

**American Express Saudi Arabia
(Saudi Closed Joint Stock Company)**

**INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2022**

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

Interim Condensed Financial Statements and Independent Auditor's Review Report
For The Three and Nine Month Periods Ended 30 September 2022

| Contents | Pages |
|--|--------------|
| Independent Auditor's Review Report | 1 |
| Interim Statement of Profit or Loss | 2 |
| Interim Statement of Other Comprehensive Income | 3 |
| Interim Statement of Financial Position | 4 |
| Interim Statement of Changes in Shareholders' Equity | 5 |
| Interim Statement of Cash Flows | 6 |
| Notes to the Interim Condensed Financial Statements | 7 – 15 |



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 ام جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent Auditor's Report on Review of the Interim Condensed Financial Statements

To the Shareholders of American Express Saudi Arabia

Introduction

We have reviewed the accompanying 30 September 2022 interim condensed financial statements of American Express Saudi Arabia ("the Company"), which comprises:

- the interim statement of profit or loss for the three and nine month periods ended 30 September 2022;
- the interim statement of other comprehensive income for the three and nine month periods ended 30 September 2022;
- the interim statement of financial position as at 30 September 2022;
- the interim statement of changes in shareholders' equity for the nine month period ended 30 September 2022;
- the interim statement of cash flows for the nine month period ended 30 September 2022; and
- the notes to the interim condensed financial statements.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2022 interim condensed financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Hani Hamzah A. Bedairi
License No: 460



Riyadh on: 25 October 2022
Corresponding to: 29 Rabi Al Awwal 1444

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of SAR (25,000,000). (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

رئيل سعودي مندوع بالكامل، المسماة سابقاً "الشركة كي بي ام جي للفوزان وشركاه محاسبون ومراجعون" (٢٥٠٠٠٠٠٠ ريال سعودي) مسجلة في المملكة العربية السعودية، رأس مالها ١٠٠٠٠٠٠٠٠٠ ريال سعودي. وهي عضو غير شريك في الشبكة العالمية لشركات كي بي ام جي المستقلة والتابعة لـ كي بي ام جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF PROFIT OR LOSS

For the three and nine month periods ended 30 September 2022

| Notes | For the three month period ended (Unaudited) | | For the nine month period ended (Unaudited) | | |
|---|---|----------------------|--|----------------------|----------------|
| | 30 September 2022 | 30 September 2021 | 30 September 2022 | 30 September 2021 | |
| | SR '000 | SR '000 | SR '000 | SR '000 | |
| OPERATING INCOME | | | | | |
| <i>Revenue from merchants</i> | | | | | |
| Merchant transaction fees, net | 5 | 50,898 | 36,947 | 135,189 | 85,124 |
| <i>Revenue from card members</i> | | | | | |
| Foreign exchange income | | 23,532 | 17,320 | 54,188 | 30,913 |
| Special commission income on tawarruq | | 18,426 | 14,912 | 49,236 | 44,250 |
| Card membership fees, net | | 15,013 | 14,331 | 44,051 | 43,199 |
| Other (expense) income, net | | (728) | 1,686 | 225 | 5,083 |
| TOTAL OPERATING INCOME | | 107,141 | 85,196 | 282,889 | 208,569 |
| EXPENSES | | | | | |
| General and administration expenses | | (60,504) | (50,427) | (178,085) | (146,201) |
| Selling and marketing expenses | | (24,533) | (17,990) | (63,905) | (45,841) |
| Impairment reversal (charge) for card members' receivable, net | 6 (a) | 1,928 | 612 | 582 | (4,488) |
| Special commission expense | | (4,608) | (709) | (6,996) | (1,272) |
| PROFIT BEFORE ZAKAT AND INCOME TAX | | 19,424 | 16,682 | 34,485 | 10,767 |
| Zakat | 8 (a) | (3,005) | (159) | (5,334) | (1,665) |
| Income tax, net of deferred tax | 8 (a) | (1,000) | (885) | (1,807) | (677) |
| NET PROFIT THE PERIOD | | 15,419 | 15,638 | 27,344 | 8,425 |

