

J.P. MORGAN SAUDI ARABIA COMPANY

Annual Board Report 2023

J.P.Morgan

Table of contents

1. Overview	3
2. Licenses	3
Arranging	3
Advisory	3
Underwriting	3
Custody	3
Dealing	3
3. Financials	4
4. Risk	6
5. Board Member Interests	6
6. Board Members and Meetings	8
Board Members:	9
Remunerations and Compensations:	9
7. Main Committees of the Board of Directors	9
Internal Audit Committee	9
Compliance Committee	10
Nomination and Remuneration Committee	10
8. Violations	12
9. Internal Audit Reviews and Audit Committee Opinion	12
10. Remuneration and Compensation Disclosure in SAR	18

Appendices

Appendix 1:	13
a- Board Members Membership in Other Companies	13
Ziyad Al-Saleh	
Bader Alamoudi	
Fahad Aldeweesh	13
Tara Lamont	13
Khalid Fayez	
Hussam Shobokshi	
Appendix 1:	15
b- Board Members Interests	15
Appendix 2: 2023 Board Meetings Attendance Record Error! Bookmark not defined.	
Attendance Record of 2023 Board Meetings	16
Attendance Record of 2023 Nomination and Remuneration Committee	
Attendance Record of 2023 Internal Audit Committee Meetings	Error! Bookmark not defined.
Attendance Record of 2023 Compliance Committee Meetings	Error! Bookmark not defined.
Appendix 3: Remuneration and Compensation	18
Appendix 4: Audited Financial Statement	20

1. Overview

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

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

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

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

2. Licenses

a. Arranging

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

b. Advisory

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

c. Underwriting

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

d. Custody

Direct Custody and Clearing (“DCC”)

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

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

Key Benefits

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

Global Custody

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

e. Dealing

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

3. Financials

PriceWaterhouseCoopers ("PwC") conducted an external audit of the Company for the 2023 fiscal year and provided an unqualified audit opinion that the financial statements present fairly, in all material respects, in accordance with International Financial Reporting Standards, that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA.

JPMSA's operating income in 2023 was SAR181mm, which has increased compared to prior year (2022: SAR127mm) driven primarily by increase in custody and investment banking revenues. Operating expenses (2023: SAR57mm) increased compared to prior year (2022: SAR48mm) mainly due to higher salaries and employee related benefits and

operating expenses. Over the five year's period, operating income has increased by 63% while the related operating expenses have increased by 44%. Markets and Investment Banking businesses had been the main contributors to the income over the initial years. However, from FY 2019 onwards, Equities Brokerage and Custody businesses have also made sizeable contributions to the overall income. This has reduced operating income concentration to more diversified revenue streams. The average net margin over the same period is just over 50%.

There was a slight dip in net margins in FY'20 mainly due to lower markets and brokerage revenues. Net profit after tax for 2023 was SAR98mm up from 2022 (SAR64mm) driven by increased revenues in 2023. The Company's FY 2024 Annual Plan has been approved by the Board of Directors. The Company is adequately capitalised and holds sufficient levels of liquidity to meet its obligations.

JPMSA has no outstanding loans other than immaterial overdrawn balances as at the end of FY 2023. The company has an overdraft facility of SAR 500 MM from a local bank.

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

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

SAR' mm	FY'23	FY'22	FY'21	FY'20	FY'19
Total Assets	575	452	401	307	407
Total Liabilities	63	39	53	32	173
Total Equity	512	413	348	275	234
Total Liabilities & Equity	575	452	401	307	407
Income	181	127	137	95	111
Expenses	(57)	(48)	(44)	(42)	(39)
Taxation	(26)	(15)	(20)	(11)	(15)
Net income	98	64	73	42	57

In the ordinary course of its activities, the Company transacts business with its related parties. Related parties include JPMorgan Chase Bank, National Association including foreign branches and affiliated entities; the Board of Directors; and key management personnel. Key management personnel are those persons, including Non-executive Director, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company. Significant transactions with related parties in the ordinary course of business are summarized in the Note 4 of the Financial Statements.

4. Company's Risks

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

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

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

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

- **Business strategy risk:** the risk associated with business decisions that may impact revenue, business growth or viability.
- **Capital risk:** the risk the Firm has an insufficient level and composition of capital to support the Firm's business activities and associated risks during normal economic environments and under stressed conditions. JPMSA is well capitalized with the capital ratio of 77% as at YE23.. FX risk to capital ratios is the risk of adverse effect of the exchange rate on capital ratios. FX risk to capital ratios for JPMSA arises from risk weighted exposures denominated in non-SAR currencies.
- **Liquidity risk:** the risk that the firm will be unable to meet its contractual and contingent obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.
 - o JPMSA's assets are mainly liquid overnight deposits or nostro accounts at banks. As at YE23, JPMSA has taken no loans but has liabilities of SAR 56mm.
 - o JPMSA may need some funding in case of rejected trades under the Independent Custody Model in its Equities Brokerage or unsold

underwriting equity commitments. JPMSA has established processes for providing necessary liquidity to JPMSA by other JPM entities in the above scenarios, although their probability is relatively low. Also, SABB has provided a SAR 4.3bn guarantee facility to the exchange (Tadawul) on behalf of JPMSA to support the equities and custody business settlement activity.

- **Reputation risk:** is the risk that an action or inaction may negatively impact perception of the firm's integrity and reduce confidence in firm's competence by its various constituents, including clients, counterparties, customers, investors, regulators, employees, communities or the broader public. JPM takes a qualitative approach to addressing reputation risk appetite given the nature of the risk.
- **Credit risk:** the risk associated with the default or change in credit profile of a client, counterparty or customer.
 - o JPMSA's credit risk profile is limited and short-term, and is driven by deposits held with JPMorgan Chase Bank, N.A. and Saudi Awwal Bank.
 - o JPMSA's credit concentration risk is related to single name concentration (JPM group and Saudi Awwal Bank), industry concentration (financial sector) and geographical concentration (Saudi Arabia and USA).
- **Market risk:** the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.
 - o JPMSA's market risk is limited to the foreign exchange risk which arises from non-SAR positions. The non-SAR open currency positions are primarily in USD.
 - o JPMSA may be exposed to market risk in case of rejected trades under the Independent Custody Model in its Equities Brokerage business or unsold underwriting equity commitments, the probability of which is deemed to be low. JPMSA implemented thresholds to monitor and control potential market risk arising from the above trades.
- **Interest rate risk in banking book** (commission rate risk): results from the firm's traditional banking activities (accrual accounted on and off-balance sheet positions) which includes extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities). JPMSA's interest rate risk in banking book is minimal due to the short-term overnight nature of deposits held with banks.
- **Operational risk:** the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external

events impacting the firm's processes or systems; it includes compliance, conduct, legal and estimations and model risk. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, cybersecurity attacks, inappropriate employee behavior, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels considering the Firm's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

- **Pension (end of service) risk:** the risk caused by the JPMSA obligation with respect to an end of service benefit payment. Pension risk is driven by market and demographic factors where JPMSA may be unable to meet future expected benefit payments.
- **Group risk and country risk** are not separately quantified and are managed as part of risk governance processes of the risks they are part of (including credit, market, operational and liquidity risks).

