

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Directors' Report

The Board of Directors is pleased to submit to shareholders the Annual Report of HSBC Saudi Arabia Limited for the financial year ending 31st December 2015.

Introduction

HSBC SAUDI ARABIA LIMITED (HSBC SA), a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010221555 dated 27/06/1427H (corresponding to 23/07/2006G) and Sagia Licence No. 102030104697 dated 17/12/1426H (corresponding to 17/01/2006G), organized and existing under the laws of Saudi Arabia with its principal place of business addressed as 7267 Olaya- AlMorooj Dist Riyadh 12283-2255, Kingdom of Saudi Arabia.

As at 31 December 2015, the Company is owned by the following shareholders in the proportion set out below:

	Number of shares	Percentage contribution	As at 31 December 2015
HSBC Asia Holdings BV	4,900	49%	245,000,000
The Saudi British Bank (SABB)	5,100	51%	255,000,000
Total	10,000	100%	500,000,000

The main activities of the Company are to provide a full range of investment banking services including investment banking advisory, debt and project finance as well as Shariah compliant finance. It also manages mutual funds and discretionary portfolios. The Company serves a wide range of clients including but not limited to corporates, non-bank financial institutions and individuals.

The Company acquired all the assets and liabilities together with its business activities of an affiliate SABB Securities Limited (SASL) which was a 100% owned subsidiary of SABB with effect from 1 July 2011. The principal activities of SASL were to engage in the business of custody and dealing as an agent excluding the underwriting. Capital Market Authority (CMA) has approved the acquisition of SASL business by HSBC SA and authorized HSBC SA to continue the operations previously conducted by SASL.

The shareholders of SASL have resolved to dissolve the Company under voluntary liquidation according to the terms of the Company's Articles of Association and in accordance with provisions of liquidations in Regulations for Companies. A liquidator has also been appointed and the legal formalities in this regard are in progress.

Financial Highlights

Five-year financial highlights

Years	Year				
	2015	2014	2013	2012	2011
Shareholder's Equity	865	785	795	731	707
Investments, Net	1,029	902	872	438	516
Total Assets	1,168	1,148	1,016	994	908
Net Profit	279	229	258	218	172
Gross Dividend	157	192	163	164	-

Five-year financial highlights *(continued)***Profits**

The Company's profit for the year ended 31 December 2015 was SAR 279 million – an increase of SAR 50 million as compared with a profit of SAR 229 million for the year ended 31 December 2014. This was mainly due to the following:

1. Income from advisory services increased by SAR 30 million.
2. Operational losses decreased by SAR 151million

The above was partly offset by the decrease in management fees and brokerage income by SAR 36 million and SAR 54 million respectively and increased in staff cost by SAR 30 million.

Cash Dividends

The annual net income of the Company is distributed as follows:

1. HSBC SA's policy is to make maximum dividend pay-out each year (currently dividend pay-out is 90% of net income).
2. 10% of the net income is transferred to statutory reserves until this reserve equals 50% of the paid up share capital of the Company.
3. The payment of a dividend to shareholders in proportion to the number of shares held as recommended by the Board of Directors and approved at the Ordinary General Meeting.
4. Un-distributed net income is carried forward as retained earnings.

The Board of Directors have recommended the distribution of profits as follows:

	SAR '000
Net Income 2015	279,071
Retained earnings from the previous year	173,768
Total	452,839
Distributed as follows:	
Transferred to statutory reserves	27,907
Zakat and Income Tax	40,795
Proposed dividend, net	156,537
Retained earnings for 2015	227,600

Statutory Payments

The statutory payments for the year were as follows:

	SAR '000
• Zakat attributable to the Saudi Shareholders for 2014	2,609
• Income tax attributable to non-Saudi shareholder for 2014	47,342
• GOSI payments	11,039

Related Party Balance and Transaction

Related parties of the Company comprise of group companies, its shareholders and directors of HSBC Saudi Arabia Limited. The Company and its related parties transact with each other in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms which are approved by the management.

