

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

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

**FOR THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2020**

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

Interim Condensed Financial Statements and Independent Auditor's Review Report
For The Three and Nine Month Periods Ended 30 September 2020

Contents	Pages
Independent Auditor's Review Report	1
Interim Statement of Profit or Loss	2
Interim Statement of Other Comprehensive Income	3
Interim Statement of Financial Position	4
Interim Statement of Changes in Shareholders' Equity	5
Interim Statement of Cash Flows	6
Notes to the Interim Condensed Financial Statements	7 – 16



Ernst & Young & Co. (Certified Public Accountants) Registration No. 45/11/323
General Partnership C.R. No. 1010383821
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AMERICAN EXPRESS SAUDI ARABIA (Saudi Closed Joint Stock Company)

Introduction:

We have reviewed the accompanying interim statement of financial position of American Express Saudi Arabia - a Saudi Closed Joint Stock Company (the "Company") as at 30 September 2020 and the related interim statements of profit or loss, other comprehensive income for the three and nine month periods then ended and the interim statements of changes in shareholders' equity and cash flows for the nine month period then ended and other explanatory notes (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") 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young

Yousef A. Almubarak
Certified Public Accountant
License No. (427)

Riyadh: 4 Rabi Awal 1442H
(21 October 2020)



American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF PROFIT OR LOSS

For the three and nine month periods ended 30 September 2020

	Notes	For the three month period ended (Unaudited)		For the nine month period ended (Unaudited)	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		SR '000	SR '000	SR '000	SR '000
OPERATING INCOME					
<i>Revenue from merchants</i>					
Merchant transaction fees, net	5	18,798	47,677	65,487	128,128
<i>Revenue from card members</i>					
Special commission income on tawarruq		14,493	16,001	51,965	31,153
Card membership fees, net		14,796	14,637	45,622	45,972
Foreign exchange income		5,843	27,636	25,430	64,766
Service and administrative fees		471	4,455	3,693	27,722
Other income, net		1,513	2,916	5,210	7,739
TOTAL OPERATING INCOME		55,914	113,322	197,407	305,480
EXPENSES					
General and administration expenses		(39,705)	(43,603)	(130,182)	(131,261)
Selling and marketing expenses		(14,408)	(19,691)	(44,815)	(54,803)
Impairment charge for card members' receivable, net of recoveries	6 (a)	(972)	(2,676)	(5,709)	(5,008)
Special commission expense		(132)	(3,184)	(2,149)	(7,878)
PROFIT BEFORE ZAKAT AND INCOME TAX		697	44,168	14,552	106,530
Zakat	8 (b)	(108)	(3,083)	(2,251)	(7,826)
Income tax, net of deferred tax	8 (b) (c)	(19)	(2,039)	(772)	(5,216)
NET PROFIT FOR THE PERIOD		570	39,046	11,529	93,488

The accompanying notes 1 to 17 form part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three and nine month periods ended 30 September 2020

	<i>For the three month period ended (Unaudited)</i>		<i>For the nine month period ended (Unaudited)</i>	
	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
	<i>September 2020</i>	<i>September 2019</i>	<i>September 2020</i>	<i>September 2019</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
NET PROFIT FOR THE PERIOD	570	39,046	11,529	93,488
OTHER COMPREHENSIVE INCOME / LOSS				
<i>Other comprehensive income/loss not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement losses on defined benefit plans	-	-	-	-
Total other comprehensive income / loss	-	-	-	-
TOTAL COMPREHENSIVE INCOME	570	39,046	11,529	93,488

The accompanying notes 1 to 17 form part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		<i>30 September</i>	<i>31 December</i>
		<i>2020</i>	<i>2019</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR '000</i>	<i>SR '000</i>
ASSETS			
Cash and cash equivalents		40,752	11,088
Card members' receivable, net	6	480,969	885,734
Amounts due from a related party	10 (d)	150	116
Prepaid expenses and other assets		40,357	19,270
Zakat and income tax receivable	8 (b)	377	-
Deferred card acquisition costs		6,407	8,082
Deferred tax asset	8 (c)	3,492	3,260
Property and equipment, net		14,388	14,309
Intangible assets, net		19,399	17,607
Right of use assets, net		7,975	11,344
		<hr/>	<hr/>
TOTAL ASSETS		614,266	970,810
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Amounts due to a related party	10 (d)	4,568	4,244
Accounts payable and accruals	7	136,367	107,853
Zakat and income tax payable	8 (b)	-	11,666
Short term borrowings	9 (a)	-	267,413
Card members' margins		44,615	48,828
Membership rewards		34,340	32,769
Lease liabilities		6,305	9,544
Deferred card membership fees		26,972	27,036
Employees' terminal benefits		39,367	35,754
		<hr/>	<hr/>
TOTAL LIABILITIES		292,534	545,107
		<hr/>	<hr/>
SHAREHOLDERS' EQUITY			
Share capital		100,000	100,000
Statutory reserve		40,943	40,943
Retained earnings		180,789	284,760
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' EQUITY		321,732	425,703
		<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		614,266	970,810
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes 1 to 17 form part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine month period ended 30 September 2020