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three and nine month periods ended 30 September 2022

| | <i>For the three month period ended (Unaudited)</i> | | <i>For the nine month period ended (Unaudited)</i> | |
|---|---|------------------------------|--|------------------------------|
| | <i>30 September 2022</i> | <i>30 September 2021</i> | <i>30 September 2022</i> | <i>30 September 2021</i> |
| | <i>SR '000</i> | <i>SR '000</i> | <i>SR '000</i> | <i>SR '000</i> |
| NET PROFIT FOR THE PERIOD | 15,419 | 15,638 | 27,344 | 8,425 |
| OTHER COMPREHENSIVE INCOME | | | | |
| <i>Item not to be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Remeasurement gains on defined benefit plans | - | - | - | - |
| Total other comprehensive income | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME | 15,419 | 15,638 | 27,344 | 8,425 |

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

| | | <i>30 September 2022</i> | <i>31 December 2021</i> |
|---|--------------|------------------------------|-----------------------------|
| | <i>Notes</i> | <i>(Unaudited)</i> | <i>(Audited)</i> |
| | | <u>SR '000</u> | <u>SR '000</u> |
| ASSETS | | | |
| Cash and cash equivalents | | 270,352 | 222,987 |
| Card members' receivable, net | 6 | 928,987 | 762,284 |
| Amounts due from a related party | 10 (d) | 155 | 319 |
| Prepaid expenses and other assets | 13 (b) | 17,458 | 18,676 |
| Deferred card acquisition costs | | 4,012 | 4,051 |
| Deferred tax asset | 8 (c) | 3,997 | 3,470 |
| Property and equipment, net | | 48,305 | 40,524 |
| Intangible assets, net | | 30,847 | 26,251 |
| Right of use assets, net | | 50,114 | 50,651 |
| | | <u>1,354,227</u> | <u>1,129,213</u> |
| TOTAL ASSETS | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Amounts due to a related party | 10 (d) | 12,070 | 20,545 |
| Accounts payable and accruals | 7 | 172,077 | 129,587 |
| Lease liabilities | | 48,538 | 50,288 |
| Zakat and income tax payable | 8 (b) | 7,530 | 6,932 |
| Short term borrowings | 9 | 579,750 | 424,875 |
| Card members' margins | | 37,271 | 41,378 |
| Membership rewards | | 42,573 | 36,656 |
| Deferred card membership fees | | 27,433 | 24,515 |
| Employees' terminal benefits | | 50,678 | 45,474 |
| | | <u>977,920</u> | <u>780,250</u> |
| TOTAL LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 100,000 | 100,000 |
| Statutory reserve | | 40,943 | 40,943 |
| Retained earnings | | 235,364 | 208,020 |
| | | <u>376,307</u> | <u>348,963</u> |
| TOTAL SHAREHOLDERS' EQUITY | | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| | | <u>1,354,227</u> | <u>1,129,213</u> |

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine month period ended 30 September 2022

| <i>30 September 2022 (unaudited)</i> | <i>Share capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Total</i> |
|--|--------------------------|------------------------------|------------------------------|-----------------------|
| | <u>SR '000</u> | <u>SR '000</u> | <u>SR '000</u> | <u>SR '000</u> |
| Balance at 1 January 2022 | 100,000 | 40,943 | 208,020 | 348,963 |
| Total comprehensive income | - | - | 27,344 | 27,344 |
| <i>Balance at 30 September 2022</i> | <u>100,000</u> | <u>40,943</u> | <u>235,364</u> | <u>376,307</u> |
| | | | | |
| <i>30 September 2021 (unaudited)</i> | <i>Share capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Total</i> |
| | <u>SR '000</u> | <u>SR '000</u> | <u>SR '000</u> | <u>SR '000</u> |
| Balance at 1 January 2021 | 100,000 | 40,943 | 183,474 | 324,417 |
| Total comprehensive loss | - | - | 8,425 | 8,425 |
| <i>Balance at 30 September 2021</i> | <u>100,000</u> | <u>40,943</u> | <u>191,899</u> | <u>332,842</u> |