	SAR '000
(i) Receivable from mutual funds	726
(ii) Receivable from SABB	21,095
(iii) Receivable from affiliates – net	4,937
	26,758
Due to related parties	
(iv) Payable to affiliates – net	8,555
(v) Payable to SABB	11,739
	20,294

Directors' Report (continued)**Related Party Balance and Transaction** (continued)

- (i) Receivable from mutual funds represents management fees receivable from HSBC Saudi Arabia Limited Mutual Funds ("the Mutual Funds") calculated at mutually agreed rate.
- (ii) Receivable from SABB mainly represents receivable on account of advisory services and net balance on intercompany transactions with SABB.
- (iii) Receivable from affiliates mainly represents receivable on account of equity swaps commission from an HSBC entity.
- (iv) Payable to affiliates mainly consists of payable to HSBC entities.
- (v) Payable to SABB mainly represents payable to SABB for services received.

The income and expenses in respect of related parties included in the financial statements are as follows:

<u>Transaction with</u>	<u>Income Statement</u>	<u>SAR '000</u>
The Saudi British Bank (SABB)	Services cost under service level agreement-net	(28,620)
	Fees paid for discretionary portfolios service and Mutual Funds	(26,838)
HSBC Saudi Arabia Limited	Brokerage income, net	2,151
Mutual Funds ("the Mutual Funds")	Management fee from funds	107,574
	Realized gain on sale of investments	1,007
HSBC Bank Plc.	Income on equity swaps	18,555
	Directors Remuneration	(1,741)
	Committee Members Remuneration	(506)

Significant Plans and Decisions

The Company is in the process of changing its legal structure from Limited Liability Company to a closed Joint Stock Company under Saudi Law. CMA has approved its application for conversion with proposed new structure consisting of 5 shareholders. Save for the above, there are no plans for any major structural change, business expansion or the intention to cease any operations.

Punishments, Penalties and Regulatory Restrictions

HSBC SA's has received several penalties due to committing several breaches against several regulatory articles during 2015.

Directors' Remuneration

Directors' remuneration during 2015 amounted to SAR 1,480,000. Apart from the directors' remuneration a sum of SAR 261,000 was paid on account of attendance.

<i>Details SAR '000</i>	<i>Executive Board Members</i>	<i>Non-executive/ Independent Board Members</i>	<i>Detailed remuneration for the six executives who received the highest compensation from the Company. The CEO and CFO are included as per requirement</i>
Salaries & compensations	-	N/A	SAR 6,447,500
Allowances	-	N/A	SAR 3,199,417
Periodic and annual remunerations*	-	N/A	SAR 13,444,589
Incentive schemes	-	N/A	
Any compensation or benefits in kind paid on a monthly and annual basis	-	SAR 1,741,000	

* Bonuses.

Staff Benefits and Schemes

According to the Labour Law of The Kingdom of Saudi Arabia and the Company's internal policies, staff benefits are due for payment during or at the end of an employee's period of service. The end of service benefit outstanding as at 31 December 2015 amounted to SAR 45.2 million.

Board of Directors' Assurance

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

- The company's books of account were properly prepared.
- The company's internal control system is effective.
- It has no evidence that might cast significant doubt on the Company's ability to continue as a going concern.
- There is no contract or deal the company is part of, where or when there were substantial interests for one of the Board Members, CEO, CFO or any person who has a relationship with them, except for that which was disclosed in the related party transactions section in this report.
- The company does not have any affiliate i.e. any holding in share capital of any company
- The board members or any person who has a relationship with them, did not have any interest, contractual securities or subscription rights in the shares of the company during the year.
- The company has not taken any loan during the year.

As indicated in their audit report, the Company's auditors, for the purpose of their work on the financial statements, have considered internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to enable them to design audit procedures which are appropriate, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. The Auditors have reported to the Board certain deficiencies or recommendations arising from this work. In the management's opinion these items do not constitute material weaknesses. The Auditors have issued an unqualified audit report on the financial statements of the Company.

Accounting Standards

The financial statements have been prepared in accordance with the accounting standards issued by SOCPA. There has been no major deviation in the accounting standards applied at HSBC SA against SOCPA's accounting standards during the financial year ended 31 December 2015.

Directors' Report (continued)

Appointment of External Auditors

In the AGM of the company held on 15 June 2015, the shareholders endorsed the selection of KPMG AlFozan & Partners as external auditors according to the recommendation of the Audit Committee, to audit the Company's annual financial statements for the year ended 31 December 2015.

