

J.P. MORGAN SAUDI ARABIA COMPANY

Board Report 2022

J.P.Morgan

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1. Overview

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

In 2017, the company converted from a Limited Liability Company to a Single Shareholder Closed Joint Stock Company as directed by the CMA. The Company is a direct and wholly owned subsidiary of J.P. Morgan International Finance Limited (“JPMIF”). The Company currently has paid up share capital of SAR 93,750,000 which was approved as a capital increase by the CMA on 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 2022 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 2022 was SAR127mm, which has decreased compared to prior year (2021: SAR137mm) driven by decrease in investment banking revenues. Operating expenses (2022: SAR48mm) increased compared to prior year (2021: SAR44mm) due to higher salaries and employee related benefits and operating expenses.

Over the five year's period, operating income has increased by 243% while the related operating expenses have increased by only 100%. Markets and Investment Banking businesses have 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 48%.

There was a slight dip in net margins in FY'17 mainly due to initial build costs related to new products roll out. Net profit after tax for 2022 was SAR64mm down from 2021 (SAR73mm) driven by decreased revenues in 2022. The decrease in assets from FY'19 onwards is due to Swaps business migration to the QFI holdings and as a result the brokerage business switched to agency flow. The Company's FY 2023 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, however the company has an overdraft facility of SAR 500 MM from a local bank, of which nothing was utilized as at end of FY 2022.

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'2 2	FY'21	FY'20	FY'19	FY'18
Total Assets	452	401	307	407	1,729
Total Liabilities	39	53	32	173	1,553
Total Equity	413	348	275	234	176
Total Liabilities & Equity	452	401	307	407	1,729
Income	127	137	95	111	65
Expenses	(48)	(44)	(42)	(39)	(30)
Taxation	(15)	(20)	(11)	(15)	(7)
Net income	64	73	42	57	28

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 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 and capital risk is intrinsically covered through the ICAAP process. 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 YE22, JPMSA has taken no loans but has liabilities of SAR 37mm.
 - o JPMSA may need some funding in case of rejected trades under the Independent Custody Model in its Equities Brokerage. Although the probability of such rejection is relatively low, JPMSA has established

processes for providing necessary liquidity to JPMSA in such scenarios by other JPM entities. Also, SABB has provided a SAR 4bn 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 British Bank.
 - o JPMSA's credit concentration risk is related to single name concentration (JPM group and Saudi British 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 Equities Brokerage business, the probability of which is deemed to be low. JPMSA implemented limits to monitor and control potential market risk arising from such rejected trades.
- **Interest rate risk in banking book** (commission rate risk): results from the firm's traditional banking activities (accrual accounted on and off-balance sheet positions) which includes extension of loans and credit facilities, taking deposits and issuing debt (collectively referred to as 'non-trading' activities). JPMSA's interest rate risk in banking book is minimal due to the short-term overnight nature of deposits held with banks.
- **Operational risk:** the risk associated with an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the firm's processes or systems; it includes compliance, conduct, legal and estimations and model risk. Operational risk is inherent in the Firm's activities and can manifest itself in various ways, including fraudulent acts,

business interruptions, cybersecurity attacks, inappropriate employee behavior, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels considering the Firm's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

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

5. Board Member Interests

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

6. Board Members and Meetings

Ziyad Al Saleh was appointed as the Chairman of the Board of Directors on 23 February 2022 following the resignation of HRH Prince Mohammed Khalid Al Faisal Al Saud as the Chairman of the Board on 1 January 2022. On 19 June 2022, Hussam Shobokshi was appointed an independent non-executive director to fill the casual vacancy created by the resignation of HRH Prince Mohammed Khalid Al Faisal Al Saud in 2022. Following the appointment of Hussam Shobokshi, the Board was fully constituted with six directors, including two independent board members. The Board held four meetings in 2022, the first meeting was held on 22 March 2022, second meeting was held on 23 May 2022, third meeting 30 May 2022 and fourth meeting on 8 November 2022. 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	Chairman and Independent Board Member (<i>appointed Chairman of the Board on 23 February 2022</i>)
Bader Alamoudi	Vice-Chairman and Non-Executive Board Member
Fahad Aldeweesh	CEO and Executive Board Member
Tara Lamont	Non-Executive Board Member
Khalid Fayez	Non-Executive Board Member
Hussam Shobokshi	Independent Board Member

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.

