MERRILL LYNCH KINGDOM OF SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2023

together with the

Independent auditor's report

Content	**Pages**

KPMG Professional Services
Roshn 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 روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report

To the shareholders of Merrill Lynch Kingdom of Saudi Arabia Company

Opinion

We have audited the financial statements of Merrill Lynch Kingdom of Saudi Arabia Company ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, 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 the 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.

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 ISA 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.

Independent auditor's report

To the shareholders of Merrill Lynch Kingdom of Saudi Arabia Company (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISA 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 **Merrill Lynch Kingdom of Saudi Arabia Company ("the Company")**.

KPMG Professional Services

Saleh Mohammed S Mostafa
License no: 524

Riyadh: 28 March 2024
Corresponding to: 18 Ramadan 1445H

Merrill Lynch Kingdom of Saudi Arabia Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2023	2022
ASSETS			
Property, plant and equipment	*5*	**6,562,959**	5,564,797
Deferred tax asset	*21.3*	**7,140,081**	6,990,647
Total non-current assets		**13,703,040**	12,555,444
Trade and client receivables	*6*	**147,109,415**	135,312,546
Due from related parties	*15*	**6,406,652**	4,085,105
Prepayments and other receivables	*7*	**9,469,391**	2,393,267
Cash and cash equivalents	*8*	**120,514,343**	301,504,905
Total current assets		**283,499,801**	443,295,823
Total assets		**297,202,841**	455,851,267
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	*9*	**143,000,000**	143,000,000
Statutory reserve	*10*	**17,144,878**	13,133,064
Retained earnings		**113,910,630**	78,217,631
Total shareholders' equity		**274,055,508**	234,350,695
LIABILITIES			
Employees' end of service benefits	*11*	**4,293,394**	3,531,200
Lease liability	*12*	**845,239**	1,666,786
Total non-current liabilities		**5,138,633**	5,197,986
Due to related parties	*15*	**5,637,584**	192,477,412
Accrued expenses and other payables	*13*	**8,121,621**	19,275,148
Income tax payable	*21.2*	**3,409,003**	3,709,534
Lease liability	*12*	**840,492**	840,492
Total current liabilities		**18,008,700**	216,302,586
Total liabilities		**23,147,333**	221,500,572
Total shareholders' equity and liabilities		**297,202,841**	455,851,267

The notes on pages 8 to 34 form an integral part of these financial statements

The financial statements were approved by the Directors of the Company and signed on their behalf on 25 March 2024 by:

Yazaid Alsalloom
Chief Executive Officer

Mozammil Syed
Chief Financial Officer

Merrill Lynch Kingdom of Saudi Arabia Company
(A Saudi Closed Joint Stock Company)
Statement of profit or loss
(All amounts in Saudi Riyals unless otherwise stated)

		Year ended 31 December	
	Note	**2023**	2022
OPERATING INCOME			
Brokerage fee income, net	*14*	**46,682,722**	50,789,625
Fee income	*15.2*	**9,949,273**	13,179,251
Advisory fee income	*16*	**20,001,725**	-
Total revenues		**76,633,720**	63,968,876
Other operational income / (loss)	*19*	**3,299,169**	(5,926,665)
Total operating income		**79,932,889**	58,042,211
OPERATING EXPENSES			
Salaries and employee related benefits	*17*	**(23,730,303)**	(17,593,721)
General and administrative expenses	*18*	**(3,258,296)**	(16,127,803)
Impairment reversal / (charge) for expected credit losses ("ECL")	*8*	**88,079**	(55,167)
Other expenses		**(762,631)**	(849,186)
Total operating expenses		**(27,663,151)**	(34,625,877)
Net operating income		**52,269,738**	23,416,334
Finance costs, net	*20*	**(6,591,658)**	(5,398,173)
Net profit before taxation		**45,678,080**	18,018,161
Income tax expense	*21*	**(5,559,941)**	(3,614,282)
Net profit for the year		**40,118,139**	14,403,879

The notes on pages 8 to 34 form an integral part of these financial statements

The financial statements were approved by the Directors of the Company and signed on their behalf on 25 March 2024 by:

Yazaid Alsalloom
Chief Executive Officer

Mozammil Syed
Chief Financial Officer

Merrill Lynch Kingdom of Saudi Arabia Company
(A Saudi Closed Joint Stock Company)
Statement of other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	**2023**	2022
Net profit for the year		**40,118,139**	14,403,879
Other comprehensive income			
Items that will not be reclassified subsequently to the statement of profit or loss			
Remeasurement of employees' end of service benefits	*11*	**(516,657)**	456,225
Related deferred tax on remeasurement of employees' end of service benefits	*21.3*	**103,331**	(91,245)
		(413,326)	364,980
Total comprehensive income for the year		**39,704,813**	14,768,859

The notes on pages 8 to 34 form an integral part of these financial statements.

The financial statements were approved by the Directors of the Company and signed on their behalf on 25 March 2024 by:

Yazaid Alsalloom
Chief Executive Officer

Mozammil Syed
Chief Financial Officer

Merrill Lynch Kingdom of Saudi Arabia Company
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
At 1 January 2022	143,000,000	11,692,676	64,889,159	219,581,835
Net gain for the year	-	-	14,403,879	14,403,879
Other comprehensive income	-	-	364,981	364,981
Total comprehensive loss	-	-	14,768,860	14,768,860
Transfer to statutory reserve	-	1,440,388	(1,440,388)	-
At 31 December 2022	143,000,000	13,133,064	78,217,631	234,350,695
At 1 January 2023	**143,000,000**	**13,133,064**	**78,217,631**	**234,350,695**
Net income for the year	**-**	**-**	**40,118,139**	**40,118,139**
Other comprehensive income	**-**	**-**	**(413,326)**	**(413,326)**
Total comprehensive income	**-**	**-**	**39,704,813**	**39,704,813**
Transfer to statutory reserve	**-**	**4,011,814**	**(4,011,814)**	**-**
At 31 December 2023	**143,000,000**	**17,144,878**	**113,910,630**	**274,055,508**

The notes on pages 8 to 34 form an integral part of these financial statements.

