

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
together with the
INDEPENDENT AUDITOR'S REPORT

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
Financial Statements and Independent Auditor's Report
For the period from 5 April 2021 (date of commercial registration) to 31 December 2021

Contents	Pages
Independent Auditor's Report	1 – 3
Statement of Financial Position	4
Statement of Profit or Loss	5
Statement of Other Comprehensive Income	6
Statement of Changes in Shareholders' Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 – 31



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of BNY Mellon Saudi Financial Company

Opinion

We have audited the financial statements of BNY Mellon Saudi Financial Company ("the Company"), which comprise the Statement of Financial Position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the for the period from 5 April 2021 (date of commercial registration) to 31 December 2021, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the period from 5 April 2021 (date of commercial registration) to 31 December 2021 in accordance with 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).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting standards as issued by SOCPA, the applicable requirements of the Regulations for Companies, the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

KPMG Professional Services



Fahad Mubark Aldossari
License No: 469

Riyadh, 28 March, 2022
Corresponding to: 25 Shabaan, 1443



BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Amount in Saudi Riyals)

	<u>Notes</u>	<u>2021</u>
<u>ASSETS</u>		
Right of use asset	4	405,679
Deferred tax asset	5	25,551
Amounts due from a related party	17	973,883
Other receivable	6	8,783
Cash and cash equivalents	7	69,064,506
Total Assets		70,478,402
<u>EQUITY AND LIABILITIES</u>		
Share capital	8	50,000,000
Additional capital	9	19,000,000
Statutory reserve	8	30,120
Retained earnings		271,081
Total Equity		69,301,201
<u>Liabilities</u>		
Employees' end of service benefits	10	125,003
Lease liability	4	407,471
Income tax payable	5	100,852
Amounts due to a related party	17	438,734
Accounts payable and accruals	11	105,141
Total Liabilities		1,177,201
Total Equity and Liabilities		70,478,402



Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer

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

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

	<i>Notes</i>	<u>2021</u>
Revenue		
Revenue from service charges	12	4,272,640
Expenses		
Salaries and employee related expenses	13	(2,652,808)
General and administrative expenses	14	(1,240,577)
Total operating profit		<u>379,255</u>
Foreign exchange loss		(2,754)
Net profit before tax		<u>376,501</u>
Income tax expense	5	(75,300)
Net profit after tax		<u><u>301,201</u></u>



Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

	<u>2021</u>
Net profit after tax	301,201
Other comprehensive income	-
Total other comprehensive income	<u>301,201</u>
Total comprehensive income	<u><u>301,201</u></u>



Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

	<i>Notes</i>	<u>Share capital</u>	<u>Additional Capital</u>	<u>Statutory Reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 5 April 2021		-	-	-	-	-
Net profit for the period		-	-	-	301,201	301,201
Other comprehensive loss		-	-	-	-	-
Total comprehensive income		-	-	-	301,201	301,201
Shares issued during the period		50,000,000	-	-	-	50,000,000
Additional capital received	9	-	19,000,000	-	-	19,000,000
Transfer to Statutory reserve	8	-	-	30,120	(30,120)	-
Balance at 31 December 2021		<u>50,000,000</u>	<u>19,000,000</u>	<u>30,120</u>	<u>271,081</u>	<u>69,301,201</u>



Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer

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

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASHFLOWS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

	<i>Notes</i>	<u><i>31 December</i></u> <u><i>2021</i></u>
Cash flows from operating activities		
Net profit before tax		376,501
<i>Adjustments for:</i>		
Depreciation on right of use asset	4	567,951
Unwinding of special commission of lease liability	4	5,742
Provision for employees' end of service benefits	10	125,003
Changes in operating assets and liabilities:		
Other receivable	6	(8,783)
Accounts payable and accruals	11	105,141
Due to a related party	17	438,734
Due from a related party	17	(973,883)
		(438,791)
<i>Cash used in operating activities</i>		(438,791)
Net cash generated from operating activities		636,406
Cash flows from financing activities		
Proceeds from issuance of share capital	8	50,000,000
Proceeds from issuance of additional capital	9	19,000,000
Settlement of lease liability	4	(571,900)
		68,428,100
Net cash generated from financing activities		68,428,100
INCREASE IN CASH AND CASH EQUIVALENTS		69,064,506
Cash and cash equivalents at beginning of the period		-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	69,064,506



Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

1 ACTIVITIES

BNY Mellon Saudi Financial Company (the “Company”) is a Saudi Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia (‘KSA’). The Company operates under commercial registration No. 1010699547 issued in Riyadh on 7 September 2020. The registered head office of the Company is P. O. Box 99936, Riyadh 11625, Kingdom of Saudi Arabia. The Company started its operations on 2 June 2021.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The preparation of financial statements in conformity with the IFRS as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 2.4 to these financial statements.