<i>30 September 2020 (unaudited)</i>	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	<u>SR '000</u>	<u>SR '000</u>	<u>SR '000</u>	<u>SR '000</u>
Balance at 1 January 2020	100,000	40,943	284,760	425,703
Total comprehensive income	-	-	11,529	11,529
Dividend (note 12)	-	-	(115,500)	(115,500)
<i>Balance at 30 September 2020</i>	<u>100,000</u>	<u>40,943</u>	<u>180,789</u>	<u>321,732</u>
<i>30 September 2019 (unaudited)</i>				
Balance at 1 January 2019, as previously reported	100,000	40,943	278,893	419,836
Adjustment for deferred tax asset (note 14)	-	-	3,247	3,247
Restated balance as at 1 January 2019	<u>100,000</u>	<u>40,943</u>	<u>282,140</u>	<u>423,083</u>
Total comprehensive income	-	-	93,488	93,488
Dividend (note 12)	-	-	(121,266)	(121,266)
<i>Balance at 30 September 2019</i>	<u>100,000</u>	<u>40,943</u>	<u>254,362</u>	<u>395,305</u>

The accompanying notes 1 to 17 form part of these interim condensed financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2020

		<i>For the nine month period ended</i>	
		<u>30 September</u>	<u>30 September 2019</u>
Notes		<u>2020 (Unaudited)</u>	<u>(Unaudited)</u>
		SR '000	SR '000
OPERATING ACTIVITIES			
	Profit before zakat and income tax	14,552	106,530
	<i>Adjustments for:</i>		
	Depreciation on property and equipment	3,347	3,542
	Amortisation of intangible assets	4,347	3,728
	Depreciation on right of use assets	5,659	5,366
	Impairment of card members' receivables, net of recoveries	10,555	5,008
	Provision for card membership fees	4,882	3,111
	Provision for fraud losses	24	64
	Provision for employees' terminal benefits	5,039	5,517
	Property and equipment gain on sale / written off	-	(41)
	Special commission expense on lease liabilities	147	265
	<i>Operating cash flows before working capital changes</i>	<u>48,552</u>	<u>133,090</u>
	<i>Changes in operating assets and liabilities:</i>		
	Card members' receivables	389,328	(100,520)
	Prepaid expenses and other assets	(21,087)	(4,289)
	Accounts payable and accruals	28,490	7,379
	Amounts due to related parties, net	290	15,991
	Card members' margins	(4,213)	(3,186)
	Membership rewards	1,571	2,711
	Deferred card membership fees, net	(64)	1,112
	Deferred card acquisition costs, net	1,675	(759)
	<i>Net cash from operations</i>	<u>444,542</u>	<u>51,529</u>
	Income tax paid	(15,298)	(12,963)
	Employees' terminal benefits paid	(1,426)	(3,003)
	<i>Net cash from operating activities</i>	<u>427,818</u>	<u>35,563</u>
INVESTING ACTIVITIES			
	Proceeds from sale of property and equipment		49
	Purchase of property and equipment	(3,426)	(3,207)
	Purchase of intangible assets	(6,139)	(7,167)
	<i>Net cash used in investing activities</i>	<u>(9,565)</u>	<u>(10,325)</u>
FINANCING ACTIVITIES			
	Proceeds from short term borrowing facilities	10 (a) 565,500	1,340,625
	Repayment of short term borrowing facilities	10 (a) (832,913)	(1,233,000)
	Lease liabilities	(5,676)	(5,866)
	Dividend paid	12 (115,500)	(121,266)
	<i>Net cash used in financing activities</i>	<u>(388,589)</u>	<u>(19,507)</u>
	INCREASE IN CASH AND CASH EQUIVALENTS	29,664	5,731
	Cash and cash equivalents at beginning of the period	<u>11,088</u>	<u>13,195</u>
	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>40,752</u>	<u>18,926</u>
	<i>Non-cash elements:</i>		
	Right of use assets	2,290	17,458
	Prepaid rent (adjustment upon adoption of IFRS 16)	-	(2,166)
	Lease liabilities	-	9,426

