

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

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT**

**31 DECEMBER 2025**

American Express Saudi Arabia  
(Saudi Closed Joint Stock Company)

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Financial Statements and Independent Auditor's Report  
For the Year Ended 31 December 2025

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMERICAN EXPRESS SAUDI ARABIA (Saudi Closed Joint Stock Company)**

### **Opinion**

We have audited the financial statements of American Express Saudi Arabia (Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2025, the statement of profit or loss, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants.

### **Basis for Opinion**

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

### **Other Matter**

The financial statements for the year ended 31 December 2024 were audited by another independent auditor, who expressed an unmodified opinion on 25 Sha'ban 1446H, corresponding to 24 February 2025.

### **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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies and Company's By - laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance i.e., the Audit Committee is 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMERICAN EXPRESS SAUDI ARABIA (Saudi Closed Joint Stock Company) (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

for Ernst & Young Professional Services



Layla K. Al Khalefah  
Certified Public Accountant  
License No. (592)



Riyadh: (27 Sha'ban 1447H)  
(15 February 2026)

American Express Saudi Arabia  
(Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	<i>Notes</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
		<u>SR '000</u>	<u>SR '000</u>
<b>OPERATING INCOME</b>			
<i>Revenue from merchants</i>			
Merchant transaction fees, net	6	270,576	278,617
<i>Revenue from card members</i>			
Foreign exchange income		113,517	117,269
Special commission income on Tawarruq		160,385	127,405
Card membership fees, net		83,625	73,158
Other income, net		16,190	12,532
		<u>644,293</u>	<u>608,981</u>
<b>TOTAL OPERATING INCOME</b>			
<b>EXPENSES</b>			
General and administration expenses	7	(279,933)	(250,027)
Selling and marketing expenses	8	(117,781)	(116,597)
Special commission expense		(37,712)	(35,474)
Rebates		(23,576)	(23,284)
Impairment of card members' receivable, net of recoveries	10 (a)	(10,726)	(5,161)
		<u>174,565</u>	<u>178,438</u>
<b>PROFIT BEFORE ZAKAT AND INCOME TAX</b>			
Zakat	14 (a)	(13,499)	(18,604)
Income tax, net of deferred tax	14 (a)	(9,097)	(9,344)
		<u>151,969</u>	<u>150,490</u>
<b>NET PROFIT FOR THE YEAR</b>			

The accompanying notes 1 to 30 form part of these financial statements

American Express Saudi Arabia  
(Saudi Closed Joint Stock Company)

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STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Note</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
		<u>SR '000</u>	<u>SR '000</u>
<b>NET PROFIT FOR THE YEAR</b>		<b>151,969</b>	150,490
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement losses on defined benefit plans	19 (c)	<b>(1,096)</b>	(3,561)
<b>Total other comprehensive loss</b>		<b>(1,096)</b>	(3,561)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>150,873</b>	146,929

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The accompanying notes 1 to 30 form part of these financial statements

American Express Saudi Arabia  
(Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
		<u>SR '000</u>	<u>SR '000</u>
<b>ASSETS</b>			
Cash and cash equivalents	9	<b>66,975</b>	15,781
Card members' receivable, net	10	<b>1,322,989</b>	1,336,921
Amounts due from a related party	23 (d)	<b>82</b>	4
Prepaid expenses and other assets	28	<b>25,801</b>	20,297
Deferred card acquisition costs		<b>11,765</b>	7,578
Deferred tax asset	14 (c)	<b>5,438</b>	4,948
Property and equipment, net	11	<b>35,374</b>	38,638
Intangible assets, net	12	<b>49,527</b>	38,005
Right of use assets, net	27	<b>34,802</b>	37,242
<b>TOTAL ASSETS</b>		<b><u>1,552,753</u></b>	<b><u>1,499,414</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Amounts due to a related party	23 (d)	<b>11,234</b>	17,490
Accounts payable and accruals	13	<b>209,690</b>	262,440
Lease liabilities	27	<b>35,590</b>	37,846
Zakat and income tax payable	14 (b)	<b>16,116</b>	19,132
Short-term borrowings	15	<b>472,128</b>	429,335
Card members' margins	16	<b>32,131</b>	33,764
Membership rewards	17	<b>55,548</b>	56,246
Deferred card membership fees	18	<b>35,929</b>	32,239
Employees' terminal benefits	19 (a)	<b>57,492</b>	59,655
<b>TOTAL LIABILITIES</b>		<b><u>925,858</u></b>	<b><u>948,147</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	20	<b>100,000</b>	100,000
Statutory reserve	21	<b>40,943</b>	40,943
Retained earnings		<b>485,952</b>	410,324
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>626,895</u></b>	<b><u>551,267</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>1,552,753</u></b>	<b><u>1,499,414</u></b>

The accompanying notes 1 to 30 form part of these financial statements

American Express Saudi Arabia  
(Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2025

<i>31 December 2025</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 2025	100,000	40,943	410,324	551,267
Net profit for the year	-	-	151,969	151,969
Other comprehensive loss ((note 19 (c)))	-	-	(1,096)	(1,096)
	<u>-</u>	<u>-</u>	<u>150,873</u>	<u>150,873</u>
Total comprehensive income	-	-	150,873	150,873
Dividend (note 22)	-	-	(75,245)	(75,245)
	<u>-</u>	<u>-</u>	<u>(75,245)</u>	<u>(75,245)</u>
<b><i>Balance at 31 December 2025 (note 20)</i></b>	<b><u>100,000</u></b>	<b><u>40,943</u></b>	<b><u>485,952</u></b>	<b><u>626,895</u></b>
<i>31 December 2024</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 2024	100,000	40,943	333,995	474,938
Net profit for the year	-	-	150,490	150,490
Other comprehensive loss ((note 19 (c)))	-	-	(3,561)	(3,561)
	<u>-</u>	<u>-</u>	<u>146,929</u>	<u>146,929</u>
Total comprehensive income	-	-	146,929	146,929
Dividend (note 22)	-	-	(70,600)	(70,600)
	<u>-</u>	<u>-</u>	<u>(70,600)</u>	<u>(70,600)</u>
<b><i>Balance at 31 December 2024 (note 20)</i></b>	<b><u>100,000</u></b>	<b><u>40,943</u></b>	<b><u>410,324</u></b>	<b><u>551,267</u></b>

American Express Saudi Arabia  
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

