

**UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL
INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2023
AND REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL INFORMATION**

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Condensed interim financial information (Unaudited)
For the three-month period ended 31 March 2023**

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Report on review of Condensed Interim Financial Information

To the shareholders of United Company for Financial Services
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Company for Financial Services as of 31 March 2023 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information 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 this condensed interim financial information 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, as 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 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Ali A. Alotaibi
License number 379

4 May 2023



UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Condensed interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2023 <u>(Unaudited)</u>	As at 31 December 2022 <u>(Audited)</u>
Assets			
Cash and cash equivalents	3	27,836,701	21,132,397
Prepayments and other receivables	4	13,745,609	14,875,130
Investment in Islamic financing contracts	5	1,678,485,026	1,554,622,774
Property and equipment		4,645,162	4,668,650
Intangible assets		18,391,083	17,361,941
Total assets		1,743,103,581	1,612,660,892
Equity and liabilities			
Equity			
Share capital	10	350,000,000	350,000,000
Statutory reserve		37,901,585	32,494,661
Retained earnings		341,114,274	292,451,955
Actuarial reserve		(379,476)	(379,476)
Net equity		728,636,383	674,567,140
Liabilities			
Trade and other payables	6, 9	76,295,022	72,931,317
Zakat payable	7	28,399,009	22,183,669
Borrowings	8	903,911,181	837,473,437
Employee benefit obligations		5,861,986	5,505,329
Total liabilities		1,014,467,198	938,093,752
Total equity and liabilities		1,743,103,581	1,612,660,892

The accompanying notes are an integral part of this condensed interim financial information.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Condensed interim statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2023 (Unaudited)	2022 (Unaudited)
Income from Islamic financing activities	11	122,992,381	94,603,769
Finance costs	8	(13,367,040)	(3,682,707)
Net income from Islamic financing activities		109,625,341	90,921,062
General and administrative expenses	12	(13,829,787)	(10,062,481)
Selling and marketing expenses	13	(27,710,256)	(19,442,191)
Net impairment losses on financial assets	5	(8,190,771)	(3,624,791)
Other income - net		390,056	1,196,466
Profit before zakat		60,284,583	58,988,065
Zakat expense	7	(6,215,340)	(5,228,807)
Profit for the period		54,069,243	53,759,258
Other comprehensive income		-	-
Total comprehensive income for the period		54,069,243	53,759,258
Earnings per share			
Basic and diluted	14	1.54	1.54

The accompanying notes are an integral part of this condensed interim financial information.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Condensed interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Actuarial reserve	Total
At 1 January 2022 (Audited)	350,000,000	13,132,432	118,191,890	(582,709)	480,741,613
Profit for the period	-	-	53,759,258	-	53,759,258
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	53,759,258	-	53,759,258
Transfer to statutory reserve	-	5,375,926	(5,375,926)	-	-
At 31 March 2022 (Unaudited)	350,000,000	18,508,358	166,575,222	(582,709)	534,500,871
At 1 January 2023 (Audited)	350,000,000	32,494,661	292,451,955	(379,476)	674,567,140
Profit for the period	-	-	54,069,243	-	54,069,243
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	54,069,243	-	54,069,243
Transfer to statutory reserve	-	5,406,924	(5,406,924)	-	-
At 31 March 2023 (Unaudited)	350,000,000	37,901,585	341,114,274	(379,476)	728,636,383

The accompanying notes are an integral part of this condensed interim financial information.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Condensed interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat		60,284,583	58,988,065
<u>Adjustments for:</u>			
Depreciation and amortization		1,116,950	929,816
Finance costs		13,367,040	3,682,707
Net impairment losses on financial assets	5	8,190,771	3,624,791
Employee benefit obligations		423,452	242,057
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(132,053,023)	(70,187,306)
Decrease in prepayments and other receivables		1,129,521	3,317,085
Increase (decrease) in trade and other payables		3,363,705	(6,060,024)
Cash utilized in operations		(44,177,001)	(5,462,809)
Finance costs paid		(14,494,625)	(3,795,090)
Employee benefit obligations paid		(66,795)	(436,860)
Net cash outflow from operating activities		(58,738,421)	(9,694,759)
Cash flows from investing activities			
Payments for purchases of property and equipment		(407,772)	(120,162)
Payments for purchases of intangible assets		(1,714,832)	(329,479)
Net cash outflow from investing activities		(2,122,604)	(449,641)
Cash flows from financing activities			
Proceeds from long-term borrowings	8	405,500,000	35,000,000
Proceeds from short-term borrowings	8	5,000,000	-
Repayment of short-term borrowings	8	(110,000,000)	-
Repayment of long-term borrowings	8	(232,934,671)	(30,937,501)
Net cash inflow from financing activities		67,565,329	4,062,499
Net change in cash and cash equivalents		6,704,304	(6,081,901)
Cash and cash equivalents at beginning of the period		21,132,397	34,278,848
Cash and cash equivalents at end of the period	3	27,836,701	28,196,947

The accompanying notes are an integral part of this condensed interim financial information.