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2022

| | <i>For the nine month period ended</i> | |
|--|--|---------------------|
| | <u>30 September</u> | <u>30 September</u> |
| | <u>2022</u> | <u>2021</u> |
| Notes | (Unaudited) | (Unaudited) |
| | SR '000 | SR '000 |
| OPERATING ACTIVITIES | | |
| Profit before zakat and income tax | 34,485 | 10,767 |
| <i>Adjustments for:</i> | | |
| Depreciation on property and equipment | 7,540 | 3,273 |
| Amortisation of intangible assets | 5,983 | 4,519 |
| Depreciation on right of use assets | 6,369 | 7,638 |
| Unwinding of special commission expense of lease liabilities | 547 | 524 |
| (Recoveries) impairment of card members' receivables, net | 6 (a) (582) | 4,488 |
| Provision for card membership fees | 3,118 | 4,693 |
| Provision for employees' terminal benefits | 6,993 | 4,642 |
| Gain on disposal of property and equipment | (33) | - |
| | <u>64,420</u> | <u>40,544</u> |
| <i>Operating cash flows before working capital changes</i> | | |
| <i>Changes in operating assets and liabilities:</i> | | |
| Card members' receivables | (169,239) | (249,106) |
| Prepaid expenses and other assets | 1,218 | 12,338 |
| Accounts payable and accruals | 42,600 | 10,376 |
| Amounts due to related parties, net | (8,421) | 10,832 |
| Card members' margins | (4,107) | (1,108) |
| Membership rewards | 5,917 | 3,497 |
| Deferred card membership fees, net | 2,918 | (2,767) |
| Deferred card acquisition costs, net | 39 | 1,716 |
| | <u>(64,655)</u> | <u>(173,678)</u> |
| <i>Net cash used in operations</i> | | |
| Employees' terminal benefits paid | (1,789) | (1,338) |
| Zakat and tax paid | (7,070) | - |
| | <u>(73,514)</u> | <u>(175,016)</u> |
| Net cash used in operating activities | | |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | 100 | - |
| Purchase of property and equipment | (15,388) | (18,663) |
| Purchase of intangible assets | (10,579) | (5,198) |
| | <u>(25,867)</u> | <u>(23,861)</u> |
| Net cash used in investing activities | | |
| FINANCING ACTIVITIES | | |
| Proceeds from short term borrowing facilities | 1,655,625 | 794,625 |
| Repayment of short term borrowing facilities | (1,500,750) | (664,500) |
| Settlement of lease liabilities | (8,129) | (4,558) |
| | <u>146,746</u> | <u>125,567</u> |
| Net cash from financing activities | | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 47,365 | (73,310) |
| Cash and cash equivalents at beginning of the period | 222,987 | 95,748 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 270,352 | 22,438 |

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

American Express Saudi Arabia (Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2022

1 ACTIVITIES

American Express Saudi Arabia (the “Company” or “AESA”) is a Saudi Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia (‘KSA’). The Company operates under commercial registration No. 1010183222 issued in Riyadh on 27 Shawwal 1423H (corresponding to 31 December 2002); and reissued on 28 Muhurram 1437H (corresponding to 10 November 2015), Service License No. 110/1 dated 13 Muhurram 1423H (corresponding to 12 April 2002) issued by the Saudi Arabian General Investment Authority (“SAGIA”) and License No. 40/ASH/201512 dated 28 Safar 1437H (corresponding to 10 December 2015) issued by the Saudi Central Bank (“SAMA”).

The registered head office of the Company is P. O. Box 6624, Riyadh 11652, Kingdom of Saudi Arabia. The Company has the following branches:

| <i>Branch Commercial Registration Number</i> | <i>Date of registration</i> | <i>Location</i> |
|--|-----------------------------|-----------------------------|
| 2051041721 | 2 Safar 1431H | Khobar |
| 4030189461 | 11 Jumada Awal 1430H | Jeddah |
| JLT-69544 | 23 December 2013 | Dubai, United Arab Emirates |

The Company is licensed by American Express Travel Related Services (“AETRS”) to operate card and merchant establishment business in KSA.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company as at and for the nine month period ended 30 September 2022 have been prepared in compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as endorsed in KSA, other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and with the provisions of the Regulations for Companies in KSA and the By-laws of the Company. The interim condensed financial statements should be read in conjunction with the Company's annual audited financial statements as at and for the year ended 31 December 2021.