5. Board Member Interests

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

6. Board Members and Meetings

Khalid Fayez was appointed as a new Chief Executive Officer of the Company on 17 July 2023 replacing Fahad Aldeweesh. Karin Ovegren was appointed as a non-executive director on 4 February 2024.

The Board held four meetings in 2023, the first meeting was held on 27 March 2023 , second meeting was held on 2 October 2023, third meeting on 7 November 2023 and fourth meeting on 14 December 2023. The meetings were attended by a majority of the directors on record at the time and each meeting was properly constituted as referenced in Appendix 2.

a. Board Members:

Name	Position
Ziyad Al Saleh	Chair and Independent Non-Executive Director
Bader Alamoudi	Vice-Chair and Non-Executive Director
Khalid Fayez (<i>appointed CEO effective 17 July 2023</i>)	CEO and Executive Director
Tara Lamont	Non-Executive Director
Karin Ovegren (<i>appointed Member effective 4 February 2024</i>)	Non-Executive Director
Hussam Shobokshi	Independent Non-Executive Director
Fahad Aldeweesh (<i>resigned on 20 March 2023</i>)	CEO and Executive Director (Resigned on 20 March 2023)

b. Remuneration and Compensation:

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

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

7. Main Committees of the Board of Directors

Internal Audit Committee, Compliance Committee, and Nomination & Remuneration Committee were established and approved by the Board.

In December 2023, the Capital Markets Authority approved to remove the Audit Committee of the Company as per the amended regulations, provided Audit updates are captured in other related committees/forums. The Company has therefore updated its Bylaws and Governance Handbook and transferred its Audit Committee responsibilities to the Board of Directors. This has also been approved at the Company's OGM.

Internal Audit Committee

Members of the Committee:

Name	Position
Bader Alamoudi	Chair
Fuad Khawaja	Member and Secretary
Khalid Fayez	Member (Resigned on 17 July 2023)

The responsibilities of the Committee shall be to:

- Review the annual Audit and Compliance plans for each business line, including areas of priority and focus and the process of determining what those are.
- Review overall financial and staffing resources available to both functions to meet the objectives of the plan, and management's responses to addressing resourcing issues which may arise.
- Monitor progress toward completion of the plans, including a summary of significant changes made to such plans.
- Receive from Internal Audit and Compliance, periodically, and from management, as appropriate, communications and presentations on significant operating and control issues in internal audit reports, compliance reviews, management letters, and regulatory authorities' examination reports, and management's response to them.
- Recommend to the Board the appointment, dismissal and the Remuneration of external auditors; upon any such recommendation, regard must be made to their independence.
- Supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties and
- Initiate such other inquiries as it deems necessary or appropriate.
- The Audit Committee shall review the Company's financial statements, and auditor's reports and notes, and shall provide its opinion thereon, if any. The Committee shall also prepare a report of its opinion concerning the efficiency of internal control within the company, and about any other activities falling within its powers.

Compliance Committee

Members of the Committee:

Name	Position
Khalid Fayeze	Chair (Appointed on 21 September 2023)
Razan Tabbara	Member
Fuad Khawaja	Member
Wejdan Alfraihi	Member and Secretary
Fahad Aldeweesh	Chair (Resigned on 20 March 2023)

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

The Committee met on three occasions in 2023 with its members in attendance.

The responsibilities of the Committee shall be to:

- Oversee the scope, structure and activities of compliance function to ensure compliance function carrying out its mandate.
- Regularly assess the compliance function independency.
- Ensure the firm's compliance with regulatory requirements and regulations.

- Assessing the compliance function controls regularly.
- Review and monitor the progress of correction actions and compliance plan implementation.
- Review the adequacy of internal policy and procedure to address the compliance need with the authority rules and regulation; and
- Communicating the deficiencies and recommending improvement to the Board of Directors.

Nomination and Remuneration Committee

Members of the Committee:

Name	Position
Tara Lamont	Chair
Bader Alamoudi	Member
Karin Ovegren (<i>appointed Member effective 4 February 2024</i>)	Member
Office of the Secretary	Secretary
Nasser Almoammar (<i>resigned on 20 March 2023</i>)	Member and Secretary (Resigned on 20 March 2023)

The Committee met three times during 2023 with all members in attendance during the first meeting. In the second and third meeting, the attendees were Tara Lamont and Bader Alamoudi (ref. Appendix 2). Karin Ovegren was appointed to the Nomination and Remuneration Committee in the meeting held on 11 December 2023, replacing Nasser Almoammar.

The responsibilities of the Committee shall be to:

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting honour or honesty is nominated for such membership.
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.
- Review the structure of the Board of Directors and recommend changes.
- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the company's interest.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
- Draw clear policies regarding the indemnities and remunerations of the Board of Directors and top executives; in laying down such policies, the standards related to performance shall be followed.

8. Violations

No violations imposed by the Authority or from any supervisory, regulatory, or judicial body during 2023.

9. Internal Audit Reviews and Audit Committee Opinion

Internal Audit provides independent risk-based and objective assurance on the internal control environment of the Company. Annual audit plans and reports are presented periodically to the Company's Audit Committee. Based on the reviews conducted by Internal Audit in 2023, along with Annual External Audit, Compliance Conduct and Operational Risk Monitoring and Testing, the Audit Committee is of the opinion that the internal control environment in which the Company operates is adequate. Internal Audit performed audits over Saudi Cash Equities and Saudi Arabia Technology Review covering the Company in 2023 to meet the audit requirement as per Article 62 of the Capital Market Authority's Capital Market Institutions Regulations. No audit issues were identified in 2023 for the Company.



Ziyad Al Saleh
Chair of J.P. Morgan Saudi Arabia Company



Khalid Fayez
CEO of J.P. Morgan Saudi Arabia Company



Adil Nooruddin
CFO of J.P. Morgan Saudi Arabia Company

Appendix 1:

a- Board Members Membership in Other Companies

Ziyad Al-Saleh

Chair and Independent Non-Executive Director (*appointed Chair from 23 February 2022*)

Entity	Position Held	Shareholding / Other Interests
A.K.AL-Muhaidib & Sons CJSC (AMG Group) Saudi	Board Member	-
Al-Romansiah	Board Member	-
Egypton Propylene & Polypropylene Company	Board Member	-
Gulf Systems Company	Board Member	-
Hoshan Company Ltd.	Board Member	-
Mayar Foods Company	Board Member	-
Riyadh Cables Group of Companies	Board Member	-
Pioneers Holdings JSC, Egypt	Board Member	-
Thabat ALMaskan	Board Member	-
Yanal Finance Company	Independent Director	-
Zahrawi Medical - UAE	Board Member	-
TMG (Talaat Moustafa Group)	Board Member	-

Bader Alamoudi

Vice Chair and Non-Executive Director

Entity	Position Held	Shareholding / Other Interests
-	-	-

Kahlid Fayez

CEO and Executive Director

Entity	Position Held	Shareholding / Other Interests
-	-	-

Tara Lamont

Non-Executive Director

Entity	Position Held	Shareholding / Other Interests
-	-	-

Karin Ovegren
Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
-	-	-

Hussam Shobokshi
Independent Non-Executive Director

Entity	Position Held	Shareholding / Other Interests
Al Hassan Ghazi Ibrahim Shaker Company	Independent Director	-
Althuraya Foundation	Founder & Chair	-
Middle East Venture Partners (MEVP)	Independent Director	-
Neeti Fund	Co-Founder & Board member	-
Orascom Industrial Parks (Joined 01 December 2022)	Director	-
Saray Capital (Resigned 01 February 2023)	Co-Founder & Board member	-