Since these are first set of financial statements of the Company, accordingly no comparative information has been presented in these financial statements. These financial statements cover the results from 5 April 2021 to 31 December 2021.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of judgements, estimates and assumptions

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

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

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of judgements, estimates and assumptions (continued)

The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia (the “Government”), however, managed to successfully control the outbreak to date.

The Government has also approved vaccines which is now being made available to the masses in general during 2021. Despite the fact that there are certain uncertainties around the COVID-19 vaccine, the Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed and is closely monitoring its exposures at a granular level. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

Significant areas where management has used judgments, estimates and assumptions are as follows:

- Employees’ end of service benefits (Note 2.4.1)
- Going concern (Note 2.4.2)

2.4.1 Employees’ end of service benefits

The Company operates a defined benefit plan under the Saudi Arabian Labor Law based on employees’ accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

2.4.2 Going concern

These financial statements have been prepared on a going concern basis. The Company’s management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as going concern.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments adopted by the Company

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

<i>Standard, interpretation, amendments</i>	<i>Description</i>	<i>Effective date</i>
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform –Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted.	Annual periods beginning on or after 1 January 2021
Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 2020

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Accounting standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning after 1 January 2021 are listed below. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	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. 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'.	Annual periods beginning on or after 1 January 2022.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Accounting standards issued but not yet effective (continued)

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	<p>The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17.</p> <p>IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.</p> <p>The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.</p>	Annual periods beginning on or after 1 January 2023.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies

The following is a summary of the significant accounting policies adopted by the Company:

Cash and cash equivalents

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

Receivables

Receivables are originated by the Company and are initially measured at fair value – which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortised cost. As at the reporting date the receivables of the Company comprise of amounts due to a related party and other receivable

Accounts payable, accruals and other current liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Leases

Initial recognition

Assets and liabilities arising from a lease are initially measured on a present value basis.

i) Right-of-use assets are measured 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.

ii) Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments 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.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequent measurement

Right-of-use asset

The Company applies the cost model, and measures right-of-use assets at initial recognition value:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications.

Lease liability

After the commencement date, the Company measures the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost in the statement of profit or loss.

Income tax and deferred tax

Income tax

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

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

Deferred tax

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

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

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

Employees' end of service benefits

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

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

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Significant accounting policies *(continued)*

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

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

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

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

Financial instruments

Classification and measurement of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL). Financial assets held by the Company, classified under 'Amortised Cost' are other receivable, cash equivalents and amounts due from a related party. There are no other financial assets held by the Company as at the reporting date or at the date of the comparable period.

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and commission on the principal amount outstanding.

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at Fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI as described above are measure at FVTPL.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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 purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and commission

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Classification of financial liabilities

The Company classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL. Financial liabilities held by the Company, classified under 'Amortised Cost' are Accounts payable and accruals, Amounts due to a related party and Lease liabilities. There are no other financial liabilities held by the Company as at the reporting date or at the date of the comparable period.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its receivable balances carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- 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.
- Loss allowance for account receivables are always measured at an amount equal to life time ECLs. Life time ECL are the ECLs that results from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company considers a financial asset to be in default when the counter party is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

ECL are discounted at the effective interest rate of the financial asset.

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

De-recognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Any cumulative gain / loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

Foreign currencies

The financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss.

