

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

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

**FOR THE THREE AND SIX MONTH PERIODS ENDED
30 JUNE 2022**

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

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

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كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

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

To the Shareholder of American Express Saudi Arabia

Introduction

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

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

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

Scope of review

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

Conclusion

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

KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460



Riyadh on: 31 July 2022

Corresponding to: 2 Muharram 1444

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF PROFIT OR LOSS

For the three and six month periods ended 30 June 2022

	Notes	For the three month period ended (Unaudited)		For the six month period ended (Unaudited)	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		SR '000	SR '000	SR '000	SR '000
OPERATING INCOME					
<i>Revenue from merchants</i>					
Merchant transaction fees, net	5	44,267	26,852	84,291	48,177
<i>Revenue from card members</i>					
Foreign exchange income		14,444	8,290	30,656	13,593
Special commission income on tawarruq		14,688	14,445	30,810	29,338
Card membership fees, net		14,712	14,153	29,038	28,868
Other income, net		21	2,019	953	3,397
TOTAL OPERATING INCOME		88,132	65,759	175,748	123,373
EXPENSES					
General and administration expenses		(60,433)	(48,625)	(117,581)	(95,774)
Selling and marketing expenses		(20,158)	(15,842)	(39,372)	(27,851)
Impairment reversal (charge) for card members' receivable, net	6 (a)	582	(4,145)	(1,346)	(5,100)
Special commission expense		(1,455)	(335)	(2,388)	(563)
PROFIT (LOSS) BEFORE ZAKAT AND INCOME TAX		6,668	(3,188)	15,061	(5,915)
Zakat	8 (a)	(1,031)	(793)	(2,329)	(1,506)
Income tax, net of deferred tax	8 (a)	(316)	211	(807)	208
NET PROFIT (LOSS) FOR THE PERIOD		5,321	(3,770)	11,925	(7,213)

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

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three and six month periods ended 30 June 2022

	<i>For the three month period ended (Unaudited)</i>		<i>For the six month period ended (Unaudited)</i>	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	SR '000	SR '000	SR '000	SR '000
NET PROFIT (LOSS) FOR THE PERIOD	5,321	(3,770)	11,925	(7,213)
OTHER COMPREHENSIVE INCOME				
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains on defined benefit plans	-	-	-	-
Total other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	5,321	(3,770)	11,925	(7,213)

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

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR '000</i>	<i>SR '000</i>
ASSETS			
Cash and cash equivalents		227,122	222,987
Card members' receivable, net	6	894,913	762,284
Amounts due from a related party	10 (d)	304	319
Prepaid expenses and other assets	13 (b)	16,140	18,676
Deferred card acquisition costs		3,569	4,051
Deferred tax asset	8 (c)	3,887	3,470
Property and equipment, net		49,154	40,524
Intangible assets, net		27,316	26,251
Right of use assets, net		50,887	50,651
		<hr/>	<hr/>
TOTAL ASSETS		1,273,292	1,129,213
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Amounts due to a related party	10 (d)	14,253	20,545
Accounts payable and accruals	7	165,063	129,587
Lease liabilities		47,926	50,288
Zakat and income tax payable	8 (b)	3,415	6,932
Short term borrowings	9	525,000	424,875
Card members' margins		38,928	41,378
Membership rewards		39,063	36,656
Deferred card membership fees		28,793	24,515
Employees' terminal benefits		49,963	45,474
		<hr/>	<hr/>
TOTAL LIABILITIES		912,404	780,250
		<hr/>	<hr/>
SHAREHOLDERS' EQUITY			
Share capital		100,000	100,000
Statutory reserve		40,943	40,943
Retained earnings		219,945	208,020
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' EQUITY		360,888	348,963
		<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,273,292	1,129,213
		<hr/> <hr/>	<hr/> <hr/>