Board of Directors and its Committees

Directors

The Board of Directors of HSBC SA comprises of nine (9) members, who shall be appointed and removed as follows:

- Three (3) Managers shall be appointed and removed by HSBC;
- Three (3) Managers shall be appointed and removed by SABB; and
- Three (3) Managers shall be Independent Managers and shall be appointed and removed with the unanimous consent of both SABB and HSBC.

The Board of Directors as at 31 December 2015 comprised:

Mr. Mansour Al Bosaily, CHAIRMAN AND BOARD MEMBER, NON-EXECUTIVE

Mr. Al Bosaily also serves as Board Member in the following joint stock companies (JSC):

Board Member, Saudi Ground Services Company

Board Member, Saudi Reinsurance Company

Board Member, National Amlak Company

Mr. Majed Najm, CHIEF EXECUTIVE OFFICER AND BOARD MEMBER HSBC SA, EXECUTIVE

Mr. Najm also serves as Board Member in SABB Takaful Company (JSC)

Mr. David Dew, BOARD MEMBER, NON-EXECUTIVE

Mr. Dew also serves as Board Member and Managing Director of The Saudi British Bank (JSC)

Mr. Mohammad Al Tuwajri, BOARD MEMBER, NON-EXECUTIVE

Mr. Al Tuwajri also serves as Board Member in the following JSCs:

Board Member, The Saudi British Bank

Board Member, HSBC Bank Egypt SAE, Egypt

In addition Mr. Al Tuwajri is Board Member in Public Pension Agency.

Mr. Fahad Al Saif, BOARD MEMBER, NON-EXECUTIVE

Mr. Martin Spurling, BOARD MEMBER, NON-EXECUTIVE. (RESIGNED WITH EFFECT FROM 1ST FEBRUARY 2016)

Mr. Spurling was also serving as Board Member in The Saudi British Bank (JSC)

Mr. Mazin Al Romaih, BOARD MEMBER, INDEPENDENT (RESIGNED WITH EFFECT FROM 22ND DECEMBER 2015).

Mr. Al Romaih was also serving as Board Member:

Board Member, Banque Saudi Fransi (JSCs)

Board Member, Dr. Sulaiman AlHabib Medical Services group holding company (JSCs)

Board Member, Abdulatif Alissa Group holding company

Mr. Hamad Al Omar, BOARD MEMBER, INDEPENDENT

Mr. Mohammad Alshayea, BOARD MEMBER, INDEPENDENT

Mr. Alshayea also serves as Board Member, Saudi Ground Services Company (JSCs)

IT SHOULD BE NOTED 2 NEW BOARD MEMBERS HAVE BEEN APPOINTED WITH EFFECT FROM 15 MARCH 2016 POST CMA APPROVAL IN REPLACEMENT OF THE DIRECTORS WHO RESIGNED.

Number of Meetings Attended by each Director 2015

<u>No.</u>	<u>Name</u>	<u>Board</u>	<u>EXCOM</u>	<u>Audit</u>	<u>Board Risk Committee</u>	<u>Nomination & Remuneration</u>
1.	Mr. Mansour Al Bosaily	5	-	-	4	3
2.	Mr. Majed Najm	5	6	-	-	-
3.	Mr. David Dew	5	6	-	-	4
4.	Mr. Mohammad Al Tuwajiri	3	-	-	4	-
5.	Mr. Martin Spurling	4	-	-	-	-
6.	Mr. Hamad Al Omar	5	-	-	4	-
7.	Mr. Mazin Al Romaih	4	6	-	-	4
8.	Mr. Mohammad Alshayea	5	-	7	-	-
9.	Mr. Fahad Al Saif	5	-	-	-	-

Board Meetings

<u>No.</u>	<u>Date of Meeting</u>	<u>Number of Attendees</u>	<u>Percentage Attendance</u>
1.	12 March 2015	9	100%
2.	6 May 2015	9	100%
3.	21 June 2015	8	89%
4.	10 September 2015	7 (1 by proxy)	78%
5.	15 December 2015	8 (1 by proxy)	89%

The following shows the attendance at the Board Committees:

Audit Committee

Board Meetings

<u>No.</u>	<u>Date of Meeting</u>	<u>Number of Attendees</u>	<u>Percentage Attendance</u>
1.	8 February 2015	2	66%
2.	26 February 2015	3	100%
3.	11 March 2015	3	100%
4.	19 March 2015	3	100%
5.	24 May 2015	4 ¹	100%
6.	9 September 2015	4	100%
7.	14 December 2015	4	100%

¹ It should be noted that Audit Committee's member, Mr. Mark G. Prothero, was appointed in May 2015, hence the number of available attendees from that date increased from 3 to 4.

