

**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 2023**

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 2023

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كي بي ام 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 Shareholders of American Express Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2023 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 2023;
- the interim statement of other comprehensive income for the three and six month periods ended 30 June 2023;
- the interim statement of financial position as at 30 June 2023;
- the interim statement of changes in shareholders' equity for the six month period ended 30 June 2023;
- the interim statement of cash flows for the six month period ended 30 June 2023; 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 2023 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: 24 July 2023
Corresponding to: 06 Muharram 1445



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ريال سعودي منقوع بالكليل، المسماة سابقاً "شركة كي بي ام جي الفزان وشركاه محاسبون ومراجعون" (٤٠,٠٠٠,٠٠٠) ريال سعودي مسجلة في المملكة العربية السعودية، رأس مالها كلفونين". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي ام جي المستقلة والتابعة لكي بي ام جي العالمية المحلولة، شركة انجليزية محلولة بضمن جميع الحقوق محفوظة.

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 2023

	Notes	For the three month period ended (Unaudited)		For the six month period ended (Unaudited)	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
		SR '000	SR '000	SR '000	SR '000
OPERATING INCOME					
<i>Revenue from merchants</i>					
Merchant transaction fees, net	5	53,270	44,267	101,954	84,291
<i>Revenue from card members</i>					
Foreign exchange income		25,755	14,444	49,361	30,656
Special commission income on tawarruq		18,074	14,688	36,735	30,810
Card membership fees, net		15,868	14,712	31,795	29,038
Other income, net		2,471	1,457	5,207	4,623
TOTAL OPERATING INCOME		115,438	89,568	225,052	179,418
EXPENSES					
General and administration expenses		(58,795)	(60,433)	(118,584)	(117,581)
Selling and marketing expenses		(31,125)	(20,158)	(55,327)	(39,372)
Rebates		(2,520)	(1,436)	(5,744)	(3,670)
Impairment (charge) reversal for card members' receivable, net	6 (a)	(6,147)	582	(9,077)	(1,346)
Special commission expense		(6,024)	(1,455)	(10,997)	(2,388)
PROFIT BEFORE ZAKAT AND INCOME TAX		10,827	6,668	25,323	15,061
Zakat	8 (a)	(1,907)	(1,031)	(3,982)	(2,329)
Income tax, net of deferred tax	8 (a)	(464)	(316)	(1,246)	(807)
NET PROFIT FOR THE PERIOD		8,456	5,321	20,095	11,925

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 2023

	<i>For the three month period ended (Unaudited)</i>		<i>For the six month period ended (Unaudited)</i>	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	SR '000	SR '000	SR '000	SR '000
NET PROFIT FOR THE PERIOD	8,456	5,321	20,095	11,925
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	8,456	5,321	20,095	11,925

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 2023

		30 June 2023 <i>(Unaudited)</i> SR '000	31 December 2022 <i>(Audited)</i> SR '000
	Notes		
ASSETS			
Cash and cash equivalents		153,222	79,409
Card members' receivable, net	6	1,129,978	901,719
Amounts due from a related party	10 (d)	138	208
Prepaid expenses and other assets	13	17,722	17,750
Deferred card acquisition costs		5,296	4,856
Deferred tax asset	8 (c)	4,341	3,882
Property and equipment, net		50,472	51,966
Intangible assets, net		31,501	30,815
Right of use assets, net		45,656	49,597
TOTAL ASSETS		1,438,326	1,140,202
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Amounts due to a related party	10 (d)	4,845	16,033
Accounts payable and accruals	7	233,817	180,497
Lease liabilities		43,124	49,343
Zakat and income tax payable	8 (b)	4,843	10,398
Short term borrowings	9	578,610	342,000
Card members' margins		35,412	36,708
Membership rewards		50,364	41,826
Deferred card membership fees		27,693	27,375
Employees' terminal benefits		48,936	45,435
TOTAL LIABILITIES		1,027,644	749,615
SHAREHOLDERS' EQUITY			
Share capital		100,000	100,000
Statutory reserve		40,943	40,943
Retained earnings		269,739	249,644
TOTAL SHAREHOLDERS' EQUITY		410,682	390,587
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,438,326	1,140,202