Internal Audit Committee

Members of the Committee:

Name	Position
Bader Alamoudi	Chairman
Fuad Khawaja	Member and Secretary
Khaled Fayez	Member

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
Fahad Aldeweesh	Chairman
Razan Tabbara	Member
Fuad Khawaja	Member
Wejdan Alfraihi	Member and Secretary

Razan Tabbara is a new member starting January 2022 replacing Sufiyan Khot. The Committee met on four occasions in 2022 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	Chairman
Bader Alamoudi	Member
Nasser Almoammar	Member and Secretary

There were no changes to the membership of the Nomination & Remuneration Committee during 2022. The Committee met three times during 2022 with all members in attendance.

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 2022.

9. Internal Audit Reviews and Audit Committee Opinion

Internal Audit team reviews internal control environment based on the internal audit risk methodology and attends the Audit Committee meetings where Audit Plans and Reports are discussed and presented. Based on the reviews conducted by the Internal Audit team in 2022 and their results, along with Annual External Audit, Oversight and Control Monitoring and Compliance Testing, Audit Committee is of the opinion that the internal

control environment in which the Company operates is adequate. Internal Audit performed a Global Audit of ICB - Pitching/Marketing & Gauging Investor Interest covering the Company in 2022 to meet the audit requirement as per Article 62 of the Capital Market Authority's Capital Market Institutions Regulations. No issues related to the Company were identified. Further, the issues identified in 2021 Direct Custody and Clearing Saudi Arabia audit have been validated by Audit with no further issues noted.

Internal Audit team reviews internal control environment based on the internal audit risk methodology and attends the Audit Committee meetings where Audit Plans and Reports are discussed and presented. Based on the reviews conducted by the Internal Audit team in 2022 and their results, along with Annual External Audit, Oversight and Control Monitoring and Compliance Testing, Audit Committee is of the opinion that the internal control environment in which the Company operates is adequate.

Ziyad Al Saleh

Chairman of J.P. Morgan Saudi Arabia Company



Fahad Aldeweesh

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

Chairman and Independent Board Member *(appointed Chairman 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	-
Egyptian 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	-

Bader Alamoudi

Vice Chairman and Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
-	-	-

Fahad Aldeweesh

CEO and Executive Board Member

Entity	Position Held	Shareholding / Other Interests
Aseer Investment Company	Board Member	-
King Faisal School	Board Member	-
The Saudi Stock Exchange	Board Member	-

Tara Lamont

Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
-	-	-

Khalid Fayez
Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
-	-	-

Hussam Shobokshi
Independent Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
Al Hassan Ghazi Ibrahim Shaker Company	Independent Director	
Althuraya Foundation	Founder & Chairman	
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 (*appointed Chairman 23 February 2022*)
Chairman & Independent Board Member

Interests	Contract name	Amount	Period
-	-	-	-

Hussam Shobokshi
Independent Non-Executive Board Member

Interests	Contract name	Amount	Period
-	-	-	-

Appendix 2: 2022 Board Meetings Attendance Record

Attendance Record of 2022 Board Meetings

Name	Position	22 Mar 2022	23 May 2022	30 May 2022	8 Nov 2022
Ziyad Al Saleh	Chairman and Independent Board Member <i>(appointed Chairman of the Board on 23 February 2022)</i>	Yes	Yes	Yes	Yes
Bader Alamoudi	Vice Chairman and Non-Executive Board Member	Yes	Yes	Yes	Yes
Fahad Aldeweesh	CEO and Executive Board Member	Yes	No	No	Yes
Tara Lamont	Non-Executive Board Member	Yes	Yes	No	Yes
Khalid Fayez	Non-Executive Board Member	Yes	Yes	Yes	Yes
Hussam Shobokshi	Independent Board Member <i>(appointed 19 June 2022)</i>	N/A	N/A	N/A	Yes