Merrill Lynch Kingdom of Saudi Arabia Company
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended 31 December 2023	2022
Cash flows from operating activities			
Net profit before taxation for the year		**45,678,080**	18,018,161
Adjustment for:			
Depreciation	*5*	**1,868,430**	1,924,737
Provision for employees' end of service benefits	*11*	**753,227**	666,238
Finance costs	*20*	**6,591,658**	1,613,890
Impairment charge for ECL	*8*	**(88,079)**	55,167
Changes in operating assets and liabilities:			
Trade and client receivables		**(11,796,869)**	(135,310,444)
Due from related parties		**(2,321,547)**	(2,293,411)
Prepayments and other receivables		**(7,042,094)**	5,018,822
Due to related parties		**1,059,947**	2,742,153
Accrued expenses and other payables	*13*	**(11,153,527)**	16,198,654
		23,549,226	(91,366,033)
Income tax paid	*21*	**(5,906,575)**	-
Employees' end of service benefits paid	*11*	**(507,690)**	(47,803)
Net cash generated used in operating activities		**17,134,961**	(91,413,836)
Cash flows from investing activities			
Purchase of property and equipment	*5*	**(2,866,592)**	(1,446,583)
Net cash used in investing activities		**(2,866,592)**	(1,446,583)
Cash flows from financing activities			
Proceeds from borrowings		**-**	2,387,899,775
Repayment of borrowings		**(187,899,775)**	(2,200,000,000)
Finance cost paid		**(6,591,658)**	(5,277,350)
Payment of lease obligation	*12*	**(855,577)**	(855,577)
Net cash (used in) / generated from financing activities		**(195,347,010)**	181,766,848
Net (decrease) / increase in cash and cash equivalents		**(181,078,641)**	88,906,429
Cash and cash equivalents at the beginning of the year		**301,628,236**	212,721,807
Cash and cash equivalents at end of the year	*8*	**120,549,595**	301,628,236

The notes on pages 8 to 34 form an integral part of these financial statements.

1. GENERAL INFORMATION

Merrill Lynch Kingdom of Saudi Arabia Company (the "Company" or "MLKSA") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 1010245128 issued in Riyadh on Safar 29, 1429H (corresponding to 7 March 2008). Its immediate holding company is Bank of America Global Holdings LLC (Parent Company), a company incorporated in the United States of America. The ultimate holding company is Bank of America Corporation ("BAC"), a company organised and existing under the laws of the State of Delaware in the United States of America.

The Company is licensed by the Capital Market Authority ("CMA") under license number 07066-37 dated 26 Jumadah Al-Awwal 1428H (corresponding to 12 June 2007). The registered office of the Company is located at Kingdom Tower 22nd floor, P.O. Box 90534, Riyadh 11623, Kingdom of Saudi Arabia. The new Companies Law was promulgated dated 19 January 2023. Management is in the process of assessing the impact and any required changes to the Company by-laws.

The principal activities of the Company are to engage in dealing activities in its capacity as an agent and principal and to undertake underwriting, arranging, advisory and custody services for securities.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2. Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention except for employees' end of service benefits which are measured using the projected unit credit method.

2.2.1. Functional and presentation currency

The financial statements have been presented in Saudi Riyals ("SAR") as this is the functional and presentational currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. All amounts presented in Saudi Riyals have been rounded to the nearest Saudi Riyal unless otherwise stated.

2.3. Critical accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgements, 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. Key areas where management has used estimates, assumptions or exercised judgements is as follows:

Employees' end of service benefits

The Company operates a defined benefit plan under the Saudi Arabian Labour 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.

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.4. Changes in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2023.

New standards, interpretations and amendments adopted by the Company
Following standards, interpretation or amendments are effective from the current year and are adopted by the Company. However, these did not have any impact on the financial statements of the year:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments also provide guidance on the application of materiality to disclosure of accounting policies. Management reviewed the accounting policies and made updates to the information disclosed in Summary of Material Accounting Policies (2022: Significant Accounting Policies) in certain circumstances in line with amendments.

Accounting standards issued but not yet effective
Following new standards and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

Standards / Amendments	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1	Classification of Liabilities as current or non-current and non-current liabilities covenant	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between investors and its associates or joint venture	Available for optional adoption / effective date deferred indefinitely

The Company has not early adopted any standards, interpretations or amendments before their effective date. The management of the Company anticipates that the application of the above new standards and amendments in the future will not have a significant impact on the amounts reported.

2.5. Summary of material accounting policies

Material accounting policies are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.1. Financial instruments
(a) Classification

Financial assets of the Company consist of cash and cash equivalents, trade and client receivables, due from related parties and other receivables. Financial liabilities consist of trade and client payables, due to related parties, accrued expenses and other payables.

The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through statement of profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.The Company does not have financial assets that are classified as subsequently measured at fair value through OCI or statement of profit or loss.

(b) Recognition

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets, except for financial assets at fair value through statement of profit or loss, are initially measured at fair value net of directly attributable transaction costs incurred.

Subsequent measurement of debt instruments depends 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 fair value through statement of profit or loss.

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 realised 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.

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

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.1. Financial instruments (continued)

(b) Recognition (continued)

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.

There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through statement of profit or loss (FVPL)

<u>Amortised cost:</u> Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. ECL are presented as separate line item in the statement of statement of profit or loss.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

Financial liabilities, except for financial liabilities at fair value through statement of profit or loss, are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost, using the effective interest rate method.

(c) Derecognition

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.

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

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.1. Financial instruments (continued)

(d) Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets 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.

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

Stage 1: (Initial recognition) 12-month expected credit losses
Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses
Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company that are subjected to ECL review include cash and cash equivalents, due from related parties and other receivables. ECL on cash and cash equivalents and due from related parties are assessed based on the above staging criteria.

For trade and client receivables, the Company applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Under this approach, the Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECL. The ECL on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate, and an assessment of both the current as well as the forecast direction of conditions at the reporting date. As at 31 December 2023 and 2022, there is no ECL provision required on receivable balances as these are held with government owned entities and are of short-term nature.

The Company writes-off trade and client receivable when there is information indicating that the debtor is in severe financial difficulty and when there is no realistic prospect of recovery.