Nomination and Remuneration Committee

<u>No.</u>	<u>Date of Meeting</u>	<u>Number of Attendees</u>	<u>Percentage Attendance</u>
1.	25 August 2015	2	66%
2.	27 October 2015	3 (1 by proxy)	100%
3.	9 December 2015	3	100%
4.	15 December 2015	3	100%

Directors' Report (continued)**Executive Committee**

<u>No.</u>	<u>Date of Meeting</u>	<u>Number of Attendees</u>	<u>Percentage Attendance</u>
1.	24 February 2015	3	100%
2.	24 April 2015	3	100%
3.	15 June 2015	3	100%
4.	17 August 2015	3	100%
5.	22 October 2015	3	100%
6.	23 November 2015	3	100%

Board Risk Committee

<u>No.</u>	<u>Date of Meeting</u>	<u>Number of Attendees</u>	<u>Percentage Attendance</u>
1.	9 March 2015	5	100%
2.	24 May 2015	5	100%
3.	8 September 2015	5	100%
4.	13 December 2015	5	100%

Audit Committee

HSBC SA's Audit Committee was formed in 2011 reporting directly to the Board of Directors, and meets minimum four times during the year. The Audit Committee shall consist of at least three members including Non-Executive or Independent Board Members, and non-board members.

The Committee monitors the Company's internal and external audit functions and reviews control weaknesses and system deficiencies. It is also responsible for ensuring that all financial information is of the highest quality, concentrating on critical business issues, which enable the Company's external auditors and management to focus on those areas of greatest risk to the business.

The Board on 29 December 2014, appointed the following as members of the Audit Committee with effect from 01 January 2015:

Mr. Mohammad Alshayea, Chairman

Mr. Hussain Al-Yami, member from outside the board

Mr. James Madsen, member from outside the board

Another member from outside the Board, Mr. Mark G. Prothero was included in AUCOM with effect from 24 May 2015.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed by the Board on 19 July 2011, and meets at least once during the year. The committee consists of three members of the Board appointed by the Board and reports directly to the Board. The committee recommends to the Board of Directors 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 Board on 29 December 2014, appointed the following as members of the Nomination and Remuneration Committee with effect from 01 January 2015:

Mr. Mazin Al Romaih, Chairman (resigned with effect from 22nd December 2015)

Mr. Mansour Al Bosaily

Mr. David Dew

Executive Committee

The Executive Committee (“EXCOM”) is appointed by the Board and reports directly to the Board. The committee consists of the Company’s CEO (Chairman) and two other Board Members.

The main task of EXCOM is to assist the Company’s CEO, within the authorities entrusted to CEO by the Board, and in handling the matters referred to CEO by the Board. In addition, EXCOM review, inter alia, Business Performance Reports, Financial Markets Reports, Investment Banking Report, Monitoring of AOP Progress Reports and Human Resources Reports etc. and meets six times during the year.

The Board on 29 December 2014, appointed the following as members of the EXCOM with effect from 01 January 2015:

Mr. Majed Najm, Chairman

Mr. Mazin Al Romaih (resigned with effect from 22nd December 2015)

Mr. David Dew

Board Risk Committee

The Board Risk Committee (“BRC”) was formed by the Board to handle risk management affairs.

As per its terms of reference, the BRC consists of not less than 3 members including at least one Non-Executive Independent Board Member, and non-board member and reports directly to the Board.

The BRC meets four times a year and supervises and gives advice to the Board on all matters relating to high level risks pertinent to the Company’s business in addition to strategic direction of risks across the Company including the drawing up of a risk vision, prioritization and supervision of principal initiatives and overseeing the execution of major transformational risk initiatives.