		<u>31 December 2025</u>	<u>31 December 2024</u>
	Notes	SR '000	SR '000
<b>OPERATING ACTIVITIES</b>			
Profit before zakat and income tax		174,565	178,438
<i>Adjustments for:</i>			
Depreciation on property and equipment	11	14,739	14,061
Amortisation of intangible assets	12	11,592	10,029
Depreciation on right of use assets	27	8,727	7,983
Unwinding of special commission interest of lease liabilities	27	712	630
Impairment of card members' receivables	10 (a)	23,461	16,335
Provision for card membership fees	10 (b)	11,791	5,611
Provision for membership rewards	17	31,193	34,081
Provision for employees' terminal benefits	19 (b)	6,890	6,938
Gain on sale of property and equipment, net		(143)	(116)
Loss on disposal of intangibles		575	-
<i>Operating cash flows before working capital changes</i>		<u>284,102</u>	<u>273,990</u>
Card members' receivables		(21,320)	(273,052)
Prepaid expenses and other assets		(5,504)	(2,947)
Deferred card acquisition costs		(4,187)	(1,146)
Accounts payable and accruals		(52,750)	34,834
Due to related parties, net		(6,334)	(13,390)
Card members' margins		(1,633)	(199)
Deferred card membership fees		3,690	2,427
<i>Net cash from operations</i>		<u>196,064</u>	<u>20,517</u>
Zakat and income tax paid	14 (b)	(26,102)	(21,653)
Employees' terminal benefits paid	19 (c)	(10,149)	(3,425)
Settlement of membership rewards	17	(31,891)	(31,744)
<i>Net cash from (used in) operating activities</i>		<u>127,922</u>	<u>(36,305)</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		150	116
Purchase of property and equipment	11	(11,482)	(5,449)
Purchase of intangible assets	12	(23,689)	(16,174)
<i>Net cash used in investing activities</i>		<u>(35,021)</u>	<u>(21,507)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from short term borrowing facilities		5,942,553	5,980,591
Repayment of short term borrowing facilities		(5,864,257)	(5,840,562)
Special commission expenses settled		(35,503)	(32,819)
Dividend settled	22	(75,245)	(70,600)
Settlement of lease liabilities	27	(9,255)	(8,232)
<i>Net cash (used in) from financing activities</i>		<u>(41,707)</u>	<u>28,378</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>51,194</u>	<u>(29,434)</u>
Cash and cash equivalents at beginning of the year		15,781	45,215
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	9	<u>66,975</u>	<u>15,781</u>
<i>Supplemental non-cash information</i>			
Right of use assets	27	6,287	2,427
Lease liabilities	27	6,287	2,427

The accompanying notes 1 to 30 form part of these financial statements

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

### 1 ACTIVITIES

American Express Saudi Arabia (the “Company” or “AESA”) is a Saudi Arabian 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”) now known as Ministry of Investment 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 11452, Kingdom of Saudi Arabia. The Company has the following branches:

<i>Branch</i>	<i>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. The Company is owned equally by The Saudi Investment Bank (“SAIB”) and AMEX (Middle East) B.S.C. (C) (referred to as shareholders).

### 2 BASIS OF PREPARATION

The accompanying financial statements of the Company as at and for the year ended 31 December 2025 have been prepared in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) as endorsed in KSA (“IFRS”), 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.

These financial statements have been presented in Saudi Riyals, as it is the functional currency of the Company and are rounded off to the nearest thousand. Assets and liabilities in the statement of financial position are presented in the order of liquidity.

### 3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of 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 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.

#### *Membership rewards*

The Company estimates ultimate redemption rates (“URR”) and weighted average cost (“WAC”) to accrue for costs in respect of outstanding membership rewards (“MR”) at the reporting date. These are adjusted periodically to reflect the actual redemptions experienced till the reporting date.

#### *Impairment of card members’ receivables*

The measurement of impairment losses under IFRS 9 - Financial Instruments in respect of card members’ receivables requires management to exercise judgement including the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company’s Expected Credit Loss (“ECL”) calculations are outputs of models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include assignment of Probability of Defaults (“PDs”), criteria for assessing significant increase in credit risk, segmentation of receivables if any, development of ECL models, including the various formulas and inputs, determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposures at Default (“EAD”) and Loss Given Default (“LGD”), selection of forward-looking macroeconomic scenarios and their probability weightages, to derive the economic inputs into the ECL models.

American Express Saudi Arabia  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**3 SIGNIFICANT ACCOUNTING ESTIMATES (continued)**

***Useful lives of property and equipment and intangible assets***

The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization, respectively. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the residual value and useful lives annually and future depreciation and amortisation charge are adjusted where management believes the useful lives differ from previous estimates.

***Determining the lease term of contracts with renewal and termination options – Company as a lessee***

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

***Going concern***

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

***Taxes***

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Management periodically evaluates positions taken in the zakat and income tax returns with respect to situations in which applicable regulations are subject to interpretation and establishes provisions where appropriate.

American Express Saudi Arabia  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES**

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2024, unless otherwise stated. The following is a summary of the material accounting policies followed by the Company:

*Accounting convention*

These financial statements are prepared under the historical cost convention unless otherwise stated.

*Card members' receivable*

Card members' receivables are originated by the Company and are initially measured at fair value – which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortised cost.

*Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Capital work in progress (Capwip) is not depreciated and is stated at cost less impairment, if any. Capwip is transferred to intangibles once the asset is ready for its intended use.

*Card member margins*

Card member margins represent amounts received from card members. The Company is entitled to set-off card member margins against amounts due from card members, but does not intend to do so unless in the event of default.

*Provision for card membership fees*

Provision for card membership fees represents the Company's best estimate of future card member cancellations and non-renewals. This reserve is established due to the Company's longstanding policy to refund the entire annual membership fee if card members cancel their relationship with the Company within a specified period on a case by case basis. These reserves are recognised in earnings ratably over the contractual life of the arrangement. The provision provides for both renewal cancellations as well as new card member cancellations. The provision is based on historical membership fee reversals arising due to card member cancellations and considers the number of months a full refund is available to card members.

*Dividends*

Final dividends are recognized as a liability at the time of their approval by the shareholders' General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

*Loans and borrowings*

Special commission expense bearing loans and borrowings are measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

*Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is not depreciated and is stated at cost less impairment, if any. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. Capwip is transferred to property and equipment once the asset is ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditures for repair and maintenance are charged to the statement of profit or loss. Betterments that increase the value or materially extend the life of the related assets are capitalised.

*Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents consists of bank balances and cash on hand.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES (continued)**

*Leases*

- *Right of use assets*

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

- *Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable if any, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

The Company presents right of use assets that do not meet the definition of investment property and corresponding liabilities in separate line items captioned '*Right of use assets*' and '*Lease liabilities*' respectively, in the statement of financial position.

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

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

***Zakat, income tax and deferred tax***

*Zakat*

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES (continued)**

*Zakat, income tax and deferred tax (continued)*

*Income tax*

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

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

*Deferred tax*

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

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

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

*Employees' terminal benefits*

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES (continued)**

*Financial instruments (IFRS 9)*

*Classification of financial assets*

On initial recognition, a financial asset is classified as measured at amortized cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL). Financial assets held by the Company, classified under 'Amortised Cost' are card members' receivable, cash equivalents and amounts due from a related party. There are no other financial assets held by the Company as at the reporting date or at the date of the comparable period.

*Financial asset held at amortised cost*

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') (the Company charges a service and administrative fee based on contractual terms); on the principal amount outstanding.

*Business model assessment*

The Company carries out an assessment of the objective of a business model in which financial asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management. The information considered includes:

- a) the policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual fee revenue or realizing cash flows through the sale of the assets, if any;
- b) how the performance of the portfolio is evaluated and reported to the Company's management;
- c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

*SPPI Test*

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

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

*Impairment of financial assets*

The Company recognizes provision allowances for Expected Credit Losses ('ECL') on card members' receivables, cash equivalents and amounts due from related parties, if any.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES (continued)**

*Financial instruments (IFRS 9) (continued)*

*Derecognition of financial assets (continued)*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Stage classification*

The primary step in measuring ECL is performing an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument and categorizing into following three stages in accordance with IFRS 9:

*Stage 1 – Performing assets:*

Financial assets that have not significantly deteriorated in credit quality since origination and which fall in delinquency bucket 0 or 1 (0 to 29 days) are classified as Stage 1 - performing assets. The impairment allowance is recorded based on 12 months ECL.