The accompanying notes 1 to 17 form part of these interim condensed financial statements

American Express Saudi Arabia (Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2020

1 ACTIVITIES

American Express Saudi Arabia (the “Company” or “AESA”) is a Saudi Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia. 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 Arabian Monetary Authority (“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:

<u>Branch</u>	<u>Commercial Registration Number</u>	<u>Date</u>	<u>Location</u>
	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 the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company up to the three month period ended 31 March 2019 were prepared in compliance with IAS 34 – Interim Financial Reporting as modified by SAMA for the ‘accounting of zakat and income tax’, which required, adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and International Financial Reporting Interpretations Committee (“IFRIC”) 21 - “Levies” so far as these relate to zakat and income tax. As per SAMA Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA Circular”), zakat and income tax are to be accrued through shareholders equity under retained earnings.

On 18 July 2019, SAMA instructed finance companies in KSA to account for zakat and income taxes in the statement of profit or loss that aligns with IFRS and interpretations as issued by International Accounting Standards Board (“IASB”) as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”). Accordingly, starting from the three month period ended 30 June 2019, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors. The effects of this change are disclosed in note 14 to the interim condensed financial statements.

The accompanying interim condensed financial statements of the Company as at and for the three and nine month periods ended 30 September 2020 has been prepared in compliance with IAS 34 – “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia.

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.

Membership rewards

The Company uses models to estimate 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.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

3 SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Fraud losses

Provision for fraud losses is estimated by management based on the Company's historical experience.

Impairment of card members' receivables

The measurement of impairment losses under IFRS 9 in respect of card members' receivables requires certain amount of 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 weightings, to derive the economic inputs into the ECL models.

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 amortisation. 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 would be adjusted where management believes the useful lives differ from previous estimates.

Determining the lease term of contracts with renewal and termination options – Company as 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, the interim condensed financial statements continue to be prepared on the going concern basis.

Taxes

Deferred tax assets are recognised for unused tax losses 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.

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. In addition, results for the period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4A STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not early adopted any standards, interpretations or amendments before their effective date. Standards, interpretations or amendments issued but not effective are not expected to have a significant impact on the interim condensed financial statements of the Company.

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 or after 1 January 2020.

5 MERCHANT TRANSACTION FEES, NET

	<i>For the three month period ended (Unaudited)</i>		<i>For the nine month period ended (Unaudited)</i>	
	<i>30 September 2020 (Unaudited)</i>	<i>30 September 2019 (Unaudited)</i>	<i>30 September 2020 (Unaudited)</i>	<i>30 September 2019 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Local card member transaction fees on 'out of Kingdom' spend (note 10 (a))	7,461	36,540	34,351	90,789
Transaction fees on 'in Kingdom' spend	11,537	11,279	32,755	38,429
Airline transaction fees (note 10 (a))	432	1,851	2,023	5,604
	19,430	49,670	69,129	134,822
Foreign card member transaction fees (note 10 (a))	(632)	(1,993)	(3,642)	(6,694)
	18,798	47,677	65,487	128,128

6 CARD MEMBERS' RECEIVABLE, NET

	<i>30 September 2020 (Unaudited)</i>	<i>31 December 2019 (Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Card members' receivable	492,446	896,734
Less: Impairment in card members' receivable (see note (a) below)	(10,987)	(10,723)
Less: Provision for card membership fees	(490)	(277)
	480,969	885,734

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

The ageing of unimpaired card members' receivables is as follows:

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
			<i>1 - 30 days</i>	<i>31 - 60 days</i>	<i>61 - 90 days</i>	<i>91 - 180 days</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>	<i>SR' 000</i>
<i>30 September 2020 (Unaudited)</i>	480,969	428,146	33,717	9,589	2,891	6,626
<i>31 December 2019 (Audited)</i>	885,734	790,096	75,462	7,183	3,484	9,509

