



Natixis Saudi Arabia Investment Company (NSAIC)
**Board of Directors Annual Report
for 2023**

NSAIC Board of Directors Annual Report for 2023

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Overview

Natixis Saudi Arabia Investment Company (“NSAIC” or “the Company”), is a closed joint stock company (single shareholder company) registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010616683 dated 14 Rabi II 1441H corresponding to 12 December 2019.

NSAIC offers tailor-made capital markets products and investment banking services to our local clients, which include financial institutions, corporates, family offices and SWFs.

The Company obtained CMA license No. 19205-31 dated Muharam 25, 1441H (corresponding to September 24, 2019) and approval to commence business on Ramadan 13, 1441H (corresponding to 6 May 2020) to engage in Arranging, Advising and Dealing as Underwriter. In light of the revised strategy drawn up by the CEO, Executive Management and the Board concluded that the Advising license would no longer be necessary in pursuing the Company’s ambitions in the Kingdom. The Company therefore decided that an application for cancellation of the Advising license be made which the CMA approved on September 20, 2021.

NSAIC is wholly owned subsidiary by Natixis with a paid-up share capital of SAR 50,000,000. Natixis is a French multinational financial services firm with a share capital of € 5.89 billion, specialized in asset & wealth management, corporate & investment banking, insurance and payments. Natixis in turn is a subsidiary of Groupe BPCE, the second-largest banking group in France.

NSAIC is located on the 16th floor of the Al Faisaliah Tower on King Fahad Road, in Riyadh and its business is limited to the Kingdom of Saudi Arabia.

Statement of Board of Directors

The global financial services sector has continued to evolve rapidly in 2023, driven by technological advancements, regulatory changes, and shifting consumer behaviors. Digital transformation, fintech innovation, and the rise of sustainable finance have been key themes shaping the industry. Additionally, the sector has been impacted by geopolitical tensions, inflationary pressures, and the ongoing conflicts in Ukraine and Gaza.

As per the IMF's World Economic Outlook in January 2024, global growth is projected to stay at 3.1 percent in 2024 and rise to 3.2 percent in 2025. Elevated central bank rates to fight inflation and a withdrawal of fiscal support amid high debt weigh on economic activity.

Inflation is falling faster than expected in most regions, amid unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8 percent in 2024 and 4.4 percent in 2025, with the 2025 forecast having been revised down.

For Saudi Arabia, the IMF has revised its expectations for economic growth indicating a positive outlook for the Kingdom's economy. It now predicts a growth rate of 5.5% in 2025, an increase from its previous estimate of 4.5% issued in October 2023. These revisions were made based on the data published in the IMF's report 'Updates on Global Economic Prospects' in January 2024, which highlighted the optimistic outlook for the Saudi economy's performance and strength despite the risks and challenges present in the global economic landscape.

This positive outlook confirms the growth and prosperity of the Saudi economy, which is being driven by strong leadership both regionally and internationally. The report also expects the global economy to achieve a growth rate of 3.1% in 2024 and 3.2% in 2025.

Within that promising context, Natixis Saudi Arabia Investment Company will continue to deliver on its strategy for the country deepening existing client relationships while forging new ones as the Kingdom implements its Vision 2030.

The Board expresses confidence in its new CEO, Hussam Alkhayal's ability to effectively do so and lead the Company to new heights of success.

Corporate Governance

Board of Directors

NSAIC's Board of Directors believe that a strong corporate governance framework 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 currently composed of six members including four representing its shareholder, Natixis and two independent members:

- Mr. Khalid Algahtani Independent Chairman
- Mr. Simon Eedle Vice Chairman & Non-Executive Board Member
- Mr. Alain Gallois Non-Executive Board Member
- Mr. Guillaume De Saint-Seine Non-Executive Board Member
- Mrs. Barbara Riccardi Non-Executive Board Member
- Dr. Adnan Soufi Independent Board Member

During 2023, the Board of Directors held two meetings.

