its obligations.

JPMSA has no outstanding loans.

All business expansion initiatives including new product offerings are subject to internal governance process with due consideration to the available capital resources, regulatory framework etc. The Company regularly updates its forecasts and expects to achieve its Annual Plan for the year.

A summary of last 5 year's key financial metrics is stated below:

SAR' mm	FY'24	FY'23	FY'22	FY'21	FY'20
Total Assets	683	575	452	401	307
Total Liabilities	51	63	39	53	32
Total Equity	632	512	413	348	275
<b>Total Liabilities &amp; Equity</b>	<b>683</b>	<b>575</b>	<b>452</b>	<b>401</b>	<b>307</b>
Income	256	181	127	137	95
Expenses	(100)	(56)	(48)	(44)	(42)
Taxation	(36)	(26)	(15)	(20)	(11)
<b>Net income</b>	<b>120</b>	<b>99</b>	<b>64</b>	<b>73</b>	<b>42</b>

In the ordinary course of its activities, the Company transacts business with its related parties. Related parties include JPMorgan Chase Bank, National Association including foreign branches and affiliated entities; the Board of Directors; and key management personnel. Key management personnel are those persons, including Non-executive Directors, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company.

Significant transactions with related parties in the ordinary course of business are summarized in the Note 3 of the Financial Statements.

## 4. Company's Risks

Risk is an inherent part of JPMSA's business activities. The Firm's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients, customers and investors and protecting the safety and soundness of the Firm.

Each Line of Business owns the ongoing identification of risks, as well as the design and execution of controls, inclusive of Independent Risk Management specified controls, to manage those risks. To support this activity, the Firm has a Risk Identification process in which the first line of defense identifies material risks inherent to the firm, catalogues them in a central repository and reviews the most material risks on a regular basis. The second line of defense establishes the risk identification framework, coordinates the process, maintains the central repository and reviews and challenges the first line's identification of risks.

JPMSA is fully integrated into the Firmwide Risk Management Framework, leveraging Firmwide Risk Management policies and procedures. JPMSA has developed the Risk Manual that outlines the results of the annual risk identification and assessment process and sets out the key firmwide policies and the associated framework for the effective Risk Management of JPMSA. This document is updated at least once a year and approved by the JPMSA Management Committee.

JPMSA identified the following applicable and material risks: business strategy risk, capital risk including FX risk to capital ratios, group risk, liquidity risk, reputation risk, credit risk, market risk, interest rate risk in banking book (commission rate risk), operational risk, country risk and pension (end of service) risk.

- **Business strategy risk:** the risk associated with business decisions that may impact revenue, business growth or viability.
- **Capital risk:** the risk the Firm has an insufficient level and composition of capital to support the Firm's business activities and associated risks during normal economic environments and under stressed conditions. JPMSA is well capitalized with the capital ratio of 93.71% as at YE24.. FX risk to capital ratios is the risk of adverse effect of the exchange rate on capital ratios. FX risk to capital ratios for JPMSA arises from risk weighted exposures denominated in non-SAR currencies.
- **Liquidity risk:** the risk that the firm will be unable to meet its contractual and contingent obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.
  - o JPMSA's assets are mainly liquid overnight deposits or nostro accounts at banks. As at YE24, JPMSA has taken no loans but has liabilities of SAR 44.6mm.

- JPMSA may need some funding in case of rejected trades under the Independent Custody Model in its Equities Brokerage or unsold underwriting equity commitments. JPMSA has established processes for providing necessary liquidity to JPMSA by other JPM entities in the above scenarios, although their probability is relatively low. Also, SABB has provided a SAR 4.3bn guarantee facility to the exchange (Tadawul) on behalf of JPMSA to support the equities and custody business settlement activity.
- **Reputation risk:** is the risk that an action or inaction may negatively impact perception of the firm's integrity and reduce confidence in firm's competence by its various stakeholders, including clients, counterparties, customers, communities investors, regulators or employees. JPM takes a qualitative approach to addressing reputation risk appetite given the nature of the risk.
- **Credit risk:** the risk associated with the default or change in credit profile of a client, counterparty or customer.
  - JPMSA's credit risk profile is limited and short-term, and is driven by deposits held with JPMorgan Chase Bank, N.A. and Saudi Awwal Bank. Other assets contributing to credit risk include fee accruals due from related parties, income receivables and prepaid expenses.
  - JPMSA's credit concentration risk is related to single name concentration (JPM group and Saudi Awwal Bank), industry concentration (financial sector) and geographical concentration (Saudi Arabia and USA).
- **Market risk:** the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.
  - JPMSA's market risk is limited to the foreign exchange risk which arises from non-SAR positions. The non-SAR open currency positions are primarily in USD.
  - JPMSA may be exposed to market risk in case of rejected trades under the Independent Custody Model in its Equities Brokerage business or unsold underwriting equity commitments, the probability of which is deemed to be low. JPMSA implemented thresholds to monitor and control potential market risk arising from the above trades.
- **Interest rate risk in banking book** (commission rate risk): results from the firm's traditional banking activities (accrual accounted on and off-balance sheet positions) which includes extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities). JPMSA's

interest rate risk in banking book is minimal due to the short-term overnight nature of deposits held with banks.

