

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2023
together with the
INDEPENDENT AUDITOR'S REPORT

BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
Financial Statements and Independent Auditor's Report
For the year ended 31 December 2023

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KPMG Professional Services

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجبة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholder of BNY Mellon Saudi Financial Company

Opinion

We have audited the financial statements of **BNY Mellon Saudi Financial Company** (the "Company"), which comprise the Statement of Financial Position as at 31 December 2023, the statements of profit or loss, other comprehensive income, changes in shareholder's equity and cash flows for the for the year ended 31 December 2023, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year ended 31 December 2023 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

To the Shareholder of BNY Mellon Saudi Financial Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **BNY Mellon Saudi Financial Company** (the "Company").

KPMG Professional Services

Saleh Mohammed S Mostafa

License No: 524

Riyadh: 26 March 2024

Corresponding to: 16 Ramadan 1445H



BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Amounts in Saudi Riyals)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>			
Deferred tax asset	5	<u>73,912</u>	76,529
Non-current assets		<u>73,912</u>	<u>76,529</u>
Right of use asset	4	-	410,700
Amounts due from a related party	17	1,205,655	722,049
Advances and other receivables	6	442,650	335,223
Cash and cash equivalents	7	<u>74,175,585</u>	71,120,434
Current assets		<u>75,823,890</u>	<u>72,588,406</u>
Total Assets		<u>75,897,802</u>	<u>72,664,935</u>
<u>EQUITY AND LIABILITIES</u>			
Share capital	8	50,000,000	50,000,000
Additional capital	9	19,000,000	19,000,000
Statutory reserve	8	379,175	129,481
Retained earnings		<u>3,820,216</u>	1,332,904
Total Equity		<u>73,199,391</u>	<u>70,462,385</u>
<u>Liabilities</u>			
Employees' end of service benefits	10	<u>369,562</u>	363,863
Non-current liabilities		<u>369,562</u>	<u>363,863</u>
Lease liability	4	-	416,621
Income tax payable	5	882,782	485,078
Amounts due to a related party	17	92,115	18,556
Accounts payable and accruals	11	<u>1,353,952</u>	918,432
Current liabilities		<u>2,328,849</u>	<u>1,838,687</u>
Total Liabilities		<u>2,698,411</u>	<u>2,202,550</u>
Total Equity and Liabilities		<u>75,897,802</u>	<u>72,664,935</u>

Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer



The accompanying notes 1 to 21 form part of these financial statements

BNY MELLON SAUDI FINANCIAL COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS**For the year ended 31 December 2023**

(Amounts in Saudi Riyals)

	<i>Notes</i>	31 December 2023	31 December 2022
Revenue			
Revenue from service charges	12	9,501,636	8,873,426
Expenses			
Salaries and employee related expenses	13	(6,475,601)	(6,449,873)
Rent Expense		(737,203)	-
Depreciation on right of use asset	4	(410,700)	(982,667)
Other expenses	14	(1,137,445)	(818,220)
Total operating profit		740,687	622,666
Other income / (expense)			
Special commission income on cash and cash equivalents		2,653,744	857,709
Foreign exchange loss		(17,004)	(12,857)
Net profit before tax		3,377,427	1,467,518
Income tax expense	5	(880,483)	(473,908)
Net profit after tax for the year		2,496,944	993,610

Mona Alhussain

Chief Executive Officer



Rasheed Alrasheed

Chief Financial Officer



The accompanying notes 1 to 21 form part of these financial statements

BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

	<i>Notes</i>	31 December 2023	<u>31 December 2022</u>
Net profit after tax for the year		2,496,944	993,610
Other comprehensive income			
<i>Items that cannot be reclassified to the statement of profit or loss in subsequent years:</i>			
Actuarial gain on defined benefit plan	10	<u>208,952</u>	<u>164,247</u>
Total other comprehensive income		<u>208,952</u>	<u>164,247</u>
Total comprehensive income for the year		<u>2,705,896</u>	<u>1,157,857</u>

Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer



The accompanying notes 1 to 21 form part of these financial statements

BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

	<i>Notes</i>	Share capital	Additional Capital	Statutory Reserve	Retained earnings	Total
Balance at 1 January 2023		50,000,000	19,000,000	129,481	1,332,904	70,462,385
Net profit for the year		-	-	-	2,496,944	2,496,944
Other comprehensive gain		-	-	-	208,952	208,952
Total comprehensive income		-	-	-	2,705,896	2,705,896
Transfer to Statutory reserve	8	-	-	249,694	(249,694)	-
Equity-settled share-based payment	17	-	-	-	31,110	31,110
Balance at 31 December 2023		50,000,000	19,000,000	379,175	3,820,216	73,199,391
Balance at 1 January 2022		50,000,000	19,000,000	30,120	271,081	69,301,201
Net profit for the year		-	-	-	993,610	993,610
Other comprehensive gain		-	-	-	164,247	164,247
Total comprehensive income		-	-	-	1,157,857	1,157,857
Transfer to Statutory reserve	8	-	-	99,361	(99,361)	-
Equity-settled share-based payment	17	-	-	-	3,327	3,327
Balance at 31 December 2022		50,000,000	19,000,000	129,481	1,332,904	70,462,385

Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer



The accompanying notes 1 to 21 form part of these financial statements

BNY MELLON SAUDI FINANCIAL COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASHFLOWS**For the year ended 31 December 2023**

(Amounts in Saudi Riyals)

	31 December	31 December
<i>Notes</i>	2023	2022
Cash flows from operating activities		
Net profit before tax	3,377,427	1,467,518
<i>Adjustments for:</i>		
Depreciation on right of use asset	4 410,700	982,667
Unwinding of special commission of lease liability	4 1,854	15,827
Provision for employees' end of service benefits	10 274,063	403,107
Equity-settled share-based payment	17 31,110	3,327
Changes in operating assets and liabilities:		
Advances and other receivable	(107,427)	(326,440)
Accounts payable and accruals	435,520	813,290
Due to a related party	73,559	(420,178)
Due from a related party	(483,606)	251,834
	(81,954)	318,506
Income tax paid	5 (480,162)	(140,659)
Employees' end of service benefits paid	10 (59,412)	-
Net cash generated from operating activities	3,473,626	3,050,293
Cash flows from financing activities		
Settlement of lease liability	4 (418,475)	(994,365)
Cash used in financing activities	(418,475)	(994,365)
INCREASE IN CASH AND CASH EQUIVALENTS	3,055,151	2,055,928
Cash and cash equivalents at beginning of the year	71,120,434	69,064,506
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	74,175,585	71,120,434

Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer



BNY MELLON SAUDI FINANCIAL COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in Saudi Riyals)

1 ACTIVITIES

BNY Mellon Saudi Financial Company (the “Company”) is a Saudi Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia (‘KSA’). The Company operates under commercial registration No. 1010699547 issued in Riyadh on 7 September 2020. The registered head office of the Company is P. O. Box 99936, Riyadh 11625, Kingdom of Saudi Arabia. The Company started its operations on 5 April 2021.

The Company is licensed by the Capital Market Authority (CMA) to engage in custody activity. The Company is a wholly owned subsidiary of BNY International Financing Corporation (“the Parent Company”) which is a wholly owned subsidiary of The Bank of New York Mellon Corporation (“the Ultimate Parent Company”).

2 BASIS OF PREPARATION

2.1 *Statement of compliance*

These financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and the By-laws of the Company.

2.2 *Basis of measurement*

The financial statements have been prepared on a going concern basis under historical cost convention except for the defined benefit obligations which are measured at present value of future obligations using the Projected Unit Credit Method.

2.3 *Functional and presentation currency*

The financial statements are prepared under the historical cost convention and are presented in Saudi Riyals (“SAR”) which is the functional and presentation currency of the Company.

2.4 *Use of judgements, estimates and assumptions*

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the accounting policies set out below to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed herein.

BNY MELLON SAUDI FINANCIAL COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in Saudi Riyals)

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 *New standards, interpretations and amendments adopted by the Company*

Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any significant impact on the financial statements of the year:

**Standard,
interpretation,
amendments**

Description

Effective date

Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Annual periods beginning on or after January 1, 2023.