Attendance Record of 2022 Nomination and Remuneration Committee

Name	Position	04/04/2022	23/05/2022	22/11/2022
Tara Lamont	Chairman and Non – Executive Member	Yes	Yes	Yes
Bader Alamoudi	Vice Chairman and Non-Executive Board Member	Yes	Yes	Yes
Nasser Almoammar	Member and Secretary	Yes	Yes	Yes

Attendance Record of 2022 Internal Audit Committee Meetings

Name	Position	21/03/2022	26/05/2022	29/09/2022	06/12/2022
Bader Alamoudi	Chairman	Yes	Yes	Yes	Yes
Khalid Fayez	Member	Yes	Yes	Yes	Yes
Fuad Khawaja	Member & Secretary	Yes	Yes	Yes	Yes

Attendance Record of 2022 Compliance Committee Meetings

Name	Position	21/03/2022	15/06/2022	28/09/2022	22/11/2022
Fahad Aldeweesh	Chairman	Yes	Yes	Yes	Yes
Razan Tabbara	Member	Yes	Yes	Yes	Yes
Fuad Khawaja	Member	Yes	Yes	Yes	Yes
Wejdan Alfraihi	Member & Secretary	Yes	Yes	Yes	Yes

Appendix 3: Remuneration and Compensations

Remuneration and Compensations Disclosure in SAR

Item	Executive Directors ¹	Non-Executive Board Members	Independent Board Members
Wages and salaries	-	-	400,000
Allowances	-	-	-
Periodic and annual remunerations	-	-	-
Incentive plans	-	-	-
Commissions	-	-	-
Any compensations other in-kind benefits or reimbursements paid monthly or annually	-	-	-
Total			400,000

Statement	Top Five Senior executives including the *CEO and CFO
Wages and salaries	6,466,144
Allowances	126,253
Periodic and annual remunerations ²	3,482,581

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 2023 in respect of the 2022 performance year

Incentive plans³	1,325,604
Commissions	-
Any compensations other in-kind benefits or reimbursements paid monthly or annually	
Total	11,400,582 ⁴

³ This includes deferred compensation from prior years which vested / was paid during 2022 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 2022 = 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, 2022
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, 2022

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Financial statements
For the year ended December 31, 2022

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

Report on the audit of the financial statements

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, 2022, 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, 2022;
- 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, which include significant accounting policies 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 management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 management 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

Ali H. Al Basri
License Number 409

March 29, 2023



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	2022	2021
Assets			
Current assets			
Cash and bank balances	3	102,193	183,028
Short-term deposits with a bank	6	265,356	187,730
Margin deposit with Muqassa	7	68,019	-
Trade receivables	4.2	8,094	15,998
Prepayments and other receivables	5	2,764	6,601
Total current assets		446,426	393,357
Non-current assets			
Property and equipment	8	4,380	6,138
Deferred tax asset		1,231	1,262
Total non-current assets		5,611	7,400
Total assets		452,037	400,757
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables	9	12,724	12,305
Accrued expenses and other current liabilities	10	10,386	14,630
Lease liabilities		3,806	5,759
Provision for income tax	14.2	5,917	13,937
Total current liabilities		32,833	46,631
Non-current liabilities			
Employee end of service benefits ("EOSB")	11	6,312	6,372
Total non-current liabilities		6,312	6,372
Total liabilities		39,145	53,003
Equity			
Share capital	12	93,750	93,750
Statutory reserve	19	34,052	27,623
Re-measurement reserve for EOSB		730	(119)
Retained earnings		284,360	226,500
Total equity		412,892	347,754
Total liabilities and equity		452,037	400,757
Commitments and contingencies	18		