Measurement of ECL

Definition of default:

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising collateral (if any is held); or
- past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.1. Financial instruments (continued)

(d) Impairment (continued)

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Risk Committee of Parent Company and economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities, supranational organisations, and selected private-sector and academic forecasters.

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).

(e) Offsetting

Financial assets and liabilities are offset and are reported net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.5.2. Trade and client receivables and payables

Trade and client receivables and payables represent amounts owed to or by the Company relating to executed transactions on behalf of clients over a two-day settlement period. The amount represents the value of the executed transaction and are stated net of commissions.

2.5.3. Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of profit or loss. Impairment losses recognised on goodwill are not reversible.

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.4. Income and deferred tax

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Company is subject to income tax. Income tax expense comprises current and deferred tax which is recognised in the statement of profit or loss.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be utilised.

2.5.5. Withholding tax

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations.

2.5.6. Value added tax (VAT)

The Company is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. 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/services 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 cash and cash equivalents, the ECL is recorded for the gross amount of the debtor, including VAT. VAT that is not recoverable is charged to the statement of profit or loss as expense.

2.5.7. Employees' end of service benefits

The Company operates an end of service benefit plan as required by KSA Labour Law which, amongst other factors, is based on most recent salary and allowances, and number of service years. The valuation of the Company’s obligations under the plan are based on the projected unit credit method. The cost of the employment benefit is recognized immediately in statement of profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, if any, are recognised in the period in which they occur directly in other comprehensive income. The Company recognises a net asset or liability, being the difference between the present value of the defined benefit obligation at the end of the reporting period and the fair value of plan assets.

End of service payments are based on the employees’ final salaries and allowances and their cumulative years of service, in compliance with KSA Labour law.

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.8. Share-based payments

Bank of America ("BAC") BAC grants equity-based payment awards to employees of the Company under various incentive schemes.

For most awards, expense is generally recognized proportionately over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Company accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, the Company recognizes expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

As this is a group share based payment arrangement, all awards are treated by the Company as equity settled share-based payment plans and are measured based on the fair value of those awards at grant date.

The fair value determined at the grant date is expensed over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The Company has entered into a chargeback agreement with BAC under which it is committed to pay BAC the market value at grant date as well as subsequent movements in fair value of those awards to BAC at the time of delivery to its employees. The share based payment transaction and chargeback agreement create a total charge to the profit and loss based on the grant date fair value of the awards adjusted for subsequent movements in the fair value of those awards prior to delivery.

The fair value determined at the grant date expensed over the vesting period is recognized under staff cost whereas the subsequent movement in the fair value prior to delivery is recorded in service fee income or service fee expense

2.5.9. Revenues

The Company recognises 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: Recognise revenue	The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.9. Revenues (continued)

Based on the above five steps, the revenue recognition policy for each revenue stream is as follows:

Fee income

Fee income consists of charges made to remunerate the Company for services provided. Service fee income is recognised on an accruals basis when the service is provided in accordance with BAC's Global Transfer Pricing Policy.

Brokerage income

Brokerage income is recognised when the related transactions are executed by the customers at the price agreed in the contract with the customers, net of discounts and rebates and fees. 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 fee income

Advisory fee income is recognised based on services rendered as being complete in accordance with the underlying contractual agreement using the five-step approach to revenue recognition under IFRS 15.

Revenue recognition of retainer fees is recognised over a period of time of the underlying contractual agreement with the customer and represent a stand-ready obligation to provide unlimited services during the period of the agreement as and when requested by the client. Generally, it is linked to the timing of the performance obligation. For example, monthly, quarterly, etc. In that case the income from retainer fees is to be recognized on an accruals basis. In some cases, accrual of the retainer fees is linked to agreed milestones. If the terms of retainer fees are linked to such performance obligations, then upon satisfaction of such performance obligations, that is, on fulfilment of terms as per the contract with the customers.

Success fees, as the name indicates, is recognised upon fulfilment of performance obligations. For example, achievement of certain objectives as a financial advisor.

2. BASIS OF PREPARATION (CONTINUED)

2.5. Summary of material accounting policies (continued)

2.5.10. Assets held in a trust or in a fiduciary capacity

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

3. RISK MANAGEMENT

Legal entity governance

BAC has established a risk governance framework (the "Risk Framework") which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries (including the Company). The Risk Framework applies to all the employees. It provides an understanding of the Company's approach to risk management and each employee's responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Company.

The following are the five components of the Company's risk management approach:

- Culture of Managing Risk Well;
- Risk Appetite and Risk Limits;
- Risk Management Processes;
- Risk Data Management, Aggregation and Reporting; and
- Risk Governance

Focusing on these five components allows effective management of risks across the seven key types of risk faced by MLKSA, namely market, credit, liquidity, reputational, strategic, compliance and operational risk.

Set out below is a summary of the Company's approach to each of the risk types.

Market risk: Market risk is the risk that changes in market conditions may negatively impact earnings, including adversely impacting the value of assets or liabilities.

MLKSA offers access to Tadawul on a predominantly agency basis to local clients domiciled within the Gulf Co-operation Council as well as stock execution for Merrill Lynch International and BAC. MLKSA also provides underwriting on primary issuances executed on the Tadawul exchange, where any risk will be sub-underwritten by Merrill Lynch International.

3. RISK MANAGEMENT (CONTINUED)

Market Risk Management: The Global Markets division of BAC seeks to run its business on a globally consistent basis. This means that the market risks assumed by Global Markets are identified, measured and controlled on a consistent basis irrespective of the location in which they are taken and booked.

Market Risk Management in MLKSA is a decentralized process with centralized oversight. To be effective, all personnel involved in risk related activities are an active part of the risk management process and regular reporting provides transparency across front line units ("FLU"), management and Board.

Currency risk: Currency risk arises from the possibility that fluctuations in foreign exchange rates will affect the value of financial instruments and cash flows. The Company's foreign currency transactions are primarily denominated in US Dollars for which the exchange rate is pegged to the Saudi Riyal and exposures in other foreign currencies are not significant.

Credit risk

Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations.

Credit risk management: The Company manages credit risk to a counterparty based on their risk profile, which includes assessing repayment sources, underlying collateral (if any), and the expected effects of the current and forward-looking economic environment on the borrowers or counterparties. Underwriting, credit management and credit risk limits are proactively reassessed as a counterparty's risk profile changes.