Amendment to IAS 12

Deferred tax related to assets and liabilities arising from a single transaction: These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Annual periods beginning on or after January 1, 2023.

International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

IFRS 17, 'Insurance contracts', as amended in December 2021

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Annual periods beginning on or after January 1, 2023.

3.2 *Accounting standards issued but not yet effective*

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning after 1 January 2023 are listed below. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements.

**Standard,
interpretation,
amendments**

Description

Effective date

Amendment to IFRS 16, Leases on sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Deferred until accounting periods starting not earlier than 1 January 2024.

BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Accounting standards issued but not yet effective (continued)

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024.
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024.
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024. subject to the endorsement by SOCPA.
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement by SOCPA

3.3 Material accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of these financial statements, which are consistent with those used in the preparation of the annual financial statements for the year 31 December 2022:

Cash and cash equivalents

For the purposes of the statement of cash flows, Cash and cash equivalents consists of bank balances bank over drafts and short term investments with original maturities of three months or less, if any.

Income tax and deferred tax

Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions considered in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses, if any.

BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Material accounting policies (continued)

Income tax and deferred tax (continued)

Deferred tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in the statement of changes in shareholders' equity. In this case, the tax is also recognised.

Employees' end of service benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Arabian Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding adjustment to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to comprehensive income in subsequent periods.

Past service cost is recognised in the statement of profit or loss at the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognises related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administrative expenses) in
- Net special commission expense or income (under borrowing facility cost and charges).

Revenue recognition

The Company recognizes revenue at a point in time once the performance obligation has been fulfilled and the amount of revenue can be reliably measured, regardless of when the payment is received and it is probable that future economic benefits will flow to the company. Revenue is recognized on an accrual basis in accordance with the terms of agreement with the Parent for the services provided.

BNY MELLON SAUDI FINANCIAL COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2023**

(Amounts in Saudi Riyals)

4 RIGHT OF USE ASSET AND LEASE LIABILITY

The Company operates in a leased premises having a lease term of 12 months (2022: 12 months). During the year, lease agreement was modified, granting the landlord the right to terminate the lease with 90 days notice. As a result, the previously classified finance lease has been reclassified as an operating lease.

Amounts recognised in the statements of financial position and profit or loss:

	<i>Right of use Asset</i>	<i>Lease liabilities</i>
	<u>SAR</u>	<u>SAR</u>
<u>2023</u>		
Balance as at 1 January	410,700	416,621
Additions	-	-
Depreciation charge for the year	(410,700)	-
Special commission expense	-	1,854
Payments made during the year	-	(418,475)
<i>Balance as at 31 December</i>	<u>-</u>	<u>-</u>
<u>2022</u>		
Balance as at 1 January	405,679	407,471
Additions	987,688	987,688
Depreciation charge for the year	(982,667)	-
Special commission expense	-	15,827
Payments made during the year	-	(994,365)
<i>Balance as at 31 December</i>	<u>410,700</u>	<u>416,621</u>

4.1 Amounts recognized in profit and loss

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<u>SAR</u>	<u>SAR</u>
Depreciation charge for the year	410,700	982,667
Special commission expense for the year	1,854	15,827

4.2 Amount recognized in statement of cashflows

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<u>SAR</u>	<u>SAR</u>
Total cash outflow for leases	<u>418,475</u>	<u>994,365</u>

5 INCOME TAXES

The Company is 100% owned by non-Saudi shareholders, and hence is subject to income tax. The income tax for the year 31 December 2023 has been calculated on the basis of the Income Tax Law in the Kingdom of Saudi Arabia.

BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

5 INCOME TAXES (CONTINUED)

5.1 Details of tax charge in the statement of profit or loss is given below:

	<i>Notes</i>	<u>31 December 2023</u> SAR	<u>31 December 2022</u> SAR
Current year income tax charge	5	857,231	485,078
Prior year income tax charge		20,635	39,808
Deferred tax relating to origination of temporary differences <i>Charged to the statement of profit or loss</i>	5	<u>2,617</u>	<u>(50,978)</u>
		<u>880,483</u>	<u>473,908</u>

5.2 Movement in income tax payable is set out below:

	<i>Notes</i>	<u>31 December 2023</u> SAR	<u>31 December 2022</u> SAR
Balance as at the beginning of the year		485,078	100,851
Charge for the year	5	857,231	485,078
Prior year income tax charge	5	20,635	39,808
Payment made during the year		<u>(480,162)</u>	<u>(140,659)</u>
Balance as at the end of the year		<u>882,782</u>	<u>485,078</u>

5.3 Deferred tax assets

	<u>For the year 31 December 2023</u>		
	Opening deferred tax asset	Recognized in profit or loss account SAR	Closing deferred tax assets
Employees' end of services benefits	72,774	1,138	73,912
Others	<u>3,755</u>	<u>(3,755)</u>	-
	<u>76,529</u>	<u>(2,617)</u>	<u>73,912</u>
	<u>For the year 31 December 2022</u>		
	Opening deferred tax asset	Recognized in profit or loss account SAR	Closing deferred tax assets
Employees' end of services benefits	25,000	47,774	72,774
Others	551	3,204	3,755
	<u>25,551</u>	<u>50,978</u>	<u>76,529</u>

BNY MELLON SAUDI FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

5 INCOME TAXES (continued)

5.4 Reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate:

	<i>For the year 31 December 2023</i>	<i>For the year 31 December 2022</i>
	<i>SAR</i>	<i>SAR</i>
Accounting profit before income tax	3,377,427	1,467,518
Accounting profit related to non-Saudi shareholders @ 100%	3,377,427	1,467,518
At statutory income tax rate of 20%	675,485	293,504
Tax effect of other items	181,746	191,574
Effective income tax @ 20%	857,231	485,078

5.5 The Company has filed its income tax return for the year 31 December 2022 with Zakat, Tax and Customs Authority (ZATCA). As of 31 December 2023, the Company has not received any assessment from the ZATCA.

6 ADVANCES AND OTHER RECEIVABLES

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SAR</i>	<i>SAR</i>
Advances to employees	-	131,860
Value added tax receivable	442,650	203,363
	442,650	335,223

7 CASH AND CASH EQUIVALENTS

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SAR</i>	<i>SAR</i>
Bank balances – current accounts	74,175,585	20,946,059
Term deposit	-	50,000,000
Accrued special commission income on term deposit	-	174,375
	74,175,585	71,120,434

All bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions and there has been no history of default with any of the Company's bank balances. Accordingly, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

8 SHARE CAPITAL AND STATUTORY RESERVE

Share capital

The authorised, issued and fully paid share capital of the Company consists of 5,000,000 shares of SR 10 each. The shareholding of the Company is fully owned by BNY International Financing Corporation.

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8 SHARE CAPITAL AND STATUTORY RESERVE (CONTINUED)

Statutory reserve

In accordance with the Company's By-Laws, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital.

As at 31 December 2023, the Company has set aside the 10% of the net profit earned under statutory reserve hence the statutory reserve was in compliance with the requirement of Company's By-Laws.

9 ADDITIONAL CAPITAL

This represents long-term contribution by the shareholder of the Company. The said balance has been classified as an equity component as there are no financial charges / other returns attached to it and the Company has an unconditional right to avoid settlement of the balance.

10 EMPLOYEES' END OF SERVICE BENEFITS

The following tables summarise the components of employees' end of service benefits recognised in the statements of financial position, profit or loss and other comprehensive income.

a) Amount recognised in the statement of financial position:

	<i>31 December</i> 2023	<i>31 December</i> 2022
	SAR	SAR
Present value of defined benefit obligation	369,562	363,863

b) Benefit expense (recognised in statement of profit or loss):

	<i>31 December</i> 2023	<i>31 December</i> 2022
	SAR	SAR
Current service cost	256,835	400,954
Special commission cost	17,228	2,153
Benefit expense	274,063	403,107

c) Movement in the present value of defined benefit obligation:

	<i>31 December</i> 2023	<i>31 December</i> 2022
	SAR	SAR
Present value of defined benefit obligation at beginning of the year	363,863	125,003
<i>Charge recognised in statement of profit or loss:</i>		
- Current service cost	256,835	400,954
- Special commission cost	17,228	2,153
	274,063	403,107
Actuarial gain on defined benefit plan recognized in the statement of other comprehensive income	(208,952)	(164,247)
Distributions	(59,412)	-
Present value of defined benefit obligation at end of the year	369,562	363,863

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10 EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

d) Principal actuarial assumptions:

	<i>Notes</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Discount rate	<i>(i)</i>	5.05%	5.15%
Salary increase rate	<i>(ii)</i>	4.50%	4.50%

(i) Discount rate

Discount rates are based on yields on US corporate bonds as the Saudi Riyal is pegged to the US Dollar. The actuarial has used spot rate of the Standard Buck AAA/AA US Corporate Bond Curve at a term equal to the average duration of the liabilities for determining discount rate.

(ii) Salary increase rate

The assumption for future salary increases has been determined by the Company based on its long term expectations, reflecting both inflationary and promotional increases.

e) Sensitivity analysis

The table below shows the change in end of service liability based on a reasonable possible change in the base assumption value for discount and salary increment rates:

<u>2023</u>	Impact on defined benefit obligation – Increase / (Decrease)			
	<u>Base Scenario</u>	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate		+0.25%	(356,183)	-
		-0.25%	-	383,531
Expected rate of salary increase		+0.25%	383,120	-
		-0.25%	-	356,501

<u>2022</u>	Impact on defined benefit obligation – Increase / (Decrease)			
	<u>Base Scenario</u>	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate		+0.25%	(346,981)	-
		-0.25%	-	381,699
Expected rate of salary increase		+0.25%	381,420	-
		-0.25%	-	(347,157)

11 ACCOUNTS PAYABLE AND ACCRUALS

	<i>31 December 2023</i>	<i>31 December 2022</i>
	SAR	SAR
Employee incentives payable	535,749	868,022
Payable to General organization of social insurance (GOSI)	26,910	37,815
Accrued expenses	791,294	12,595
	1,353,953	918,432

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12 REVENUE FROM SERVICE CHARGES

This represents service charges for the provision of services provided by the Company in accordance with the Service Agreement signed between the Ultimate Parent Company and the Company at the rate of 'Reimbursable Costs' plus 10%. 'Reimbursable Costs' means all direct and indirect costs incurred by the Company solely in connection with the provision of services on behalf of the Ultimate Parent Company.

13 SALARIES AND EMPLOYEE RELATED EXPENSES

	<i>31 December</i> <u>2023</u>	<i>31 December</i> <u>2022</u>
	SAR	SAR
Salaries and employment related benefits	4,375,626	4,252,068
Board of directors fee expense	700,000	526,043
General organization for social insurance	219,556	233,374
Employees' end of service benefits	274,063	403,107
Employees' bonus	484,190	711,054
Other staff expenses	422,166	324,227
	<u>6,475,601</u>	<u>6,449,873</u>

14 OTHER EXPENSES

	<i>31 December</i> <u>2023</u>	<i>31 December</i> <u>2022</u>
	SAR	SAR
License fee	146,716	101,195
Bank charges	194,799	191,621
Intragroup shared services cost	17 301,266	219,821
Professional and consulting	260,119	252,992
Unwinding of special commission of lease liability	4 1,854	15,827
Others	232,691	36,764
	<u>1,137,445</u>	<u>818,220</u>

15 FINANCIAL INSTRUMENTS AND FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of bank balances, term deposit and due from a related party. Financial liabilities consist of Accounts payable and accruals, Amounts due to a related party and Lease liabilities.