The accompanying notes from 1 to 20 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	2022	2021
Service fee income, net	4.1.1	70,794	110,454
Brokerage fee, net		36,516	23,860
Income from deposits	4.1.2	19,357	2,748
Operating income		126,667	137,062
Operating expenses			
Salaries and employee related benefits		(29,730)	(28,563)
Other general and administrative expenses	13	(15,592)	(14,465)
Rent and premises related expenses		(703)	(289)
Depreciation	8	(1,607)	(1,087)
Total operating expenses		(47,632)	(44,404)
Total operating income		79,035	92,658
Other expenses			
Exchange expenses		(174)	(142)
		(174)	(142)
Income before income tax expense		78,861	92,516
Income tax expense	14.4	(14,572)	(19,872)
Income for the year		64,289	72,644

The accompanying notes from 1 to 20 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	2022	2021
Income for the year		64,289	72,644
Other comprehensive income			
<i>Items that will not be reclassified subsequently to the statement of income:</i>			
- Remeasurement gain on EOSB	11	1,061	501
- Deferred tax on remeasurements of EOSB		(212)	(100)
Other comprehensive income for the year		849	401
Total comprehensive income for the year		65,138	73,045

The accompanying notes from 1 to 20 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, 2021	93,750	20,359	(520)	161,120	274,709
Income for the year	-	-	-	72,644	72,644
Other comprehensive income for the year	-	-	401	-	401
Total comprehensive income for the year	-	-	401	72,644	73,045
Transfer to a statutory reserve	-	7,264	-	(7,264)	-
December 31, 2021	93,750	27,623	(119)	226,500	347,754
January 1, 2022	93,750	27,623	(119)	226,500	347,754
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 20 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	2022	2021
Cash flow from operating activities			
Income before income tax		78,861	92,516
<u>Adjustments for:</u>			
Depreciation	8	1,607	1,087
Provision for EOSB	11	1,451	1,500
Interest expense on lease liabilities		56	69
<u>Changes in working capital:</u>			
Margin deposit with Muqassa		(68,019)	-
Trade receivables		7,904	(7,132)
Prepayments and other receivables		3,837	(5,868)
Accrued expenses and other current liabilities		(4,244)	2,165
Trade payables		419	(347)
		21,872	83,990
EOSB paid	11	(450)	(697)
Income tax paid during the year	14.2	(22,772)	(5,386)
Net cash (utilized in) / generated from operating activities		(1,350)	77,907
Cash flow from investing activities			
Payment for purchase of property and equipment, net	8	(234)	-
Short-term deposits with a bank		(77,626)	(187,730)
Net cash utilized in investing activities		(77,860)	(187,730)
Cash flow from financing activities			
Payments for lease liabilities		(1,625)	(1,134)
Cash utilized in financing activities		(1,625)	(1,134)
Net decrease in cash and cash equivalents		(80,835)	(110,957)
Cash and cash equivalents at the beginning of the year		183,028	293,985
Cash and cash equivalents at the end of the year		102,193	183,028
Supplemental non-cash information:			
Re-measurement reserve for employees' EOSB	11	(1,061)	(501)
Deferred tax on remeasurements of employees' EOSB		212	100
ROU assets additions	8	18	6,049
Re-measurement of ROU assets		(403)	-
Lease liabilities		3,806	5,759

The accompanying notes from 1 to 21 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, 2022
(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 Summary of significant accounting policies

The significant 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:
 - fair valuation of instruments held at fair value through statement of income (FVSI)
 - Employees’ end of service benefits (EOSB) carried at present value using Projected Unit Credit Method.
- using the accrual basis of accounting.

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(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, 2022 but do not have any significant impact on the financial statements of the Company.

- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income;
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making; and
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient

(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, 2023. 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.

- Amendments to IAS I, 'Presentation of financial statements', on classification of liabilities;
- Narrow scope amendments to IAS 1, 'Practice statement 2' and IAS 8;
- Amendment to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction';
- IFRS 17, 'Insurance contracts', as amended in December 2021; and
- Amendments to IFRS 10 and IAS 28.

(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, 2022 and 2021, 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.