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, regardless of when the payment is received and it is probable that future economic benefits will flow to the company. The following specific recognition criteria must also be met before revenue is recognized

- Fee from managing assets (including mutual funds) is recognized over time as the services are rendered.
- Subscription fee is recognized net of related expenses, upon subscription to the fund.
- Income from advisory services includes transaction fee and retainer fee;
- Transaction fee is recognized when the Company has rendered all services, based on milestones set under the contract for delivery of service, to the customer and is entitled to collect the fee from the customer with no contingencies associated with the fee.
- Retainer fee is recognized over time as the services are rendered.
- Custody fee is recognized over time as the services are rendered.
- Dividend from investments is recognized when earned or publicly declared by the investee.
- Income from murabaha investments are recognized on accrual basis.
- Realized gain on financial assets at fair value through profit and loss is recognized on sale and calculated using average cost.

Expenses

Salaries and employee related expenses and General and administrative expenses are those that specifically relate to the company. All expenses are expensed as incurred.

Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at reporting date and disclosed under contingent liabilities in the financial statements.

Statutory reserve

In accordance with the Company's By-Laws and the new Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

4 RIGHT OF USE ASSET AND LEASE LIABILITY

The Company operates in a leased premises in relation to which the Company has recognized a right of use asset and corresponding lease liability the detail of which are as follows:

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

	<i>Right of use Asset</i>	<i>Lease liabilities</i>
	<i>SAR</i>	<i>SAR</i>
Balance as at 5 April 2021	-	-
Additions	973,629	973,629
Depreciation charge for the period	(567,951)	-
Special commission expense	-	5,742
Payments	-	(571,900)
	405,679	407,471
<i>As at 31 December 2021</i>		

4.1 Amounts recognized in profit and loss

	<i>For the period from 5 April 2021 to 31 December 2021</i>
	<i>SAR</i>
Depreciation charge for the period	528,204
Special commission expense	5,742

4.2 Amount recognized in statement of cashflows

	<i>For the period from 5 April 2021 to 31 December 2021</i>
	<i>SAR</i>
Total cash outflow for leases	571,900

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

5 INCOME TAX PAYABLE

The Company is owned by non-Saudi shareholders, and hence is subject to income tax. The income tax for the period from 5 April 2021 to 31 December 2021 amounting to SAR 100,851 has been calculated on the basis of the Income Tax Law in the Kingdom of Saudi Arabia.

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

	<i>Notes</i>	<i>For the period from 5 April 2021 to 31 December 2021</i>
		<i>SAR</i>
Current period charge	5.2	100,851
Deferred tax relating to origination of temporary difference	5.3	(25,551)
		75,300
<i>Charged to the statement of profit or loss</i>		75,300

5.2 Movement in provision for income tax is set out below:

	<i>Notes</i>	<i>For the period from 5 April 2021 to 31 December 2021</i>
		<i>SAR</i>
Balance payable at the beginning of the period		-
Charge for the period	5.4	100,851
		100,851
Balance payable at the end of the period		100,851

5.3 Deferred tax assets

	For the period from 5 April 2021 to 31 December 2021		
	Opening deferred tax asset	Recognized in profit or loss account	Closing deferred tax assets
	SAR		
Employees' end of services benefits	-	25,000	25,000
Foreign exchange loss	-	551	551
	-	25,551	25,551

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

5 INCOME TAX PAYABLE (continued)

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

	<i>For the period from 5 April 2021 to 31 December 2021</i>
	<i>SAR</i>
Accounting profit before income tax	504,258
Accounting profit related to non-Saudi shareholders @ 100%	504,258
At statutory income tax rate of 20%	100,851
Tax effect of other items	-
Effective income tax @ 20%	100,851

5.5 Since it is the first year of the operations, the Company is yet to file its first income tax return for the period from 5 April 2021 to 31 December 2021 with Zakat, Tax and Customs Authority (ZTCA).

6 OTHER RECEIVABLE

	<i>31 December 2021</i>
	<i>SAR</i>
Value added tax receivable	8,783

7 CASH AND CASH EQUIVALENTS

	<i>31 December 2021</i>
	<i>SAR</i>
Bank balances – current accounts	69,064,506

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

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

8 SHARE CAPITAL AND STATUTORY RESERVE

Share capital

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

Statutory reserve

In accordance with the Company's By-Laws and the new Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital.

As at 31 December 2021, the Company has set aside the 10% of the net profit earned under statutory reserve hence the statutory reserve was in compliance with the above specified threshold.