The attendance reports for these meetings are as follows:

Members	N.1/2023 Meeting (Held on 15/5/2023)	N.2/2023 Meeting (Held on 21/10/2023)
Mr. Khalid Algahtani	attended	attended
Mr. Simon Eedle	attended	attended
Mr. Alain Gallois	attended	attended
Mr. Guillaume De Saint-Seine	attended	attended
Mrs. Barbara Riccardi	attended	attended
Dr. Adnan Soufi	attended	attended

Audit & Risk Committee (ARC)

The ARC reports directly to the Board of Directors and meets a minimum of twice during the year. It is responsible for monitoring the integrity of the NSAIC's financial statements, reviewing significant financial reporting issues and evaluating whether the Company has followed appropriate accounting standards. It reviews the effectiveness of NSAIC's internal control and financial control systems and oversees its performance. The ARC also oversees the relationship with the external auditor, which includes making recommendations about their appointment, re-appointment, removal and remuneration, assessing their independence, monitoring their effectiveness, approving the audit plan and reviewing the findings.

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The ARC is composed of four members, three representing the shareholder as non-executive board members and one independent board member as follows:

- Mrs. Barbara Riccardi Chair
- Mr. Simon Eedle Vicechair Member
- Mr. Alain Gallois Member
- Dr. Adnan Soufi Member

During 2023, the Audit & Risk Committee held two meetings. The attendance report for these meetings is as follows:

Members	N.1/2023 Meeting (Held on 9/3/2023)	N.2/2023 Meeting (Held on 7/11/2023
Mrs. Barbara Riccardi	attended	attended
Mr. Simon Eedle	attended	attended
Mr. Alain Gallois	attended	attended
Dr. Adnan Soufi	attended	attended

Permanent invitees to the Audit & Risk Committee meetings are the Company's CEO, the Head of Compliance & MLRO, the Chief Finance Officer, Head of EMEA Internal Audit, and the ME General Secretary. From time-to-time individual members from the shareholder is invited to attend.

Nomination & Remuneration Committee (NRC)

The Nomination & Remuneration Committee is a sub-committee of the Board which meets at least once a year to ensure the suitability of the Board's structure, which includes nominating and re-appointing directors and committee members, formulating succession plans and reviewing the Board's performance. It keeps under review the Company's leadership needs and any related strategic issues that may affect the Company. It 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 is currently composed of three members representing its shareholder, Natixis:

- Mrs. Barbara Riccardi Chair
- Mr. Simon Eedle Vicechair
- Mr. Alain Gallois Member

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During 2023, the Nomination & Remuneration Committee held one meeting.

The attendance report for the meeting is as follows:

Member	N.1/2023 Meeting (Held on 7/2/2024)
Mrs. Barbara Riccardi	attended
Mr. Simon Eedle	attended
Mr. Alain Gallois	attended

Directorships and Managerial roles held by NSAIC Board of Directors

Board Member	Company Name	Country	Director / Manager
Mr. Khalid Algahtani	Hassan Abdulkarim Al-Qatani Holding Group of Companies (HAKA GROUP)	KSA	Chairman & CEO
	Saudi Services and Re-Export Company	KSA	Member of the Board of Directors
	Rikaz Properties	KSA	Chairman
	Adeem Capital	KSA	Chairman
	Radian Oil & Gas Services Co	KSA	Chairman
	Salayel Arabia Group	KSA	Chairman
	Edutacs	KSA	Chairman
	Ajnadien Properties S.A.L	Lebanon	Chairman
	Ajwad Holding S.A.L.	Lebanon	Chairman
		Lebanon	Chairman