Credit risk management includes the following processes:

- Credit origination
- Portfolio management
- Loss mitigation activities

These processes create a comprehensive and consolidated view of the Company's credit risks, thus providing executive management with the information required to guide or redirect FLU and certain legal entity strategic plans, if necessary.

As BAC's exclusive broker/dealer in Saudi Arabia, the Company is focused on its securities activities which account for the majority of its credit exposures.

As at 31 December 2023 and 2022, cash and cash equivalents, trade and client receivables, due from related parties and other receivables are recoverable in the ordinary course of business. Cash is placed with the Central Counterparty Clearing House ("CCP"), local and foreign banks with sound credit ratings.

Trade receivables, due from related parties and other receivables were neither past due nor impaired at the statement of financial position date and are monitored by management.

(All amounts in Saudi Riyals unless otherwise stated)

3. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the relevant components of the statement of financial position:

	Note	**2023**	2022
Cash and cash equivalents	*8*	**120,549,595**	301,628,236
Trade and client receivables	*6*	**147,109,415**	135,312,546
Due from related parties	*15*	**6,406,652**	4,085,105
Other receivables	*7*	**9,241,592**	1,982,418
		283,307,254	443,008,305

Trade receivables, due from related parties and other receivables were neither past due nor impaired at the statement of financial position date and are monitored by management. At 31 December 2023, Moody's rating of the Saudi Awwal Bank and Bank of America NA London Branch in which cash at bank is held is P-1 (2022: P-1).

Credit quality analysis

The following table sets out the credit analysis for financial assets as at 31 December 2023.

Financial assets	**Investment grade**	**Non-investment rated**	**Unrated**	**Total**
Cash and cash equivalents	**120,549,595**	**-**	**-**	**120,549,595**
Trade and client receivables	**-**	**-**	**147,109,415**	**147,109,415**
Due from related parties	**6,406,652**	**-**	**-**	**6,406,652**
Other receivables	**-**	**-**	**9,241,592**	**9,241,592**
	126,956,247	**-**	**156,351,007**	**283,307,254**

The following table sets out the credit analysis for financial assets as at 31 December 2022.

Financial assets	Investment grade	Non-investment rated	Unrated	Total
Cash and cash equivalents	301,628,236	-	-	301,628,236
Trade and client receivables	-	-	135,312,546	135,312,546
Due from related parties	4,085,105	-	-	4,085,105
Other receivables	-	-	1,982,418	1,982,418
	305,713,341	-	137,294,964	443,008,305

(All amounts in Saudi Riyals unless otherwise stated)

3. RISK MANAGEMENT (CONTINUED)

Inputs, assumptions and techniques used for estimating impairment

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date;
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

Loss allowance

Cash and cash equivalents	**31 December 2023**			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Carrying amount	**120,549,595**	**-**	**-**	**120,549,595**
Allowance for ECL	**(35,252)**	**-**	**-**	**(35,252)**
	120,514,343	**-**	**-**	**120,514,343**

Cash and cash equivalents	31 December 2022			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Carrying amount	301,628,236	-	-	301,628,236
Allowance for ECL	(123,331)	-	-	(123,331)
	301,504,905	-	-	301,504,905

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Process risk is the risk that a predetermined process necessary to conduct business does not function properly or leads to undesired results. People risk is the risk that business objectives will not be met due to human resource deficiencies (e.g., improper conduct, inadequate staffing). Systems risk is the risk that arises from systems and / or tools that are deficient, unstable or overly complex for the intended use and are key to conducting BAC's activities. External events risk is the risk that arises from factors outside of BAC's span of control.

Operational risks are associated with the following seven operational loss event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and systems failures; and execution, delivery and process management.

(All amounts in Saudi Riyals unless otherwise stated)

3. RISK MANAGEMENT (CONTINUED)

Operational risk management: Since operational risk is inherent in every activity across the enterprise, BAC relies on all employees to conduct themselves properly, contribute to an effective internal control environment and manage operational risk within their roles.

Operational risk must be managed by all employees as part of their day-to-day activities. FLU and Control Functions ("CF") are responsible for monitoring, assessing and testing the effectiveness of controls, while continuing to identify, escalate, debate and report operational risks. Independent risk management teams actively oversee the FLUs / CFs to monitor adherence to the program and identify, advise and challenge operational risks. Consistent operational risk management across all legal entities within BAC globally is supported through the implementation of the Operational Risk Management - Enterprise policy and the supporting standards, and adherence to the operational risk management program.

A key element of the program is the Company's Risk Control & Self-Assessment ("RCSA") which captures the operational exposures faced by the Company, and entails: ongoing identification, measurement, mitigation, monitoring, reporting and escalation of applicable current and emerging operational risk and causes. In addition, other operational risk management processes are in place such as review and reporting of internal and external operational loss data and the execution of scenario analysis. Scenarios are targeted to identify plausible, low-frequency, high-severity operational loss events. Risk reduction and mitigation activities are developed and enacted when potential operational risk losses are assessed or control gaps identified.

Liquidity Risk

Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support the businesses and customers, under a range of economic conditions.

Liquidity risk management: Each of the FLUs are accountable for managing liquidity risk by establishing appropriate processes to identify, measure, monitor, and control the risks associated with their activities. Global Risk Management ("GRM") provides independent oversight and supervision of FLU activities and an independent view of the liquidity risk of FLU activities.

The Company is covered under the Bank of America Corporation ("BAC") Enterprise Liquidity Risk Policy ("LRP") which establishes the overarching governance, controls and risk management practices to monitor and manage liquidity risk across the entity and is approved by the BAC Board on an annual basis.

MLKSA has an uncommitted funding line with Merrill Lynch International that it may draw down on to prevent liquidity risk to support MLKSA's trading activity.

The following analyses the Company's financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances as the impact of discounting is not significant.

	Note	**2023**	2022
Due within 1 year			
Accrued expenses and other payables	*13*	**8,121,621**	19,275,148
Due to related parties	*15*	**5,637,584**	192,477,412
Income tax payable	*21.2*	**3,409,003**	3,709,534
		17,168,208	215,462,094

3. RISK MANAGEMENT (CONTINUED)

Reputational risk

Reputational risk is the potential that negative perceptions of BAC may adversely impact its profitability or operations.