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

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended 30 June 2022

<i>30 June 2022 (unaudited)</i>	<i>Share capital</i> <u>SR '000</u>	<i>Statutory reserve</i> <u>SR '000</u>	<i>Retained earnings</i> <u>SR '000</u>	<i>Total</i> <u>SR '000</u>
Balance at 1 January 2022	100,000	40,943	208,020	348,963
Total comprehensive income	-	-	11,925	11,925
<i>Balance at 30 June 2022</i>	<u>100,000</u>	<u>40,943</u>	<u>219,945</u>	<u>360,888</u>
<i>30 June 2021 (unaudited)</i>	<i>Share capital</i> <u>SR '000</u>	<i>Statutory reserve</i> <u>SR '000</u>	<i>Retained earnings</i> <u>SR '000</u>	<i>Total</i> <u>SR '000</u>
Balance at 1 January 2021	100,000	40,943	183,474	324,417
Total comprehensive loss	-	-	(7,213)	(7,213)
<i>Balance at 30 June 2021</i>	<u>100,000</u>	<u>40,943</u>	<u>176,261</u>	<u>317,204</u>

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

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2022

	<i>For the six month period ended</i>	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
Notes	SR '000	SR '000
OPERATING ACTIVITIES		
Profit (loss) before zakat and income tax	15,061	(5,915)
<i>Adjustments for:</i>		
Depreciation on property and equipment	4,934	2,239
Amortisation of intangible assets	3,987	3,024
Depreciation on right of use assets	4,496	4,898
Unwinding of special commission expense of lease liabilities	365	341
Impairment of card members' receivables, net of recoveries	1,346	5,100
Provision for card membership fees	2,481	3,646
Provision for employees' terminal benefits	5,593	3,433
Gain on disposal of property and equipment	(33)	-
<i>Operating cash flows before working capital changes</i>	38,230	16,766
<i>Changes in operating assets and liabilities:</i>		
Card members' receivables	(136,456)	(135,535)
Prepaid expenses and other assets	2,536	11,969
Accounts payable and accruals	35,586	(4,021)
Amounts due to related parties, net	(6,387)	3,423
Card members' margins	(2,450)	(775)
Membership rewards	2,407	(230)
Deferred card membership fees, net	4,278	(532)
Deferred card acquisition costs, net	482	1,192
<i>Net cash used in operations</i>	(61,774)	(107,743)
Employees' terminal benefits paid	(1,104)	(721)
Zakat and tax paid	(7,070)	-
<i>Net cash used in operating activities</i>	(69,948)	(108,464)
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	100	-
Purchase of property and equipment	(13,631)	(12,914)
Purchase of intangible assets	(5,052)	(3,518)
<i>Net cash used in investing activities</i>	(18,583)	(16,432)
FINANCING ACTIVITIES		
Proceeds from short term borrowing facilities	1,023,375	371,250
Repayment of short term borrowing facilities	(923,250)	(328,125)
Settlement of lease liabilities	(7,459)	(3,589)
<i>Net cash from financing activities</i>	92,666	39,536
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,135	(85,360)
Cash and cash equivalents at beginning of the period	222,987	95,748
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	227,122	10,388

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

American Express Saudi Arabia (Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022

1 ACTIVITIES

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

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

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

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

2 BASIS OF PREPARATION

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

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4A STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

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

5 MERCHANT TRANSACTION FEES, NET

	For the three month period ended (Unaudited)		For the six month period ended (Unaudited)	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	SR '000	SR '000	SR '000	SR '000
Local card member transaction fees on 'out of Kingdom' spend (note 10 (a))	29,412	11,346	54,627	23,215
Transaction fees on 'in Kingdom' spend	16,306	15,658	33,228	25,468
Airline transaction fees (note 10 (a))	1,402	963	2,251	1,645
	47,120	27,967	90,106	50,328
Foreign card member transaction fees (note 10 (a))	(2,853)	(1,115)	(5,815)	(2,151)
	44,267	26,852	84,291	48,177