*Stage 2 – Underperforming assets:*

Financial assets that have significantly deteriorated in credit quality since origination and which fall in delinquency bucket 2 or 3 (30 to 59 days) would be classified as Stage 2 – underperforming assets. This credit quality assessment is made by considering a number of qualitative and quantitative factors. The impairment allowance is recorded based on lifetime ECL.

*Stage 3 – Impaired assets:*

For financial assets that are impaired and which fall in delinquency bucket 4, 5 or 6 (90 days and above); impairment allowance is recorded based on lifetime ECL.

*ECL computation*

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

- Probability of default (PD) – which is an estimate of the likelihood of default over a given time horizon;
- Loss given default (LGD) – which is an estimate of the loss amount arising in the case where a default occurs at a given time and
- Exposure at default (EAD) – which is an estimate of the exposure amount at a future default date.

The above parameters are derived from internally developed estimation techniques, other historical data and are adjusted for forward looking information.

The Company's product offering includes a variety of corporate and retail credit cards facilities, in which the Company has the right to cancel and/or reduce the facilities with immediate effect. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which include reducing or cancelling the card limits.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES (continued)**

*Financial instruments (continued)*

*Forward looking information*

ECL Computation also considers three macro-economic scenarios (base case, upward trend and downward trend). Based on consideration of a variety of actual external and economic forecast information published by governmental bodies, monetary authorities and organisations such as Oxford Economics, 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 (upward trend and downward trend). The Company then uses these forecasts to adjust its estimates of PDs. The Company relies on the following economic variables as inputs to formulate forward looking scenarios:

- (a) Gross Domestic Product (GDP)
- (b) Unemployment rate
- (c) Inflation
- (d) Oil Price Change
- (e) Saudi Interbank Offered Rate (SAIBOR) and Financial Liabilities

Predicted relationships between these key economic indicators and default rates on various portfolios of financial assets have been developed based on analysis of historical data.

Card members' receivable are written off when management deems amounts to be uncollectible, which is generally determined by the number of days past due and is no later than 180 days. Recoveries are recognised on a cash basis.

*Foreign currencies*

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

*Revenue recognition*

The Company is in the business of issuing credit and charge cards and acquiring merchant establishment business in the Kingdom of Saudi Arabia. Revenue is measured based on consideration specified in a contract with a customer (referred to also as a card member) and excludes amounts collected on behalf of third parties.

*Rendering of services*

The Company's contracts with card members include certain performance obligations that are satisfied over a period of time and with merchants at a point in time. Foreign exchange transactions are recorded at a point in time.

*(i) Variable consideration*

Card members when dealing with Company approved merchants have a right of return. Further, certain merchants are also provided with volume rebates on exceeding certain quantitative thresholds.

Under IFRS 15, rights of return and volume rebates give rise to a variable consideration.

- *Rights of return*

The Company uses the expected value method to estimate the goods that will be returned (and its fee that may be refunded). The Company applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. Revenue does not include estimated amount of merchant transaction fees that is liable to be refunded on account of return of goods or service by the cardholder and is shown as 'refund liability', when materially significant.

- *Volume rebates to merchants*

The Company estimates volume rebates to merchants which it will settle, by applying the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The Company recognises contract liabilities for expected future rebates. Revenue does not include the rebates that are estimated by the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES (continued)**

*Revenue recognition (continued)*

*(ii) Acquisition of new contracts and costs to fulfill contracts*

The Company incurs discrete departmental costs to secure new card members. Incremental costs to acquire new card members (acquisition of contracts) and issuance costs including cost of plastic (costs to fulfill contracts) are deferred (reported in assets under *deferred card acquisition costs*) and amortised over the expected life of the cards which is estimated to be three to five years.

*(iii) Membership rewards loyalty programme (MRLP)*

Membership rewards result in an obligation on the Company to incur costs immediately. The Company recognises a provision towards MR liability based on the best estimate of the cost to fulfil the obligation and are reported as separate costs. The Company's MRLP allows cardmembers to earn points that can be redeemed for a broad range of travel rewards, retail merchandise and gifts. The Company estimates the fair value of points 'awarded and deferred' by applying a marked up average cost per point on historically derived expected redemptions. MRLP under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The cumulative liability for unredeemed points is adjusted over time based on actual experience and current trends with respect to redemption.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised.

*Merchant transaction fees*

Merchant transaction fees is the revenue earned by the Company which arises as a result of usage of the American Express cards issued by the Company as well as by issuers outside the Kingdom of Saudi Arabia (swipe of the cards at merchant's establishments approved by the Company). Merchant transaction fees is recognised upon capture of record of charges submitted by service / merchant establishments to the Company.

*Foreign exchange income*

Foreign exchange income represents income earned on foreign exchange rate differences upon converting cardmember expenditures in a currency other than the billing currency.

*Card fees*

Annual card fees billed to card members on admission to membership and on each anniversary of their admission are deferred, along with the fee reversal provision, and taken to the statement of profit or loss over the period that the fees entitle the card members to use their cards.

*Tawarruq fees*

Tawarruq is an arrangement whereby the Company settles outstanding receivables from its card holders through a series of commodity trade transactions. The Company purchases commodities and sells these commodities to card holders at a marked up price or profit on deferred payment basis. The card holders, through an appointed Tawarruq agent sell their owned commodities to a third party brokerage on spot payment basis, using the proceeds to pay back outstanding balance owed to the Company.

The selling price offered to the card holder by the Company comprises the original cost of commodities which equates the statement balance of the card holder plus an agreed profit margin for the Company. The difference between the gross amounts due from card holders under the Tawarruq sale contract, and the original price at which the Company purchased the commodities being traded is recorded as earned Tawarruq profit payable by card holders before the next cycle date.

*Other income*

Other income primarily comprises of automated teller fees, travel and lifestyle commission and commission from business to business transactions.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**4 MATERIAL ACCOUNTING POLICIES (continued)**

*Expenses*

Selling and distribution expenses are those that specifically relate to marketing department. All other expenses are allocated on a consistent basis to sales and marketing and general and administration expenses in accordance with allocation factors determined as appropriate by the Company.

**5. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NEW STANDARDS**

*Significant standards issued but not yet effective*

The standards applied in these financial statements are those in issue as at the reporting date and are effective for annual periods beginning on or after 1 January 2025.

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:

- Amendments to IFRS 9 - Financial Instruments and IFRS 7 Financial Instruments – Disclosures
- Amendments to IFRS 10 and IAS 28 – Sale and contribution of Assets between the investors and its associates or Joint ventures
- IFRS 18 – Presentation and disclosure in the financial statements

The Company has not early adopted any standards, interpretations or amendments before their effective date.

*New standards, interpretations and amendments adopted by the Company*

Following standard, 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 period.