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15 FINANCIAL INSTRUMENTS AND FAIR VALUE (CONTINUED)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	<i>31 December 2023</i>	
	<i>Carrying value</i>	<i>Fair value</i>
	<i>SAR</i>	<i>SAR</i>
<i>Financial assets</i>		
Cash and cash equivalents	74,175,585	74,175,585
Amounts due from a related party	1,205,655	1,205,655
	<u>75,381,240</u>	<u>75,381,240</u>
<i>Financial liabilities</i>		
Accounts payable and accruals	1,327,042	1,327,042
Amounts due to a related party	92,115	92,115
	<u>1,419,157</u>	<u>1,419,157</u>
	<i>31 December 2022</i>	
	<i>Carrying value</i>	<i>Fair value</i>
	<i>SAR</i>	<i>SAR</i>
<i>Financial assets</i>		
Cash and cash equivalents	71,120,434	71,120,434
Amounts due from a related party	722,049	722,049
	<u>71,842,483</u>	<u>71,842,483</u>
<i>Financial liabilities</i>		
Accounts payable and accruals	880,617	880,617
Amounts due to a related party	18,556	18,556
	<u>899,173</u>	<u>899,173</u>

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in a discontinued operation.

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15 FINANCIAL INSTRUMENTS AND FAIR VALUE *(continued)*

Due to the short-term nature of the financial assets and liabilities; the fair values of the financial assets and liabilities are not materially different from their carrying values. These would qualify for level 3 disclosure under IFRS except for Cash and cash equivalents which are classified under level 1. There have been no transfers to and from Level 3 during the year.

16 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Audit and Risk Management Committee, which has the responsibility to monitor the overall risk process within the Company.

The Audit and Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on cash at bank, term deposits, and due from related party as follows:

	<u>31 December 2023</u> SAR	<u>31 December 2022</u> SAR
Cash and cash equivalents	74,175,585	71,120,434
Amounts due from a related party	1,205,655	722,049
	<u>75,381,240</u>	<u>71,842,483</u>

Cash and cash equivalent and due from related parties are with counterparties that have investment grade credit ratings ranging from AA to A-. Investment grade refers to the quality of the counterparty's credit. In order to be considered investment grade, the counterparty must be rated at 'BBB' or higher by Standard and Poor's or Moody's. These balances are assessed to have low credit risk as they are held with reputable and high credit rating institutions and hence the impact of expected credit loss is negligible.

Amounts due from related parties are classified as short-term in nature and are expected to mature within three months.

Market risk

Market risk is measured, monitored and managed with a blend of quantitative and qualitative approach along with experienced talent and quantitative tools including sensitivity analysis and Value at Risk approach. In addition, exposure limits for individual transactions, concentration, maturities and other risk parameters captures the risk timely.

a) *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyals is on a fixed parity to the US Dollar, management believes that the Company is not subject to any significant currency risk.

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**16 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONTINUED)**

Market risk (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net financing requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of financing to dry up immediately. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

i) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

<u>2023</u>	<u>Fixed maturity</u>				<u>No fixed maturity</u>	<u>Total</u>
	<u>Within 3 months</u>	<u>and above</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>		
	<u>SAR</u>					
Lease liability	-	-	-	-	-	-
Accounts payable and accrual	1,353,953	-	-	-	-	1,353,953
Amounts due to a related party	92,115	-	-	-	-	92,115
Employees' end of service benefits	-	-	-	-	369,562	369,562
Total	1,446,068	-	-	-	369,562	1,815,630

<u>2022</u>	<u>Fixed maturity</u>				<u>No fixed maturity</u>	<u>Total</u>
	<u>Within 3 months</u>	<u>and above</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>		
	<u>SAR</u>					
Lease liability	251,085	167,390	-	-	-	418,475
Accounts payable and accrual	918,432	-	-	-	-	918,432
Amounts due to a related party	18,556	-	-	-	-	18,556
Employees' end of service benefits	-	-	-	-	363,863	363,863
Total	1,188,073	167,390	-	-	363,863	1,719,326

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include the Ultimate Parent Company, the Parent Company, fellow subsidiaries branches of the Ultimate Parent Company, directors and key management personnel of the Company. These transactions are carried out on mutually agreed terms and approved by the management of the Company.