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2023 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)**

1 Legal status and activities

United Company for Financial Services (“the Company”) is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration (“CR”) number 2051224103 issued in Al-Khobar on 15 Jumada Al Awwal 1440 H (21 January 2019).

The Company’s head office is located in Al-Khobar, Kingdom of Saudi Arabia. The Company is a subsidiary of United International Holding Company (“UIHC”), a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia which is ultimately controlled by United Electronics Company (“UEC”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia, which is principally engaged in the retail of electric appliances and electronic gadgets etc. Also see Note 10.

The principal business activities of the Company include various types of Islamic consumer finance services under license number 201905/Ash/52 and 42075295, obtained from Saudi Central Bank (“SAMA”) issued on 26 Shaban 1440 H (1 May 2019) and 8 Shawwal 1442 H (20 May 2021) respectively. The Company offers Murabaha (product finance), Tawarruq (personal finance) and credit card finance services to individual customers in the Kingdom of Saudi Arabia. Such financing arrangements are unsecured and the profit rates for Murabaha and Tawarruq financing services are agreed at the inception of the contract with the customers. Collections are thereafter made in the form of monthly installments generally received from the customers through variable channels such as SADAD and bank transfers. The Company’s investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, the Company does not have any significant concentration of credit risk. Murabaha financing arrangements are principally entered into with the customers of UEC but also include transactions with other retailers. Also see Note 5 and 16.

During the three-month period ended 31 March 2023, there were no significant changes in the terms of the financing arrangements offered by the Company such as profit rates, tenures of the financing contracts, criterion for finance amounts disbursed etc.

2 Basis of preparation

The condensed interim financial information of the Company as at 31 March 2022 and for the three-month period ended 31 March 2023 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

This condensed interim financial information does not include all information and disclosures required for a complete set of financial statements and should be read in conjunction with the Company’s last annual audited financial statements as at and for the year ended 31 December 2022.

The principal accounting policies applied in the preparation of condensed interim financial information of the Company are consistent with those of the previous financial year and corresponding interim reporting period.

2.1 Historical cost convention

The condensed interim financial information is prepared under the historical cost convention, except as explained in the relevant accounting policies in the annual financial statements for the year ended 31 December 2022.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Saudi Riyals which is the Company’s functional and presentation currency.

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2.3 New standards and amendment to standards and interpretations

A number of new and amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

IFRS 17 – Insurance contracts (“IFRS 17”)

The Company is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 effective from 1 January 2023, the Company has made a policy choice to continue to account for such exposures under IFRS 9 ‘Financial Instruments’ instead of IFRS 17. Accordingly, based on management’s assessment, there was no impact upon adoption of IFRS 17.

2.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Company. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements.

2.5 Critical accounting estimates and judgements

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed interim financial information from those that were applied and disclosed in the annual financial statements for the year ended 31 December 2022. Also see Note 5 and Note 16.

3 Cash and cash equivalents

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Cash in hand	32,470	5,000
Cash at bank	27,804,231	21,127,397
	27,836,701	21,132,397

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4 Prepayments and other receivables

	Note	31 March 2023	31 December 2022
		(Unaudited)	(Audited)
Prepaid expenses		10,932,125	12,900,034
Advances to employees		482,983	678,699
Advances to suppliers		212,381	193,067
Due from related parties	9	69,262	-
Other receivables		2,048,858	1,103,330
		13,745,609	14,875,130

Classification of prepayments and other receivables is presented below:

Due within 12 months	13,288,415	13,544,639
Due after 12 months	457,194	1,330,491
	13,745,609	14,875,130

Also see Note 9.2.