Appendix 2:

b- Board Members Interests

Ziyad Al-Saleh
Chair & Independent Non-Executive Director

Interests	Contract name	Amount	Period
-	-	-	-

Hussam Shobokshi
Independent Non-Executive Director

Interests	Contract name	Amount	Period
-	-	-	-

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

Attendance Record of 2023 Board Meetings

Name	Position	27 Mar 2023	02 Oct 2023	07 Nov 2023	14 Dec 2023
Ziyad Al Saleh	Chair and Independent Non-Executive Director	Yes	Yes	Yes	Yes
Bader Alamoudi	Vice Chair and Non-Executive Director	Yes	Yes	Yes	Yes
Fahad Aldeweesh	CEO and Executive Director	Yes	N/A	N/A	N/A
Tara Lamont	Non-Executive Director	Yes	Yes	Yes	Yes
Hussam Shobokshi	Independent Non-Executive Director	Yes	Yes	Yes	Yes
Khalid Fayez	Non-Executive Director	Yes	N/A	N/A	N/A
Khalid Fayez	CEO and Executive Director	N/A	Yes	Yes	Yes

Attendance Record of 2023 Nomination and Remuneration Committee

Name	Position	20/03/2023	03/07/2023	11/12/2023
Tara Lamont	Chair and Member	Yes	Yes	Yes
Bader Alamoudi	Member	Yes	Yes	Yes
Nasser Almoammar	Member and Secretary	Yes	N/A	N/A

Attendance Record of 2023 Internal Audit Committee Meetings

Name	Position	21/03/2023	19/06/2023	26/09/2023	12/12/2023
Bader Alamoudi	Chair	Yes	Yes	Yes	Yes
Khalid Fayeze (Resigned on 17 July 2023)	Member	Yes	Yes	N/A	N/A
Fuad Khawaja	Member and Secretary	Yes	Yes	Yes	Yes

Attendance Record of 2023 Compliance Committee Meetings

Name	Position	20/03/2023 (Q1)	21/09/2023 (Q2 & Q3)	29/11/2023 (Q4)
Fahad Aldeweesh (resigned on 20 March 2023)	Chair	Yes	N/A	N/A
Khalid Fayed (appointed on 21 September 2023)	Chair	N/A	Yes	Yes
Razan Tabbara	Member	Yes	Yes	Yes
Fuad Khawaja	Member	Yes	No	Yes
Wejdan Alfraihi	Member and Secretary	Yes	Yes	Yes

Appendix 3: Remuneration and Compensations

Remuneration and Compensations Disclosure in SAR

Statement	Executive Board Members ¹	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	-	-	400,000
Allowance for attendance of the committees' sessions	-	-	-
Periodic and annual remunerations	-	-	-
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total	-	-	400,000

	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	5,574,377
Allowances	121,314
Periodic and annual remunerations ²	4,125,074
Incentive plans ³	3,008,829
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	-
Total	12,829,594⁴

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

² This includes annual bonuses (in cash and shares) paid / awarded in January 2024 in respect of the 2023 performance year

³ This includes deferred compensation from prior years which vested / was paid during 2023 and non-annual payments such as dividend equivalents paid on unvested RSUs during the period, sign-on bonuses, overtime payments, end of service payments and severance payments

⁴ Annual average FX as at 31 December 2023 = 3.75 (USD:SAR)

Appendix 4: Audited Financial Statement

J.P. MORGAN SAUDI ARABIA COMPANY

(A Single Shareholder Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
AND INDEPENDENT AUDITOR'S REPORT

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Financial statements
For the year ended December 31, 2023

	Page
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of income	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 34



Independent auditor's report to the shareholder of J.P. Morgan Saudi Arabia Company

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of J.P. Morgan Saudi Arabia Company (the "Company") as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the 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").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of the board of directors and those charged with governance for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-Laws, and for such internal control as the board of directors 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, the board of directors 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 the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the board of directors and the audit committee, are responsible for overseeing the Company's financial reporting process.



Independent auditor's report to the shareholder of J.P. Morgan Saudi Arabia 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 the 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 the 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 the International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 board of directors.
- Conclude on the appropriateness of board of directors' 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, 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.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Ali H. Al Basri', is written over a horizontal line.

Ali H. Al Basri
License Number 409

March 28, 2024

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

		As at December 31,	
	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	3	171,602	102,193
Short-term deposits with a bank	7	272,207	265,356
Margin deposit with Muqassa	8	68,111	68,019
Trade receivables	6	50,057	8,094
Prepayments and other receivables	5	2,159	2,764
Total current assets		564,136	446,426
Non-current assets			
Property and equipment	9	10,355	4,380
Deferred tax asset	16.3	595	1,231
Total non-current assets		10,950	5,611
Total assets		575,086	452,037
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	10	26,585	12,724
Accrued expenses and other current liabilities	11	12,784	10,386
Lease liabilities	12	3,037	3,806
Provision for income tax	16.2	13,179	5,917
Total current liabilities		55,585	32,833
Non-current liability			
Employees' end of service benefits ("EOSB")	13	7,245	6,312
Total non-current liability		7,245	6,312
Total liabilities		62,830	39,145
Equity			
Share capital	14	93,750	93,750
Statutory reserve	21	34,052	34,052
Re-measurement reserve for EOSB		1,322	730
Retained earnings		383,132	284,360
Total equity		512,256	412,892
Total liabilities and equity		575,086	452,037
Commitments and contingencies	20		

The accompanying notes from 1 to 23 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of income
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the year ended December 31,	
	Note	2023	2022
Service fee income, net	4.1.1	94,185	70,794
Brokerage fee, net		29,305	36,516
Income from deposits	4.1.2	57,369	19,357
Operating income		180,859	126,667
Operating expenses			
Salaries and employee related benefits		(35,576)	(29,730)
Other general and administrative expenses	15	(17,672)	(15,592)
Rent and premises related expenses		(1,195)	(703)
Depreciation	9	(2,120)	(1,607)
Total operating expenses		(56,563)	(47,632)
Total operating income		124,296	79,035
Other expenses			
Exchange income / (loss), net		153	(174)
		153	(174)
Income before income tax expense		124,449	78,861
Income tax expense	16.4	(25,677)	(14,572)
Income for the year		98,772	64,289

The accompanying notes from 1 to 23 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the year ended	
		December 31,	
	Note	2023	2022
Income for the year		98,772	64,289
Other comprehensive income			
<i>Items that will not be reclassified subsequently to the statement of income:</i>			
- Remeasurement gain on EOSB	13	740	1,061
- Deferred tax on remeasurements of EOSB		(148)	(212)
Other comprehensive income for the year		592	849
Total comprehensive income for the year		99,364	65,138