9 ADDITIONAL CAPITAL

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

10 EMPLOYEES' END OF SERVICE BENEFITS

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

a) Amount recognised in the statement of financial position:

	<i>31 December 2021</i>
	SAR
Present value of defined benefit obligation	125,003
	125,003

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

	<i>For the period from 5 April 2021 to 31 December 2021</i>
	SAR
Current service cost	125,003
Special commission cost	-
Past service cost	-
	125,003
Benefit expense	125,003
	125,003

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

10 EMPLOYEES' END OF SERVICE BENEFITS (continued)

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

	<i>For the period from 5 April 2021 to 31 December 2021</i>
	SAR
Present value of defined benefit obligation at beginning of the period	-
<i>Charge recognised in statement of profit or loss:</i>	
- Current service cost	125,003
- Special commission cost	-
- Past service cost	-
	125,003
Actuarial (loss) / gain on defined benefit plan recognized in the statement of other comprehensive income	-
Benefits paid	-
	125,003
Present value of defined benefit obligation at end of the period	125,003

d) Principal actuarial assumptions:

	<i>31 December 2021</i>
Discount rate	1.65%
Salary increase rate	3.95%

The economic and demographic assumptions used in the valuation are unbiased, mutually compatible and best estimates as per the requirements of IAS 19. Financial assumptions are based on market expectations as at the valuation date. These assumptions are as follows:

e) Sensitivity analysis

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

	<i>31 December 2021</i>	
	<i><u>Increase</u></i>	<i><u>Decrease</u></i>
Discount rate (0.25% movement)	(118,477)	131,937
Future salary growth (0.25% movement)	131,935	(118,947)

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

11 ACCOUNTS PAYABLE AND ACCURALS

	<i>31 December 2021</i>
	SAR
Trade creditors	69,073
Payable to General organization of social insurance	36,068
	105,141

12 REVENUE FROM SERVICE CHARGES

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

13 SALARIES AND EMPLOYEE RELATED EXPENSES

	<i>For the period from 5 April 2021 to 31 December 2021</i>
	SAR
Salaries and employment related benefits	1,939,096
Board of directors fee expense	199,998
General organization for social insurance	131,685
Employees' end of service benefits	125,003
Other staff expenses	257,086
	2,652,808

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

14 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the period from 5 April 2021 to 31 December 2021</i>
	<i>SAR</i>
Depreciation on right of use asset	567,951
License fee	342,720
Occupancy expense	151,703
Bank charges	67,421
Intragroup shared services cost	51,790
Others	33,719
Professional and consulting	19,531
Unwinding of special commission of lease liability	5,742
	1,240,577

15 FINANCIAL INSTRUMENTS AND FAIR VALUE

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

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

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

Financial instruments comprise financial asset and financial liabilities.

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

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

15 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	<i>31 December 2021</i>	
	<i>Carrying value</i>	<i>Fair value</i>
	<i>SAR</i>	<i>SAR</i>
<i>Financial assets</i>		
Cash and cash equivalents	69,064,506	69,064,506
Other receivable	8,783	8,783
Amounts due from a related party	975,288	975,288
	70,048,577	70,048,577
<i>Financial liabilities</i>		
Accounts payable and accruals	105,141	105,141
Amounts due to a related party	438,734	438,734
Lease liability	407,471	407,471
	951,346	951,346

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the period, there were no transfers between the levels.

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

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

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

16 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

16 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company assesses the probability of default of counterparties using internal rating mechanism. This is done for corporate and high net worth individuals only.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Company's risk management policies are designed to identify, to set appropriate risk limits, and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on regularly basis.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Management monitors the market value of collateral obtained during its review of the adequacy of the impairment allowance for credit losses. The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date was on account of:

	<i>31 December 2021</i>
	<i>SAR</i>
Cash and cash equivalents	69,064,506
Amounts due from a related party	975,288
Other receivable	8,783
	70,048,577

Market risk

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

a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

16 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyals is on a fixed parity to the US Dollar, management believes that the Company is not subject to any significant currency risk.

b) Liquidity risk

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

i) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2021 based on contractual undiscounted repayment obligations. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