5 Investment in Islamic financing contracts

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Investment in Tawarruq financing contracts, net	1,272,348,564	1,149,837,518
Investment in Murabaha financing contracts, net	395,116,914	398,318,567
Investment in Islamic credit cards, net	11,019,548	6,466,689
	1,678,485,026	1,554,622,774
Less: Due after 12 months	(961,567,645)	(894,027,755)
Due within 12 months	716,917,381	660,595,019

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5.1 Investment in Islamic financing contracts (continued)

Reconciliation between gross and net investment in Islamic financing contracts is as follows:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	1,933,780,780	1,756,429,044	526,040,562	531,814,471	11,559,586	6,831,628	2,471,380,928	2,295,075,143
Unearned finance and processing fee income	(620,745,490)	(566,527,502)	(124,308,778)	(127,169,940)	-	-	(745,054,268)	(693,697,442)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	1,313,035,290	1,189,901,542	401,731,784	404,644,531	11,559,586	6,831,628	1,726,326,660	1,601,377,701
Allowance for ECL/net impairment on financial assets	(40,686,726)	(40,064,024)	(6,614,870)	(6,325,964)	(540,038)	(364,939)	(47,841,634)	(46,754,927)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	1,272,348,564	1,149,837,518	395,116,914	398,318,567	11,019,548	6,466,689	1,678,485,026	1,554,622,774
Net investment in I.F.C. - Due after 12 months	(844,586,219)	(773,390,465)	(116,981,426)	(120,637,290)	-	-	(961,567,645)	(894,027,755)
Net investment in I.F.C. - Due within 12 months	427,762,345	376,447,053	278,135,488	277,681,277	11,019,548	6,466,689	716,917,381	660,595,019

The movement in allowance for ECL on Islamic financing contracts is as follows:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Opening balance	40,064,024	23,932,886	6,325,964	9,430,785	364,939	-	46,754,927	33,363,671
Charge for the period / year	8,563,564	42,044,281	2,386,358	5,449,115	175,099	364,939	11,125,021	47,858,335
Recoveries of amounts previously written-off	(2,146,600)	(4,691,718)	(787,650)	(2,413,029)	-	-	(2,934,250)	(7,104,747)
Net charge for the period / year	6,416,964	37,352,563	1,598,708	3,036,086	175,099	364,939	8,190,771	40,753,588
Amounts written-off	(5,794,262)	(21,221,425)	(1,309,802)	(6,140,907)	-	-	(7,104,064)	(27,362,332)
Closing balance	40,686,726	40,064,024	6,614,870	6,325,964	540,038	364,939	47,841,634	46,754,927

The ECL allowance on undrawn commitments for credit cards issued was immaterial as at 31 March 2023 and 31 December 2022.

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(All amounts in Saudi Riyals unless otherwise stated)

5.2 Investment in Islamic financing contracts (continued)

Stage-wise analysis of Islamic financing contracts and the respective ECL are as follows:

31 March 2023 (Unaudited)	Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	1,210,985,022	(10,877,876)	1,200,107,146	366,138,457	(1,364,964)	364,773,493	9,851,834	(70,756)	9,781,078	1,586,975,313	(12,313,596)	1,574,661,717
Under-performing (Stage 2)	32,706,712	(4,715,233)	27,991,479	15,018,229	(923,474)	14,094,755	766,122	(94,673)	671,449	48,491,063	(5,733,380)	42,757,683
Non-performing (Stage 3)	69,343,556	(25,093,617)	44,249,939	20,575,098	(4,326,432)	16,248,666	941,630	(374,609)	567,021	90,860,284	(29,794,658)	61,065,626
	1,313,035,290	(40,686,726)	1,272,348,564	401,731,784	(6,614,870)	395,116,914	11,559,586	(540,038)	11,019,548	1,726,326,660	(47,841,634)	1,678,485,026

31 December 2022 (Audited)	Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	1,102,246,076	(10,499,979)	1,091,746,097	378,862,108	(1,407,515)	377,454,593	5,839,977	(46,764)	5,793,213	1,486,948,161	(11,954,258)	1,474,993,903
Under-performing (Stage 2)	18,729,566	(2,889,861)	15,839,705	4,759,049	(196,462)	4,562,587	496,110	(96,229)	399,881	23,984,725	(3,182,552)	20,802,173
Non-performing (Stage 3)	68,925,900	(26,674,184)	42,251,716	21,023,374	(4,721,987)	16,301,387	495,541	(221,946)	273,595	90,444,815	(31,618,117)	58,826,698
	1,189,901,542	(40,064,024)	1,149,837,518	404,644,531	(6,325,964)	398,318,567	6,831,628	(364,939)	6,466,689	1,601,377,701	(46,754,927)	1,554,622,774

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(All amounts in Saudi Riyals unless otherwise stated)