These interim condensed financial statements have been presented in Saudi Riyals, as it is the functional currency of the Company and are rounded off to the nearest thousands.

Assets and liabilities in the interim statement of financial position are presented in the order of liquidity.

3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of interim condensed financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements for the year ended 31 December 2021.

4 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with IFRS as endorsed in KSA. The results for the period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2021.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

4A STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards applied in these interim condensed financial statements are those in issue as at the reporting date and are effective for annual periods beginning on 1 January 2022. The Company has not early adopted any standards, interpretations or amendments before their effective date. Standards, interpretations or amendments issued but not effective or effective are not expected to have a significant impact on the interim condensed financial statements of the Company.

5 MERCHANT TRANSACTION FEES, NET

| | <i>For the three month period ended (Unaudited)</i> | | <i>For the nine month period ended (Unaudited)</i> | |
|--|---|------------------------------|--|------------------------------|
| | <i>30 September 2022</i> | <i>30 September 2021</i> | <i>30 September 2022</i> | <i>30 September 2021</i> |
| | <i>SR '000</i> | <i>SR '000</i> | <i>SR '000</i> | <i>SR '000</i> |
| Local card member transaction fees on 'out of Kingdom' spend (note 10 (a)) | 37,782 | 23,580 | 92,409 | 46,795 |
| Transaction fees on 'in Kingdom' spend | 14,404 | 13,151 | 47,632 | 38,619 |
| Airline transaction fees (note 10 (a)) | 1,259 | 1,401 | 3,510 | 3,046 |
| | 53,445 | 38,132 | 143,551 | 88,460 |
| Foreign card member transaction fees (note 10 (a)) | (2,547) | (1,185) | (8,362) | (3,336) |
| | 50,898 | 36,947 | 135,189 | 85,124 |

6 CARD MEMBERS' RECEIVABLE, NET

| | <i>30 September 2022 (Unaudited)</i> | <i>31 December 2021 (Audited)</i> |
|---|--|---|
| | <i>SR'000</i> | <i>SR'000</i> |
| Card members' receivable | 938,288 | 770,285 |
| Less: Impairment in card members' receivable (see note (a) below) | (8,953) | (7,685) |
| Less: Provision for card membership fees | (348) | (316) |
| | 928,987 | 762,284 |

AESA's card products are Shariah approved, Accordingly, card members' receivable are unconventional in nature.

The ageing of card members' receivables is as follows:

| | <i>Total</i> | <i>Neither past due nor impaired</i> | <i>Past due but not impaired</i> | | | <i>Past due and impaired</i> |
|--------------------------------------|----------------|--|----------------------------------|-------------------------|-------------------------|----------------------------------|
| | | | <i>1 - 30 days</i> | <i>31 - 60 days</i> | <i>61 - 90 days</i> | <i>91 - 180 days</i> |
| | <i>SR' 000</i> | <i>SR' 000</i> | <i>SR' 000</i> | <i>SR' 000</i> | <i>SR' 000</i> | <i>SR' 000</i> |
| <i>30 September 2022 (Unaudited)</i> | 938,288 | 858,855 | 65,535 | 8,127 | 2,348 | 3,423 |
| <i>31 December 2021 (Audited)</i> | 770,285 | 730,420 | 24,981 | 6,591 | 1,971 | 6,322 |

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

6 CARD MEMBERS' RECEIVABLE, NET (continued)

a) *Movement in impairment in respect of card members' receivables:*

| | <i>For the three month period ended (Unaudited)</i> | | <i>For the nine month period ended (Unaudited)</i> | |
|-------------------------------|---|------------------------------|--|------------------------------|
| | <i>30 September 2022</i> | <i>30 September 2021</i> | <i>30 September 2022</i> | <i>30 September 2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| At beginning of the period | 8,035 | 8,171 | 7,685 | 11,100 |
| Charge for the period | 2,993 | 1,676 | 8,455 | 10,010 |
| Written off during the period | (2,075) | (2,859) | (7,187) | (14,122) |
| At end of the period | 8,953 | 6,988 | 8,953 | 6,988 |