The accompanying notes from 1 to 23 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Re- measurement reserve for EOSB	Retained earnings	Total
January 1, 2023	93,750	34,052	730	284,360	412,892
Comprehensive income:					
Income for the year	-	-	-	98,772	98,772
Other comprehensive income for the year	-	-	592	-	592
Total comprehensive income for the year	-	-	592	98,772	99,364
December 31, 2023	93,750	34,052	1,322	383,132	512,256
January 1, 2022	93,750	27,623	(119)	226,500	347,754
Comprehensive income:					
Income for the year	-	-	-	64,289	64,289
Other comprehensive income for the year	-	-	849	-	849
Total comprehensive income for the year	-	-	849	64,289	65,138
Transfer to a statutory reserve	-	6,429	-	(6,429)	-
December 31, 2022	93,750	34,052	730	284,360	412,892

The accompanying notes from 1 to 23 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the year ended December 31,	
	Note	2023	2022
Cash flows from operating activities			
Income before income tax		124,449	78,861
<u>Adjustments for:</u>			
Depreciation	9	2,120	1,607
Provision for EOSB	13	1,589	1,451
Interest expense on lease liabilities	12	72	56
<u>Changes in working capital:</u>			
Margin deposit with Muqassa		(92)	(68,019)
Trade receivables		(41,963)	7,904
Prepayments and other receivables		605	3,837
Trade payables		13,861	419
Accrued expenses and other current liabilities		2,398	(4,244)
		103,039	21,872
EOSB (transfers / payments), net	13	84	(450)
Income tax paid	16.2	(17,927)	(22,772)
Net cash generated from / (used in) operating activities		85,196	(1,350)
Cash flows from investing activities			
Purchase of property and equipment, net	9	(6,910)	(234)
Short-term deposits with a bank		(6,851)	(77,626)
Net cash used in investing activities		(13,761)	(77,860)
Cash flows from financing activity			
Payments for lease liabilities	12	(2,026)	(1,625)
Cash used in financing activity		(2,026)	(1,625)
Net change in cash and cash equivalents		69,409	(80,835)
Cash and cash equivalents at the beginning of the year		102,193	183,028
Cash and cash equivalents at the end of the year		171,602	102,193
Supplemental non-cash information:			
Re-measurement reserve for employees' EOSB	13	740	1,061
Deferred tax on remeasurements of employees' EOSB		(148)	(212)
Additions to right-of-use assets	9	(1,180)	(18)
Re-measurement of ROU assets	9	5	(403)
Lease liabilities	12	3,037	3,806

The accompanying notes from 1 to 23 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

J.P. Morgan Saudi Arabia Company (the “Company”) is a single shareholder closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010240801 issued in Riyadh on Dhul Qadah 17, 1428H (corresponding to November 26, 2007), Ministry of Investment of Saudi Arabia (“MISA”) license number 2031026532-01 dated Shaban 22, 1428H (corresponding to September 4, 2007) and the Capital Market Authority (“CMA”) license number 12164-37 dated Dhul-Hijaa 26, 1433H (corresponding to November 11, 2012).

The Company was converted from a limited liability company to a single shareholder closed joint stock company on Shaban 27, 1438H (corresponding to May 23, 2017) which is the date of conversion. Due to the change of the Company’s status the name was changed from J.P. Morgan Saudi Arabia Limited to J.P. Morgan Saudi Arabia Company. The Company’s financial statements are prepared from January 1 to December 31 of each Gregorian year.

Initially the Company was established to conduct investment banking activities in the field of arranging, advising, custody and dealing as an agent in respect of securities business, but does not deal in margin trading transactions. During 2012, the Company obtained provisional CMA licenses dated Dhul-Hijaa 26, 1433H (corresponding to November 11, 2012) to amend the business activities to conduct dealing as principal and agent, underwriting, arranging, advising and custody. However, there were no business activities executed by the Company with reference to some of these provisional licenses. During 2017, the Company was recognized by the Saudi Stock Exchange (Tadawul) as an Exchange member to perform brokerage activities. The membership was granted following fulfillment of technical and legal requirements laid down by the Tadawul.

2 Material accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), 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 accounting policies used in the preparation of these financial statements are applied consistently to all the years presented otherwise stated.

(ii) Basis of measurement

These financial statements have been prepared:

- under the historical cost convention except for:
- Employees’ end of service benefits (EOSB) carried at present value using Projected Unit Credit Method.
- using the accrual basis of accounting.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

(iii) New standard effective in current year

The International Accounting Standard Board (IASB) has issued the following amendments to accounting standards, which were effective from January 1, 2023 but do not have any significant impact on the financial statements of the Company.

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.
- Amendments to IAS 1 and IFRS Practice statement 2 – The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.
To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
- Amendment to IAS 8 – The amendment to IAS 8 Accounting Policies, Changes in Accounting estimates and errors clarifies how fund should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.
- Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to IAS 12 - 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.

(iv) Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards and amendments which were effective from periods on or after January 1, 2024. The Company has opted not to early adopt these pronouncements and they are not expected to have a significant impact on the financial statements of the Company.

Standard / Interpretation	Description	Effective from periods beginning on or after
Amendments to IFRS 16	Leases on sale and leaseback	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
IFRS S1	General requirements for disclosure of sustainability-related financial information	January 1, 2024 subject to endorsement from SOCPA
IFRS S2	Climate-related disclosures	1 January 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Available for optional adoption/effective date deferred indefinitely
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

(v) Foreign currency translations and presentation currency

(a) Reporting currency

These financial statements are presented in Saudi Riyals (“SR”) which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Arabian Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income. Such exchange adjustments were not significant for the year ended December 31, 2023 and 2022, respectively.

(vi) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

There are no significant estimates in the Company’s financial statements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

2.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.3 Financial instruments

2.3.1 Classification and measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through statement of income (FVSI)

Equity instruments

Equity instruments are those that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets.

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company’s policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Currently, all the equity instruments have been classified as FVSI by the Company.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Debt instruments

Debt instruments if any held are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected;
- how the asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- how managers are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVSI.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and interest (the "SPPI" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 2.3.2. Profit earned from these financial assets is recognized in the statement of income using the effective commission rate method.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Fair value through statement of income (FVSI): If debt instrument's cash flows do not represent solely SPPI or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt investment measured at FVSI, where cashflows do not represents solely SPPI, is recognized in the statement of income, within "Net gain / (loss) on investments mandatorily measured at FVSI", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are held for trading are presented separately from debt investments that are mandatorily measured at FVSI, within "Net gain / (loss) on investments designated at FVSI or held for trading". Special commission income earned from these financial assets is recognized in the statement of income using the effective commission rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVSI, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Income.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Currently, bank balances, short-term deposits with a bank, due from related parties and other receivables are categorized as held at amortised cost.

2.3.2 Impairment of financial assets

The Company estimates credit impairment through an allowance for expected credit losses ("ECLs"). ECLs are recognised for financial assets that are measured at amortised cost or at fair value through other comprehensive income ("FVOCI") and for specified lending-related commitments, such as loan commitments and financial guarantee contracts. The measurement of ECLs must reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- (i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
- (ii) If a significant increase in credit risks ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- (iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- (iv) Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- (v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should be consider forward-looking information.
- (vi) Purchase or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Impact of staging on measuring expected credit losses

ECLs are measured using a three-stage model based on changes in credit quality of the financial instrument since it was initially recognised ("initial recognition"):

Stage 1 - performing financial instruments that have not had a significant increase in credit risk since initial recognition;

Stage 2 - performing financial instruments that have experienced a significant increase in credit risk; and

Stage 3 - non-performing financial instruments that have been determined to be credit-impaired.