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	Lebanese Investment Opportunités (LIO) Holding S.A.L.		
Mr. Simon Eedle	Natixis	UK	Senior Country Manager
	Connected Asset Management	UK	Independent Board Member
Mr. Alain Gallois	Natixis	France	Global Head of Coverage and Head of EMEA
Mrs. Barbara Riccardi	Natixis	Dubai	Regional Head of Middle East, Caucasus and Central Asia
Mr. Guillaume De Saint-Seine	Natixis	France	Global Head of Financial & Sovereign Institutions
	Fenchurch Advisory	UK	Senior Adviser
	Natixis Pfandbriefbank AG	Frankfort	Chairman of the Supervisory Board
	France Galop PMU H. Racing Media	France France France	Chairman Board Member Chairman
Dr. Adnan Soufi	Fitaihi Group Holding Company	KSA	Independent Board Member and Chairman of the Audit Committee
	DAS Partners	KSA	Non-Executive Independent Vice-Chairman and
	Wadi Jeddah	KSA	Chairman of the Investment Committee
	General Authority for Awqaf	KSA	Member of the Board and Chairman of the Investment Committee
	The Environment Fund	KSA	Chairman of the Advisory Committee

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	State Street Saudi Arabia Financial Solution Company	KSA	Member of the Investment Committee Advisory Board Member (Non-Executive)
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Remunerations

Board Members Remuneration in Saudi Riyals

Statement	Executive Board Members	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	-	-	-
Allowance for attendance of the committees' sessions	-	-	-
Periodic and annual remunerations	-	-	625,000
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total	-	-	625,000

Remunerations (continued)

5.2 Senior Executives remuneration in Saudi Riyals

Statement	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	3,963,227
Allowances	-
Periodic and annual remunerations	482,444
Incentive plans	-
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	-
Total	4,445,671

Annual Audited Financials**PriceWaterhouseCoopers conducted an external audit of NSAIC's 2023 operations.**

the financial statements present fairly, in all material respects, the financial position of NSAIC as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The auditor's report did not have any reservations on the annual financial statements.

	As at December 31, 2023	As at December 31, 2022	As at December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	40,522,841	43,470,266	50,205,958
Due from a related party	4,408,580	4,211,396	3,204,433
Trade receivables	1,940,625	-	-
Prepayments and other receivables	573,506	559,071	341,027
Total current assets	47,445,552	48,240,733	53,751,418
Non-current assets			
Property, and equipment, net	1,710,863	2,262,372	2,309,050
Right-of-use assets, net	851,351	1,277,027	1,702,702
Total Non-current assets	2,562,214	3,539,399	4,011,752
Total assets	50,007,766	51,780,132	57,763,170
Liabilities			
Current liabilities			
Accrued and other current liabilities	928,828	3,017,267	1,868,425
Due to a related party	1,548,250	113,876	5,837,893
Lease liabilities	430,445	430,445	424,781
Provision for income tax	-	139,597	-
Total current liabilities	2,907,523	3,701,185	8,131,099
Non-current liability			
Employees end of service benefits ("EOSB")	185,973	266,895	143,232
Lease liabilities	430,445	860,890	1,291,335
Total non-current liability	616,418	1,127,785	1,434,567
Total liabilities	3,523,941	4,828,970	9,565,666
Shareholder's equity			
Share capital	50,000,000	50,000,000	50,000,000
Accumulated losses	(3,516,175)	(3,048,838)	(1,802,496)
Total shareholder's equity	46,483,825	46,951,162	48,197,504
Total liabilities and shareholder's equity	50,007,766	51,780,132	57,763,170
Contingencies and commitments	-	-	-

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	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
Revenue			
Income from service support fee	9,621,968	8,709,248	7,448,245
Income from arranging services, net	253,125	-	-
Income from underwriting services, net	-	-	949,354
Operating expenses			
Salaries and employee related benefits	6,266,820	4,267,347	4,209,612
Expense related to Master Service Agreement	1,366,500	1,366,500	1,366,501
General and administrative expenses	2,407,453	3,615,006	3,065,898
Depreciation	1,093,606	1,026,213	377,512
	(11,134,379)	(10,275,066)	(9,019,523)
Operating loss	(1,259,286)	(1,565,818)	(621,924)
Other income			
Special commission income on term deposits	727,439	460,222	167,006
Loss from disposal of asset	-	(1,149)	-
Loss before income tax	(531,847)	(1,106,745)	(454,918)
Reversal of income tax provision	64,510		
Income tax charge	-	(139,597)	-
Net loss for the year	(467,337)	(1,246,342)	(454,918)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the year	(467,337)	(1,246,342)	(454,918)

Arranging and underwriting fees are recognized when the Company has rendered all services to the issues and is entitled to collect the fee from the issues with no contingencies associated with the fees. Arranging and underwriting revenues are presented net of transaction related expenses.