The impairment reversal (charge) to the interim statement of profit or loss for the nine month period ended 30 September 2022 amounting to SR 0.58 million is net of recoveries during the period of SR 9.04 million (unaudited) (30 September 2021: charge of SR 4.49 million net of recoveries of SR 5.52 million) (unaudited).

b) *The following table shows reconciliation from the opening to the closing balance of the loss allowance*

30 September 2022 (Unaudited)

| <i>Impairment loss on card members' receivable</i> | <i>12 month ECL</i> | <i>Lifetime ECL not credit impaired</i> | <i>Lifetime ECL credit impaired</i> | <i>Total</i> |
|--|-------------------------|---|---|--------------|
| | | <i>SR'000</i> | | |
| Balance at 1 January 2022 | 3,665 | 1,385 | 2,635 | 7,685 |
| Transfer to 12-month ECL including remeasurement | 28 | (554) | (362) | (888) |
| Lifetime ECL not credit impaired including remeasurement | (46) | 1,352 | (140) | 1,166 |
| Lifetime ECL credit impaired including remeasurement | (31) | (139) | 2,324 | 2,154 |
| Net re-measurement of loss allowance | 864 | (29) | 8 | 843 |
| New financial assets originated or purchased | 252 | 43 | 38 | 333 |
| Financial assets that have been derecognized | (129) | (173) | (214) | (516) |
| Write offs (see note) | (8) | (298) | (1,518) | (1,824) |
| <i>Balance at 30 September 2022</i> | 4,595 | 1,587 | 2,771 | 8,953 |

Note: Card members' receivable written off during the period amounting to SR 7.19 million (see note 6 (a)) includes direct write offs amounting to SR 5.37 million.

30 September 2021 (Unaudited)

| <i>Impairment loss on card members' receivable</i> | <i>12 month ECL</i> | <i>Lifetime ECL not credit impaired</i> | <i>Lifetime ECL credit impaired</i> | <i>Total</i> |
|--|-------------------------|---|---|--------------|
| | | <i>SR'000</i> | | |
| Balance at 1 January 2021 | 5,551 | 2,790 | 2,759 | 11,100 |
| Transfer to 12-month ECL including remeasurement | 25 | (721) | (418) | (1,114) |
| Lifetime ECL not credit impaired including remeasurement | (42) | 1,022 | (91) | 889 |
| Lifetime ECL credit impaired including remeasurement | (109) | (159) | 1,639 | 1,371 |
| Net re-measurement of loss allowance | (1,356) | (47) | (65) | (1,468) |
| New financial assets originated or purchased | 87 | 10 | 16 | 113 |
| Financial assets that have been derecognized | (271) | (322) | (527) | (1,120) |
| Write offs (see note) | (21) | (1,404) | (1,358) | (2,783) |
| <i>Balance at 30 September 2021</i> | 3,864 | 1,169 | 1,955 | 6,988 |

Note: Card members' receivable written off during the period amounting to SR 14.12 million (see note 6 (a)) includes direct write offs amounting to SR 11.34 million.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

7 ACCOUNTS PAYABLE AND ACCRUALS

| | <i>30 September 2022</i> <i>(Unaudited)</i> | <i>31 December 2021</i> <i>(Audited)</i> |
|---------------------------------|--|---|
| | <i>SR'000</i> | <i>SR'000</i> |
| Accrued expenses | 81,423 | 47,592 |
| Advance from card members | 44,018 | 38,751 |
| Employees' accrued compensation | 24,489 | 25,706 |
| Payable to merchants | 18,752 | 14,612 |
| Other payables | 3,395 | 2,926 |
| | 172,077 | 129,587 |

8 ZAKAT AND INCOME TAX PAYABLE

The Company is owned by Saudi and Non-Saudi shareholders, and hence is subject to zakat (on Saudi shareholder's share) and income tax (on Non-Saudi shareholder's share). The income tax and zakat charge, for the nine month period ended 30 September 2022 amounting to SR 2.34 million and SR 5.33 million (30 September 2021: SR 0.66 million and SR 1.67 million) respectively, have been calculated on the basis of the Income Tax Law and the Zakat Regulations in the Kingdom of Saudi Arabia.