The financial assets of the Company that are subjected to ECL review include deposits with banks, due from related parties and other assets.

A significant exposure of the Company is held as deposits with J.P. Morgan Chase Bank, N.A, Riyadh Branch which is a Branch of J.P. Morgan Chase Bank, N.A and a local bank licensed and listed in the Saudi stock exchange. Both the Banks have sound credit rating as at the reporting date and therefore the Company considers that it has a low credit risk. The rating of the Banks as at December 31, 2023 and 2022 were no less than Aa3 and A2 respectively as per Moody's and no decline is seen in the credit rating till the reporting date. The ECL is insignificant and therefore no ECL is booked in the financial statements.

ECL on intercompany fees and other receivables is nil due to the factors mentioned in note 2.3.2.3.

2.3.2.1 Stages of impairment under IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses (ECL) where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of interest revenue.

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company's existing credit risk management standards for acceptable credit quality. Overall, the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may; but will not necessarily; reduce the ability to fulfil its obligations.

Stage 2 - Financial assets with significant increase in credit risk

Financial instruments that have experienced a significant increase in credit risk ("SICR") since initial recognition for which there is no objective evidence of impairment are included in Stage 2. For Stage 2 instruments, ECL is calculated considering the probability of default over the remaining life of the instrument on a collective basis and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for the credit loss allowance).

The Company assesses for evidence of a SICR by considering whether there has been a change in the risk of a default occurring since the financial instrument was initially recognised.

Stage 3 - Credit impaired financial assets

Financial assets classified under this category have exceeded either the objective thresholds set by the Company or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The Company considers a customer as "Defaulted" when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to actions such as realizing security (if held).

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Financial instruments are included in Stage 3 when there is objective evidence of impairment at the reporting date. For Stage 3 instruments, ECL is calculated considering the probability of default over the remaining life of each instrument (“Lifetime ECL”) on an individual asset basis and interest revenue is calculated on the net carrying amount (that is, net of the allowance for credit losses).

All financial assets are considered to be credit-impaired and included in Stage 3 when one or more of the following events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred:

- a) Significant financial difficulty of the issuer or the borrower;
- b) A default or past due event;
- c) The Company or holders of debt securities have granted a concession to the borrower for economic or contractual reasons relating to the borrower’s financial difficulty;
- d) It has become probable the borrower will enter bankruptcy or other financial reorganisation;
- e) An active market for that financial asset no longer exists because of the borrower's financial difficulties; or
- f) A financial asset is purchased or originated at a deep discount that reflects a credit loss has been incurred.

The criteria above are consistent with how the Company defines ‘default’ for internal credit risk management purposes.

2.3.2.2 Transfer criteria

Staging considerations

Financial instruments that have not had a significant increase in credit risk (SICR) since initial recognition are included in Stage 1. For these instruments, 12-month expected credit losses are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Financial instruments that have had a SICR since initial recognition but that do not have objective evidence of impairment are included in Stage 2. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

IFRS 9 requires that when determining whether the credit risk of a financial instrument has increased significantly, an entity shall consider the change in the risk of a default occurring since initial recognition. IFRS 9 points that credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available, it must be used to assess changes in credit risk.

The Company has developed its staging criteria by using both quantitative and qualitative considerations to determine if a loan has experienced significant increase in credit risk.

The Company considers a financial instrument to have experienced a SICR when any of the following quantitative or qualitative criteria have been met:

Quantitative criteria

The Company determines whether the probability of a default (“PD”) occurring has changed between a financial instruments initial recognition and the reporting date. If the change in PD exceeds certain relative and absolute thresholds, the instrument has experienced a SICR. The assessment of the PD takes into account reasonable and supportable information, including information about past events, current and future economic conditions.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Qualitative criteria

The Company monitors borrowers that may become impaired by including them on its watch list. Obligors that are on the watch list are considered to have experienced a SICR. The Company also monitors changes in internal credit risk ratings (relative to the credit rating on initial recognition) and delinquency triggers to determine if a borrower has experienced a SICR.

Financial instruments that are in Stage 2 are moved to Stage 1 as described below in the period that the quantitative and qualitative criteria for a SICR no longer exist.

The approach for determining whether there has been a SICR depends on the type of instrument. For fee receivables arising from contracts with customers [e.g. brokerage fee receivables], the Company applies a provision matrix as a practical expedient for calculating expected credit losses. The matrix provides that in the case of institutional customers, a receivable is considered to have had a SICR (i.e. Stage 2) if it is 90 days past due and credit-impaired (i.e. Stage 3) if it is 180 days past due at which point an ECL for 100% of the amount owned is recognised. In the case of non-institutional customers, a receivable is considered to have had a SICR (i.e. Stage 2) if it is 30 days past due and credit-impaired (i.e. Stage 3) if it is 90 days past due at which point an ECL for 100% of the amount owned is recognized. The Company has not had significant losses on its fee receivable portfolios and are considered to be immaterial.

2.3.2.3 Expected credit loss measurement

Incorporation of forward-looking information

ECL estimates are derived from the Company's historical experience and future forecasted economic conditions. To incorporate forward-looking information into the ECL calculation, the Company develops forecasted economic scenarios.

As mentioned in 2020 Developments, the Company moved from three forward looking scenarios (upside, base and downside) to five forward looking scenarios (base, relative upside, extreme upside, relative downside and extreme downside cases) during the year. Each of these scenarios contains a set of macroeconomic variables that reflect forward-looking economic and financial conditions. Macroeconomic variables include, but are not limited to foreign exchange rates, inflation and GDP per country or country block. Macroeconomic variables for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period.

On a quarterly basis, the five economic scenarios are updated and probability weighted. The Company uses judgment to develop the scenarios and assign probability weightings. The most likely economic scenario in management's view is the base case which would generally be expected to be weighted more heavily than the other two scenarios.

The PD, LGD and EAD models are designed to forecast the credit quality and performance of the obligor based on industry, geography, rating and size of obligors, among other attributes of the portfolio. PD, LGD and EAD models are calibrated based on historical macroeconomic variables and use forecasted macroeconomic scenarios for projecting PD, LGD and EAD.

The Company has determined that ECLs on cash held with banks are immaterial due to low credit risk. In evaluating the lifetime ECL related to receivables from a bank, the Company determined the expected probability of default was extremely remote, and the magnitude of lifetime ECL related to exposures would be negligible as these are regulated and externally rated banking institutions that have significant capital, loss absorbing capacity and liquidity and have strong credit rating. The majority of the deposits held are short term in nature and can be withdrawn overnight.

For inter-company loans and receivables, the Company evaluates the counterparty based on the consolidated Company's resolution and recovery plan, tenor of the loan/receivable, and any collateral received. The Company has not experienced any losses on inter-company loans and receivables.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company continues to monitor its portfolios to ensure the described framework is appropriate and its exposure to credit risk and ECLs on these portfolios are adequately reflected in the allowance for credit losses.