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17 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During the year, the Company transacted with related parties in the normal course of business. The significant transactions with related parties and the related amounts other than those disclosed elsewhere in these financial statements are as follows:

a) Significant transactions arising from transactions with related parties are as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>31 December 2023</u> SAR	<u>31 December 2022</u> SAR
The Bank of New York Mellon Corporation – London Branch	Fellow subsidiaries	- Service charges (note 12)	9,501,636	8,873,426
		- Shared services (note 17.1 & 14)	(301,266)	(219,821)
The Bank of New York Mellon Corporation	Ultimate Parent	- Equity-settled share-based payment (note 17.2)	(31,110)	(3,327)
		- Other income	306,452	-
Board of Directors	Board members	- Board of Director's fee	700,000	526,043

17.1 These represent various services received by the Company from The Bank of New York Mellon Corporation under a mutual agreement. These services include internal audit, human resource, information technology, bookkeeping and other services.

17.2 Bank of New York has introduced the BK Shares program, granting Restricted Stock Units (RSUs) to Key Management Personnel (KMP) as part of their 2023 annual incentive award. The program was unveiled on 13 February 2023, with RSUs scheduled to vest by 20 October 2024. During the year, equity settled share-based payment expense recorded is SR 31,110 (2022: SR 3,327).

b) Key management personnel are those having authority and responsibility for planning, directing, and controlling the Company's activities either directly or indirectly. The compensation summary of key management personnel is set out below:

	<u>31 December 2023</u> SAR	<u>31 December 2022</u> SAR
Salaries and allowances	3,709,943	2,815,919
Employee incentives – Bonus	484,190	699,390

c) The following balances arose as a result of transactions with related parties:

<u>Name of Related party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>31 December 2023</u> SAR	<u>31 December 2022</u> SAR
The Bank of New York Mellon Corporation	Ultimate Parent Company	Due to related party	(92,115)	(18,556)
The Bank of New York Mellon – London Branch	Fellow subsidiary	Due from related party	1,205,655	722,049
The Bank of New York Mellon – London Branch	Fellow subsidiary	Current account	18,348,886	10,356,167

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17 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Amount due from related party as at the year end is unsecured, interest free and settlement occurs in cash. The Company did not record any expected credit losses relating to amount due from the related party as it believes that such balance are fully collectible. The amount due to or from the related parties are in the normal course of the Company's business which pertains to the services provided to the Shareholder.

18 REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

The CMA has issued Prudential Rules (the "Rules") dated 17 Safar 1434H (corresponding to 30 December 2012) amended by resolution of the Board of the Capital Market Authority Number 1-129-2022 Dated 04 Jumada II 1444H (Corresponding to 28 December 2022). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required.

Current year figures are presented based on amended regulations issued by CMA effective from April 1, 2023, and applied prospectively. The prior year's figures are not restated but are presented based on previous Rules and guidance. Capital adequacy ratio are as follows:

	31 December	31 December
	<u>2023</u>	<u>2022</u>
	SAR	SAR
Capital Base:		
Tier-1 Capital	54,125,479	51,385,856
Tier-2 Capital	-	-
Total Capital Base	<u>54,125,479</u>	<u>51,385,856</u>
Minimum Capital:		
Market Risk	-	-
Credit Risk	602,827	2,718,921
Operational Risk	20,925,863	2,062,690
Total Minimum Capital	<u>21,528,690</u>	<u>4,781,611</u>
Surplus Capital	<u>32,596,789</u>	46,604,245
Capital Adequacy Ratio (percentage / times)	<u>251.41%</u>	<u>10.75</u>

Tier-1 Capital: Tier-1 capital consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves as per Article 4 of the Rules.

Tier-2 Capital: Tier-2 capital consists of revaluation reserves as per Article 4 of the Rules.

Credit Risk: Credit exposures from non-trading activities of the Company is from bank current accounts, due from a related party, other receivables and right of use asset.

Operational Risk: Operational risk arises from inadequate internal processes, people and systems or from external events. The management has computed the operational risk based on the Basic Indicator approach.

Capital Adequacy Ratio: As per the CMA guidelines, the Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 8% of the minimum capital required in amended Rules and shall not be less than 1 time in previous Rules.

The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

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19 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments to be disclosed in the notes to the financial statements as at 31 December 2023.

20 SUBSEQUENT EVENTS

There are no material events subsequent to the reporting date that requires adjustment or disclosure in these financial statements.

21 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 21 March 2024.