a) *Charge for the period (interim statement of profit or loss)*

| | <i>For the three month period</i> <i>ended (Unaudited)</i> | | <i>For the nine month period</i> <i>ended (Unaudited)</i> | |
|---|---|------------------------------------|--|------------------------------------|
| | <i>30 September</i> <i>2022</i> | <i>30 September</i> <i>2021</i> | <i>30 September</i> <i>2022</i> | <i>30 September</i> <i>2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| <i>Zakat charge</i> for current period (note (b)) | 3,005 | 159 | 5,334 | 1,665 |
| Income tax charge for current period (note (b)) | 1,110 | 655 | 2,334 | 655 |
| Deferred tax (origination) reversal of temporary differences (note (c)) | (110) | 230 | (527) | 22 |
| <i>Income tax charge, net of deferred tax</i> | 1,000 | 885 | 1,807 | 677 |

b) *Movement in provision for zakat and income tax is set out below:*

For the nine month period ended 30 September 2022
(Unaudited)

| | <i>Zakat</i> <i>SR '000</i> | <i>Income tax</i> <i>SR '000</i> | <i>Total</i> <i>SR '000</i> |
|--|--------------------------------|-------------------------------------|--------------------------------|
| Balance payable at beginning of the period | 5,234 | 1,698 | 6,932 |
| Charge for the period | 5,334 | 2,334 | 7,668 |
| Payments during the period | (5,234) | (1,836) | (7,070) |
| Balance payable at end of the period | 5,334 | 2,196 | 7,530 |

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

8 ZAKAT AND INCOME TAX PAYABLE (continued)

b) Movement in provision for zakat and income tax is set out below (continued):

| <i>For the nine month period ended 30 September 2021 (Unaudited)</i> | <u>Zakat</u> | <u>Income tax</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------------|
| | SR '000 | SR '000 | SR '000 |
| Balance payable (receivable) at beginning of the period | 3,303 | (3,502) | (199) |
| Charge for the period | 1,665 | 655 | 2,320 |
| Application of income tax overpayment | (3,303) | 3,303 | - |
| | <u>1,665</u> | <u>456</u> | <u>2,121</u> |
| | <u><u>1,665</u></u> | <u><u>456</u></u> | <u><u>2,121</u></u> |
| <i>For the year ended 31 December 2021 (Audited)</i> | <u>Zakat</u> | <u>Income tax</u> | <u>Total</u> |
| | SR '000 | SR '000 | SR '000 |
| Balance payable (receivable) at beginning of the year | 3,303 | (3,502) | (199) |
| Charge for the year | 5,234 | 1,897 | 7,131 |
| Application of income tax overpayment | (3,303) | 3,303 | - |
| | <u>5,234</u> | <u>1,698</u> | <u>6,932</u> |
| | <u><u>5,234</u></u> | <u><u>1,698</u></u> | <u><u>6,932</u></u> |

c) Deferred tax asset (unaudited)

The deferred tax asset as at 30 September 2022 amounting to SR 3.99 million (30 September 2021: SR 3.41 million) includes deferred tax origination of SR 0.52 million (30 September 2021: deferred tax reversal of SR 0.02 million) (see note 8 (a)). The deferred tax relates to timing differences due to differential treatment in computation of the book profit and taxable profit in respect of depreciation of property and equipment, amortisation of intangible assets and disallowance of provision for employees' terminal benefits, provision for fraud loss, provision for card members' receivables, provision for card fees and others. The tax impact is calculated based on the income tax rate of 20%.