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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 bank balances

Cash and bank balances include 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 bank balances 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.

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.

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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.

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.

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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.

The measurement of ECL also reflects how the Company manages the financial instruments it uses for credit risk purposes such as Traditional Credit Products (“TCP”), debt securities measured at FVOCI, and non-traditional credit products (“Non-TCP”). TCP are wholesale loans and lending-related commitments from extensions of credit to borrowers; debt securities which are debt instruments such as government bonds; whereas Non-TCP are all other debt financial assets measured at amortised cost which include, but are not limited to, reverse repurchase agreements, margin loans, fee receivables, and inter-company receivables or loans.

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).

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, 2021 and 2020 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.

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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).

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, regardless of their category as TCP, Non-TCP or debt security, 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.

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2.3.2.2 Transfer criterions

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

For TCP, 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.

Qualitative criteria

The Company monitors borrowers that may become impaired by including them on its watch list. Obligor 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 for Non-TCP portfolios 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.

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The Company has determined that ECL on all other non-TCP portfolios are immaterial due to: the existence of credit risk mitigants such as the existence of the collateral; the credit quality of the borrower (e.g. investment-grade); and/or the short-term nature of the instrument. Similarly, the Company has determined that these non-TCP portfolios are without SICR (i.e. Stage 1) due to the credit quality of the borrower and/or the short-term nature of the instrument. For non-TCP intercompany transactions, the Company evaluates the counterparty based on the consolidated Company's resolution and recover plan, tenor of the instrument and any collateral received. The Company has not experienced any losses on non-TCP intercompany transactions. The Company continues to monitor its Non-TCP portfolios to ensure the described framework is appropriate and its exposure to credit risk and ECL on these portfolios are adequately reflected in the allowance for credit losses.

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.

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.

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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.

2.3.2 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.

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

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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.

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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.

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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 recognised 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.

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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 recognised 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.

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2.11 Accounting for leases

Company as a lessee

Leases are recognised 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 measure 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 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 represent, 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-to-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.

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

The Company has elected not to recognise 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 recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.”

2.11 Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period 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.

2.12 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution to the Company’s Shareholder.

2.13 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.

2.14 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.

2.15 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability could be settled between knowledgeable willing parties in an arm’s length transaction. As the Company’s financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company’s financial assets and liabilities are not materially different from their carrying values.

3 Cash and bank balances

The Company has an arrangement with a local bank to settle the brokerage transactions with Tadawul. The bank has given a guarantee to Tadawul to settle all the transactions entered into by the Company.

On the request of the bank, the Company submitted an order note and counter guarantee to the bank agreeing not to perform any transactions exceeding the available limit agreed with the bank. As at December 31, 2022, the Company has maintained sufficient cash balances with the bank.

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 management of the Company.

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4.1 Related party transactions

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

	2022	2021
4.1.1 Service fee income attributions from:		
J.P. Morgan Securities PLC	26,376	45,453
J.P. Morgan Chase Bank, N.A.- London Branch	33,318	26,550
J.P. Morgan Ventures Energy Company	5,928	4,025
J.P. Morgan Chase Bank Luxembourg S.A.	3,613	2,380
J.P. Morgan Securities plc - Paris Branch	239	-
J.P. Morgan Chase Bank, N.A.	192	73
J.P. Morgan Chase Bank, N.A.- Jersey Branch	38	50
J.P. Morgan Chase Bank, N.A.- Dubai Branch	-	2,585
	69,704	81,116
4.1.2 Income from deposits		
J.P. Morgan Chase Bank, N.A.- Riyadh Branch	16,425	2,518
4.1.3 Service fee income attributions to:		
J.P. Morgan Securities PLC	5,009	31,773
J.P. Morgan Chase Bank, N.A.- Dubai Branch	303	6,787
	5,312	38,560
Remuneration to key management personnel	10,075	11,550