The Board on 29 December 2014, appointed the following as members of the BRC with effect from 01 January 2015:

Mr. Mohammad Al Tuwaijri (Chairman);

Mr. Mansour AlBosaily (Member);

Mr. Hamad Al Omar (Member);

Mr. James Madsen (Member from outside the board); and

Mr. David Kenney (Member from outside the board).

Directors' Report

Risk Management

The Board of Directors is responsible for the overall risk management approach with HSBC SA and for reviewing its effectiveness.

The Board's designated committee for risk matters is the Board Risk Committee which approves and provides oversight for the Company's risk framework, plans and performance targets which include the establishment of risk appetite statements, risk management strategies, the appointment of senior officers, the delegation of authorities for credit and other risks and the establishment of effective control procedures.

The Chief Risk Officer (CRO) is responsible for managing the Risks within the Company. In addition there is a separate Head of Regulatory and Financial Crime Compliance and both of these individuals report directly to the CEO. Their key functions are:

Chief Risk Officer

- Risk Management
- Operational Risk
- Security and Fraud Risk
- HSBC SA Standards

Compliance

- Financial Crime Compliance
- Regulatory Compliance

The Company's strategy, processes and policies are documented with regular reporting through Key Risk Indicator (KRI's) and Limits and escalation to Management and Governance Committees.

The Company operates a three lines of defense model to manage the risk within the business and monitor the effectiveness of controls.

- First Line – management responsibility is with the business and control functions for the risks they are managing – supplemented by Business Risk Control Managers.
- Second Line – Operational Risk
- Third Line – Independent Audit Function.

Through the ICAAP process the Board reviews the risks of the Company against the Capital availability. On an ongoing basis the risk profile of the Company is reviewed against the Risk Appetite Statement and also the ICAAP exposures to ensure that the risks remain appropriate.

Annual Review of the Effectiveness of Internal Control Procedures

HSBC SA's management is responsible for implementing and reviewing the effectiveness of the Company's internal control framework as approved by the Board of Directors.

HSBC SA has established clear standards that should be met by employees, departments and the Company as a whole. Systems and procedures are in place within HSBC SA to identify any deviations in control and report on major risks including credit, changes in the market prices of financial instruments, liquidity, operational error, breaches of law or regulations, unauthorised activities and fraud. In addition to an on-going management review, exposure to these risks is subject to monitoring through various management committees that were established to ensure the effectiveness of the Company's control framework and to maintain specific oversight of key risks such as credit, operational, compliance and fraud.

Periodically, strategic plans are prepared for the Company and these are implemented and monitored through annual operating plans that are prepared and adopted by all business and support functions and that set out the key business initiatives and their likely financial effects.

Centralised functional control is exercised over all computer system developments and operations. Common systems are employed for similar business processes wherever practicable.

Annual Review of the Effectiveness of Internal Control Procedures *(continued)*

In addition, management is responsible for setting policies, procedures and standards across all areas of risk, including credit, market, liquidity, operational, IT, accounting, information, legal and regulatory compliance, human resources, reputational and purchasing risks. A detailed exercise to review the policy framework for all key functions has been completed during the year.

The Risk Management function serves as a secondary control maintaining oversight of Credit, Market and Operational risks, as well as other functions such as security and fraud risks. The Compliance function maintains oversight of business operations and management action to ensure conformity with regulatory requirements. The risk management process is fully integrated with the strategic planning, annual operating plan and capital planning cycle. Furthermore, each employee is expected to be accountable for and to manage the risk within his or her assigned responsibilities based on the governance principles adopted by the Company and addressed during training programs.

The systems and procedures for the ongoing identification, evaluation and management of the significant risks faced by HSBC SA were in place throughout the year. These procedures enabled HSBC SA to discharge its obligations under the rules and regulations issued by CMA, the Capital Market Authority.

Operational Risk together with the Risk Management and Compliance functions, forms an integral part of the control environment of HSBC SA. Positioned as an independent control, Operational Risk provides management and, through the Board Risk Committee, Audit Committee and Board, with an independent and objective assessment on whether the framework of risk management, control and governance processes, as designed and represented by management, is adequate and functioning effectively.