- **Operational risk:** the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the firm's processes or systems; it includes compliance, conduct, legal and estimations and model risk. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, cybersecurity attacks, inappropriate employee behavior, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels considering the Firm's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.
- **Pension (end of service) risk:** the risk caused by the JPMSA obligation with respect to an end of service benefit payment. Pension risk is driven by market and demographic factors where JPMSA may be unable to meet future expected benefit payments.
- **Group risk and country risk** are not separately quantified and are managed as part of risk governance processes of the risks they are part of (including credit, market, operational and liquidity risks).

## 5. Board Member Interests

Details of Board members' appointments as a board member in other companies are listed in Appendix 1. No securities, contractual interests or subscription rights belong to the directors or any associate to them in the company's shares or debt.

## 6. Board Members and Meetings

Ziyad Al Saleh left the Board on 11 September 2024. The existing Independent Non-Executive Director Hussam Shobokshi was appointed as a Board Chair replacing Ziyad Al Saleh. Saad Alomran was onboarded as a new Independent Non-Executive Director on 9 December 2024.

The Board held four meetings in 2024, the first meeting was held on 13 March 2024 , second meeting was held on 27 June 2024, third meeting on 11 September 2024 and fourth meeting on 10 December 2024. The meetings were attended by a majority of the directors on record at the time and each meeting was properly constituted as referenced in Appendix 2.

### a. Board Members:

Name	Position
<b>Hussam Shobokshi</b> ( <i>appointed Board Chair effective 11 September 2024</i> )	Chair and Independent Non-Executive Director
<b>Bader Alamoudi</b>	Vice-Chair and Non-Executive Director
<b>Khalid Fayed</b>	CEO and Executive Director
<b>Tara Lamont</b>	Non-Executive Director
<b>Karin Ovegren</b> ( <i>appointed Member effective 4 February 2024</i> )	Non-Executive Director
<b>Saad Alomran</b> ( <i>appointed Independent Non-Executive director effective 9 December 2024</i> )	Independent Non-Executive Director

### b. Remuneration and Compensation:

The company's independent board members receive a disbursement of SAR 200,000 each. Other Board members do not receive any remuneration from the Company in their capacity as Board members. The Company is 100% owned by J. P. Morgan International Finance Limited ("JPMIFL") and the Board members, senior executives or relatives do not hold any shares or debt instrument in the Company.

Appendix 3 states the remuneration and compensation paid to Board of Directors and five senior executives including the Chief Executive Officer and Chief Finance Officer.

## 7. Main Committees of the Board of Directors

The Board has delegated the following responsibilities to the Compliance Committee and Nomination & Remuneration Committee.

### Compliance Committee

Members of the Committee:

Name	Position
<b>Khalid Fayed</b>	Chair (Appointed on 21 September 2023)
<b>Razan Tabbara</b>	Member (Resigned on 30 September 2024)
<b>Fuad Khawaja</b>	Member

<b>Wejdan Alfraihi</b>	Member and Secretary (Resigned in April 2024)
<b>Tamim Almazroa</b>	Member and Secretary (appointed on 7 October 2024)
<b>Ohud Alrubayan</b>	Compliance officer and Deputy MLRO

Khalid Fayed is the new Chair for the Compliance Committee starting September 2023 replacing Fahad Aldaweesh.

The Committee met on four occasions in 2024 with its members in attendance.

The responsibilities of the Committee shall be to:

- Oversee the scope, structure and activities of compliance function to ensure compliance function carrying out its mandate.
- Regularly assess the compliance function independency.
- Ensure the firm's compliance with regulatory requirements and regulations.
- Assessing the compliance function controls regularly.
- Review and monitor the progress of correction actions and compliance plan implementation.
- Review the adequacy of internal policy and procedure to address the compliance need with the authority rules and regulation; and
- Communicating the deficiencies and recommending improvement to the Board of Directors.

### Nomination and Remuneration Committee

Members of the Committee:

Name	Position
<b>Tara Lamont</b>	Chair
<b>Bader Alamoudi</b>	Member
<b>Karin Ovegren</b> ( <i>appointed Member effective 4 February 2024</i> )	Member
<b>Office of the Secretary</b>	Secretary

The Committee met four times during 2024 with all members in attendance during all meetings.

The responsibilities of the Committee shall be to:

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting honour or honesty is nominated for such membership.
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such

membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.

- Review the structure of the Board of Directors and recommend changes.
- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the company's interest.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
- Draw clear policies regarding the indemnities and remunerations of the Board of Directors and top executives; in laying down such policies, the standards related to performance shall be followed.

## **8. Violations**

No violations imposed by the Authority or from any supervisory, regulatory, or judicial body during 2024.

## **9. Internal Audit Reviews and Audit Committee Opinion**

Internal Audit provides independent risk-based and objective assurance on the governance, risk management and internal control processes of the Company. The Annual audit plan and results are presented periodically to the Company's Board. in 2024, internal audit performed audit work to meet the requirement as per Article 62 of the Capital Market Authority's Capital Market Institutions Regulations.