Reputational risk can stem from many of BAC's activities, including those related to the management of the strategic, operational, compliance and credit risks. As a result, BAC evaluates the potential impact to its reputation within all risk categories and throughout the risk management process.

Reputational risk management: BAC manages reputational risk through established policies and controls in the business and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events. Reputational risk items relating to MLKSA are considered as part of the EMEA Reputational Risk Committee (the "Reputational Risk Committee"), whose mandate includes consideration of Reputational Risk issues (including matters related to Environmental, Social, and Governance ("ESG") factors) and provision of guidance and approvals for activities that represent specific Reputational Risks which have been referred for discussion by other current control frameworks or lines of business.

Ultimately, to ensure that reputational risk is mitigated through regular business activity, awareness of Reputational Risk is integrated into the overall governance process, as well as incorporated into the roles and responsibilities for employees. Given the nature of Reputational Risk, BAC does not set quantitative limits for the level of acceptable risk. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events. Through the Reputational Risk Committee, BAC has an appropriate organisational and governance structure in place to ensure strong oversight at the entity business level. The Reputational Risk Committee is a sub-committee of the Global Reputational Risk Committee and is applicable to all key legal operating entities in the region. Items requiring increased attention may be escalated from the Reputational Risk Committee to the Global Reputational Risk Committee as appropriate.

Reporting of MLKSA reputational risk issues is captured as part of management routines for the Reputational Risk Committee. Tracking of items presented to the Reputational Risk Committee is maintained through a reporting protocol, which provides detail such as the description of the reputational risk issue, the geographical jurisdiction of the issues, the reason for escalation and the decision reached by the Reputational Risk Committee.

Strategic risk

Strategic risk is the risk to current or projected financial condition arising from incorrect assumptions about external or internal factors, inappropriate business plans (e.g. too aggressive, wrong focus, ambiguous), ineffective business strategy execution or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments in the geographic locations in which MLKSA operates (e.g. competitor actions, changing customer preferences, product obsolescence and technology developments).

3. RISK MANAGEMENT (CONTINUED)

Strategic risk (continued)

Strategic risk management: Strategic risk is managed through the assessment of effective delivery of strategy. Business performance is monitored by the executive management team to assess strategic risk and find early warning signals so that risks can be proactively managed.

The MLKSA strategic execution and risk management processes are aligned to the overall BAC strategic plans through a formal planning and approval process and are set within the context of overall risk appetite. The BAC Board is responsible for overseeing the strategic planning process and management's implementation of the resulting strategic plan. BAC's strategic plan is reviewed and approved annually by the BAC Board. Strategic planning at the BAC level is representative of more detailed planning undertaken at the business unit, regional and MLKSA level.

MLKSA's strategy is reviewed by the MLKSA Board on an annual basis. Strategic decisions relating to MLKSA are presented and discussed at the MLKSA Board. There are regular updates to the Board on business performance and the management of strategic risk takes into account analyses of performance relative to the strategic plan, financial operating plan and risk appetite.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Company arising from the failure of the Company to comply with the requirements of applicable laws, rules, regulations, and our internal policies and procedures (collectively, "applicable laws, rules and regulations").

Compliance risk management: Front line units and control functions are, first and foremost, responsible for identifying, managing and escalating compliance risk related to their activities. Global Compliance and Operational independently assesses compliance risk and oversees front line unit and control function adherence to applicable laws, rules and regulations, including identifying compliance Issues and Risks, performing Compliance Monitoring, determining and developing tests to be conducted by the Enterprise Independent Testing unit and reporting on the state of compliance activities across the Company. Additionally, GC&OR works with front line units and control functions so that day to day activities operate in a compliant manner.

Global Compliance and Operational Risk uses a set of clearly defined management routines, decision processes and organizational structures (e.g., committees) to provide effective management of the key compliance risks.

Global Compliance and Operational Risk also provides transparency to the Board of Directors (or appropriate committee) and senior management into critical compliance issues, as appropriate.

Global Compliance and Operational Risk evaluates and reports on the adequacy and effectiveness of the CRM Program.

4. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

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

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

Capital adequacy ratio are as follows:

	Amount in SAR '000	
	2023	2022
Capital Base:		
Tier 1 capital	**271,747**	232,149
Tier 2 capital	**-**	-
Total Capital Base	**271,747**	232,149
Minimum capital requirement:		
Market Risk	**1,407**	1,227
Credit Risk	**27,899**	46,633
Operational risk	**9,134**	9,780
Total minimum capital required	**38,440**	57,640
Capital adequacy ratio:		
Total capital ratio	**57%**	56%
Tier 1 capital ratio	**57%**	56%
Surplus in capital	**233,307**	174,509

- Tier 1 capital consists of paid-up share capital, accumulated profits, reserves excluding revaluation reserves, with certain deductions as per the Rules.
- The minimum capital requirements for market, credit and operational risks are calculated as per the requirements specified in the Rules
- The Company's business objectives when managing capital adequacy are to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

(All amounts in Saudi Riyals unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Computer equipment**	**Fixtures and fittings**	**Right-of-use asset**	**Capital work in progress**	**Total**
2023						
Cost						
At the beginning of the year	**12,739,492**	**12,178,034**	**881,230**	**6,493,501**	**314,371**	**32,606,628**
Additions	**-**	**-**	**-**	**-**	**2,866,593**	**2,866,593**
Transfers	**154,256**	**1,355,424**	**-**	**-**	**(1,509,680)**	**-**
At the end of the year	**12,893,748**	**13,533,458**	**881,230**	**6,493,501**	**1,671,283**	**35,473,221**
Accumulated depreciation						
At the beginning of the year	**12,706,549**	**10,076,697**	**881,230**	**3,377,355**	**-**	**27,041,831**
Charge for the year	**46,335**	**991,275**	**-**	**830,821**	**-**	**1,868,430**
At the end of the year	**12,752,884**	**11,067,972**	**881,230**	**4,208,176**	**-**	**28,910,261**
Net book value						
At 31 December 2023	**140,864**	**2,465,486**	**-**	**2,285,325**	**1,671,284**	**6,562,959**