5.3 Stage-wise movement in ECL allowance/impairment on investment in Islamic financing contracts is as follows:

	Performing (Stage 1)	Under- performing (Stage 2)	Non- Performing (Stage 3)	Total
2023				
1 January 2023	11,954,258	3,182,552	31,618,117	46,754,927
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,085,445)	5,022,700	(1,049,298)	2,887,957
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(602,293)	(1,662,517)	6,837,294	4,572,484
Individual financial assets transferred to performing (12-month expected credit losses)	187,461	(604,783)	(1,105,817)	(1,523,139)
New financial assets originated	3,063,483	-	-	3,063,483
Amounts written-off	-	-	(7,104,064)	(7,104,064)
Other changes	(1,203,868)	(204,572)	598,426	(810,014)
31 March 2023	12,313,596	5,733,380	29,794,658	47,841,634
	Performing (Stage 1)	Under- performing (Stage 2)	Non- Performing (Stage 3)	Total
2022				
1 January 2022	7,738,119	2,641,437	22,984,115	33,363,671
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,865,745)	3,134,989	(145,754)	1,123,490
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(10,966,142)	(1,600,307)	30,266,609	17,700,160
Individual financial assets transferred to performing (12-month expected credit losses)	39,698	(361,128)	(328,977)	(650,407)
New financial assets originated	19,074,178	-	-	19,074,178
Amounts written-off	(63,444)	(127,666)	(27,171,222)	(27,362,332)
Other changes	(2,002,406)	(504,773)	6,013,346	3,506,167
31 December 2022	11,954,258	3,182,552	31,618,117	46,754,927

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5.4 Category-wise movement in stage-wise ECL allowance/impairment is as follows:

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023												
At 1 January	10,499,979	2,889,861	26,674,184	1,407,515	196,462	4,721,987	46,764	96,229	221,946	11,954,258	3,182,552	31,618,117
Individual financial assets transferred to												
- under-performing (lifetime expected credit losses)	(788,250)	4,053,560	(903,471)	(286,461)	874,892	(145,827)	(10,734)	94,248	-	(1,085,445)	5,022,700	(1,049,298)
- non-performing (credit-impaired financial assets)	(502,908)	(1,491,038)	5,611,541	(99,385)	(96,457)	1,062,957	-	(75,022)	162,796	(602,293)	(1,662,517)	6,837,294
- performing (12- month expected credit losses)	171,566	(544,678)	(944,590)	15,665	(48,951)	(149,210)	230	(11,154)	(12,017)	187,461	(604,783)	(1,105,817)
New financial assets originated	2,472,533	-	-	567,532	-	-	23,418	-	-	3,063,483	--	-
Amounts written-off	-	-	(5,794,262)	-	-	(1,309,802)	-	-	-	-	-	(7,104,064)
Other changes	(975,044)	(192,472)	450,215	(239,902)	(2,472)	146,327	11,078	(9,628)	1,884	(1,203,868)	(204,572)	598,426
At 31 March	10,877,876	4,715,233	25,093,617	1,364,964	923,474	4,326,432	70,756	94,673	374,609	12,313,596	5,733,380	29,794,658

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2022	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
At 1 January	6,019,104	2,067,066	15,846,716	1,719,015	574,371	7,137,399	-	-	-	7,738,119	2,641,437	22,984,115
Individual financial assets transferred to												
- under-performing (lifetime expected credit losses)	(1,596,879)	2,837,283	(136,205)	(172,637)	201,477	(9,549)	(96,229)	96,229	-	(1,865,745)	3,134,989	(145,754)
- non-performing (credit-impaired financial assets)	(8,827,555)	(1,312,838)	26,781,022	(1,916,641)	(287,469)	3,263,641	(221,946)	-	221,946	(10,966,142)	(1,600,307)	30,266,609
- performing (12-month expected credit losses)	36,518	(273,720)	(222,316)	3,180	(87,408)	(106,661)	-	-	-	39,698	(361,128)	(328,977)
New financial assets originated	15,753,053	-	-	2,979,368	-	-	341,757	-	-	19,074,178	-	-
Amounts written-off	(53,355)	(80,777)	(21,087,293)	(10,089)	(46,889)	(6,083,929)	-	-	-	(63,444)	(127,666)	(27,171,222)
Other changes	(830,907)	(347,153)	5,492,260	(1,194,681)	(157,620)	521,086	23,182	-	-	(2,002,406)	(504,773)	6,013,346
At 31 December	10,499,979	2,889,861	26,674,184	1,407,515	196,462	4,721,987	46,764	96,229	221,946	11,954,258	3,182,552	31,618,117

Following factors contributed to the change in the ECL allowance during the three-month period ended 31 March 2023:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information, which contributes to determination of the overall scalar factor used. Furthermore, changes in unemployment statistics are also used in determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation. This did not have a significant impact on the net impairment losses / ECL allowance as of and for the three-month period ended 31 March 2023. There were no other changes made to the underlying methodology and significant judgments used by management in preparation of the ECL model during such period;
- Additional allowances for new financial assets recognised during the year;
- Financial assets written off; and
- 'Other changes' principally represent net impact of additional allowance for ECL recognized upon write-offs and recoveries from previously written-off exposures.