**Hussam Shobokshi**

Chair of J.P. Morgan Saudi Arabia Company

**Khalid Fayed**

CEO of J.P. Morgan Saudi Arabia Company

**Abdulaziz Almathami**

CFO of J.P. Morgan Saudi Arabia Company

## Appendix 1:

### a- Board Members Membership in Other Companies

#### Hussam Shobokshi

Chair and Independent Non-Executive Director *(appointed Chair from 11 September 2024)*

Entity	Position Held	Shareholding / Other Interests
-	-	-

#### Bader Almoudi

Vice Chair and Non-Executive Director

Entity	Position Held	Shareholding / Other Interests
-	-	-

#### Khalid Fayez

CEO and Executive Director

Entity	Position Held	Shareholding / Other Interests
-	-	-

#### Tara Lamont

Non-Executive Director

Entity	Position Held	Shareholding / Other Interests
-	-	-

#### Karin Ovegren

Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
-	-	-

#### Saad Alomran

Independent Non-Executive Director

Entity	Position Held	Shareholding / Other Interests
Tahweel integrated company	Board member	Shareholder
OMRAN Mohammed Alomran and partners investment company	Board member	Shareholder

**Appendix 2:**  
**b- Board Members Interests**

**Hussam Shobokshi**  
**Chair & Independent Non-Executive Director**

Interests	Contract name	Amount	Period
-	-	-	-

**Saad Alomran**  
**Independent Non-Executive Director**

Interests	Contract name	Amount	Period
-	-	-	-

There is no business or contracts to which the Capital Market institution is a party, or in which there was an interest of a member of the Board of Directors of the Capital Market institution or senior executives or any person related to any of them.

### Attendance Record of 2024 Board Meetings

Name	Position	13 Mar 2024	27 Jun 2024	11 Sep 2024	10 Dec 2024
<b>Ziyad Al Saleh</b>	Chair and Independent Non-Executive Director	Yes	Yes	Yes	N/A
<b>Bader Alamoudi</b>	Vice Chair and Non-Executive Director	Yes	Yes	Yes	Yes
<b>Saad Alomran</b>	Independent Non-Executive Director	N/A	N/A	N/A	Yes
<b>Tara Lamont</b>	Non-Executive Director	Yes	Yes	Yes	No
<b>Karin Ovegren</b>	Non-Executive Director	Yes	Yes	Yes	Yes
<b>Hussam Shobokshi</b>	Independent Non-Executive Director	Yes	Yes	Yes	Yes
<b>Khalid Fayez</b>	CEO and Executive Director	Yes	Yes	Yes	Yes

### Attendance Record of 2024 Nomination and Remuneration Committee

Name	Position	7 May 2024	26 Jun 2024	19 Aug 2024	4 Dec 2024
<b>Tara Lamont</b>	Chair and Member	Yes	Yes	Yes	Yes
<b>Bader Alamoudi</b>	Member	Yes	Yes	Yes	Yes
<b>Karin Ovegren</b>	Member	Yes	Yes	Yes	Yes

## Attendance Record of 2024 Compliance Committee Meetings

Name	Position	12/3/2024 (Q1)	26/06/2024 Q2	19/09/2024 (Q3)	11/12/2024 (Q4)
<b>Khalid Fayeza (appointed on 21 September 2023)</b>	Chair	Yes	Yes	Yes	Yes
<b>Razan Tabbara (Resigned on September 30)</b>	Member	Yes	Yes	Yes	NA
<b>Fuad Khawaja</b>	Member	Yes	Yes	Yes	Yes
<b>Wejdan Alfraihi (Resigned on April)</b>	Member and Secretary	Yes	NA	NA	NA
<b>Ohud Alrubayan</b>	Compliance officer and Deputy MLRO	No	Yes	Yes	No
<b>Tamim Almazroa</b>	Member	NA	NA	NA	Yes

## Appendix 3: Remuneration and Compensations

### Remuneration and Compensations Disclosure in SAR

Statement	Executive Board Members <sup>1</sup>	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	-	-	353,333
Allowance for attendance of the committees' sessions	-	-	-
Periodic and annual remunerations	-	-	-
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>353,333</b>

	Five of the 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	7,021,134
Allowances	149,818
Periodic and annual remunerations <sup>2</sup>	5,090,728
Incentive plans <sup>3</sup>	1,453,696
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	-
<b>Total</b>	<b>13,715,376</b>

<sup>1</sup> The CEO is included in the top five Senior Executives. He is also an Executive Director but is not paid any specific fees for this role

<sup>2</sup> This includes annual bonuses (in cash and shares) paid / awarded in January 2025 in respect of the 2024 performance year

<sup>3</sup> This includes deferred compensation from prior years which vested / was paid during 2024 and non-annual payments such as dividend equivalents paid on unvested RSUs during the period, sign-on bonuses, overtime payments, end of service payments and severance payments

## **Appendix 4: Audited Financial Statement**

**J.P. MORGAN SAUDI ARABIA COMPANY**

**(A Single Shareholder Closed Joint Stock Company)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024  
AND INDEPENDENT AUDITOR'S REPORT**