For fee receivables arising from contracts with customers (e.g. advisory fee receivables), the Company applies a provision matrix as a practical expedient for calculating expected credit losses.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

- Probability of Default (“PD”): The PD model estimates the probability of downgrade and default each quarter. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The model considers input variables that are region-, industry- and borrower segment-specific and considers both scenario- and borrower-specific information. PDs are determined at a facility-level based on risk ratings and other characteristics.
- Exposure at Default (“EAD”): The EAD model predicts gross exposure upon a borrower’s default as a percentage of the total commitment at the reporting date under a given macroeconomic environment. The model estimates the probability of a change in the utilization, and direction and magnitude of the change. Input variables include exposure and utilization at the reporting date, facility purpose, industry and macro-economic variables (“MEVs”).
- Loss Given Default (“LGD”): The LGD model estimates expected losses under given macroeconomic environments on the EAD given the event of default and, taking into account, among other attributes, the mitigating effect of collateral and the time value of money.

The 12-month ECL is calculated by multiplying the 12-month PD, EAD and LGD. Lifetime ECL is calculated using the lifetime PD instead.

2.3.3 Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVSI where transactions cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income.

Subsequently, all commission and non-commission bearing financial liabilities other than those held at FVSI are measured at amortized cost. Amortized cost is calculated by considering any discount or premium on settlement.

2.3.4 Fair valuation of financial instruments

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 by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

2.3.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the expenditure that is directly attributable to the acquisition of the items and borrowing cost (where applicable). All other repair and maintenance costs are recognized in the statement of income as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will follow to the entity and the cost of that item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

	Number of years
Furniture, fixtures and office equipment	5-10
Computer equipment	3

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

2.6 Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid for goods or services received, whether or not billed to the Company. These are carried at amortised cost.

2.7 Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

2.8 Taxes

The Company is subject to income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"). Income tax is charged to the statement of income. Additional amount payable, if any, at the finalization of final assessment are accounted for when such amount are determined.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, if material, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. 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 realize the asset and settle the liability simultaneously.

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Value added tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the receivable, including VAT.

2.9 Employees' end of service benefits (EOSB)

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in statement of income while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

The employees' end of service benefits provision is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labor Law.

In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the projected unit credit method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.10 Revenue

The Company recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognize revenue	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps the revenue recognition policies for the various revenue stream is as follow:

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities businesses are recognized on completion of the underlying transaction. Investment banking activities’ service fees are recognized based on the applicable client service contracts and agreements with other affiliated JPMorgan Chase & Co. entities.

Brokerage income is recognized when the related transactions are executed by the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the customer carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

Advisory and investment banking services revenue is recognizes when services are determined as complete in accordance with the underlying agreement, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of performance obligation (i.e. monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

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

Custody fee is recognized over the contractual servicing period.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.11 Accounting for leases

Company as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measured at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset reduced to zero.

Right-of-Use Asset

The Company measures the right-of-use asset at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition the right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term."

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.12 Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial periods are allocated over such periods proportionately. Salaries and other employee related expenses are those which specifically relate to employee costs. All other expenses other than employees' costs, financial charges and allowance for impairment are classified as general and administrative expenses.

2.13 Statutory reserve

In accordance with the previous Regulations for Companies in Kingdom of Saudi Arabia and Company's Article of Association, the Company was required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve was not available for distribution to shareholder.

As per Article 177 of the new Companies Law, the Company removed the minimum statutory reserve requirement of 30%. The Company is still in the process of updating the Articles of Association to reflect the above change. Once the Articles of Association is updated, the reserve will be available for distribution to shareholder and with the approval of the shareholder, the reserve will be transferred to the retained earnings.

2.14 Assets held in trust or in a fiduciary capacity and clients' cash accounts

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these financial statements.

2.15 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

3 Cash and cash equivalents

	2023	2022
Cash at banks	<u>171,602</u>	<u>102,193</u>

4 Related party matters

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

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4.1 Related party transactions

Significant transactions with related parties in the ordinary course of business are summarized below:

	2023	2022
4.1.1 Service fee income attributions from:		
J.P. Morgan Securities PLC	30,140	26,376
J.P. Morgan Chase Bank, N.A.- London Branch	33,234	33,318
J.P. Morgan Chase Bank Luxembourg S.A.	3,693	3,613
J.P. Morgan Ventures Energy Company	2,357	5,928
J.P. Morgan SE	631	-
J.P. Morgan Chase Bank, N.A.	521	192
J.P. Morgan Securities plc – Paris Branch	374	239
J.P. Morgan Securities Taiwan Ltd	136	-
J.P. Morgan Chase Bank, N.A.- Riyadh Branch	40	-
J.P. Morgan Chase Bank, N.A.- Jersey Branch	38	38
	71,164	69,704

4.1.2 Income from deposits

J.P. Morgan Chase Bank, N.A.- Riyadh Branch	55,577	16,425
---	---------------	--------

4.1.3 Service fee income attributions to:

J.P. Morgan Securities PLC	16,292	5,009
J.P. Morgan Chase Bank, N.A.- Dubai Branch	7,126	303
	23,418	5,312

Remuneration to key management personnel	9,821	10,075
--	--------------	--------

4.2 Related party balances

Significant balances arising from the above transactions with related parties are as follows:

Due from related parties:	2023	2022
J.P. Morgan Chase Bank, N.A. – Riyadh Branch	7,686	2,050
J.P. Morgan Securities PLC	6,623	1,036
J.P. Morgan Chase Bank, N.A. – London Branch	5,822	4,717
J.P. Morgan SE	726	-
J.P. Morgan Ventures Energy Company	745	-
J.P. Morgan Chase Bank Luxembourg S.A.	610	211
J.P. Morgan Chase Bank, N.A.	374	48
J.P. Morgan Securities plc – Paris Branch	25	22
J.P. Morgan Chase Bank, N.A. – Jersey Branch	4	10
	22,615	8,094

Due to related parties:	2023	2022
J.P. Morgan Securities PLC	15,224	11,044
J.P. Morgan Chase Bank, N.A.- Dubai Branch	7,126	-
J.P. Morgan Chase Bank, N.A. – Riyadh Branch	1,915	-
J.P. Morgan Chase Bank, N.A. – London Branch	172	-
J.P. Morgan Chase Bank, N.A.	-	221
	24,437	11,265

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Prepayments and other receivables

	2023	2022
VAT receivable	1,810	1,732
Prepaid expenses	350	1,032
	2,159	2,764

6 Trade receivables

	Note	2023	2022
Due from related parties	4.2	22,615	8,094
Other receivables		27,442	-
		50,057	8,094

7 Short-term deposits with a bank

On June 21, 2023 the Company placed overnight placement of USD 71,079,479 with J.P. Morgan Chase Bank, N.A – Riyadh Branch with a commission rate of 4.65% per annum (December 31, 2022: USD 70,000,000 at 1.40%).

	2023	2022
Short term deposits with a bank	272,207	265,356

8 Margin deposit with Muqassa

This represents margin collateral deposited with Securities Clearing Center Company (Muqassa) for brokerage settlement activities. Margin collateral is determined by Muqassa for Capital Market Institutions based on average portfolio balances by applying Standard Portfolio Analysis of Risk (SPAN) methodology.