Amendment to IAS 21 – Lack of exchangeability

**6 MERCHANT TRANSACTION FEES, NET**

	<i>31 December 2025</i>	<i>31 December 2024</i>
	<i>SR'000</i>	<i>SR'000</i>
Transaction fees on 'out of Kingdom' spend (note 23 (a))	<b>192,634</b>	201,994
Transaction fees on 'in Kingdom' spend	<b>99,044</b>	97,199
Airline transaction fees (note 23 (a))	<b>3,373</b>	4,096
	<b>295,051</b>	303,289
Foreign card member transaction fees settled (note 23 (a))	<b>(24,475)</b>	(24,672)
	<b>270,576</b>	278,617

American Express Saudi Arabia  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**7 GENERAL AND ADMINISTRATION EXPENSES**

	<i>31 December</i> <b>2025</b>	<i>31 December</i> <b>2024</b>
	<u>SR'000</u>	<u>SR'000</u>
Employee related expenses	<b>120,657</b>	119,165
Data processing expenses	<b>49,628</b>	42,224
Contractual services	<b>20,057</b>	17,231
Depreciation on property and equipment (note 11)	<b>14,739</b>	14,061
Amortisation of intangible assets (note 12)	<b>11,592</b>	10,029
Withholding and other taxes	<b>9,332</b>	5,543
Professional charges	<b>9,201</b>	7,157
Depreciation on right of use assets (note 27)	<b>8,727</b>	7,983
Credit and collection	<b>8,118</b>	5,519
Telecommunication expenses	<b>6,792</b>	6,510
Utilities and premises related expenses	<b>3,842</b>	4,917
Others	<b>17,248</b>	9,688
	<u><b>279,933</b></u>	<u>250,027</u>

**8 SELLING AND MARKETING EXPENSES**

	<i>31 December</i> <b>2025</b>	<i>31 December</i> <b>2024</b>
	<u>SR'000</u>	<u>SR'000</u>
Membership rewards (note 17)	<b>31,193</b>	34,081
Marketing and promotion expenses	<b>37,062</b>	32,024
Employee related expenses	<b>17,119</b>	16,908
Co-branded rewards	<b>16,967</b>	17,543
Contractual services	<b>10,241</b>	8,797
Card member benefits	<b>3,602</b>	5,463
Telecommunication expenses	<b>811</b>	777
Utilities and premises related expenses	<b>786</b>	1,004
	<u><b>117,781</b></u>	<u>116,597</u>

**9 CASH AND CASH EQUIVALENTS**

	<i>31 December</i> <b>2025</b>	<i>31 December</i> <b>2024</b>
	<u>SR'000</u>	<u>SR'000</u>
Bank balances	<b>66,934</b>	15,740
Cash in hand	<b>41</b>	41
	<u><b>66,975</b></u>	<u>15,781</u>

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

American Express Saudi Arabia  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**10 CARD MEMBERS' RECEIVABLE, NET**

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR'000	SR'000
Card members' receivable	<b>1,345,617</b>	1,353,084
Less: Impairment in card members' receivable (see note (a) below)	<b>(21,722)</b>	(15,811)
Less: Provision for card membership fees (see note (b) below)	<b>(906)</b>	(352)
	<u><b>1,322,989</b></u>	<u>1,336,921</u>

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

The ageing of card members' receivables is as follows:

	<u>Total</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>			<u>Past due and impaired</u>
			<u>1 - 30 days</u>	<u>31 - 60 days</u>	<u>61 - 90 days</u>	
	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
<b>31 December 2025</b>	<b>1,345,617</b>	<b>1,264,606</b>	<b>48,806</b>	<b>10,826</b>	<b>12,860</b>	<b>8,519</b>
31 December 2024	1,353,084	1,263,448	64,505	13,080	5,042	7,009

a) *Movement in impairment of card members' receivables is as follows:*

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR'000	SR'000
At beginning of the year	<b>15,811</b>	12,862
Charge for the year	<b>23,461</b>	16,335
Write off / settlements during the year	<b>(17,550)</b>	(13,386)
At end of the year	<u><b>21,722</b></u>	<u>15,811</u>

The impairment charge to the statement of profit or loss amounting to SR 10.73 million is net of recoveries during the year of SR 12.74 million (31 December 2024: charge of SR 5.16 million net of recoveries of SR 11.18 million).

b) *Movement in card membership fees provision is as follows:*

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR'000	SR'000
At beginning of the year	<b>352</b>	278
Charge for the year	<b>11,791</b>	5,611
Written off during the year	<b>(11,237)</b>	(5,537)
At end of the year	<u><b>906</b></u>	<u>352</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

10 CARD MEMBERS' RECEIVABLE, NET (continued)

c) An analysis of change in loss allowance and gross carrying amounts for 31 December 2025 and 2024 are set out below:

	Impairment loss allowance				Gross carrying amount			
	Stage 1 (Twelve month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total	Stage 1 (Twelve month ECL)	Stage 2 (Lifetime ECL not credit impaired)	Stage 3 (Lifetime ECL credit impaired)	Total
	SR'000				SR'000			
<b>31 December 2025</b>								
Balance at 1 January 2025	7,996	3,005	4,810	15,811	1,335,384	11,290	6,410	1,353,084
Transfer to 12-month ECL	1,949	(962)	(987)	-	13,631	(10,490)	(3,141)	-
Transfer to lifetime ECL not credit impaired	(107)	228	(121)	-	(15,613)	15,931	(318)	-
Transfer to lifetime ECL credit impaired	(80)	(239)	319	-	(11,912)	(1,003)	12,915	-
Net impairment / newly originated (note a)	1,637	5,009	16,815	23,461	24,971	8,267	21,278	54,516
Write offs / settlements (note a)	(595)	(1,531)	(15,424)	(17,550)	(32,544)	(7,016)	(22,423)	(61,983)
<b>Balance at 31 December 2025</b>	<b>10,800</b>	<b>5,510</b>	<b>5,412</b>	<b>21,722</b>	<b>1,313,917</b>	<b>16,979</b>	<b>14,721</b>	<b>1,345,617</b>
<b>31 December 2024</b>								
Balance at 1 January 2024	6,456	3,473	2,933	12,862	1,079,892	15,438	3,625	1,098,955
Transfer to 12-month ECL	2005	(1,520)	(485)	-	8,018	(6,834)	(1,184)	-
Transfer to lifetime ECL not credit impaired	(66)	223	(157)	-	(14,623)	14,970	(347)	-
Transfer to lifetime ECL credit impaired	(49)	(585)	634	-	(7,765)	(3,190)	10,955	-
Net impairment / newly originated (note a)	1,949	2,443	11,943	16,335	292,420	(3,227)	33,134	322,327
Write offs / settlements (note a)	(2,299)	(1,029)	(10,058)	(13,386)	(22,558)	(5,867)	(39,773)	(68,198)
<b>Balance at 31 December 2024</b>	<b>7,996</b>	<b>3,005</b>	<b>4,810</b>	<b>15,811</b>	<b>1,335,384</b>	<b>11,290</b>	<b>6,410</b>	<b>1,353,084</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**11 PROPERTY AND EQUIPMENT, NET**

The estimated useful lives of assets for calculation of depreciation are as follows:

Building and improvements: 5 to 20 years; Computer equipment: 3 to 5 years; Furniture, fixtures and office equipment: 3 to 5 years; Motor vehicles: 4 years