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5.5 Category-wise movement in stage-wise gross carrying amounts of net investment in Islamic financing contracts is as follows:

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non-performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023												
At 1 January	,102,246,076	18,729,566	68,925,900	378,862,108	4,759,049	21,023,374	5,839,977	496,110	495,541	1,486,948,161	23,984,725	90,444,815
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(24,167,986)	26,427,112	(2,259,126)	(12,669,306)	13,274,437	(605,131)	(869,494)	869,494	-	(37,706,786)	40,571,043	(2,864,257)
non-performing (credit-impaired financial assets)	(6,111,870)	(9,029,241)	15,141,111	(2,767,318)	(1,867,646)	4,634,964	-	(497,668)	497,668	(8,879,188)	(11,394,555)	20,273,743
performing (12-month expected credit losses)	5,002,141	(2,657,099)	(2,345,042)	1,445,792	(822,861)	(622,931)	96,832	(68,583)	(28,249)	6,544,765	(3,548,543)	(2,996,222)
New financial assets originated	255,297,124	-	-	93,179,419	-	-	5,655,784	-	-	354,132,327	-	-
Amounts written-off	-	-	(5,794,262)	-	-	(1,309,802)	-	-	-	-	-	(7,104,064)
Collections and other changes	(121,280,463)	(763,626)	(4,325,025)	(91,912,238)	(324,750)	(2,545,376)	(871,265)	(33,231)	(23,330)	(214,063,966)	(1,121,607)	(6,893,731)
At 31 March	210,985,022	32,706,712	69,343,556	366,138,457	15,018,229	20,575,098	9,851,834	766,122	941,630	1,586,975,313	48,491,063	90,860,284

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	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non-performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2022												
At 1 January	812,453,495	9,813,848	34,309,239	341,693,147	5,149,276	16,004,806	-	-	-	1,154,146,642	14,963,124	50,314,045
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(19,832,054)	20,129,833	(297,779)	(5,498,757)	5,519,945	(21,188)	(496,110)	496,110	-	(25,826,921)	26,145,888	(318,967)
non-performing (credit-impaired financial assets)	(61,526,276)	(6,106,964)	67,633,240	(18,880,295)	(2,379,872)	21,260,167	(495,541)	-	495,541	(80,902,112)	(8,486,836)	89,388,948
performing (12-month expected credit losses)	1,783,037	(1,299,984)	(483,053)	929,621	(691,363)	(238,258)	-	-	-	2,712,658	(1,991,347)	(721,311)
New financial assets originated	666,016,546	-	-	283,447,479	-	-	6,831,628	-	-	956,295,653	-	-
Amounts written-off	(53,355)	(80,777)	(21,087,293)	(10,089)	(46,889)	(6,083,929)	-	-	-	(63,444)	(127,666)	(27,171,222)
Collections and other changes	(296,595,317)	(3,726,390)	(11,148,454)	(222,818,998)	(2,792,048)	(9,898,224)	-	-	-	(519,414,315)	(6,518,438)	(21,046,678)
At 31 December	<u>1,102,246,076</u>	<u>18,729,566</u>	<u>68,925,900</u>	<u>378,862,108</u>	<u>4,759,049</u>	<u>21,023,374</u>	<u>5,839,977</u>	<u>496,110</u>	<u>495,541</u>	<u>1,486,948,161</u>	<u>23,984,725</u>	<u>90,444,815</u>

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5.6 Maturity profile of gross investment in Islamic financing contracts and present value of investment in Islamic financing contracts is as follows:

	31 March 2023	31 December 2022
Gross investment in Islamic financing contracts		
Within one year	1,113,318,90	1,023,379,396
From one to two years	693,003,59	648,086,320
From two to three years	388,461,97	369,007,000
From three to four years	199,569,68	186,002,416
Four to five years	77,026,76	68,600,011
	2,471,380,92	2,295,075,143
Present value of investment in Islamic financing contracts		
Within one year	832,734,19	761,239,388
From one to two years	475,629,84	445,959,549
From two to three years	250,599,25	239,064,466
From three to four years	122,100,94	114,979,807
Four to five years	45,262,42	40,134,491
	1,726,326,66	1,601,377,701