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 2023

<i>30 June 2023 (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 2023	100,000	40,943	249,644	390,587
Total comprehensive income	-	-	20,095	20,095
<i>Balance at 30 June 2023</i>	<u>100,000</u>	<u>40,943</u>	<u>269,739</u>	<u>410,682</u>
<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>

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 2023

	<i>For the six month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Notes	SR '000	SR '000
OPERATING ACTIVITIES		
Profit before zakat and income tax	25,323	15,061
<i>Adjustments for:</i>		
Depreciation on property and equipment	6,221	4,934
Amortisation of intangible assets	4,750	3,987
Depreciation on right of use assets	3,979	4,496
Unwinding of special commission expense of lease liabilities	344	365
Impairment of card members' receivables, net of recoveries	9,077	1,346
Provision for card membership fees	2,397	2,481
Provision for employees' terminal benefits	5,343	5,593
Gain on disposal of property and equipment	-	(33)
<i>Operating cash flows before working capital changes</i>	57,434	38,230
<i>Changes in operating assets and liabilities:</i>		
Card members' receivables	(239,733)	(136,456)
Prepaid expenses and other assets	28	2,536
Accounts payable and accruals	53,320	35,586
Amounts due to related parties, net	(11,118)	(6,387)
Card members' margins	(1,296)	(2,450)
Membership rewards	8,538	2,407
Deferred card membership fees, net	318	4,278
Deferred card acquisition costs, net	(440)	482
<i>Net cash used in operations</i>	(132,949)	(61,774)
Employees' terminal benefits paid	(11,242)	(7,070)
Zakat and tax paid	(1,842)	(1,104)
<i>Net cash used in operating activities</i>	(146,033)	(69,948)
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	100
Purchase of property and equipment	(4,727)	(13,631)
Purchase of intangible assets	(5,436)	(5,052)
<i>Net cash used in investing activities</i>	(10,163)	(18,583)
FINANCING ACTIVITIES		
Proceeds from short term borrowing facilities	1,595,286	1,023,375
Repayment of short term borrowing facilities	(1,358,676)	(923,250)
Settlement of lease liabilities	(6,601)	(7,459)
<i>Net cash from financing activities</i>	230,009	92,666
INCREASE IN CASH AND CASH EQUIVALENTS	73,813	4,135
Cash and cash equivalents at beginning of the period	79,409	222,987
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	153,222	227,122

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 2023

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 2023 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 2022.

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 2022.

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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. 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 2022.

4A NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

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 2023. The Company has not early adopted any standards, interpretations or amendments before their effective date. Standards, interpretations or amendments issued but not effective or if 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 2023

5 MERCHANT TRANSACTION FEES, NET

	For the three month period ended (Unaudited)		For the six month period ended (Unaudited)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	SR '000	SR '000	SR '000	SR '000
Local card member transaction fees on 'out of Kingdom' spend (note 10 (a))	36,085	29,412	67,719	54,627
Transaction fees on 'in Kingdom' spend	20,239	16,306	41,169	33,228
Airline transaction fees (note 10 (a))	971	1,402	2,262	2,251
	57,295	47,120	111,150	90,106
Foreign card member transaction fees (note 10 (a))	(4,025)	(2,853)	(9,196)	(5,815)
	53,270	44,267	101,954	84,291

6 CARD MEMBERS' RECEIVABLE, NET

	30 June 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
Card members' receivable	1,142,587	911,322
Less: Impairment in card members' receivable (see note (a) below)	(12,279)	(9,199)
Less: Provision for card membership fees	(330)	(404)
	1,129,978	901,719

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 SR' 000	Neither past due nor impaired SR' 000	Past due but not impaired			Past due and impaired
			1 - 30 days SR' 000	31 - 60 days SR' 000	61 - 90 days SR' 000	91 - 180 days SR' 000
30 June 2023 (Unaudited)	1,142,587	1,086,822	36,666	8,391	3,075	7,633
31 December 2022 (Audited)	911,322	846,378	47,240	12,814	2,838	2,052

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 2023	30 June 2022	30 June 2023	30 June 2022
	SR'000	SR'000	SR'000	SR'000
At beginning of the period	12,620	8,636	9,199	7,685
Charge for the period	8,054	1,634	12,829	5,462
Written off during the period	(8,395)	(2,235)	(9,749)	(5,112)
At end of the period	12,279	8,035	12,279	8,035

The impairment charge to the interim statement of profit or loss for the six month period ended 30 June 2023 amounting to SR 9.08 million is net of recoveries during the period of SR 3.75 million (unaudited) (30 June 2022: charge of SR 1.35 million net of recoveries of SR 4.11 million) (unaudited)).