	<i>Building and improvements</i>	<i>Computer equipment</i>	<i>Furniture, fixtures and office equipment</i>	<i>Motor vehicles</i>	<i>Capital work-in progress</i>	<i>Total 2025</i>	<i>Total 2024</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>SR'000</i>
<i>Cost:</i>							
At beginning of the year	40,804	4,990	41,119	1,019	1,503	<b>89,435</b>	84,252
Additions during the year	-	-	-	-	11,482	<b>11,482</b>	5,449
Transfers during the year	1,755	801	8,518	632	(11,706)	-	-
Disposals during the year	-	(191)	(4,398)	(413)	-	<b>(5,002)</b>	(266)
At end of the year	<u>42,559</u>	<u>5,600</u>	<u>45,239</u>	<u>1,238</u>	<u>1,279</u>	<b><u>95,915</u></b>	<u>89,435</u>
<i>Accumulated depreciation:</i>							
At beginning of the year	22,313	4,428	23,459	597	-	<b>50,797</b>	37,002
Charge for the year (note 7)	7,107	471	6,900	261	-	<b>14,739</b>	14,061
Disposals during the year	-	(184)	(4,398)	(413)	-	<b>(4,995)</b>	(266)
At end of the year	<u>29,420</u>	<u>4,715</u>	<u>25,961</u>	<u>445</u>	<u>-</u>	<b><u>60,541</u></b>	<u>50,797</u>
<i>Net book values:</i>							
<i>At 31 December 2025</i>	<b><u>13,139</u></b>	<b><u>885</u></b>	<b><u>19,278</u></b>	<b><u>793</u></b>	<b><u>1,279</u></b>	<b><u>35,374</u></b>	
At 31 December 2024	<u>18,491</u>	<u>562</u>	<u>17,660</u>	<u>422</u>	<u>1,503</u>		<u>38,638</u>

Capital work-in progress as at 31 December 2025 and 2024 represents cost incurred for new premises, improvements, telephone, switchboard, office and computer equipment and furniture and fixtures.

American Express Saudi Arabia  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

**12 INTANGIBLE ASSETS, NET**

The estimated useful lives of assets for calculation of software amortisation is 3 - 5 years.

	<i>Software</i> SR'000	<i>Capital work in progress</i> SR'000	<i>Total 2025</i> SR'000	<i>Total 2024</i> SR'000
<i>Cost:</i>				
At beginning of the year	64,521	9,156	<b>73,677</b>	57,503
Additions during the year	-	23,689	<b>23,689</b>	16,174
Transfers during the year	19,106	(19,106)	-	-
Disposals during the year	(2,136)	-	<b>(2,136)</b>	-
At end of the year	<u>81,491</u>	<u>13,739</u>	<u><b>95,230</b></u>	<u>73,677</u>
<i>Accumulated amortisation:</i>				
At beginning of the year	35,672	-	<b>35,672</b>	25,643
Charge for the year (note 7)	11,592	-	<b>11,592</b>	10,029
Disposals during the year	(1,561)	-	<b>(1,561)</b>	-
At end of the year	<u>45,703</u>	<u>-</u>	<u><b>45,703</b></u>	<u>35,672</u>
<i>Net book values:</i>				
<b>As at 31 December 2025</b>	<u><b>35,788</b></u>	<u><b>13,739</b></u>	<u><b>49,527</b></u>	
<i>As at 31 December 2024</i>	<u>28,849</u>	<u>9,156</u>		<u>38,005</u>

Capital work-in progress as at 31 December 2025 and 2024 represents cost incurred mainly for development of core system, new applications and software technical platforms.

**13 ACCOUNTS PAYABLE AND ACCRUALS**

	<i>31 December 2025</i> SR'000	<i>31 December 2024</i> SR'000
Accrued expenses	<b>94,763</b>	111,527
Advance from card members	<b>59,971</b>	58,614
Payable to merchants	<b>25,478</b>	57,220
Employees' accrued compensation	<b>25,005</b>	29,306
Other payable	<b>4,473</b>	5,773
	<u><b>209,690</b></u>	<u>262,440</u>

**14 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 gross income tax and zakat charge, for the year ended 31 December 2025 amounting to SR 9.67 million and SR 13.50 million (see note (a)) (31 December 2024: SR 9.74 million and SR 13.84 million) respectively, have been calculated on the basis of the Income Tax Law and the Zakat Regulations in the Kingdom of Saudi Arabia.

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14 ZAKAT AND INCOME TAX PAYABLE (continued)

a) Charge for the year (statement of profit or loss)

	31 December 2025	31 December 2024
	SR'000	SR'000
Zakat charge for the year (note (b))	13,499	13,837
Additional zakat for prior years (note (c))	-	4,767
<b>Zakat charge</b>	<b>13,499</b>	<b>18,604</b>
Income tax charge for the year	9,666	9,744
Adjustment for prior years	(79)	115
<b>Total income tax charge</b>	<b>9,587</b>	<b>9,859</b>
Deferred tax origination of temporary differences (note (c))	(490)	(515)
<b>Income tax charge, net of deferred tax</b>	<b>9,097</b>	<b>9,344</b>

Zakat charge on the Saudi shareholder's share of zakat base is set out below:

	31 December 2025	31 December 2024
	SR'000	SR'000
• <b>Calculation of zakat base</b>		
Sources of fund	655,441	583,192
Total assets	1,552,753	1,499,414
Less: non-zakatable assets	(136,908)	(126,375)
<b>Zakatable assets</b>	<b>1,415,845</b>	<b>1,373,039</b>
Percentage (%) of zakatable assets to total assets	91.19%	91.57%
Zakat base (sources of fund * (zakatable assets / total assets))	597,670	534,029
<b>Zakat base attributable to KSA shareholders @75% (A)</b>	<b>448,253</b>	<b>400,522</b>
• <b>Calculation of minimum and maximum zakat base</b>		
Profit before tax and zakat	174,565	178,438
Attributable to KSA shareholders	130,924	133,829
<b>Minimum zakat base (B)</b>	<b>523,695</b>	<b>535,314</b>
<b>Maximum zakat base (C)</b>	<b>1,047,391</b>	<b>1,070,628</b>
• <b>Basis of zakat - minimum (B)</b>	<b>523,695</b>	<b>535,314</b>
<b>Zakat charge</b>	<b>13,499</b>	<b>13,837</b>

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14 ZAKAT AND INCOME TAX PAYABLE (continued)

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

<i>For the year ended 31 December 2025</i>	<u>Zakat</u> SR '000	<u>Income tax</u> SR '000	<u>Total</u> SR '000
Balance payable at beginning of the year	13,837	5,295	19,132
Charge for the year (note a)	13,499	9,666	23,165
Prior year adjustments	-	(79)	(79)
Payments made during the year	<u>(13,837)</u>	<u>(12,265)</u>	<u>(26,102)</u>
Balance payable at end of the year	<u>13,499</u>	<u>2,617</u>	<u>16,116</u>

  

<i>For the year ended 31 December 2024</i>	<u>Zakat</u> SR '000	<u>Income tax</u> SR '000	<u>Total</u> SR '000
Balance payable (receivable) at beginning of the year	8,850	3,472	12,322
Provision during the year (note a)	13,837	9,744	23,581
Prior year adjustments	4,767	115	4,882
Payments made during the year	<u>(13,617)</u>	<u>(8,036)</u>	<u>(21,653)</u>
Balance payable at end of the year	<u>13,837</u>	<u>5,295</u>	<u>19,132</u>

c) *Deferred tax asset*

The deferred tax asset as at 31 December 2025 amounting to SR 5.44 million includes deferred tax credit amounting to SR 0.49 million (31 December 2024: SR 4.95 million including deferred tax credit of SR 0.52 million) (note (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>31 December 2025</u> SR '000	<u>31 December 2024</u> SR '000
Opening deferred tax asset	4,948	4,433
Origination of temporary differences	490	515
Balance at end of the year	<u>5,438</u>	<u>4,948</u>

d) *Reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate:*

	<u>31 December 2025</u> SR'000	<u>31 December 2024</u> SR'000
Accounting profit before zakat and income tax	174,565	178,438
Accounting profit related to non-Saudi shareholders @ 25%	<u>43,641</u>	<u>44,610</u>
At statutory income tax rate of 20%	8,728	8,922
Tax effect of other items	938	822
Effective income tax @ 22.15% (2024: 22.10%)	<u>9,666</u>	<u>9,744</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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**14 ZAKAT AND INCOME TAX PAYABLE (continued)**

*e) Status of assessments*

The Company has filed zakat and income tax returns (the 'Returns') for all years up till 31 December 2024 with the ZATCA. The ZATCA has provided zakat certificate, which is valid up till 30 April 2026. The ZATCA has finalized the Company's position up till the year ended 31 December 2011.