	<u>Fixed maturity</u>				<u>No fixed maturity</u>	<u>Total</u>
	<u>Within 3 months</u>	<u>3 months and above</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>		
	<i>SAR</i>					
Lease liability	-	408,500	-	-	-	408,500
Accounts payable and other liabilities	105,141	-	-	-	-	105,141
Amounts due to a related party	438,734	-	-	-	-	438,734
Income tax payable	100,852	-	-	-	-	100,852
Employees' end of service benefits	-	-	-	-	125,003	125,003
Total	644,727	408,500	-	-	125,003	1,178,230

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

16 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

b) Analysis of financial assets and liabilities according to when they are expected to be recovered or settled

The table shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	<i>Fixed maturity</i>				<i>No fixed maturity</i>	<i>Total</i>
	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>		
	SAR					
<i>Assets</i>						
Cash and cash equivalents	-	-	-	-	69,064,506	69,064,506
Other receivable	8,783	-	-	-	-	8,783
Amounts due from a related party	973,883	-	-	-	-	973,883
<i>Financial assets</i>	982,666	-	-	-	69,064,506	70,047,172
<i>Liabilities</i>						
Lease liability	-	(408,500)	-	-	-	(408,500)
Accounts payable and other liabilities	(105,141)	-	-	-	-	(105,141)
Amounts due to a related party	(438,734)	-	-	-	-	(438,734)
<i>Financial liabilities</i>	(543,875)	(408,500)	-	-	-	(952,375)
<i>Net financial assets (liabilities)</i>	438,791	(408,500)	-	-	69,064,506	69,094,797

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include its major shareholders, associated and affiliated companies, funds under management, directors and key management personnel of the Company. These transactions are carried out on mutually agreed terms and approved by the management of the Company.

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

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

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<i>For the period from 5 April 2021 to 31 December 2021</i> SAR
The Bank of New York Mellon Corporation – London branch	Affiliate	- Service Charges (note 6)	4,272,640
The Bank of New York Mellon Corporation	Ultimate Parent	- Shared services (note 17.1 & 6)	(51,790)
Board of Directors	Board members	- Board of Director's fee	199,998

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

b) Key management personnel are those having authority and responsibility for planning, directing, and controlling Company's activities either directly or indirectly. The compensation summary of key management personnel during the year ended 31 December 2021 is set out below:

	<i>For the period from 5 April 2021 to 31 December 2021</i> SAR
Remuneration	1,562,746

c) The following receivable/ (payable) balances arose as a result of transactions with related parties:

<u>Name of Related party</u>	<u>Relationship</u>	<i>31 December 2021</i> SAR
The Bank of New York Mellon Corporation	Parent Company	(438,734)
The Bank of New York Mellon – London branch	Affiliate	973,883

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

18 REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

The Company's objectives when managing capital are, to comply with the minimum capital requirements set forth by the CMA; to safeguard the Company's ability to continue as a going concern and to maintain an adequate capital base throughout the year.

The Company monitors the capital adequacy and related ratios using the framework established by CMA effective 1 January 2014. Accordingly, the Company's Pillar 1 requirement related to Tier capital base, minimum capital requirement and capital adequacy ratio are as follows.

	<u>31 December 2021 SAR</u>
Capital Base:	
Tier-1 Capital	50,275,650
Tier-2 Capital	-
Total Capital Base	<u>50,275,650</u>
Minimum Capital:	
Market Risk	-
Credit Risk	2,181,143
Operational Risk	973,346
Total Minimum Capital	<u>3,154,489</u>
Surplus Capital	<u>47,121,161</u>
Capital Adequacy Ratio (times)	<u>15.94</u>

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

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

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

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

Capital Adequacy Ratio: As per the CMA guidelines, the Company is required to maintain a capital base not less than the total minimum capital of the Company. However, the Company is adequately capitalized with surplus capital over and above the minimum capital requirement of the Company.

19 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments to be disclosed in the notes to the financial statements as at 31 December 2021.

BNY Mellon Saudi Financial Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 5 April 2021 (date of commercial registration)
to 31 December 2021
(Amount in Saudi Riyals)

20 SUBSEQUENT EVENTS

There were no subsequent events after the statement of financial position date which require adjustments to / or disclosure in the financial statements.

21 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 21 March 2022



Mona Alhussain
Chief Executive Officer



Rasheed Alrasheed
Chief Financial Officer