6 CARD MEMBERS' RECEIVABLE, NET

	30 June 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Card members' receivable	903,364	770,285
Less: Impairment in card members' receivable (see note (a) below)	(8,035)	(7,685)
Less: Provision for card membership fees	(416)	(316)
	894,913	762,284

AESA's card products are Shariah approved, Accordingly, card members' receivable are unconventional in nature. The ageing of card members' receivables is as follows:

Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired	
		1 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	
SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	
30 June 2022 (Unaudited)	903,364	870,240	24,013	4,377	2,284	2,450
31 December 2021 (Audited)	770,285	730,420	24,981	6,591	1,971	6,322

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

	For the three month period ended (Unaudited)		For the six month period ended (Unaudited)	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	SR'000	SR'000	SR'000	SR'000
At beginning of the period	8,636	11,475	7,685	11,100
Charge for the period	1,634	5,643	5,462	8,334
Written off during the period	(2,235)	(8,947)	(5,112)	(11,263)
At end of the period	8,035	8,171	8,035	8,171

The impairment charge to the interim statement of profit or loss for the six month period ended 30 June 2022 amounting to SR 1.35 million is net of recoveries during the period of SR 4.12 million (unaudited) (30 June 2021: charge of SR 5.10 million net of recoveries of SR 3.23 million) (unaudited)).

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

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

6 CARD MEMBERS' RECEIVABLE, NET (continued)

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

30 June 2022 (Unaudited)

<i>Impairment loss on card members' receivable</i>	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	SR'000			
Balance at 1 January 2022	3,665	1,385	2,635	7,685
Transfer to 12-month ECL including remeasurement	24	(515)	(152)	(643)
Transfer to lifetime ECL not credit impaired including remeasurement	(28)	951	(311)	612
Transfer to lifetime ECL credit impaired including remeasurement	(25)	(293)	2,023	1,705
Net re-measurement of loss allowance	764	(27)	(77)	660
New financial assets originated or purchased	96	9	-	105
Financial assets that have been derecognized	(96)	(130)	(190)	(416)
Write offs (see note)	(2)	(214)	(1,457)	(1,673)
<i>Balance at 30 June 2022</i>	<u>4,398</u>	<u>1,166</u>	<u>2,471</u>	<u>8,035</u>

Note: Card members' receivable written off during the period amounting to SR 5.11 million (see note 6 (a)) includes direct write offs amounting to SR 3.44 million.

30 June 2021 (Unaudited)

<i>Impairment loss on card members' receivable</i>	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	SR'000			
Balance at 1 January 2021	5,551	2,790	2,759	11,100
Transfer to 12-month ECL including remeasurement	30	(703)	(432)	(1,105)
Transfer to lifetime ECL not credit impaired including remeasurement	(58)	1,080	(147)	875
Transfer to lifetime ECL credit impaired including remeasurement	(108)	(231)	2,218	1,879
Net re-measurement of loss allowance	(1,068)	(44)	(54)	(1,166)
New financial assets originated or purchased	53	24	-	77
Financial assets that have been derecognized	(182)	(245)	(448)	(875)
Write offs (see note)	(5)	(1,315)	(1,294)	(2,614)
<i>Balance at 30 June 2021</i>	<u>4,213</u>	<u>1,356</u>	<u>2,602</u>	<u>8,171</u>

Note: Card members' receivable written off during the period amounting to SR 11.26 million (see note 6 (a)) includes direct write offs amounting to SR 8.66 million.

7 ACCOUNTS PAYABLE AND ACCRUALS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	SR'000	SR'000
Accrued expenses	64,115	47,592
Advance from card members	63,495	38,751
Employees' accrued compensation	18,896	25,706
Payable to merchants	15,614	14,612
Other payables	2,943	2,926
	<u>165,063</u>	<u>129,587</u>

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

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

8 ZAKAT AND INCOME TAX PAYABLE

The Company is owned by Saudi and Non-Saudi shareholders, and hence is subject to zakat (on Saudi shareholder's share) and income tax (on Non-Saudi shareholder's share). The income tax and zakat charge, for the six month period ended 30 June 2022 amounting to SR 1.22 million and SR 2.33 million (30 June 2021: SR nil and SR 1.51 million) respectively, have been calculated on the basis of the Income Tax Law and the Zakat Regulations in the Kingdom of Saudi Arabia.