Movement in deferred tax asset is set out below:

| | <u>For the nine month period ended</u> | | <u>For the year ended</u> |
|---|--|---------------------|---------------------------|
| | <u>(Unaudited)</u> | | <u>(Audited)</u> |
| | <u>30 September</u> | <u>30 September</u> | <u>31 December 2021</u> |
| | <u>2022</u> | <u>2021</u> | <u>SR '000</u> |
| | <u>SR '000</u> | <u>SR '000</u> | |
| Balance at beginning of the period / year | 3,470 | 3,436 | 3,436 |
| Origination of temporary differences | 527 | (22) | 34 |
| | <u>3,997</u> | <u>3,414</u> | <u>3,470</u> |
| | <u><u>3,997</u></u> | <u><u>3,414</u></u> | <u><u>3,470</u></u> |

d) Status of assessments

The Company has filed zakat and income tax returns for all years up till 31 December 2021 with the Zakat, Tax and Customs Authority ("ZATCA"). The ZATCA has provided zakat certificate, which is valid up till 30 April 2023. The ZATCA has finalized the Company's position up till the year ended 31 December 2011.

During 2022, the Company received Zakat and income tax assessment for the year 2016 aggregating SR 3.79 million. The Company has submitted an appeal against assessment and is awaiting the ZATCA's decision. Assessments for the years ended from 31 December 2017 to 31 December 2021 have not yet been raised by the ZATCA.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

9 SHORT TERM BORROWINGS

Short term borrowings represent the following conventional loan / facilities obtained by the Company:

- a) Credit facility obtained from American Express Overseas Credit Corporation NV (“AEOCC NV”) aggregating USD 200 million (equivalent to SR 750 million (unaudited)) (31 December 2021: USD 200 million equivalent to SR 750.00 million (audited)) to finance the working capital requirements of the Company. As of 30 September 2022, the outstanding balance under this facility was USD 154.60 million equivalent to SR 579.75 million (unaudited) (31 December 2021: USD 113.30 million equivalent to SR 424.88 million (audited)). The facility will be due for renewal in August 2024.
- b) Short term facilities from banks aggregating USD 80.00 million (equivalent to SR 300 million) (31 December 2021: USD 80 million equivalent to SR 300.00 million) to finance the working capital requirements of the Company. These loans are secured by promissory notes signed by the Company. As of 30 September 2022, the drawdown and outstanding balance under these facilities was nil (31 December 2021: nil).

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

| <i>Related party</i> | <i>Nature of transaction</i> | <i>For the three month period ended (Unaudited)</i> | | <i>For the nine month period ended (Unaudited)</i> | |
|------------------------------------|---|---|--------------------------|--|--------------------------|
| | | <i>30 September 2022</i> | <i>30 September 2021</i> | <i>30 September 2022</i> | <i>30 September 2021</i> |
| | | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| <i>Shareholder</i> | | | | | |
| The Saudi Investment Bank (“SAIB”) | - Data support services | 661 | 832 | 2,589 | 2,593 |
| | - Service and annual card fees | (126) | (247) | (488) | (686) |
| | - Co-brand fees | 57 | 33 | 272 | 258 |
| <i>Affiliate</i> | | | | | |
| AETRS | - Merchant and airline transaction fees earned (note 5) | (39,041) | (24,981) | (95,919) | (49,841) |
| | - Foreign card member transaction fees (note 5) | 2,547 | 1,185 | 8,362 | 3,336 |
| | - Support and other services | 211 | 170 | 509 | 425 |
| | - Royalty expense | 102 | 98 | 303 | 301 |
| AEOCC NV | - Special commission expense (note 9 (a)) | 4,426 | 525 | 6,449 | 728 |
| | - Short term loans received | 632,250 | 423,375 | 1,655,625 | 775,875 |
| | - Short term loans settled | (577,500) | (526,875) | (1,500,750) | (645,750) |

In addition to the above, most of the routine banking transactions of the Company are carried out with SAIB. Bank balances and short term deposits as at 30 September 2022 with SAIB amounted to SR 267.92 million (unaudited) and are included under cash and cash equivalents (31 December 2021 : SR 222.17 million (audited)).