	Leasehold improvements	Computer equipment	Fixtures and fittings	Right-of-use asset	Capital work in progress	Total
2022						
Cost						
At the beginning of the year	12,690,262	10,812,386	881,230	6,493,501	282,666	31,160,045
Additions	-	-	-	-	1,446,583	1,446,583
Transfers	49,230	1,365,648	-	-	(1,414,878)	-
At the end of the year	12,739,492	12,178,034	881,230	6,493,501	314,371	32,606,628
Accumulated depreciation						
At the beginning of the year	12,690,262	8,999,068	881,230	2,546,534	-	25,117,094
Charge for the year	16,287	1,077,629	-	830,821	-	1,924,737
At the end of the year	12,706,549	10,076,697	881,230	3,377,355	-	27,041,831
Net book value						
At 31 December 2022	32,943	2,101,337	-	3,116,146	314,371	5,564,797

Capital work in progress mainly includes the leasehold improvements and computer equipment.

(All amounts in Saudi Riyals unless otherwise stated)

6. TRADE AND CLIENT RECEIVABLES

	2023	2022
Collateral with CCP	**147,049,848**	135,300,131
Other	**59,567**	12,415
	147,109,415	135,312,546

CCP is the Central Counterparty Clearing House at the Saudi Stock Exchange which acts as an intermediary between two parties in a securities trading. The management expects minimal exposure to expected credit losses on the collateral placed with the CCP.

7. PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
VAT receivable	**8,359,135**	1,489,894
Prepaid expenses	**227,798**	410,850
Staff receivables	**59,551**	392,082
Other	**822,907**	100,441
	9,469,391	2,393,267

The VAT receivable pertains to input VAT paid in VAT returns. The Company applied for a refund which is currently being assessed by ZATCA.

8. CASH AND CASH EQUIVALENTS

	2023	2022
Cash at bank	**120,549,595**	301,628,236
Allowance for expected credit losses *(refer below)*	**(35,252)**	(123,331)
	120,514,343	301,504,905

The movement in the allowance for expected credit losses as at 31 December is as follows:

	2023	2022
Balance at the beginning of the year	**123,331**	68,164
Charge for the year	**(88,079)**	55,167
Balance at the end of the year	**35,252**	123,331

9. SHARE CAPITAL

As at 31 December 2023 and 31 December 2022, the subscribed and fully paid-up share capital of the Company consists of 14.3 million shares of Saudi Riyals 10 each and are held as follows:

Shareholder	**Country of origin**	**Percentage**	**Shareholding**
Bank of America Global Holdings L.L.C.	USA	**96%**	**137,280,000**
Merrill Lynch Group Holdings I L.L.C.	USA	**1%**	**1,430,000**
Merrill Lynch Group Holdings II L.L.C.	USA	**1%**	**1,430,000**
Merrill Lynch Group Holdings III L.L.C.	USA	**1%**	**1,430,000**
Merrill Lynch International L.L.C.	USA	**1%**	**1,430,000**
		100%	**143,000,000**

10. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and its By-Laws, the Company is required to transfer 10% of its net income annually to a statutory reserve until such reserve equals 30% of the paid up capital as a minimum. This reserve is not available for distribution to the shareholders.

(All amounts in Saudi Riyals unless otherwise stated)

11. EMPLOYEES' END OF SERVICE BENEFITS

	2023	2022
At the beginning of the year	**3,531,200**	3,368,990
Charge for the year	**753,227**	666,238
Remeasurements of post-employment benefit obligations	**516,657**	(456,225)
Payments made during the year	**(507,690)**	(47,803)
At the end of the year	**4,293,394**	3,531,200

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 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.

The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2023	2022
Present value of defined benefit obligation	**4,293,394**	3,531,200

Movement of defined benefit obligation

	2023	2022
Opening balance	**3,531,200**	3,368,990
Charge to statement of profit or loss	**753,227**	666,238
Charge to statement of other comprehensive income	**516,657**	(456,225)
Payment of benefits during the year	**(507,690)**	(47,803)
Closing balance	**4,293,394**	3,531,200

Reconciliation of present value of defined benefit obligation

	2023	2022
Present value of defined benefit obligation as at 1 January	**3,531,200**	3,368,990
Current service costs	**575,001**	584,162
Interest cost	**178,226**	82,076
Actuarial loss / (gain) from experience adjustments i– OCI	**516,657**	(456,225)
Benefits paid during the year	**(507,690)**	(47,803)
Present value of defined benefit obligation as at 31 December	**4,293,394**	3,531,200

Principal actuarial assumptions

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

	2023	2022
Valuation discount rate	**5.00%**	5.25%
Expected rate of increase in salary level	**4.00%**	4.00%
Mortality and withdrawal rate	**10.00%**	10.00%

(All amounts in Saudi Riyals unless otherwise stated)

11. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
At 31 December 2023				
Discount rate	5.50%	4.50%	(156,588)	167,626
Salary growth rate	4.50%	3.50%	168,456	(158,782)

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.

The duration (i.e. mean term) of the defined benefit obligation as of the period end date is 7.6 years (2022: 7.7 years).

12. LEASE LIABILITY

	2023	2022
At 1 January	**2,507,278**	3,316,782
Finance cost on lease liability	**34,030**	46,073
Paid during the year	**(855,577)**	(855,577)
At 31 December	**1,685,731**	2,507,278

Maturity analysis of discounted lease liability

Lease payments due within one year	**840,492**	840,492
Lease payments due between two to five years	**845,239**	1,666,786

The Company's lessee arrangements consist of leases for premises.

13. ACCRUED EXPENSES AND OTHER PAYABLES

	2023	2022
Accrued salaries and employee related benefits	**2,986,749**	2,746,176
Payable to service providers	**3,767,458**	4,979,862
Professional fees	**856,608**	517,124
Accrual for VAT	**378,152**	9,475,710
Provision for delay fines on VAT (Note 21.4.2)	**-**	1,081,291
Withholding tax payable	**29,345**	464,538
Others	**103,309**	10,447
	8,121,621	19,275,148

14. BROKERAGE INCOME, NET

The brokerage fees reported are net of expenses amounting SAR 46.68 million that are directly related to brokerage services for the year ended 31 December 2023 (31 December 2022: SAR 50.79 million).