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

6 CARD MEMBERS' RECEIVABLE, NET (continued)

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

	<i>For the three month period ended (Unaudited)</i>		<i>For the nine month period ended (Unaudited)</i>	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000
At beginning of the period	12,004	9,331	10,723	9,761
Charge for the period	2,794	4,106	10,555	10,024
Written off during the period	(3,811)	(2,656)	(10,291)	(9,004)
At end of the period	10,987	10,781	10,987	10,781

The impairment charge to the interim statement of profit or loss for the nine month period ended 30 September 2020 amounting to SR 5.71 million is net of recoveries during the period of SR 4.85 million (unaudited) (30 September 2019: charge of SR 5.01 million net of recoveries of SR 4.52 million) (unaudited)).

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

30 September 2020 (Unaudited)	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
<i>Impairment loss on card members' receivable</i>				
	SR'000			
Balance at 1 January 2020	4,842	1,929	3,952	10,723
Transfer to 12-month ECL	18	(455)	(897)	(1,334)
Lifetime ECL not credit impaired	(59)	2,165	(74)	2,032
Lifetime ECL credit impaired	(36)	(278)	2,851	2,537
Net re-measurement of loss allowance	559	(18)	(215)	326
New financial assets originated or purchased	141	22	34	197
Financial assets that have been derecognized	(215)	(330)	(379)	(924)
Write offs (see note below)	(20)	(559)	(1,991)	(2,570)
<i>Balance at 30 September 2020</i>	5,230	2,476	3,281	10,987

Note: Card members' receivable written off during the period amounting to SR 10.29 million (see note 6 (a)) includes direct write offs amounting to SR 7.72 million.

30 September 2019 (Unaudited)	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
<i>Impairment loss on card members' receivable</i>				
	SR'000			
Balance at 1 January 2019	4,394	2,093	3,274	9,761
Transfer to 12-month ECL	15	(512)	(273)	(770)
Lifetime ECL not credit impaired	(48)	2,397	(70)	2,279
Lifetime ECL credit impaired	(25)	(306)	2,435	2,104
Net re-measurement of loss allowance	503	(53)	(89)	361
New financial assets originated or purchased	434	110	74	618
Financial assets that have been derecognized	(209)	(434)	(411)	(1,054)
Write offs (see note below)	(15)	(508)	(1,995)	(2,518)
<i>Balance at 30 September 2019</i>	5,049	2,787	2,945	10,781

Note: Card members' receivable written off during the period amounting to SR 9.00 million (see note 6 (a)) includes direct write offs amounting to SR 6.48 million.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

7 ACCOUNTS PAYABLE AND ACCRUALS

	<i>30 September 2020</i> <i>(Unaudited)</i>	<i>31 December 2019</i> <i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Advance from card members	68,536	35,826
Accrued expenses	38,025	34,374
Employees' accrued compensation	12,192	21,398
Payable to merchants	11,240	12,807
Other payable	6,374	3,448
	136,367	107,853

8 ZAKAT AND INCOME TAX PAYABLE

The Company is owned by Saudi and Non-Saudi shareholders, and hence is subject to zakat (on Saudi shareholder's share) and income tax (on Non-Saudi shareholder's share). The income tax and zakat charge, for the nine month period ended 30 September 2020 amounting to SR 1.00 million and SR 2.25 million (30 September 2019: SR 5.78 million and SR 8.16 million) respectively, have been calculated on the basis of the Income Tax Law and the Zakat Regulations in the Kingdom of Saudi Arabia.

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

	<i>For the three month period</i> <i>ended (Unaudited)</i>		<i>For the nine month period</i> <i>ended (Unaudited)</i>	
	<i>30 September</i> <i>2020</i>	<i>30 September</i> <i>2019</i>	<i>30 September</i> <i>2020</i>	<i>30 September</i> <i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Current zakat and income tax (see note (b))	97	5,098	3,255	13,945
Adjustments for prior period (see note (b))	-	-	-	(750)
Deferred tax for origination (reversal) of temporary differences (note (c))	30	24	(232)	(153)
<i>Charged to interim statement of profit or loss</i>	127	5,122	3,023	13,042