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6 Trade and other payables

	Note	31 March 2023	31 December 2022
		(Unaudited)	(Audited)
Due to related parties	9	37,282,007	39,907,489
Trade payables		16,820,262	14,897,843
Accrued expenses		11,995,905	7,958,569
Accrued salaries and other benefits		9,103,391	5,996,627
Accrued Board of Directors' fee		570,978	2,102,978
Advances from customers		404,618	1,766,113
Value added tax payable		117,861	301,698
		<u>76,295,022</u>	<u>72,931,317</u>

7 Zakat payable

	For the three-month period ended 31 March 2023	For the year ended 31 December 2022
	(Unaudited)	(Audited)
Opening balance	22,183,669	15,423,663
Provisions		
-For current period/year	6,215,340	22,183,669
-Adjustments related to prior years	-	(670,787)
	6,215,340	21,512,882
Payments	-	(14,752,876)
Closing balance	<u>28,399,009</u>	<u>22,183,669</u>

The Company's zakat assessment since inception are currently under review by the Zakat, Tax and Customs Authority ("ZATCA"). The company has obtained zakat certificates from ZATCA for the years through 2022.

8 Borrowings

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	754,498,663	581,933,334
Short-term borrowings		
Murabaha facilities	145,000,000	250,000,000
	899,498,663	831,933,334
Accrued finance cost	4,412,518	5,540,103
	<u>903,911,181</u>	<u>837,473,437</u>

Classification of borrowings is presented below:

Due within 12 months (including short-term borrowings)	370,286,181	435,806,777
Due after 12 months	533,625,000	401,666,660
	<u>903,911,181</u>	<u>837,473,437</u>

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The Company has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia and has utilized facilities allocated to it from the facilities available to United Electronics Company. During the three-month period ended 31 March 2023, the Company made early repayments of borrowings under certain facilities and entered into a new facility agreement (Murabaha VI) with another commercial bank on favourable terms agreed under a separate agreement. There was no gain or loss on the extinguishment of the borrowings upon early repayment. Details of the type of borrowings facilities as allocated to and availed by the Company are as follows:

Murabaha I

Total amount allocated to the Company under such facility is Saudi Riyals 300 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 181.4 million.

Subsequently, the Company obtained an additional amount of Saudi Riyals 34 million against such facility which is the outstanding loan balance as at 31 March 2023 (As at 31 December 2022, the Company had an outstanding loan balance of Saudi Riyals 206.9 million against this facility).

Murabaha III

Total amount allocated to the Company under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 25 million (31 December 2022: Saudi Riyals 360.8 million).

Subsequently, the Company obtained an additional amount of Saudi Riyals 8 million against such facility which is the outstanding loan balance as at 31 March 2023 (31 December 2022: Saudi Riyals 25.0 million).

Murabaha IV

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 March 2023, the Company has an outstanding loan balance of Saudi Riyals 325.0 million against this facility (31 December 2022: Saudi Riyals 350.0 million).

Murabaha VI

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 March 2023, the Company has an outstanding loan balance of Saudi Riyals 387.5 million against this facility (31 December 2022: Saudi Riyals Nil).

Short-term borrowings:

Murabaha V

Total amount allocated to the Company under such facility is Saudi Riyals 250 million. The tenure of the borrowing facility is less than one year. As at 31 March 2023, the Company had an outstanding loan balance of Saudi Riyals 145 million against this facility (31 December 2022: 250.0 million).

All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") ranging between SAIBOR plus 1.1% to 1.4%. The financial charges incurred during the period increased on account of increase in amount of borrowings and increase in SAIBOR since the second half of 2022. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Company was in compliance with at 31 March 2023.

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The maturities of the Company's borrowings are as follows:

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Less than 6 months	274,123,663	327,633,342
Between 6 to 12 months	91,750,000	81,799,999
Between 1 and 2 years	183,500,000	163,599,997
Between 2 and 5 years	350,125,000	258,899,996
	899,498,663	831,933,334

Maturity profile of borrowings, including finance cost component, is disclosed in Note 16.