9 Property and equipment

	Right-of- Use Assets	Furniture, fixtures and office equipment	Computer equipment	Total
Cost				
January 1, 2023	8,791	792	40	9,623
Additions	1,180	6,910	-	8,090
Re-measurement of ROU assets	5	-	-	5
December 31, 2023	9,976	7,702	40	17,718
Accumulated depreciation				
January 1, 2023	4,636	567	40	5,243
Charge for the year	1,554	566	-	2,120
December 31, 2023	6,190	1,133	40	7,363
Net book value as of December 31, 2023	3,786	6,569	-	10,355

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Right-of- Use Asset	Furniture, fixtures and office equipment	Computer equipment	Total
Cost				
January 1, 2022	9,176	558	40	9,774
Additions	18	234	-	252
Re-measurement of ROU assets	(403)	-	-	(403)
December 31, 2022	<u>8,791</u>	<u>792</u>	<u>40</u>	<u>9,623</u>
Accumulated depreciation				
January 1, 2022	3,071	525	40	3,636
Charge for the year	1,565	42	-	1,607
December 31, 2022	<u>4,636</u>	<u>567</u>	<u>40</u>	<u>5,243</u>
Net book value as of December 31, 2022	<u>4,155</u>	<u>225</u>	<u>-</u>	<u>4,380</u>

10 Trade payables

	Note	2023	2022
Due to related parties	4.2	24,437	11,265
Other payables		<u>2,148</u>	1,459
		<u>26,585</u>	<u>12,724</u>

11 Accrued expenses and other current liabilities

	2023	2022
Employees' benefits	5,126	4,438
Income tax payable – ZATCA assessment	4,340	4,331
VAT payable	1,874	1,119
Accrued professional fee	300	293
General Organization for Social Insurance (“GOSI”)	203	199
Accrued expense	91	-
Other	850	6
	<u>12,784</u>	<u>10,386</u>

12 Leases

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases (net of depreciation):

Right of use assets

	2023	2022
Carrying amount at the beginning of year	4,155	6,105
Remeasurement during the year	5	(403)
Additions during the year	1,180	18
Depreciation charge for the year	<u>(1,554)</u>	<u>(1,565)</u>
Balance as at December 31*	<u>3,786</u>	<u>4,155</u>

* Right of use assets are included in property and equipment (note 9).

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Lease liabilities

	2023	2022
Carrying amount at the beginning of year	3,806	5,760
Remeasurement during the year	5	(403)
Additions during the year	1,180	18
Interest expense on lease liabilities	72	56
Lease payments during the year	(2,026)	(1,625)
Balance as at December 31	3,037	3,806

(ii) Amounts recognised in the statement of income

The statement of income shows the following amounts relating to leases:

	2023	2022
Depreciation charge of right-of-use assets	1,554	1,565
Interest expense on lease liabilities	72	56

13 Employees' end of service benefits ("EOSB")

	2023	2022
Balance at the beginning of the year	6,312	6,372
Provided during the year	1,589	1,451
Remeasurements gain	(740)	(1,061)
Benefits paid	(878)	(328)
Transfers*	962	(122)
Balance as at December 31	7,245	6,312

* Transfers represents employees within the JP Morgan entities transferred in / out of the Company.

The Company operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

Amounts recognized in the statement of income and comprehensive income

The amounts recognized in the statement of income and comprehensive income related to employee benefit obligations are as follows:

	December 31, 2023	December 31, 2022
Current service cost	1,313	1,267
Interest expense	276	184
Total amount recognized in profit or loss	1,589	1,451
<u>Remeasurements</u>		
Gain from change in financial assumptions	(637)	(1,219)
Experience (gain) / loss	(103)	158
Total amount recognized in other comprehensive income	(740)	(1,061)

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	2023	2022
Valuation discount rate	5.06%	4.35%
Expected rate of increase in salary level across different age bands	5%	5%

Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on value of employee benefit obligations (SAR'000)	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
As at December 31, 2023				
Discount rate	1%	1%	(6,691)	7,845
Salary growth rate	1%	1%	7,845	(6,691)
As at December 31, 2022				
Discount rate	1%	1%	(5,829)	6,835
Salary growth rate	1%	1%	6,834	(5,829)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

14 Share capital

The share capital of the Company consists of 9,375,000 shares with a par value of Saudi Riyals 10 per share distributed as follows:

Shareholder	Country of origin	Percentage	2023	2022
J.P. Morgan International Finance Limited	USA	100%	93,750	93,750

15 Other general and administrative expenses

	2023	2022
Professional services*	7,365	6,541
Outsourcing services	3,970	3,103
Agent bank charges	1,643	1,828
Travel and entertainment	1,982	1,548
Technology and communication	765	778
Other	1,947	1,794
	17,672	15,592

*Professional services include auditors' remuneration for the statutory audit of the Company's financial statements and other related services for the year ended December 31, 2023 amounting to Saudi Riyals 328 thousands (2022: Saudi Riyals 306 thousands).

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Provision for income tax

16.1 Calculation of taxable income and income tax charge

The following are the significant components of income tax base of the Company for the year ended December 31:

	2023	2022
Income before income tax	124,449	78,861
Adjustments:		
Depreciation differences	(366)	(7)
Employee termination benefits	1,780	1,001
Others	83	182
Net adjusted income for the year	125,946	80,037
Tax base for the year	125,946	80,037
Income tax charge at 20%	25,189	16,007

16.2 Provision for income tax

The movement in the provision for income tax for the years ended December 31 is as follows:

Provision for income tax

	2023	2022
Balance at beginning of the year	5,917	13,937
Charged during the year	25,189	16,007
Reversal for prior year	-	(1,255)
	25,189	14,752
Payments made during the year	(17,927)	(22,772)
Balance at the end of the year	13,179	5,917

16.3 Deferred tax asset

Deferred tax asset as at December 31 relates to the following:

	2023	2022
Employee benefits obligations (16.3.1)	1,451	1,262
Lease liability	608	761
Exchange loss	31	35
Property and equipment and right of use asset	(1,495)	(827)
Deferred tax asset, net	595	1,231

16.3.1 Deferred tax amount to Saudi Riyals 0.1 million (2022: Saudi Riyals 0.2 million pertaining to the remeasurement of EOSB gain is recognized in statement of comprehensive income.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

16.4 Income tax expense and deferred tax (reversal) for the year

Income tax and deferred tax expense / (reversal) of the year is as follows:

	2023	2022
Income tax expense – current	25,189	14,752
Income tax expense – deferred	488	(180)
Total income tax expense, net	25,677	14,572

As at December 31, 2023, deferred tax liability on remeasurements of post-employment benefit obligations amounting to Saudi Riyals 0.1 million (2022: Saudi Riyals 0.2 million) is added back to deferred tax reversal in statement of income and charged to other comprehensive income.

16.5 Status of final assessment

Assessments for the years 2008 to 2013 have been finalized and closed by Zakat, Tax and Customs Authority (“ZATCA”). In addition, the years 2014-2016 should be considered time barred due to expiration of statute of limitation.

During the year 2023, the ZATCA requested additional information related to the years 2017 and 2018 which resulted in additional tax liability for FY 2017 of SAR 3,945 plus delay fine; the Company accepted the above liability due to immateriality of the amount. There was no additional tax liability as per final assessment for FY 2018.