American Express Saudi Arabia
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2023

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 2023 (Unaudited)

<i>Impairment loss on card members' receivable</i>	<i>12 month ECL</i>	<i>Lifetime ECL not credit impaired</i>	<i>Lifetime ECL credit impaired</i>	<i>Total</i>
SR'000				
Balance at 1 January 2023	5,326	4,418	(545)	9,199
Transfer to 12-month ECL	671	(585)	(86)	-
Transfer to lifetime ECL not credit impaired	(47)	564	(517)	-
Transfer to lifetime ECL credit impaired	(46)	(298)	344	-
Net impairment charge	388	1,408	11,033	12,829
Write offs	-	-	(9,749)	(9,749)
<i>Balance at 30 June 2023</i>	6,292	5,507	480	12,279

30 June 2022 (Unaudited)

<i>Impairment loss on card members' receivable</i>	<i>12 month ECL</i>	<i>Lifetime ECL not credit impaired</i>	<i>Lifetime ECL credit impaired</i>	<i>Total</i>
SR'000				
Balance at 1 January 2022	4,044	3,171	470	7,685
Transfer to 12-month ECL	668	(515)	(153)	-
Transfer to lifetime ECL not credit impaired	(28)	339	(311)	-
Transfer to lifetime ECL credit impaired	(25)	(293)	318	-
Net impairment charge	216	592	4,654	5,462
Write offs	-	-	(5,112)	(5,112)
<i>Balance at 30 June 2022</i>	4,875	3,294	(134)	8,035

7 ACCOUNTS PAYABLE AND ACCRUALS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
	SR'000	SR'000
Accrued expenses	92,578	84,957
Advance from card members	70,664	45,343
Payable to merchants	48,627	17,234
Employees' accrued compensation	18,295	29,182
Other payables	3,653	3,781
	233,817	180,497

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2023

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 2023 amounting to SR 1.71 million and SR 3.98 million (30 June 2022: SR 1.22 million and SR 2.33 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>	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	SR'000	SR'000	SR'000	SR'000
<i>Zakat charge for current period (note (b))</i>	1,907	1,031	3,982	2,329
<i>Income tax charge for current period (note (b))</i>	496	427	1,705	1,224
<i>Deferred tax origination of temporary differences (note (c))</i>	(32)	(111)	(459)	(417)
<i>Income tax charge, net of deferred tax</i>	464	316	1,246	807

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

<i>For the six month period ended 30 June 2023 (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	7,333	3,065	10,398
Charge for the period	3,982	1,705	5,687
Payments during the period	(7,333)	(3,909)	(11,242)
Balance payable at end of the period	3,982	861	4,843
<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 year ended 31 December 2022 (Audited)</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 year	5,234	1,698	6,932
Charge for the year	7,333	3,203	10,536
Payments during the year	(5,234)	(1,836)	(7,070)
Balance payable at end of the year	7,333	3,065	10,398

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2023

8 ZAKAT AND INCOME TAX PAYABLE (continued)

c) Deferred tax asset (unaudited)

The deferred tax asset as at 30 June 2023 amounting to SR 4.34 million (30 June 2022 : SR 3.88 million) includes deferred tax origination for the six month period ended 30 June 2023 amounting to SR 0.46 million (30 June 2022: origination of SR 0.42 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:

	<i>For the six month period ended (Unaudited)</i>		<i>For the year ended (Audited)</i>
	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>31 December 2022</u>
	SR '000	SR '000	SR '000
Balance at beginning of the period / year	3,882	3,470	3,470
Origination of temporary differences	459	417	412
	<u>4,341</u>	<u>3,887</u>	<u>3,882</u>

d) Status of assessments

The Company has filed zakat and income tax returns (the 'Returns') for all years up till 31 December 2022 with the Zakat, Tax and Customs Authority (the "ZATCA"). The ZATCA has provided zakat certificate, which is valid up till 30 April 2024. The ZATCA has finalized the Company's position up till the year ended 31 December 2021.