Transactions with related parties are on terms and conditions, as approved by the Board of Directors of the Company.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) The compensation summary of key management personnel for the reporting period is set out below:

| | <i>For the three month period ended (Unaudited)</i> | | <i>For the nine month period ended (Unaudited)</i> | |
|--|---|------------------------------|--|------------------------------|
| | <i>30 September 2022</i> | <i>30 September 2021</i> | <i>30 September 2022</i> | <i>30 September 2021</i> |
| | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> | <i>SR'000</i> |
| Short term benefits | 4,275 | 2,985 | 12,465 | 10,448 |
| Termination and other long term benefits | 607 | 1,290 | 3,275 | 2,374 |
| | 4,882 | 4,275 | 15,740 | 12,822 |

c) Card members' receivable include outstanding balances of Board of Directors and key management personnel of the Company, arising out of credit card related transactions, as at 30 September 2022 of SR 1.68 million (unaudited) (31 December 2021: SR 2.42 million (audited)).

d) In addition to the balances disclosed elsewhere in the interim condensed financial statements, the following receivable / (payable) balances arose as a result of transactions with related parties:

| <i>Related party</i> | <i>Name</i> | <i>30 September 2022 (Unaudited)</i> | <i>31 December 2021 (Audited)</i> |
|---------------------------------|-------------|--|---------------------------------------|
| | | <i>SR '000</i> | <i>SR '000</i> |
| Amounts due from / (to): | | | |
| Shareholder | SAIB | 155 | 319 |
| Affiliate | AETRS | (12,070) | (20,545) |

11 COMMITMENTS AND CONTINGENCES

Capital commitments

Commitments in respect of capital expenditure outstanding as at 30 September 2022 amounted to SR 12.99 million (unaudited) (31 December 2021 : SR 19.16 million (audited)).

Undrawn commitments

The undrawn credit commitments in respect of revolve credit cards issued by the Company as at 30 September 2022 amounted to SR 780.59 million (unaudited) (31 December 2021 : SR 861.70 million (audited)).

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

12 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 and receivables. Financial liabilities consist of borrowings, payables, card members' margins and membership rewards.

Fair value hierarchy

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

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

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

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

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

Due to the short term nature of the financial assets and liabilities, the management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values. These are all classified within Level 3 of the fair value hierarchy except for cash and cash equivalents which are classified under level 1. There have been no transfers to and from Level 3 during the current period or prior year.

13 IMPACT OF COVID-19 AND REVISION TO FORWARD LOOKING INFORMATION WITH RESPECT TO EXPECTED CREDIT LOSSES AND SAMA PROGRAMS

a) Impact of pandemic and expected credit losses

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.

In addition, the Company is closely monitoring the situation and has activated its business continuity planning and other risk management practices, COVID Assistance and Loss Mitigation program ("CALM"), to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The uncertainties caused by COVID-19 and the volatility in macro-economic factors ("MEFs") such as oil prices, Gross Domestic Product ("GDP") and bank credit, have required the Company to update the inputs and assumptions used in for the determination of expected credit losses. ECL was estimated based on a range of forecast economic conditions as at the reporting date and considering that the situation is fast evolving, the Company considered the impact of higher volatility in the forward-looking MEFs when determining the severity and likelihood of economic scenarios for ECL determination.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2022

13 IMPACT OF COVID-19 AND REVISION TO FORWARD LOOKING INFORMATION WITH RESPECT TO EXPECTED CREDIT LOSSES AND SAMA PROGRAMS (continued)

a) Impact of pandemic and expected credit losses (continued)

The Company has considered potential impacts of the current economic volatility in the determination of the reported amounts of the Company's financial and non-financial assets and these are considered to represent management's best assessment based on observable information. However, markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

b) SAMA programs and initiatives launched

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the Point of sale ("POS") and e-commerce service fee support program, SAMA bore the fees for two services on the stores and private sector establishments for a period of 6 months starting 14 March 2020 with the purpose of the program being to support the participants in the payments ecosystem in the Kingdom of Saudi Arabia, as well as ensuring the continuity of growth and continuous expansion in providing payment services safely and effectively to consumers under the current conditions. The total fees for the 6 months starting from 14 March 2020 to 14 September 2020 borne by SAMA was SR 20.08 million out of which SR 1.81 million is receivable from SAMA as at 30 September 2022 (SR 16.67 million was received during the year 2021) and is included in and presented under "prepaid expenses and other assets".

14 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation in the current period.

15 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 27 Rabi Al Awaal 1444H (corresponding to 23 October 2022).