9 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's shareholder and Ultimate Parent Company), and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

9.1 Information about the related parties' balances and transactions in the ordinary course of business during the year were as follows :

Related party	Relationship	
United Electronics Company ("UEC")	Ultimate Parent Company	
United International Holding Company ("UIHC")	Parent Company	
Procco Financial Services W.L.L - Fellow subsidiary of UIHC ("Procco")	Associated Company	

Nature of transaction	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
United Electronics Company		
Purchases from UEC to be financed to consumers under Murabaha contracts	93,482,092	91,030,217
Payments to UEC	(99,651,320)	(98,036,118)
Collections made by UEC on behalf of the Company	-	(118,665)
Collections made by Company on behalf of UEC	33,641	5,150,752
Expenses incurred by UEC on behalf of the Company	2,717,162	2,052,410
Procco Financial Services W.L.L		
Outsourced personnel expenses	6,032,033	3,532,079
Payments during the period	(5,239,092)	(3,469,868)
United International Holding Company		
Expenses incurred by the Company on behalf of UIHC	(69,262)	-

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Due to related parties

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
UEC	33,379,803	36,798,226
Procco	3,902,204	3,109,263
	37,282,007	39,907,489

Due from related parties

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
UIHC	69,262	-

Nature of transactions:

The transactions are based on terms agreed as per signed agreements between the Company and the related parties. A summary of nature of key transactions has been disclosed below:

- Customer purchases financed under Murabaha contracts are carried out at prevailing retail prices.
- Expenses incurred by UEC on behalf of the Company include office rent, utilities and other expenses.
- Collections made by the Company on behalf of UEC represents collections for UEC's legacy financing portfolio.

During the three-month period ended 31 March 2023, there were no changes in the terms of the agreement with such related parties and the nature of related party transactions are consistent with the year ended 31 December 2022.

Related party balances as at 31 March 2023 and 31 December 2022 bear no financial charges.

9.2 Key management compensation

	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,437,661	1,998,424
Employee benefit obligations	94,675	88,052
Board of Directors' fees	664,750	514,453
	3,197,086	2,600,929

Key management personnel include Chief Executive Officer and other department heads.

As at the period ended 31 March 2023, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.1 million (31 December 2022: Saudi Riyals 0.2 million). Refer Note 4.

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10 Share capital

The share capital of the Company as of 31 March 2023 and 31 December 2022 comprised 35,000,000 shares stated at Saudi Riyals 10 per share.

11 Income from Islamic financing activities

	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Income from tawarruq finance activities	83,630,688	61,789,993
Income from murabaha finance activities	38,821,976	32,813,776
Income from Islamic credit card activities	539,717	-
	122,992,381	94,603,769

12 General and administrative expenses

	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries and other benefits	9,677,988	6,528,947
Information technology support	1,209,641	779,599
Amortisation	685,690	535,628
Professional fees	525,376	767,936
Utilities, printing and stationery	291,279	338,540
Rent	262,721	218,917
Depreciation	256,271	236,988
Other	920,821	655,926
	13,829,787	10,062,481

13 Selling and marketing expenses

	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries and other benefits	16,208,334	11,210,766
Advertising	3,895,644	1,861,444
Fee and subscription	3,145,274	3,053,482
Collection charges	2,353,833	1,797,947
Rent	817,825	800,931
Depreciation	174,989	157,200
Other	1,114,357	560,421
	27,710,256	19,442,191

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14 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to the shareholders of the Company	54,069,241	53,759,258
Weighted average number of ordinary shares for basic and diluted earnings per share	35,000,000	35,000,000
Basic and diluted earnings per share	1.54	1.54

15 Fair values of financial assets and financial liabilities

As at 31 March 2023 and 31 December 2022, all financial assets and financial liabilities of the Company are categorized as held at amortized cost. Management believes that the fair values of the Company's financial assets and liabilities as at 31 March 2023 and 31 December 2022 are not materially different from their carrying values since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates. During the three-month period ended 31 March 2023, there have been no significant market developments which might indicate towards a potential change in fair value of the Company's financial instruments.

The breakdown of these financial assets and liabilities is as follows:

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Financial assets at amortized cost		
Cash and cash equivalents	27,804,231	21,132,397
Investment in Islamic financing contracts	1,678,485,026	1,554,622,774
Other receivables	2,601,103	1,782,029
Total	1,708,890,360	1,577,537,200
Financial liabilities at amortized cost		
Borrowings	903,911,181	837,473,437
Trade and other payables	75,772,543	70,863,506
Total	976,500,983	908,336,943

At 31 March 2023, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 11.1 million and Saudi Riyals 0.5 million (31 December 2022: Saudi Riyals 13.1 million and Saudi Riyals 2.1 million), respectively, have been excluded from prepayments and other receivables and trade and other payables, respectively.

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16 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management under policies reviewed by the Risk and Credit Management Committee and approved by the Board of Directors, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to the shareholders.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Risk and Credit Management Committee and the Board of Directors are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The risks faced by the Company and their respective mitigating strategies are summarized below:

16.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 31 March 2023, the Company has maintained an ECL allowance of Saudi Riyals 47.8 million (31 December 2022: Saudi Riyals 46.8 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

The management analyses credit risk into the following categories:

16.1.1 Investment in Islamic financing contracts

Investment in Tawarruq and Murabaha finance contracts is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of customers' credit worthiness, formal credit approvals and assigning credit limits.