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

	<i>For the three month period ended (Unaudited)</i>		<i>For the six month period ended (Unaudited)</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>Zakat charge for current period (note (b))</i>	1,031	793	2,329	1,506
<i>Income tax charge for current period (note (b))</i>	427	(1)	1,224	-
<i>Deferred tax origination of temporary differences (note (c))</i>	(111)	(210)	(417)	(208)
<i>Income tax charge, net of deferred tax</i>	316	(211)	807	(208)

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

<i>For the six month period ended 30 June 2022 (Unaudited)</i>	<i>Zakat</i>	<i>Income tax</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Balance payable at beginning of the period	5,234	1,698	6,932
Charge for the period	2,329	1,224	3,553
Payments during the period	(5,234)	(1,836)	(7,070)
Balance payable at end of the period	2,329	1,086	3,415
<i>For the six month period ended 30 June 2021 (Unaudited)</i>	<i>Zakat</i>	<i>Income tax</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Balance payable (receivable) at beginning of the period	3,303	(3,502)	(199)
Charge for the period	1,506	-	1,506
Application of income tax overpayment	(3,303)	3,303	-
Balance payable (receivable) at end of the period	1,506	(199)	1,307

American Express Saudi Arabia
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2022

8 ZAKAT AND INCOME TAX PAYABLE (continued)

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

<i>For the year ended 31 December 2021 (Audited)</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	3,303	(3,502)	(199)
Charge for the year	5,234	1,897	7,131
Application of income tax overpayment	(3,303)	3,303	-
	<u>5,234</u>	<u>1,698</u>	<u>6,932</u>

c) Deferred tax asset (unaudited)

The deferred tax asset as at 30 June 2022 amounting to SR 3.89 million (30 June 2021 : SR 3.64 million) includes deferred tax origination for the six month period ended 30 June 2022 amounting to SR 0.42 million (30 June 2021: origination of SR 0.21 million) (see note 8 (a)). The deferred tax relates to timing differences due to differential treatment in computation of the book profit and taxable profit in respect of depreciation of property and equipment, amortisation of intangible assets and disallowance of provision for employees' terminal benefits, provision for fraud loss, provision for card members' receivables, provision for card fees and others. The tax impact is calculated based on the income tax rate of 20%.

Movement in deferred tax asset is set out below:

	<u>For the six month period ended</u> <u>(Unaudited)</u>		<u>For the year ended</u> <u>(Audited)</u>
	<u>30 June 2022</u>	<u>30 June 2021</u>	<u>31 December 2021</u>
	SR '000	SR '000	SR '000
Balance at beginning of the period / year	3,470	3,436	3,436
Origination of temporary differences	417	208	34
	<u>3,887</u>	<u>3,644</u>	<u>3,470</u>

d) Status of assessments

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

During 2022, the Company received Zakat and income tax assessment for the year 2016 aggregating SR 3.79 million. The Company has submitted an appeal against assessment and is awaiting the ZATCA's decision. Assessments for the years ended from 31 December 2012 to 31 December 2014 and 31 December 2017 to 31 December 2021 have not yet been raised by the ZATCA.

9 SHORT TERM BORROWINGS

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

- a) Credit facility obtained from American Express Overseas Credit Corporation NV ("AEOCC NV") aggregating USD 200 million (equivalent to SR 750 million (unaudited)) (31 December 2021: USD 200 million equivalent to SR 750.00 million (audited)) to finance the working capital requirements of the Company. As of 30 June 2022, the outstanding balance under this facility was USD 140 million equivalent to SR 525 million (unaudited) (31 December 2021: USD 113.30 million equivalent to SR 424.88 million (audited)). The facility will be due for renewal in August 2024.