The Company has filed its tax returns with ZATCA for the years up to December 31, 2022; however, the final tax assessment has not yet been obtained as of the date of these financial statements.

17 Financial instrument 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 in the principal or in its absence, the most advantageous market to which the company has access at that date. The fair value of liability reflects its non-performance risk.

Management regularly reviews significant observable inputs and valuation adjustments. If third party information such as broker quotes or pricing services is used to measure fair values, then management assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices / Net Asset Value or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments (level 3).

	Total	Fair values			Total
		Level 1	Level 2	Level 3	
As at December 31, 2023					
Financial assets not measured at fair value					
Cash and cash equivalents	171,602	-	-	171,602	171,602
Short-term deposits with a bank	272,207	-	-	272,207	272,207
Margin deposit with Muqassa	68,111	-	-	68,111	68,111
Trade receivables	50,057	-	-	50,057	50,057
	561,977	-	-	561,977	561,977
Financial liabilities not measured at fair value					
Trade payables	26,585	-	-	26,585	26,585
Accrued and other current liabilities	6,367	-	-	6,367	6,367
Lease liabilities	3,037	-	-	3,037	3,037
	35,989	-	-	35,989	35,989
As at December 31, 2022					
Financial assets not measured at fair value					
Cash and cash equivalents	102,193	-	-	102,193	102,193
Short-term deposits with a bank	265,356	-	-	265,356	265,356
Margin deposit with Muqassa	68,019	-	-	68,019	68,019
Trade receivables	8,094	-	-	8,094	8,094
	443,662	-	-	443,662	443,662
Financial liabilities not measured at fair value					
Trade payables	12,724	-	-	12,724	12,724
Accrued and other current liabilities	4,737	-	-	4,737	4,737
Lease liabilities	3,806	-	-	3,806	3,806
	21,267	-	-	21,267	21,267

The fair values of financial instruments not measured at fair value are not significantly different from the carrying values included in the financial statements. The fair values of cash and cash equivalents, short-term deposits and accounts receivable which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of financial instrument. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

There were no transfers between fair value measurement categories.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

18 Financial instruments and risk management

Effective risk management is of primary importance to the Company. Risks include market risk (primarily foreign exchange risk, price risk and commission rate risk), credit risk, liquidity risk, fair value risk and operational risk. The Company ensures that it is conservatively capitalized relative to its risk levels, as well as external requirements and benchmarks.

Financial instruments carried on the balance sheet include cash and cash equivalents, due from related parties and other receivables, due to related parties, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

18.1 Market risk

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's foreign exchange risk arises from non-SAR positions. Management closely monitors the exchange rate fluctuations and believes that there is a minimal risk of losses due to exchange rate fluctuation since non-SAR open currency positions are primarily in USD which is pegged to SAR.

b) Commission rate risk including interest rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows.

The Company's interest rate risk is minimal due to the short-term overnight nature of deposits held with banks.

c) Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

As at December 31, 2023, the Company does not have any financial assets or liabilities designated as at FV and is therefore not exposed to price risk.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

18.2 Credit risk

Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. The Company's credit risk arises from deposits with banks, trade receivables and other receivables. Cash and deposits are placed with a branch of Parent Bank in Saudi Arabia and local investment grade bank. Other assets are mostly having low credit risk and the impact of ECL is not considered significant.

	2023	2022
Short-term deposits with a bank (Note 7)	272,207	265,356
Margin deposit with Muqassa (note 8)	68,111	68,019
Trade receivables (Note 6)	50,057	8,094
	<u>390,375</u>	<u>341,469</u>

Credit risk measurement

The Company has most of its exposure based in the Kingdom of Saudi Arabia. The assessment of credit risk of a financial assets carried at amortized cost entails further estimations as to the likelihood of defaults occurring, of the association loss ratios and of default correlations between customers.

Credit quality analysis

The following table sets out the credit analysis for financial assets.

	December 31, 2023			
	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Short-term deposits with a bank	272,207	-	-	272,207
Margin deposit with Muqassa	68,111	-	-	68,111
Trade receivables	50,057	-	-	50,057
Total	<u>390,375</u>	<u>-</u>	<u>-</u>	<u>390,375</u>
	December 31, 2022			
	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Short-term deposits with a bank	265,356	-	-	265,356
Margin deposit with Muqassa	68,019	-	-	68,019
Trade receivables	8,094	-	-	8,094
Total	<u>341,469</u>	<u>-</u>	<u>-</u>	<u>341,469</u>

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Loss allowance on financial assets

	December 31, 2023			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Carrying amount	390,375	-	-	390,375
ECL	-	-	-	-
	390,375	-	-	390,375

	December 31, 2022			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Carrying amount	341,469	-	-	341,469
ECL	-	-	-	-
	341,469	-	-	341,469

18.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its contractual and contingent obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

The Company's assets are mainly liquid overnight deposits or nostro accounts at banks. The Company has taken no loans and has other liabilities of Saudi Riyals 62 million as December 31, 2023 (2022: Saudi Riyals 39 million).

The Company's liquidity management process includes the following:

- a) Day-to-day funding, managed by Finance department and individual business lines to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested;
- b) Monitoring balance sheet liquidity ratios against internal and regulatory requirements.

The following analyses the Company's financial liabilities based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All financial liabilities are due with in one year and hence the impact of discounting is not significant.

	Due within 1 year	Due after 1 year
2023		
Trade payables	26,585	-
Accrued expenses and other liabilities excluding income tax payable, VAT payable and GOSI	6,367	-
Total	32,952	-
2022		
Trade payables	12,724	-
Accrued expenses and other liabilities excluding income tax payable, VAT payable and GOSI	4,737	-
Total	17,461	-

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the financial statements
For the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

18.4 Capital risk management

The Company's objectives when managing capital are, to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. As at December 31, 2023, the Company was in compliance with the externally imposed capital restrictions.

18.5 Operational risk

Operational risk is the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the Company's processes or systems. Operational risk includes compliance, conduct, legal and estimations and model risk. Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business disruptions (including those caused by extraordinary events beyond the Company's control), cyber attacks, inappropriate employee behavior, failure to comply with applicable laws, rules and regulations or failure of vendors or other third party to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels in light of the Company's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

19 Fiduciary assets

Clients' money accounts

As at December 31, 2023, the Company is holding clients' money accounts, with the bank, amounting to Saudi Riyals 1.4 billion (2022: Saudi Riyals 0.9 billion), to be used for investments upon client discretion. Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

20 Commitments and contingencies

The Company has not been given, in the normal course of business, and has not committed to any guarantees during the year and has no outstanding guarantees from prior years.

21 Statutory reserve

In accordance with the previous Regulations for Companies in Kingdom of Saudi Arabia and Company's Article of Association, the Company was required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve was not available for distribution to shareholder.

As per Article 177 of the new Companies Law, the Company removed the minimum statutory reserve requirement of 30%. The Company is still in the process of updating the Articles of Association to reflect the above change. Once the Articles of Association is updated, the reserve will be available for distribution to shareholder and with the approval of the shareholder, the reserve will be transferred to the retained earnings.

22 Subsequent events

There was no subsequent event after the statement of financial position date which requires adjustment to or disclosure in these financial statements.

23 Approval of the financial statements

These financial statements were authorized for issuance by the board of directors on March 13, 2024.