(All amounts in Saudi Riyals unless otherwise stated)

15. RELATED PARTIES BALANCES AND TRANSACTIONS

In the ordinary course of its activities, the Company transacts with various related parties. The Company has entered into agreements with certain affiliated companies, which provide for an agreed basis for sharing costs (along with a margin) incurred in respect of certain services provided under the agreements. The affiliate companies also make payments on behalf of the Company.

15.1. Related parties' balances

At 31 December 2023 and 2022, the balances with related parties were as follows:

	Note	2023	2022
Due from related parties			
Merrill Lynch International, UK	(a)	**4,986,749**	3,322,025
Merrill Lynch International, LLC, USA	(a)	**1,419,903**	763,080
		6,406,652	4,085,105
Due to related parties			
Merrill Lynch International, UK	(b)	**-**	187,899,775
Merrill Lynch International, UK	(c)	**4,415,883**	1,743,084
Merrill Lynch International, LLC, USA	(d)	**843,005**	2,730,806
Bank of America Corporation, USA (Ultimate parent entity)	(e)	**377,128**	68,900
Bank of America NA London Branch, UK	(e)	**1,568**	34,847
		5,637,584	192,477,412
Cash and cash equivalents			
Bank of America NA London Branch, UK	(f)	**62,640,400**	69,189,112
Compensation to key management personnel			
Employees' end of service benefits		**2,673,224**	1,942,408

All amounts are unsecured and payable on demand, and mainly relate to:
a) Service fee income receivable for the provision of services to other group companies.
b) Intercompany borrowing
c) Intercompany payable
d) Intercompany payable
e) Intercompany expense allocations.
f) Demand deposits.

Key management personnel of the entity are the Chief Executive Officer, Chief Financial Officer, Head of Operations, Head of Equity Trading, Head of Compliance and Head of Sales, who have the authority and responsibility for planning, directing, and controlling the activities of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

15. RELATED PARTIES BALANCES AND TRANSACTIONS (CONTINUED)

15.2 Related parties transactions

The transactions with related parties during the years ended 31 December 2023 and 2022 were as follows:

	Note	2023	2022
Fee income			
Merrill Lynch International, UK	(a)	**4,605,103**	10,478,115
Merrill Lynch International, LLC, USA	(a)	**5,344,170**	2,701,135
		9,949,273	13,179,250
Brokerage income			
Merrill Lynch International, UK	(b)	**41,293,227**	46,424,631
Operating expenses			
Merrill Lynch International, UK	(c)	**317,793**	692,933
Merrill Lynch International, LLC, USA	(d)	**2,146,411**	779,445
Bank of America Corporation, USA ("Ultimate Parent")	(e)	**1,160,946**	845,858
Bank of America N.A - London Branch	(e)	**592,272**	692,933
Interest expense			
Merrill Lynch International, UK (Note 20)	(f)	**5,747,811**	3,784,283
Compensation to key management personnel			
Chairman remuneration and directors' fees		**1,512,500**	1,050,000
Salaries and short-term benefits		**7,164,060**	5,611,082

a) Service fee income, being income received and receivable from supporting services provided to group companies. Service fees are calculated in accordance with BAC Global Transfer Pricing Policy and are generally documented in service level agreements entered into between the Company and other group companies.
b) Net brokerage income, exclusive of brokerage expense settled by the Company in an agency capacity, in relation to brokerage services provided.
c) Service fees expenses for intercompany support services provided to the Company and intercompany expenses.
d) The amount recharged for the Company's participation in employee stock compensation plans and intercompany expenses.
e) Intercompany expenses incurred on behalf of the Company and then recharged to the Company.
f) Interest expense on intercompany funding.

16. ADVISORY FEE INCOME

	2023	2022
Advisory fee	**20,001,725**	-

During the period, company has earned advisory fee income in relation to investment banking services provided to different clients.

(All amounts in Saudi Riyals unless otherwise stated)

17. SALARIES AND EMPLOYEE RELATED BENEFITS

	2023	2022
Wages and salaries	**13,574,412**	10,798,930
Bonus and other staff costs	**9,402,664**	6,128,553
Provision of employees' end of service benefits *(refer note 11)*	**753,227**	666,238
	23,730,303	17,593,721

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
VAT penalty *(refer note 21.4)*	**(1,081,291)**	(11,428,871)
VAT expense *(refer note 21.4)*	**(14,963,823)**	9,633,438
Bank charges	**4,203,470**	3,838,628
Communication	**2,921,129**	3,765,096
Depreciation *(refer note 5)*	**1,868,430**	1,924,738
Consultancy, legal and professional fees	**2,680,065**	1,847,657
Repairs and maintenance	**1,694,988**	1,383,971
Business continuity site charges	**1,151,096**	1,135,740
Market data services	**2,154,828**	1,149,790
Travel expenses	**1,153,518**	131,902
Other	**849,486**	1,516,984
WHT expense	**519,895**	1,039,950
Office general expense	**106,505**	188,780
	3,258,296	16,127,803

19. OTHER OPERATIONAL INCOME / (LOSS)

	2023	2022
Interest income from CCP	**3,086,615**	245,719
Other operational losses	**-**	(6,172,384)
Other income	**212,554**	-
	3,299,169	(5,926,665)

During the year ended 31 December 2022, as part of its brokerage activity, the Company received an over allocation of certain shares from the Saudi Securities Center Company ("Muqassa"). The shares were not against a particular customer order and were disputed by the Company, however the risk position was ultimately realised, resulting in a realised loss being recognised.