Operational Risk accomplishes this by independently reviewing, through a risk-based approach, the design effectiveness and operating efficiency of internal control systems and policies prepared and implemented by business management. Operational Risk also reviews and reports on the adequacy and effectiveness of oversight maintained by support functions such as compliance and risk management departments, to ensure that the Company is operating within its stated risk appetite and in compliance with the regulatory framework.

In 2015 a dedicated audit team within HSBC SA was established and acts as a third line of defence through reviewing the business and control functions within the Company against local regulations and international best practices. The audit team reports directly into the Chairman of the Audit committee.

Credit Risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposure within HSBC SA principally is from a fiduciary perspective within the Asset Management Business, investment of the Company's capital and on credit commitments associated with the Companies Brokerage and HSS activities.

The Company attempts to control credit risk by monitoring credit exposures, limit transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Companies risk management policies are designed to identify and set appropriate risk limits and to monitor the risks and adherence to limits.

Directors' Report

Market Risk

Market Risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates and equity prices. The company classifies exposures to market risk into either trading or non trading books.

The market risk taken by HSBC SA is limited and is operating under approved market risk limits.

Market Risk Trading Book

The board has set limits for the acceptable level of risks in managing the trading book. Nominal limits have been established covering the product and the daily and monthly Mark to Market Loss referral limits.

Within the trading limits the Board has authorized Equity Underwriting limits to cover IPO's and Rights issues with nominal limits. The nature of the Saudi Market currently is focused on soft underwriting where the Company is not exposed to Equity Price risk, although certain transactions (rights issuance) can have hard underwriting limits where the Company would be exposed.

Market Risk Non Trading Book

The Company has deployed its surplus capital in the Company's Asset Management Funds which provided exposure to Saudi and International Money Market and Fixed Income investments resulting in special commission and FX exposure. These operate under nominal limits approved by the Board including MTM Referral Limits.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Given the nature of HSBC SA activities (ie generally not direct lending) this risk is mitigated via deploying the Companies' surplus capital in Mutual Fund investments. The liquidity risk of Asset Management is covered within the fiduciary risk.

Fiduciary Risk

The risk to HSBC SA of breaching its fiduciary duties where it acts in a fiduciary capacity as Trustee, Investment Manager, Broker (for cash balances maintained at SABB) as mandated by law or regulation. Within HSBC SA this risk is mainly within the Asset Management business where we are investing in funds on behalf of clients and in HSS where we are acting as custodian.

The risk within Asset Management is primarily managed by the business, with additional limits and controls established with the individual fund prospectus or client mandate – these limits are independently monitored by Risk. Within HSS the risks are managed through client mandates and internal controls by the business.

Compliance Risk

The risk to HSBC SA in breaching Local Regulatory and International Best Standards in regard to Financial Crime Compliance and Regulatory Compliance. Within HSBC SA this risks exists throughout all areas of the Company.

The risks is primarily managed by the business and through an independent compliance function responsible for providing guidance and independent control and review of the compliance risks within the company.

Business Performance

Investment Banking

Investment Banking Advisory

Investment Banking Advisory primarily focuses on Equity Capital Markets which comprises Initial Public Offerings, Rights Issuances, and Mergers & Acquisitions. Since the establishment of the Capital Market Authority in the Kingdom in 2004, HSBC Saudi Arabia Limited has been a market leader in its businesses, with top league-table positions in Initial Public Offerings, and in Mergers & Acquisitions.

During the year 2015, HSBC Saudi Arabia Limited maintained its leading market position on Equity Capital Markets that includes successfully leading two landmark Initial Public Offerings (Saudi Ground Services Company & Saudi Company for Hardware “SACO”) out of four approved Initial Public Offerings by the Capital Markets Authority.

Similarly, HSBC Saudi Arabia Limited maintained its leading market position on the Mergers & Acquisitions front, including advising public companies, as well as other significant private Mergers & Acquisitions transactions within the Kingdom and cross-border transactions. Key transactions led by HSBC Saudi Arabia Limited in 2015 included the buy-side advisor to Takween Advanced Industry in the acquisition of Savola Packaging Systems, the buy-side advisor to Tasnee in acquiring 13% stake in Cristal and the buy-side advisor to AlTayyar Travel Group in the potential acquisition of 30% stake in Thakher by way of issuance of shares.