During 2022 and 2023, the ZATCA issued assessments for the years ended 31 December 2016 and 31 December 2017 with additional zakat due aggregating SR 3.79 million and SR 0.98 million, respectively. The Company submitted appeals against the zakat assessment with the General Secretariat of Tax Committee ("GSTC") Level 1 and Level 2 and the Alternative Dispute Resolution Committee ('ADRC') which were rejected. Accordingly, during 2024, the Company settled the additional zakat for both years aggregating SR 4.77 million (note (a)).

Assessments for the years from 2012 to 2015 and 2018 to 2024 have not yet been raised by the ZATCA.

**15 SHORT TERM BORROWINGS**

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

- a) Short term facilities from domestic banks amounting to USD 400.00 million (equivalent to SR 1,500 million) (31 December 2024: USD 300 million equivalent to SR 1,125.00 million) including USD 100 million facility from The Saudi Investment Bank ("SAIB") (note 23 (a)) to finance the working capital requirements of the Company. These loans are secured by promissory notes signed by the Company. As of 31 December 2025, the aggregate outstanding balance under these facilities amounted to USD 125.90 million equivalent to SR 472.13 million (31 December 2024: USD 114.490 million equivalent to SR 429.34 million). The outstanding balance with SAIB as at 31 December 2025 amounted to SAR 56.52 million (31 December 2024 : SAR 26.54 million). The special commission expense on these borrowings ranged from 6.5% to 7% during 2025 (31 December 2024 :7.5% to 8%). These facilities will be due for renewal during 2026.
- b) Credit facility from American Express Overseas Credit Corporation NV ("AEOCC NV") in 2024 aggregating USD 95 million equivalent to SR 356.25 million to finance the working capital requirements of the Company. As of 31 December 2024, this facility was not renewed and accordingly the outstanding balance under this facility was nil as at 31 December 2024 and 2025.

**16 CARD MEMBERS' MARGINS**

'Revolve cards' and 'charge cards' issued by the Company are repayable on demand and generally unsecured. In certain instances, where a prospective customer does not meet certain predefined credit criteria, the Company requires a margin or a cash-collateral. Based on the terms of agreement with such customers, the Company is entitled to offset the margin money or cash collateral received against amounts due from such card members. The collateral margin held as at 31 December 2025 was SR 32.13 million (31 December 2024 : SR 33.76 million).

**17 MEMBERSHIP REWARDS**

	<i>31 December 2025</i>	<i>31 December 2024</i>
	<i>SR'000</i>	<i>SR'000</i>
At beginning of the year	<b>56,246</b>	53,909
Accumulated during the year (note 8)	<b>31,193</b>	34,081
Utilised during the year	<b>(31,891)</b>	(31,744)
At end of the year	<b>55,548</b>	56,246

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At 31 December 2025

**18 DEFERRED CARD MEMBERSHIP FEES**

This represents the unamortised portion of annually charged new and renewal card fees.

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR'000	SR'000
At beginning of the year	32,239	29,812
Billed to card members during the year	88,685	73,281
Recognised during the year, gross	(84,995)	(70,854)
	<u>35,929</u>	<u>32,239</u>

Balance as at 31 December 2025 is expected to be recognised as revenue during 2026.

**19 EMPLOYEES' TERMINAL BENEFITS**

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

*a) Amount recognised in the statement of financial position:*

	<u>31 December 2025</u>	<u>31 December 2024</u>
	(SR '000)	(SR '000)
Present value of defined benefit obligation	<u>57,492</u>	<u>59,655</u>

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

	<u>31 December 2025</u>	<u>31 December 2024</u>
	(SR '000)	(SR '000)
Current service cost (note 19 (c))	3,794	4,538
Special commission cost (note 19 (c))	3,096	2,400
EoSB expense	<u>6,890</u>	<u>6,938</u>

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

	<u>31 December 2025</u>	<u>31 December 2024</u>
	(SR '000)	(SR '000)
Present value of defined benefit obligation at beginning of the year	59,655	52,581
Charge recognised in the statement of profit or loss:		
Current service cost (note 19 (b))	3,794	4,538
Special commission cost (note 19 (b))	3,096	2,400
Actuarial loss recognised in the statement of other comprehensive income	1,096	3,561
Benefits paid	(10,149)	(3,425)
Present value of defined benefit obligation at end of the year	<u>57,492</u>	<u>59,655</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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**19 EMPLOYEES' TERMINAL BENEFITS** (continued)

*d) Principal actuarial assumptions:*

	<u>31 December 2025</u>	<u>31 December 2024</u>
Discount rate	4.75%	5.20%
Salary increase rate	4.10%	6.20%

*Discount rate*

IAS 19 requires the discount rate to be set based on the yield on high quality corporate bonds or government bonds of duration and currency consistent with the liabilities. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and expected term of the post-employment benefit obligation.

Since there is no deep market for high quality corporate bonds in the Kingdom of Saudi Arabia, market yield of United States Dollar (USD) denominated Saudi Arabian Sovereign Bonds, traded in international market, for the purpose of determining an appropriate discount rate was considered.

The average duration of the post-employment benefit obligation arrived at was 6.50 years (31 December 2024 : 6.30 years). For the purpose of valuation, a discount rate of 4.75% (31 December 2024 : 5.20%) per annum compounded was used. The assumptions have been determined based on the market conditions at each valuation date.

*Salary increase rate*

The assumption for future salary increases has been determined by the Company based on its long term expectations, reflecting both inflationary and promotional increases.

*Mortality rate*

Mortality rates are based on actuarial assumptions in accordance with published statistics and experience in the region.

*e) Sensitivity analysis*

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

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	<i>Change in percentage</i>	<i>Increase (decrease) in EoS liability</i>	<i>Change in percentage</i>	<i>Increase (decrease) in EoS liability</i>
	%	SR'000	%	SR'000
Discount rate	+0.5	(1,843)	+0.5	(1,918)
	-0.5	1,963	-0.5	2,046
Salary increase rate	+0.5	1,506	+0.5	1,608
	-0.5	(1,430)	-0.5	(1,524)
Mortality rate	+10	(17)	+10	(19)
	-10	18	-10	18

**20 SHARE CAPITAL**

As at 31 December 2025, the Company's authorised, issued and paid-up share capital was SR 100 million (2024: SR 100 million) consisting of 10 million shares of SR 10 each (31 December 2024: 10 million shares of SR 10 each).

**21 STATUTORY RESERVE**

The statutory reserve included in the statement of shareholders' equity was required under the Company's By-laws. However, following amendments to New Companies Law and Implementing Regulations effective January 2023, the requirement to set aside a statutory reserve has been removed.