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9 SHORT TERM BORROWINGS (continued)

- b) Short term facilities from banks aggregating USD 80.00 million (equivalent to SR 300 million) (31 December 2021: USD 80 million equivalent to SR 300.00 million) to finance the working capital requirements of the Company. These loans are secured by promissory notes signed by the Company. As of 30 June 2022, the drawdown and outstanding balance under these facilities was nil (31 December 2021: nil).

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

<i>Related party</i>	<i>Nature of transaction</i>	<i>For the three month period ended (Unaudited)</i>		<i>For the six month period ended (Unaudited)</i>	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		SR'000	SR'000	SR'000	SR'000
<i>Shareholder</i>					
The Saudi Investment Bank ("SAIB")	- Data support services	990	918	1,928	1,761
	- Service and annual card fees	(207)	(275)	(362)	(439)
	- Co-brand fees	95	65	215	225
<i>Affiliate</i>					
AETRS	- Merchant and airline transaction fees earned (note 5)	(30,814)	(12,309)	(56,878)	(24,860)
	- Foreign card member transaction fees (note 5)	2,853	1,115	5,815	2,151
	- Support and other services	150	135	298	255
	- Royalty expense	101	102	201	203
AEOCC NV	- Special commission expense (note 9 (a))	1,280	136	2,023	202
	- Short term loans received	546,000	252,750	1,023,375	352,500
	- Short term loans settled	(330,750)	(118,875)	(923,250)	(309,375)

In addition to the above, most of the routine banking transactions of the Company are carried out with SAIB. Bank balances as at 30 June 2022 with SAIB amounted to SR 226.34 million (unaudited) and are included under cash and cash equivalents (31 December 2021 : SR 222.17 million (audited)).

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

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

	<i>For the three month period ended (Unaudited)</i>		<i>For the six month period ended (Unaudited)</i>	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	SR'000	SR'000	SR'000	SR'000
Short term benefits	4,384	3,532	8,190	6,997
Termination and other long term benefits	955	742	2,668	1,551
	5,339	4,274	10,858	8,548

- c) Card members' receivable include outstanding balances of Board of Directors and key management personnel of the Company, arising out of credit card related transactions, as at 30 June 2022 of SR 4.81 million (unaudited) (31 December 2021: SR 2.42 million (audited)).

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

<i>Related party</i>	<i>Name</i>	<u>30 June 2022 (Unaudited) SR '000</u>	<u>31 December 2021 (Audited) SR '000</u>
Amounts due from / (to):			
Shareholder	SAIB	<u>304</u>	<u>319</u>
Affiliate	AETRS	<u>(14,253)</u>	<u>(20,545)</u>

11 COMMITMENTS AND CONTINGENCES

Capital commitments

Commitments in respect of capital expenditure outstanding as at 30 June 2022 amounted to SR 26.65 million (unaudited) (31 December 2021 : SR 19.16 million (audited)).

Undrawn commitments

The undrawn credit commitments in respect of revolve credit cards issued by the Company as at 30 June 2022 amounted to SR 770.41 million (unaudited) (31 December 2021 : SR 861.70 million (audited)).

12 FINANCIAL INSTRUMENTS AND FAIR VALUE

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

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

The principal or the most advantageous market must be accessible to by the Company. Financial instruments comprise financial asset and financial liabilities. Financial assets consist of bank balances and receivables. Financial liabilities consist of borrowings, payables, card members' margins and membership rewards.

Fair value hierarchy

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

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

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

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12 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

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

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

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

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

a) Impact of pandemic and expected credit losses

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

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

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

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

b) SAMA programs and initiatives launched

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

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

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

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14 COMPARATIVE FIGURES

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

15 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 29 Dhul Hijjah 1443H (corresponding to 28 July 2022).