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

<i>For the nine month period ended 30 September 2020 (Unaudited)</i>	<i>Zakat</i> <i>SR '000</i>	<i>Income tax</i> <i>SR '000</i>	<i>Total</i> <i>SR '000</i>
Balance at beginning of the period (1 January 2020)	11,090	576	11,666
Provision during the period	2,251	1,004	3,255
Payments during the period	(11,090)	(4,208)	(15,298)
Balance payable (receivable) at end of the period	2,251	(2,628)	(377)
<i>For the nine month period ended 30 September 2019 (Unaudited)</i>	<i>Zakat</i> <i>SR '000</i>	<i>Income tax</i> <i>SR '000</i>	<i>Total</i> <i>SR '000</i>
Balance at beginning of the period	7,975	1,282	9,257
Provision during the period	8,164	5,781	13,945
Adjustments for prior period	(338)	(412)	(750)
Payments during the period	(7,637)	(5,326)	(12,963)
Balance payable at end of the period	8,164	1,325	9,489

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

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 2019 (Audited)</i>	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
	SR '000	SR '000	SR '000
Balance at beginning of the year	7,975	1,282	9,257
Provision during the year	11,090	7,261	18,351
Adjustments / provision for prior years	543	385	928
Provision reversed during the year	(338)	(412)	(750)
Payments during the year	(8,180)	(7,940)	(16,120)
	<u>11,090</u>	<u>576</u>	<u>11,666</u>
Balance payable at end of the year	<u>11,090</u>	<u>576</u>	<u>11,666</u>

c) Deferred tax asset (unaudited)

The deferred tax asset as at 30 September 2020 amounting to SR 3.49 million (30 September 2019 : SR 3.40 million) includes deferred tax for origination of temporary differences for the for the nine month period ended 30 September 2020 amounting to SR 0.03 million (30 September 2019: deferred tax credit of SR 0.15 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% (see movement in deferred tax asset below and note 14).

Movement in deferred tax asset is set out below:

	<u>For the nine month period ended</u>		<u>For the year ended</u>
	<u>30 September</u>	<u>30 September</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
	SR '000	SR '000	SR '000
Balance at beginning of the period/ year	3,260	3,247	3,247
Origination of temporary differences	232	153	13
	<u>3,492</u>	<u>3,400</u>	<u>3,260</u>
Balance at end of the period/ year	<u>3,492</u>	<u>3,400</u>	<u>3,260</u>

d) Status of assessments

The Company has filed zakat and income tax returns for all years up to 31 December 2019 with the General Authority of Zakat and Tax (GAZT). The GAZT has provided zakat certificate, which is valid up to 30 April 2021. The GAZT has finalized the Company's position up to the year ended 31 December 2011.

During 2020, the Company received delay fine assessment for the year 2015 amounting to SR 3.30 million. The Company submitted an appeal against the delay fine assessment. The GAZT, subsequently, confirmed that the delay fine assessment has been cancelled. The assessments for the years ended from 31 December 2012 to 31 December 2014 and 31 December 2016 to 31 December 2019 have not yet been raised by the GAZT.

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 2019: USD 200 million equivalent to SR 750.00 million (audited)) to finance the working capital requirements of the Company. As of 30 September 2020, the outstanding balance under this facility was USD nil (unaudited) (31 December 2019: USD 71.31 million equivalent to SR 267.41 million (audited)). The facility will be due for renewal on 23 August 2021.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

9 SHORT TERM BORROWINGS (continued)

- b) Short term facilities from local banks aggregating USD 80 million (equivalent to SR 300 million (unaudited)) (31 December 2019: USD 53.33 million equivalent to SR 200.00 million (audited)) to finance the working capital requirements of the Company. This loan is secured by promissory notes signed by the Company. As of 30 September 2020, the outstanding balance under these facilities was SR nil (unaudited) 31 December 2019: SR nil (audited).

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

<i>Related party</i>	<i>Nature of transaction</i>	<i>For the three month period ended (Unaudited)</i>		<i>For the nine month period ended (Unaudited)</i>	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		SR'000	SR'000	SR'000	SR'000
<i>Shareholder</i>					
The Saudi Investment Bank ("SAIB")	- Data support and other services	620	877	1,927	2,863
	- Service and annual card fees	(162)	(140)	(678)	(817)
	- Share of co-brand fee	23	113	183	193
<i>Affiliate</i>					
AETRS	- Merchant and airline transaction fees earned (note 5)	(7,893)	(38,391)	(36,374)	(96,393)
	- Foreign card member transaction fees (note 5)	632	1,993	3,642	6,694
	- Support and other services	45	126	475	208
	- Royalty expense	105	113	332	335
AEOCC NV (note 9 (a))	- Special commission expense (note 9 (a))	66	3,113	1,978	7,613
	- Short term loans received	93,375	573,750	565,500	1,340,625
	- Short term loans settled	(220,913)	(579,750)	(832,913)	(1,233,000)