During 2023, the Company entered into an Arranging transaction with SEC which was finalized and recognized during the same year.

Transactions between NSAIC, Natixis and Natixis Dubai Branch

The entity enters into transactions with another company that falls within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. Related parties comprise of companies / entities under common ownership and / or common management control and key management personnel. The management decides on the terms and conditions of transactions and of services received/rendered from/to related parties as well as other charges.

Within its ordinary course of business, the Company may enter into commercial transactions with its parent Natixis.

NSAIC concluded agreements with its Parent Company's Dubai branch which set out the principles governing the sharing of revenues and the recovery of expenses incurred in generating such revenues.

The Company has entered into a Service Level Agreement with a related party, the conditions upon which it agrees to provide the related party client relationship management services in relation to Global Market activities. In consideration of services provided to related party, the Company will recharge an amount equal to the total amount of costs and expenses incurred in the performance of service plus a 15% margin.

Additionally, the Company has outsourced certain support function services to a related party as per the master service agreement between the two entities. The outsourced services include finance, information technology, human resources, operations and other support services. The costs are agreed and allocated based on terms of the said agreements and are payable annually in arrears.

Penalty, Sanction and Precautionary Measures

There was a single late fee penalty imposed on NSAIC in 2023 amounting to SAR 500 relating to municipality license renewal.

Annual Audit (Internal)

Internal Audit provides an independent assurance on the adequacy and effectiveness of the governance, process, controls, and risk management. The team uses a risk-based audit approach in line with the Group charter and the Capital Market Authority (CMA)'s expectations. The Internal Audit Function attends the Audit & Risk Committee where audit plans and reports are discussed and reported.

No Internal Audit was performed during 2023, while A full-scope Internal Audit assignment was performed during 2022.

All Audit comments were finalized during the course of 2023.

Risk Management

NSAIC did not have any market risks exposures and credit risks at minimum during 2023.

Credit risks during the year 2023 pertained to exposure to banks due to the Company's current account / short term deposit held in a local SAMA bank. Additionally, Exposure to Corporates which was due to the receivable balances from Natixis Dubai Branch.

The company manages operational risks based on the framework adopted in Natixis to determine the operational risk profile and identify appropriate risk mitigation measures and priorities. Information collected during the risk control and self-assessment process is used to identify demand on operational risk capital. The NSAIC Head of Compliance and MLRO assumes responsibility for the implementation of the operational risk framework and is the designated Operational Risk Correspondent for the Company.

Additional disclosures for 2023 as per CMA requirement

The Board of Directors for NSAIC confirm that:

- a) Neither it nor the Company's employees including the CEO, the Head of Compliance & MLRO, Chief Financial Officer, nor any associated or related person to them, held any interest in business or contracts where NSAIC is counterparty.
- b) Neither it nor the Company's employees including the CEO, the Head of Compliance & MLRO, Chief Financial Officer, nor any associated or related person to them, held any interest, contractual securities, or subscription rights in the shares or debt instruments of NSAIC or any of its affiliates.
- c) None of the board members have waived any compensation, allowance or any type of remuneration
- d) There was one General Assembly meetings held during 2023
- e) NSAIC does not have any ownership interest in any company inside or outside the Kingdom of Saudi Arabia.
- f) There were no arrangements or agreements under which Natixis as shareholder of NSAIC has waived any rights to dividends.
- g) There were no requests made by or of the Company in relation to shareholder's records.
- h) There were no outstanding statutory payments on account of any zakat, taxes, fees or any other charges for the fiscal year 2023.
- i) There were no investments made or any reserves set up for the benefit of the employees of the company.
- j) NSAIC did not have any loans in fiscal year 2023.

Implemented Provisions of CMA Regulations

As far as we are aware, there have been no departures from applicable regulatory requirements during 2023.