4.2 Related party balances

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

Due from related parties:	2022	2021
J.P. Morgan Chase Bank, N.A. - London Branch	4,717	7,080
J.P. Morgan Chase Bank, N.A. - Riyadh Branch	2,050	327
J.P. Morgan Securities PLC	1,036	7,537
J.P. Morgan Chase Bank Luxembourg S.A.	211	338
J.P. Morgan Chase Bank, N.A.	48	17
J.P. Morgan Securities plc - Paris Branch	22	-
J.P. Morgan Chase Bank, N.A. - Jersey Branch	10	12
J.P. Morgan Ventures Energy Company	-	687
	8,094	15,998
Due to related parties:	2022	2021
J.P. Morgan Securities PLC	11,044	6,434
J.P. Morgan Chase Bank, N.A.	221	210
J.P. Morgan Chase Bank, N.A. - Riyadh Branch	-	405
	11,265	7,049

5 Prepayments and other receivables

	2022	2021
Other receivables	2,330	6,436
Prepaid expenses	434	165
	2,764	6,601

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6 Short-term deposits with a bank

On March 22, 2022, the Company placed USD 70,000,000 with a local bank with a commission rate of 1.40%. The short-term deposit will mature on March 22, 2023.

	2022	2021
Short term deposits with a bank	265,356	187,730

7 Margin deposit with Muqassa

As at 31 December 2022, the Company had a restricted cash balance of SR 68 million (31 December 2021: nil) deposited with the Securities Center Company (“Muqassa”) which acts as an intermediary between two parties to a securities trade. Muqassa is responsible for the settlement of the transaction and the trading parties eliminate counterparty risk. Muqassa requires the Company to have margin and default fund contributions that are calculated based on trading activities as an exchange member for the past one year. Therefore, the Company has deposited SR 68 million with Muqassa and they are currently restricted.

8 Property and equipment

	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	8,791	792	40	9,623
Accumulated depreciation				
January 1, 2022	3,071	525	40	3,636
Charge for the year	1,565	42	-	1,607
December 31, 2022	4,636	567	40	5,243
Net book value as of December 31, 2022	4,155	225	-	4,380
	Right-of-Use Asset	Furniture, fixtures and office equipment	Computer equipment	Total
Cost				
January 1, 2021	3,127	558	40	3,725
Additions	6,049	-	-	6,049
December 31, 2021	9,176	558	40	9,774
Accumulated depreciation				
January 1, 2021	2,018	491	40	2,549
Charge for the year	1,053	34	-	1,087
December 31, 2021	3,071	525	40	3,636
Net book value as of December 31, 2021	6,105	33	-	6,138

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9 Trade payables

	Note	2022	2021
Due to related parties	4.2	11,265	7,049
Other payables		1,459	5,256
		12,724	12,305

10 Accrued expenses and other current liabilities

	2022	2021
Employees' benefits	4,438	6,270
Income tax payable - ZATCA Assessment	4,331	4,338
VAT payable	1,119	2,660
Accrued professional fee	293	365
GOSI	199	-
Other	6	3
Accrued expense	-	994
	10,386	14,630

11 Employee end of service benefits

	2022	2021
Balance at the beginning of the year	6,372	6,070
Provided during the year	1,451	1,500
Remeasurements loss	(1,061)	(501)
Payments and transfers made during the year	(450)	(697)
Balance as at December 31	6,312	6,372

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, 2022	December 31, 2021
Current service cost	1,267	1,328
Interest expense	184	172
Total amount recognized in profit or loss	1,451	1,500
<u>Remeasurements</u>		
Loss from change in financial assumptions	(1,219)	-
Experience gains / (losses)	158	(501)
Total amount recognized in other comprehensive income	(1,061)	(501)

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Principal actuarial assumptions

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

	2022	2021
Valuation discount rate	4.35%	3%
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, 2022				
Discount rate	1%	1%	5,829	6,835
Salary growth rate	1%	1%	6,834	5,829
As at December 31, 2021				
Discount rate	1%	1%	5,769	7,039
Salary growth rate	1%	1%	7,039	5,767

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.