**22 DIVIDEND**

The shareholders in their Annual General Meeting held on 21 March 2025 approved the distribution of dividend amounting to SR 75.25 million at SR 7.53 per share which was settled during the quarter ended 30 June 2025 (31 December 2024 : dividend approved and settled SR 70.60 million at SR 7.06 per share).

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**23 RELATED PARTY TRANSACTIONS AND BALANCES**

- a) The Company, in the normal course of business, enters into transactions with its shareholders and affiliates that fall within the definition of a related party contained in International Accounting Standard 24, Related Party Disclosures. Significant transactions arising from transactions with related parties are as follows:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transactions**</i>	
		<i>31 December 2025</i>	<i>31 December 2024</i>
		<i>SR'000</i>	<i>SR'000</i>
<i>Shareholder</i>			
SAIB	- Data support and other services	<b>1,221</b>	1,195
	- Service and annual card fees	<b>(766)</b>	(1,039)
	- Share of co-brand fee	<b>152</b>	112
	- Short term loans received	<b>1,965,720</b>	576,000
	- Short term loans settled	<b>(1,949,130)</b>	(552,881)
	- Special commission expense	<b>13,385</b>	4,364
<i>Affiliate*</i>			
AETRS	- Merchant and airline transaction fees earned (note 6)	<b>(196,007)</b>	(206,090)
	- Foreign card member transaction fees (note 6)	<b>24,475</b>	24,672
	- Support and other services	<b>1,203</b>	1,297
	- Royalty expense	<b>542</b>	490
AEOCC NV	- Special commission expense (note 15 (a))	-	12,087
	- Short term loans received	-	2,114,625
	- Short term loans settled	-	(2,162,250)

\* Entities having common shareholding amongst themselves are referred to as 'Affiliates'.

\*\* Figures in brackets represent settlements or income whereas those without brackets represent expenses or receipts

In addition to the above, most of the routine banking transactions of the Company are carried out with SAIB. Bank balances as at 31 December 2025 with SAIB amounted to SR 38.92 million and are included under cash and cash equivalents (31 December 2024 : SR 9.34 million).

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

- b) Key management personnel are those having authority and responsibility for planning, directing, and controlling AESA's activities either directly or indirectly. The compensation summary of key management personnel is set out below:

	<i>31 December 2025</i>	<i>31 December 2024</i>
	<i>SR '000</i>	<i>SR '000</i>
Short term benefits	<b>17,545</b>	16,837
Termination and other long term benefits	<b>2,559</b>	2,872
	<b>20,104</b>	19,709

- c) Card members' receivable include outstanding balances of key management personnel, arising out of credit card related transactions, as at 31 December 2025 of SR 2.07 million (31 December 2024 : SR 1.21 million).

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**23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

<u>Related party</u>	<u>Name of the related party</u>	<u>31 December 2025</u> SR '000	<u>31 December 2024</u> SR '000
<b>Due from / (to):</b>			
Shareholder	SAIB	<u>82</u>	<u>4</u>
Affiliates	AETRS	<u>(11,234)</u>	<u>(17,490)</u>

**24 COMMITMENTS AND CONTINGENCES**

**Capital commitments**

Commitments in respect of capital expenditure outstanding as at 31 December 2025 amounted to SR 25.91 million (31 December 2024 : SR 17.74 million).

**Undrawn commitments**

The undrawn credit commitments in respect of revolve credit cards issued by the Company as at 31 December 2025 amounted to SR 1,744.83 million (31 December 2024 : SR 872.62 million).

**Letter of guarantee**

Letter of guarantee amounting to SR 7.50 million has been issued by the Company to AETRS (an affiliate) in the normal course of business in respect of performance obligation of the Company's merchant as at 31 December 2024 and 2025.

**25 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 cash and cash equivalents, card members' receivables, due from related parties and other receivables. Financial liabilities consist of short term borrowings, payables, due to related parties, 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.

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25 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

	31 December 2025		31 December 2024	
	Carrying value	Fair value	Carrying value	Fair value
	SR '000	SR '000	SR '000	SR '000
<i>Financial assets</i>				
Cash and cash equivalents	66,975	66,975	15,781	15,781
Card members' receivable, net	1,322,989	1,322,989	1,336,921	1,336,921
Amounts due from a related party	82	82	4	4
Other assets	8,708	8,708	6,940	6,940
	<u>1,398,754</u>	<u>1,398,754</u>	<u>1,359,646</u>	<u>1,359,646</u>
<i>Financial liabilities</i>				
Accounts payable and accruals	209,690	209,690	262,440	262,440
Amounts due to a related party	11,234	11,234	17,490	17,490
Card members' margins	32,131	32,131	33,764	33,764
Short term borrowing facilities	472,128	472,128	429,335	429,335
Membership rewards	55,548	55,548	56,246	56,246
	<u>780,731</u>	<u>780,731</u>	<u>799,275</u>	<u>799,275</u>

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

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

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

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, card members' receivable, due from a related party and other receivables, card members' margins, membership rewards, employees' terminal benefits, short term borrowings, lease liabilities, accounts payable, due to a related party, accruals and other liabilities.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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**26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Risk management is carried out under policies approved by the management. The management identifies and evaluates overall risk management covering specific areas, such as foreign exchange risk, special commission rate risk, credit risk, and investment of excess liquidity, if any.

**Credit risk**

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit exposures arise principally in respect of lending activities that lead to card members' receivables. There is also credit risk in off balance sheet financial instruments, such as undrawn commitments.

The Company assesses the probability of default of its customers using their internal payment and spend history, application and behaviour scores, credit bureau information (including bureau scores) and other external data sources.

The Company attempts to control credit risk by approving creditworthy applicants, monitoring credit exposures, limiting transactions with specific counterparties, performing periodic credit bureau inquiries for all customers, preventing card usage when customers go significantly over their credit limit or become delinquent and by regular follow up for collection of overdue receivables.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. The Company's credit risk is restricted to KSA as it provides services only to residents in KSA.

Due to the nature of its business, significant concentration of credit risk exists as card members' receivables are from individuals or companies. The Company obtains security in the form of cash margin deposits or bank guarantees when appropriate but most of its credit exposures granted are unsecured.

The Company regularly reviews its risk management policies and systems to reflect changes in the portfolio, markets, products and emerging best practices.

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

	<i>31 December</i> <b>2025</b>	<i>31 December</i> <b>2024</b>
	<b>SR'000</b>	<b>SR'000</b>
Card members' receivable (note 10)	<b>1,345,617</b>	1,353,084
Bank balances (note 9)	<b>66,934</b>	15,740
Amounts due from a related party (note 23 (d))	<b>82</b>	4
Other assets	<b>8,708</b>	6,940
	<b>1,421,341</b>	1,375,768

Individual card members' receivables comprise of SR 922.63 million (31 December 2024 : SR 843.84 million) and corporate card members' receivables of SR 407.86 million including uncalled guarantees (note 24) (31 December 2024 : SR 498.58 million).

Bank balances included in cash and cash equivalents and due from related parties are with a counterparties that have investment grade credit ratings. Investment grade refers to the quality of the counterparty's credit. In order to be considered investment grade, the counterparty must be rated at 'BBB' or higher by Standard and Poor's or Moody's.

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26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Capital management*

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through optimization of its capital structure. The Company manages its capital structure in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made to the capital structure in the years 2025 and 2024.

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA.

*Special commission rate risk*

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to special commission rate adjustment within a specified year. The most important source of such special commission rate risk is the Company's short term borrowing facilities, where fluctuations in special commission rates, if any, are reflected in the results of operations. Card member receivables are not subject to special commission rate risk as the Company's products as Tawarruq fee percentage charged by the Company is fixed in nature.