Investment Banking Finance - Debt Capital Markets and Syndicated Finance

HSBC Saudi Arabia Limited’s debt advisory and arranging engagements across corporate financing, debt capital markets and acquisition financing ensured continuing leadership for the franchise. Such leadership is particularly in the Sukuk space where HSBC Saudi Arabia Limited has led league tables every single year since market establishment. Key transactions led by HSBC Saudi Arabia Limited in 2015 included four Sukuk issuances (National Shipping Company, Arab National Bank, Almarai Company & The Saudi British Bank).

Project and Export Finance

HSBC Saudi Arabia Limited’s Project and Export Finance team is the leading advisor and arranger of project financing in Saudi Arabia in addition to Export Credit Agency supported finance. Clients range from private sector developers to government organizations seeking partnership with the private sector. The specialist team brings in-depth experience in the oil and gas, petrochemicals, mining, metals, power, utilities, transportation and infrastructure sectors.

During the year 2015, HSBC Saudi Arabia Limited successfully closed two major project advisory mandates for Saudi Aramco on the procurement of the Jazan Air Separation Unit project and with Sumitomo Chemical Company on the expansion of the Petro Rabigh integrated refinery petrochemical complex. As well as securing several mandates in petrochemical and infrastructure sectors, including the debt arrangement for first private full-service commercial port, King Abdullah Port.

Asset Management

HSBC Saudi Arabia Limited continued to maintain its strong position during the year in managing local equity mandates for institutional as well as retail and private banking clients. HSBC Saudi Arabia Limited offers a wide variety of funds covering the local and regional equity markets in addition to providing specialised sector specific funds covering key economic sectors in the Kingdom such as Petrochemical and Financial Institutions. HSBC Saudi Arabia Limited also offers exposure to the Saudi market through active as well as passive strategies, including an Exchange Traded Fund that is listed on Tadawul.

HSBC Saudi Arabia Limited received several industry awards during the year. This included 8 awards by the MENA Fund Manager including the Asset Manager of the Year (2014) and another award by the Global Investor for the Equity Manager of the Year. HSBC Saudi Arabia Limited also won two awards during the year from Lipper for best performing funds.

Equity Brokerage

The brokerage division offers a comprehensive range of services for institutional as well as retail and private banking clients including equity trading through different delivery channels that include Direct Market Access (DMA) such as HSBC Tadawul, HSBC Mubasher, Fix-In, and phone services via the Brokerage Call Centre in addition to the 8 investment centres across the Kingdom and 5 new investment centres that are planned to be opened in 1st quarter 2016.

HSBC Saudi Arabia Limited Internet Trade application “HSBCTadawul” has been enhanced to perform mutual fund functions. Our systems have also been enhanced for QFI independent custody model (ICM) to accept direct market order (DMA) via Fix-In without prefund validation requirement. We successfully intergrated with Tadawul’s new X-stream INET system.

Equity Research

HSBC Saudi Arabia Limited has established an industry leading research platform catering to both local and leading international fund managers. The research team covers 55 Saudi stocks comprising more than 80% of Tadawul’s market capitalisation. For seven years running, the team has been ranked number one for MENA equity research and several of its analysts consistently achieve top rankings in their individual sectors. The annual equity investor conference organised by the department has consistently attracted top Saudi corporates and more than 100 international clients.

Securities Services

The year 2015 was a key landmark year for the Direct Custody and Clearing unit within the Securities Services business with the opening of the Saudi stock market to foreign institutions. A significant amount of restructuring of the team and investment in terms of resourcing and automation was made by the business in preparation of the opening. HSBC Saudi Arabia Limited was successful in getting the first QFI registration and the first trades executed and settled in the market. The business also conducted roadshows in United States, Europe and Asia in addition to several global teach in calls for educating the prospective investors about the Saudi Arabian market. HSBC Saudi Arabia Limited has also continued to dominate the market in terms of registration requests submitted and at 31 December 2015 maintains leading market share of assets under custody of the QFIs.

In addition to the market opening, the Saudi Stock Exchange also improved the settlement infrastructure with the introduction of the Independent Custody Model and HSBC Saudi Arabia Limited became one of the first custodians to be certified for the new custody model and also to on-board a client on this model.