During 2022, the Company received Zakat and income tax assessment for the year 2016 with zakat due aggregating SR 3.79 million. The Company submitted an appeal against the zakat assessment with the General Secretariat of Tax Committee ("GSTC") Level 1 which was rejected. The appeal hearing is yet to take place at GSTC Level 2.

During January 2023, the ZATCA issued zakat and income tax assessment for the year 2017 with an additional zakat due aggregating SR 0.98 million. The Company has filed an appeal against the zakat assessment with GSTC Level 1. The appeal hearing session is yet to take place at GSTC Level 1.

Assessments for the years ended from 31 December 2018 to 31 December 2022 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:

- Credit facility obtained from American Express Overseas Credit Corporation NV ("AEOCC NV") aggregating USD 200 million (equivalent to SR 750 million (unaudited)) (31 December 2022: USD 200 million equivalent to SR 750.00 million (audited)) to finance the working capital requirements of the Company. As of 30 June 2023, the outstanding balance under this facility was USD 123.80 million equivalent to SR 464.25 million (unaudited) (31 December 2022: USD 91.20 million equivalent to SR 342 million (audited)). The facility will be due for renewal during August 2024.
- Short term facilities from banks aggregating USD 50 million (equivalent to SR 187.50 million) (31 December 2022: USD 130 million equivalent to SR 487.50 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 2023, the drawdown and outstanding balance under these facilities was USD 30.50 million equivalent to SR 114.36 million (31 December 2022: nil). The facility is due for renewal during December 2023.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2023

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 2023	30 June 2022	30 June 2023	30 June 2022
		SR'000	SR'000	SR'000	SR'000
<i>Shareholder</i>					
The Saudi Investment Bank ("SAIB")	- Data support services	1,094	990	2,149	1,928
	- Service and annual card fees	(267)	(207)	(391)	(362)
	- Co-brand fees	75	95	185	215
<i>Affiliate</i>					
AETRS	- Merchant and airline transaction fees earned (note 5)	(37,056)	(30,814)	(69,981)	(56,878)
	- Foreign card member transaction fees (note 5)	4,025	2,853	9,196	5,815
	- Support and other services	169	150	365	298
	- Royalty expense	134	101	179	201
AEOCC NV	- Special commission expense (note 9 (a))	3,997	1,280	8,009	2,023
	- Short term loans received	679,875	546,000	1,028,625	1,023,375
	- Short term loans settled	(451,125)	(330,750)	(906,375)	(923,250)

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 2023 with SAIB amounted to SR 140.98 million (unaudited) and are included under cash and cash equivalents (31 December 2022 : SR 65.37 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 2023	30 June 2022	30 June 2023	30 June 2022
	SR'000	SR'000	SR'000	SR'000
Short term benefits	4,314	4,384	6,533	8,190
Termination and other long term benefits	885	955	2,890	2,668
	5,199	5,339	9,423	10,858

c) Card members' receivable include outstanding balances of the Board of Directors and key management personnel of the Company, arising out of credit card related transactions, as at 30 June 2023 of SR 1.44 million (unaudited) (31 December 2022: SR 0.98 million (audited)).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2023

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>	30 June 2023	31 December 2022
		(Unaudited)	(Audited)
		SR '000	SR '000
Amounts due from / (to):			
Shareholder	SAIB	138	208
Affiliate	AETRS	(4,845)	(16,033)

11 COMMITMENTS AND CONTINGENCES

Capital commitments

Commitments in respect of capital expenditure outstanding as at 30 June 2023 amounted to SR 5.47 million (unaudited) (31 December 2022 : SR 9.55 million (audited)).

Undrawn commitments

The undrawn credit commitments in respect of revolve credit cards issued by the Company as at 30 June 2023 amounted to SR 851.42 million (unaudited) (31 December 2022 : SR 805.06 million (audited)).

Letter of guarantee

Letter of guarantee amounting to SR 7.50 million has been issued by the Company to AETRS in the normal course of business in respect of performance obligation of the Company's merchant as at 30 June 2023. (unaudited) (31 December 2022 : SR nil (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.

American Express Saudi Arabia (Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued) At 30 June 2023

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 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 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 2023 and is included in and presented under "prepaid expenses and other assets".

14 COMPARATIVE FIGURES

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

15 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 2 Muharram 1445H (corresponding to 20 July 2023G).