12 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	2022	2021
J.P. Morgan International Finance Limited	USA	100%	93,750	93,750

13 Other general and administrative expenses

	2022	2021
Professional services	6,541	6,596
Outsourcing services	3,103	2,485
Agent bank charges	1,828	2,536
Travel and entertainment	1,548	345
Technology and communication	778	593
Other	1,794	1,910
	15,592	14,465

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14 Provision for income tax

14.1 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:

	2022	2021
Income before income tax	78,860	92,516
Adjustments:		
Depreciation differences	(7)	12
Employee termination benefits	1,001	803
Others	182	6,840
Net adjusted income for the year	80,036	100,171
Less: Adjusted loss brought forward, restricted to 25%	-	-
Tax base for the year	80,036	100,171
Income tax charge at 20%	16,007	20,034

14.2 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

	2022	2021
Balance at beginning of the year	13,937	(711)
Charged during the year	16,007	20,034
Income tax from prior year	(1,255)	-
	14,752	20,034
Payments made during the year	(22,772)	(5,386)
Balance at the end of the year	5,917	13,937

14.3 Deferred tax asset

Deferred tax asset as at December 31, 2021 relates to the following:

	2022	2021
Employee benefits obligations (14.3.1)	1,262	1,274
Lease liability	761	1,152
Exchange loss	35	28
Property and equipment and right of use asset	(827)	(1,192)
Deferred tax asset, net	1,231	1,262

14.3.1 Deferred tax amount to Saudi Riyals 0.2 million pertaining to the remeasurement of EOSB gain is recognized in statement of comprehensive income.

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

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

	2022	2021
Income tax expense – current	14,752	20,034
Income tax expense – deferred	(180)	(162)
Total income tax expense, net	14,572	19,872

The deferred tax liability on remeasurements of post-employment benefit obligations amounting to Saudi Riyals 0.2 (2021: Saudi Riyals 0.1 million) is added back to deferred tax reversal in statement of income and charged to other comprehensive income.

14.5 Status of final assessment

Assessments for the years 2008 to 2013 have been finalized and closed by Zakat, Tax and Customs Authority (“ZATCA”).

Further assessments for the year 2014 to 2020 are yet to be raised by ZATCA. Therefore, currently, a reasonable estimation of the ultimate additional income tax and withholding tax liabilities, if any, cannot be reliably determined.

During the year 2021, the ZATCA raised the tax query for FY 2015-2019, however no final assessment has been raised as yet. During the year 2023, the ZATCA has further requested an additional information and documents related to the year 2018.

The Company has filed its tax returns with ZATCA for the years up to December 31, 2021; however, the final tax assessment has not yet been obtained as of the date of these financial statements.

15 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.

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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.

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).

	Fair values				
	Total	Level 1	Level 2	Level 3	Total
As at December 31, 2022					
Financial assets not measured at fair value					
Cash and cash equivalents	102,193	-	-	102,193	102,193
Trade receivables and other receivables	10,858	-	-	10,858	10,858
Margin deposit with Muqassa	68,019	-	-	68,019	68,019
Short-term deposits with a bank	265,356	-	-	265,356	265,356
	446,426	-	-	446,426	446,426

Financial liabilities not measured at fair value

Trade payables	12,724	-	-	12,724	12,724
Accrued and other current liabilities	10,386	-	-	10,386	10,386
Lease liabilities	3,806	-	-	3,806	3,806
	26,916	-	-	26,916	26,916

	Fair values				
	Total	Level 1	Level 2	Level 3	Total
As at December 31, 2021					
Financial assets not measured at fair value					
Cash and cash equivalents	183,028	-	-	183,028	183,028
Trade receivables and other receivables	22,599	-	-	22,599	22,599
Short-term deposits with a bank	187,730	-	-	187,730	187,730
	393,357	-	-	393,357	393,357

Financial liabilities not measured at fair value

Trade payables	12,305	-	-	12,305	12,305
Accrued and other current liabilities	14,630	-	-	14,630	14,630
Lease liabilities	5,759	-	-	5,759	5,759
	32,694	-	-	32,694	32,694

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 bank balances and accounts receivable and other assets 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.