20. FINANCE COST

	2023	2022
Interest expense on intercompany funding *(refer note 15.2)*	**5,747,811**	3,784,283
Interest expense on short-term funding from local banks	**809,817**	1,567,817
Finance cost on lease liabilities *(refer note 12)*	**34,030**	46,073
	6,591,658	5,398,173

21. INCOME TAX

21.1 Income tax charge and deferred tax charge for the year

	2023	2022
Charge for the year (Note 21.1)	**5,564,379**	3,709,534
Deferred tax credit for the year (Note 21.2)	**(4,438)**	(95,252)
	5,559,941	3,614,282

(All amounts in Saudi Riyals unless otherwise stated)

21. INCOME TAX (CONTINUED)

21.1 Income tax charge and deferred tax charge for the year (continued)

Below table shows the reconciliation of the Company's income tax expense for the year ended 31 December:

	2023	2022
Net income before tax	**45,678,080**	18,018,160
Income Tax of 20%	**9,135,616**	3,603,632
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Fines and penalties	**(216,259)**	(2,285,774)
WHT or tax charged to income statement	**(2,888,785)**	2,134,678
Other adjustments	**37,342**	256,998
	6,067,914	3,709,534
Adjustment relating to prior year	**(503,535)**	-
	5,564,379	3,709,534

21.2. Income tax payable

	2023	2022
Balance at the beginning of the year	**3,709,534**	-
Prior year tax charge difference	**(164,320)**	-
Payments made during the year	**(5,906,575)**	-
Utilized tax credit	**(297,550)**	
Tax charge for the year	**6,067,914**	3,709,534
	3,409,003	3,709,534

21.3. Deferred tax assets

	2023	2022
Deferred tax assets *(note 21.3.1)*	**2,308,988**	2,201,219
Unused tax credit	**4,831,093**	4,789,428
	7,140,081	6,990,647

21.3.1. Recognised deferred tax asset

Recognised deferred tax asset at 31 December relates to the following:

31 December 2023	**At 1 January 2023**	**Recognised in statement of profit or loss**	**Recognised in other comprehensive income**	**At 31 December 2023**
Property and equipment	**1,494,979**	**(44,669)**	**-**	**1,450,310**
Employees' end of service benefits	**720,876**	**49,107**	**-**	**769,983**
Remeasurement gain on employees' end of service benefits	**(14,636)**	**-**	**103,331**	**88,695**
	2,201,219	**4,438**	**103,331**	**2,308,988**

31 December 2022	At 1 January 2022	Recognised in statement of profit or loss	Recognised in other comprehensive income	At 31 December 2022
Property and equipment	1,523,414	(28,435)	-	1,494,979
Employees' end of service benefits	597,189	123,687	-	720,876
Remeasurement gain on employees' end of service benefits	76,609	-	(91,245)	(14,636)
	2,197,212	95,252	(91,245)	2,201,219

21. INCOME TAX (CONTINUED)

21.4. Status of VAT tax assessments

21.4.1 VAT Assessment 2018 to 2020

On 30 June 2021, the Zakat, Tax and Customs Authority (ZATCA) issued a Final Assessment Notice ("FAN") of SAR 6.86 million, and imposed penalties of SAR 12.51 million, to MLKSA for the VAT returns covering the period 1 January 2018 to 31 December 2020. Consequently, the Company paid in 2021 the additionally assessed VAT amounting to SAR 6.86 million under protest, and delivered a bank guarantee in relation to the fines and penalties of SAR 12.51 million. In 2022, the bank guarantee in relation to the fines and penalties was refunded to the Company under a tax amnesty scheme.

The Company's appeal against the VAT assessment was rejected by ZATCA's Appeal Committee. MLKSA then raised a Level 1 appeal to the General Secretariat of Zakat, Tax and Customs Committees ("GSTC"). After a series of information requests and hearing sessions, the GSTC has ruled on the appeal in favour of the ZATCA in January 2023. The Company then raised then a Level 2 appeal. The Level 2 appeal hearing is scheduled for 30 April 2024.

21.4.2 VAT Assessment 2021 to 2022

The Company utilised the benefit of the ZATCA tax amnesty and requested ZATCA to issue an assessment for the period January 2021 – October 2022. The Company paid SAR 13.5m additional VAT for the assessed period. Penalties and fines were waived under the amnesty. In October 2023, ZATCA accepted MLKSA's objection in full, accepting the technical grounds of zero-rating Tadawul fee recharges and MLKSA broker commission charges to foreign customers. Subsequently the ZATCA refunded SAR 13.5m to the Company.

22. SHARE BASED PAYMENTS

BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Equity Plan (BACEP). Under this plan, shares of BAC's common stock are authorized to be used for grants of awards to the Company's employees.

During the year ended 31 December 2023 BAC granted 25,321 (2022: 5,187) restricted stock units (RSU) awards with a weighted average fair value of SAR 132 (2022: 180) to certain employees of the Company under the BACEP, which will settle predominantly in shares of common stock of BAC. The four year awards vest primarily in one fourth increments on each of the first four anniversaries of the grant date, provided that the employee remains continuously employed with the Company during that time. The expense recognized is net of estimated forfeitures for nonretirement eligible employees based on the grant date fair value of the shares.

The total pre-tax compensation cost recognized in statement of profit or loss for share-based compensation plans for the year ended 31 December 2023 was SAR 1.89 million (2022: 0.53 million).

The restricted shares granted will vest each year over a total period of four years.

23. ASSETS HELD IN A FIDUCIARY CAPACITY

In connection with its brokerage business, the Company stands ready to meet the obligations of its clients with respect to securities transactions. The Company's maximum potential exposure under these arrangements is difficult to estimate; however, the potential for the Company to incur material losses pursuant to these arrangements is remote.

As at 31 December 2023, the Company does not hold client money (2022: Nil).

(All amounts in Saudi Riyals unless otherwise stated)

24. FAIR VALUE 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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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 prices in active markets for the same instrument (i.e. without modification or repackaging)

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data: and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair value due to their short term in nature. 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 and accordingly these are considered as Level 3 financial assets. There have been no transfers between levels during the year.

25. SUBSEQUENT EVENTS

There are no further events subsequent to the reporting period which require adjustment or disclosure to the financial statements.

26. RECLASSIFICTAION OF COMPARATIVES

Certain reclassification has been made in prior year's note to the accounts for better presentation. Details are as follows:

Account title		**Notes**		**Amount**
From	**To**	**From**	**To**	
Prepayments and other receivables	Deferred Tax Assets	7	21.3	4,789,428
Prepayments and other receivables	Income Tax payable	7	21.2	(3,709,534)

Management has reassessed its tax position and reclassed its advance tax to Deferred tax asset as unused tax credit.

There are no effects in the statement of profit and loss or statement of comprehensive income.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Directors of the Company and signed on their behalf on 25 March 2024.