Except short term borrowings there are no financial assets or liabilities that are exposed to special commission rates.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Company's statement of profit or loss for an annual period. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2025 and 2024. All the exposures are monitored and analysed in major currency concentrations (exposure is either in Saudi Riyals or United States Dollars) and relevant sensitivities are disclosed in Saudi Riyals.

	31 December 2025		31 December 2024	
	<i>Change in basis points</i>	<i>Impact on net income SR'000</i>	<i>Change in basis points</i>	<i>Impact on net income SR'000</i>
Saudi Riyal	+25	(1,180)	+25	(1,073)
Saudi Riyal	-25	1,180	-25	1,073

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its net financing requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of financing to dry up immediately. Management monitors the maturity profile to ensure that adequate liquidity is maintained. Liquidity risk is managed by monitoring on a regular basis that sufficient funds, banking and other credit facilities are available to meet the Company's future commitments.

a) *Analysis of financial liabilities by remaining contractual maturities*

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2025 and 2024 based on contractual undiscounted repayment obligations. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

	<i>Fixed maturity</i>			
	<i>No fixed maturity</i>	<i>Within 3 months</i>	<i>3 months and above</i>	<i>Total</i>
<i>31 December 2025</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Lease liabilities	-	7,592	29,423	37,015
Accounts payable and other liabilities	-	199,257	10,433	209,690
Amounts due to a related party	-	11,234	-	11,234
Card members' margins	32,131	-	-	32,131
Short term borrowing facilities	-	489,833	-	489,833
Membership rewards	55,548	-	-	55,548
Total	<u>87,679</u>	<u>707,916</u>	<u>39,856</u>	<u>835,451</u>

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At 31 December 2025

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk (continued)*

a) *Analysis of financial liabilities by remaining contractual maturities (continued)*

	<i>Fixed maturity</i>			<i>Total</i>
	<i>No fixed maturity</i>	<i>Within 3 months</i>	<i>3 months and above</i>	
<i>31 December 2024</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Lease liabilities	-	6,091	33,274	39,365
Accounts payable and other liabilities	-	253,342	9,098	262,440
Amounts due to a related party	-	17,490	-	17,490
Card members' margins	33,764	-	-	33,764
Short term borrowing facilities	-	431,482	-	431,482
Membership rewards	56,246	-	-	56,246
<b>Total</b>	<b>90,010</b>	<b>708,405</b>	<b>42,372</b>	<b>840,787</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

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

31 December 2025	<i>Maturities</i>				<i>Total</i> SR'000
	<i>On demand</i> SR'000	<i>Within 3 months</i> SR'000	<i>3 to 12 months</i> SR'000	<i>1 year &amp; above</i> SR'000	
<b>Assets</b>					
Cash and cash equivalents	66,975	-	-	-	66,975
Card members' receivable, net	-	1,322,989	-	-	1,322,989
Amounts due from a related party	-	82	-	-	82
Other assets	-	6,220	2,292	196	8,708
<b>Financial assets</b>	<b>66,975</b>	<b>1,329,291</b>	<b>2,292</b>	<b>196</b>	<b>1,398,754</b>
<b>Liabilities</b>					
Lease liabilities	-	7,421	1,050	27,119	35,590
Accounts payable and other liabilities	-	199,257	10,433	-	209,690
Amounts due to a related party	-	11,234	-	-	11,234
Card members' margins	32,131	-	-	-	32,131
Short term borrowing facilities	-	472,128	-	-	472,128
Membership rewards	55,548	-	-	-	55,548
<b>Financial liabilities</b>	<b>87,679</b>	<b>690,040</b>	<b>11,483</b>	<b>27,119</b>	<b>816,321</b>
<b>Net financial assets (liabilities)</b>	<b>(20,704)</b>	<b>639,251</b>	<b>(9,191)</b>	<b>(26,923)</b>	<b>582,433</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2025

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

31 December 2024	Maturities				Total SR'000
	On demand SR'000	Within 3 months SR'000	3 to 12 months SR'000	1 year & above SR'000	
<i>Assets</i>					
Cash and cash equivalents	15,781	-	-	-	15,781
Card members' receivable, net	-	1,336,921	-	-	1,336,921
Amounts due from a related party	-	4	-	-	4
Other assets	-	1,493	5,178	269	6,940
<i>Financial assets</i>	15,781	1,338,418	5,178	269	1,359,646
<i>Liabilities</i>					
Lease liabilities	-	6,092	1,342	30,412	37,846
Accounts payable and other liabilities	-	219,524	8,082	-	227,606
Amounts due to a related party	-	17,490	-	-	17,490
Card members' margins	33,764	-	-	-	33,764
Short term borrowing facilities	-	429,335	-	-	429,335
Membership rewards	56,246	-	-	-	56,246
<i>Financial liabilities</i>	90,010	672,441	9,424	30,412	802,287
<i>Net financial assets (liabilities)</i>	(74,229)	665,977	(4,246)	(30,143)	557,359

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyals is on a fixed parity to the US Dollar, management believes that the Company is not subject to any significant currency risk.

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At 31 December 2025

**27 RIGHT OF USE ASSETS AND LEASE LIABILITIES**

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

<b>31 December 2025</b>	<i>Commercial buildings</i>	<i>Residential villas</i>	<i>Office equipment</i>	<i>Commercial Space</i>	<b>Total</b>	<b>Lease liabilities</b>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2025	35,444	1,496	302	-	37,242	37,846
Additions	1,510	304	-	4,473	6,287	6,287
Depreciation expense (note 7)	(6,858)	(872)	(252)	(745)	(8,727)	-
Special commission expense	-	-	-	-	-	712
Payments	-	-	-	-	-	(9,255)
<b>As at 31 December 2025</b>	<b>30,096</b>	<b>928</b>	<b>50</b>	<b>3,728</b>	<b>34,802</b>	<b>35,590</b>

  

<b>31 December 2024</b>	<i>Commercial buildings</i>	<i>Residential villas</i>	<i>Office equipment</i>	<b>Total</b>	<b>Lease liabilities</b>
	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2024	41,156	1,148	494	42,798	43,021
Additions	1,126	1,224	77	2,427	2,427
Depreciation expense (note 7)	(6,838)	(876)	(269)	(7,983)	-
Special commission expense	-	-	-	-	630
Payments	-	-	-	-	(8,232)
<b>As at 31 December 2024</b>	<b>35,444</b>	<b>1,496</b>	<b>302</b>	<b>37,242</b>	<b>37,846</b>

The Company's leases typically run for a period between 2 years to 10 years with an option to renew including negotiation of lease settlements. These negotiations align with market rates.

**28 SAMA PROGRAMS AND INITIATIVES THAT WERE 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 6 months starting from 14 March 2020 to 14 September 2020 borne by SAMA was SR 20.08 million out of which SR 16.67 million was receivable from SAMA as at 31 December 2020 and was included in and presented under "prepaid expenses and other assets". Subsequently out of SR 16.67 million, during 2021, the Company received SR 14.86 million and the balance of SR 1.81 million is expected to be received during 2026.

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**29 SUBSEQUENT EVENTS**

In management's opinion, there have been no significant subsequent events since the year-end that require disclosure or adjustment to these financial statements.

**30 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 21 Sha'ban 1447H (corresponding to 9 February 2026).