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15.1 Fair valuation techniques

The following tables show the valuation techniques used in measuring Level 3 fair values.

Type	Valuation techniques
Financial assets at fair value through statement of income	Valuation is based on quoted prices on the local exchange
Inter-relationship between significant observable inputs and fair value measurement.	The estimated fair value would increase (decrease) if there is a change in the inputs used for valuation as discussed above.

15.2 Transfers between level 1 & 2

There have been no transfers between Level 1 and Level 2 during the reporting periods.

16 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 bank balances, investments held at FVSI, due from related parties and other receivables, due to related parties, financial liabilities at FVSI, 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.

16.1 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. The non-SAR open currency positions are primarily in USD.

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.

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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, 2022, the Company does not have any financial assets or liabilities designated as at FV. The Company would have been exposed to equity market risk in case of rejected trades under the Independent Custody Model Equities Brokerage business (ICM), the probability of which is deemed to be low. The Company has a daily report to monitor equity and FX delta from rejected trades under the ICM and has also implemented some limits to reduce potential market risk from such rejected trades.

16.2 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 and other assets. 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.

	2022	2021
Cash and cash equivalents (Note 3)	102,193	183,028
Other receivables excluding prepaid (Note 4.2, 5)	10,424	22,434
Margin deposit with Muqassa (note 7)	68,019	-
Short-term deposits with a bank (Note 6)	265,356	187,730
	445,992	393,192

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 as at December 31, 2022.

	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and cash equivalents	102,193	-	-	102,193
Short-term deposits with a bank	265,356	-	-	265,356
Trade and other receivables	8,094	-	2,330	10,424
Margin deposit with Muqassa	68,019	-	-	68,019
Total	443,662	-	2,330	445,992

The following table sets out the credit analysis for financial assets as at December 31, 2021.

	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and cash equivalents	183,028	-	-	183,028
Short-term deposits with a bank	187,730	-	-	187,730
Trade and other receivables	21,043	-	1,391	22,434
Total	391,801	-	1,391	393,192

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Loss allowance on financial assets

	December 31, 2022			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Carrying amount	445,992	-	-	445,992
ECL	-	-	-	-
	445,992	-	-	445,992

	December 31, 2021			Total
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	
Carrying amount	393,192	-	-	393,192
ECL	-	-	-	-
	393,192	-	-	393,192

16.3 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 39 million as December 31, 2022.

The Company's liquidity management process includes the following:

- 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;
- 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. Balances due equal their carrying balances. Borrowings are perfectly correlated to equity investments and hence the impact of discounting is not significant.

	Due within 1 year	Due after 1 year
2022		
Accrued expenses and other liabilities excluding income tax payable, VAT payable and GOSI	4,737	-
Trade payable	12,724	-
Total	17,461	-
2021		
Accrued expenses and other liabilities excluding income tax payable, VAT payable and GOSI	7,632	-
Trade payable	12,305	-
Total	19,937	-

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16.4 Capital risk management

Capital risk is the risk the Company has an insufficient level and composition of capital to support the Company's business activities and associated risks during normal economic environments and under stressed conditions.

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholder by pricing products and services commensurate with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor, and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth.

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, 2022, the Company was in compliance with the externally imposed capital restrictions.

16.5 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.

17 Fiduciary assets

Clients' money accounts

As at December 31, 2022, the Company is holding clients' money accounts, with the bank, amounting to Saudi Riyals 926 million (2021: Saudi Riyals 1,831 million), 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.

18 Commitments and contingencies

The Company has not been given, in the normal course of business, and has not committed any guarantees during the year and has no outstanding guarantees from prior years. As at December 31, 2022, the Company has issued order note to cover the settlement limit facility offered by the agent bank.

19 Statutory reserve

In accordance with Saudi Arabian Regulations for Companies and the Company's By-laws, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

20 Approval of the financial statements

These financial statements were authorized for issuance by the Board of Directors on March 27, 2023.