In addition to the above, most of the routine banking transactions of the Company are carried out with SAIB. Cash and cash equivalents include balances with SAIB as at 30 September 2020 amounting to SR 20.83 million (unaudited) (31 December 2019: SR 10.10 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 ('KMP') for the reporting period is set out below:

	<i>For the three month period ended (Unaudited)</i>		<i>For the nine month period ended (Unaudited)</i>	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	SR'000	SR'000	SR'000	SR'000
Short term benefits	3,531	2,946	10,201	7,724
Termination and other long term benefits	743	679	2,561	2,930
	4,274	3,625	12,762	10,654

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Card members' receivable include outstanding balances of related parties of the Company, arising out of card transactions, as at 30 September 2020 of SR 0.47 million (unaudited) (31 December 2019: SR 0.56 million (audited)).

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

<i>Related party</i>	<i>Name</i>	<i>30 September 2020</i>	<i>31 December 2019</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR '000</i>	<i>SR '000</i>
Amounts due from/ (to):			
Shareholder	SAIB	150	116
Affiliate	AETRS	(4,568)	(4,244)

11 COMMITMENTS AND CONTINGENCES

Capital commitments

Commitments in respect of capital expenditure outstanding as at 30 September 2020 amounted to SR 6.72 million (unaudited) (31 December 2019: SR 4.83 million (audited)).

Undrawn commitments

The undrawn credit commitments in respect of revolve credit cards issued by the Company as at 30 September 2020 amounted to SR 888.11 million (unaudited) (31 December 2019: SR 874.20 million (audited)).

12 DIVIDEND

The shareholders in their Annual General Meeting held on 5 April 2020 approved the distribution of net dividends amounting to SR 115.50 million at SR 11.55 per share (unaudited) (21 March 2019: SR 121.27 million at SR 12.13 per share (unaudited)).

13 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.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

13 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 2 of the fair value hierarchy. There have been no transfers to and from Level 2 during the current period or prior year.

14 RESTATEMENTS

Pursuant to the change in accounting policy during 2019 as set out in note 2:

- a) Accounting policy changes were carried out from the three month period ended 30 June 2019. Accordingly, restatements are not required as at and for the period ended 30 September 2019.
- b) The Company has accounted for deferred tax during the prior period pertaining to the opening interim statement of financial position (i.e., 1 January 2019).

Consequently, the net profit and total comprehensive income for the opening period (i.e., 1 January 2019 or the earliest period presented) have been restated after considering the above impact.

The change in the accounting policy for zakat and income tax had the following impacts on the line items of interim statements of financial position, profit or loss, other comprehensive income and changes in shareholders' equity:

Impact on the interim statement of financial position

<i>(Audited)</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Retained earnings</i>	<i>Total shareholders' equity</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>1 January 2019 balances, as previously stated</i>	876,340	456,504	278,893	419,836
a. Revision of zakat and income tax treatment*	-	-	-	-
b. Accounting for deferred tax asset**	3,247	-	3,247	3,247
<i>Net effect of restatements</i>	<u>3,247</u>	<u>-</u>	<u>3,247</u>	<u>3,247</u>
<i>1 January 2019 balances, as restated</i>	<u><u>879,587</u></u>	<u><u>456,504</u></u>	<u><u>282,140</u></u>	<u><u>423,083</u></u>

* There is no impact arising on the retained earnings from the revised treatment of zakat and income tax, as these are now charged through the interim statement of profit or loss instead of earlier treatment of direct charge to the retained earnings.

** The amount represents accounting for deferred tax in the opening statement of financial position as at 1 January 2019.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2020

15 COMPARATIVE FIGURES

In addition to prior period/year adjustments in note 14, certain comparative figures have been reclassified to conform with the presentation in the current period.

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

The coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

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 as at 30 September 2020. 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. As a result of the updates and adjustments arising out of the updates, AESA has recognized an additional ECL of SR 0.75 million during the nine month period ended 30 September 2020.

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.

17 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 4 Rabi Awal 1442H (corresponding to 21 October 2020).