The overall decision to lend to a particular customer is based on the following key parameters:

- Dual credit score i.e. SIMAH and internal application scoring system;
- Minimum income level and maximum debt burden of the borrower; and
- Loan repayment history with other financial institutions sourced from SIMAH.

The Company does not have any significant concentration of credit risk since it enters into Islamic Financing Contracts with individual customers only. At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc.

A significant number of customers are Government sector employees. The Company generally receives repayments through variable channels such as SADAD and bank transfers. The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the Risk and Credit Management Committee and the Board of Directors on a quarterly basis. Furthermore, the Company has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

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The following tables sets out information about the credit quality of investment in Islamic financing contracts:

- a. *Stage-wise analysis of gross investment in Islamic financing contracts, in comparison with internal credit risk rating assigned at the inception of the respective contracts. The amounts in the table represent gross carrying amounts.*

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 March 2023				
<i>Internal credit risk ratings</i>				
Low risk	890,670,270	14,271,367	27,544,504	932,486,141
Medium risk	719,954,017	22,239,377	42,995,963	785,189,357
High risk	665,141,737	31,663,056	56,900,637	753,705,430
	2,275,766,024	68,173,800	127,441,104	2,471,380,928
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 December 2022				
<i>Internal credit risk ratings</i>				
Low risk	829,197,623	8,414,280	28,442,063	866,053,966
Medium risk	677,160,378	10,989,334	43,467,101	731,616,813
High risk	627,691,255	14,290,488	55,422,621	697,404,364
	2,134,049,256	33,694,102	127,331,785	2,295,075,143

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b. Ageing analysis of net investment in Islamic financing contracts based on due balances according to the respective contractual repayment schedules:

	Tawarruq finance		Murabaha finance		Islamic Credit Card		Total	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Not past due	1,176,207,858	1,067,030,105	353,461,005	368,275,414	10,043,949	5,650,607	1,539,712,812	1,440,956,126
Past due 1-30 days	40,039,000	35,759,594	15,305,091	11,019,678	307,691	189,370	55,651,782	46,968,642
Past due 31-90 days	31,761,576	19,074,046	14,463,033	4,496,158	412,341	496,110	46,636,950	24,066,314
Past due 91-180 days	20,215,442	34,893,005	5,517,887	9,421,114	353,631	495,541	26,086,960	44,809,660
Past due 181-364 days	38,279,035	24,579,623	11,153,402	8,350,489	441,974	-	49,874,411	32,930,112
Over 365 days	6,532,379	8,565,169	1,831,366	3,081,678	-	-	8,363,745	11,646,847
	1,313,035,290	1,189,901,542	401,731,784	404,644,531	11,559,586	6,831,628	1,726,326,660	1,601,377,701
Less: Impairment for Islamic financing contracts	(40,686,726)	(40,064,024)	(6,614,870)	(6,325,964)	(540,038)	(364,939)	(47,841,634)	(46,754,927)
Net investment in Islamic financing contracts	1,272,348,564	1,149,837,518	395,116,914	398,318,567	11,019,548	6,466,689	1,678,485,026	1,554,622,774

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16.1.2 Measurement of ECL

- a) Changes in assumptions including incorporation of forward-looking information

During the three-month period ended 31 March 2023, there have been no significant changes to the underlying methodology used for determination of ECL, including the weight assigned to each scenario i.e. upturn, baseline and downturn scenarios.

Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information, which contributes to determination of the overall scalar factor used. As at 31 March 2023, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars ("USD") 89.1, USD 80.6 and USD 63.4 per barrel respectively (As at 31 December 2022, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars ("USD") 97.5, USD 88.2 and USD 69.7 per barrel respectively), which contributed to determination of the overall scalar factor used. Furthermore, changes in unemployment statistics are also used in determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation. As at 31 March 2023, the unemployment factor incorporated in the calculation of changes in unemployment statistics was 4.8% (31 December 2022: 5.8%). This did not have a significant impact on the net impairment losses / ECL allowance as of and for the three-month period ended 31 March 2023.

- b) Sensitivity analysis:

An increase or decrease of 10% in the oil prices scenario weightings with all other variables held constant will result in an increase/decrease of Saudi Riyals 3.4 million, in the ECL allowance (31 December 2022: Saudi Riyals 4.1 million).

An increase or decrease of 10% in the unemployment scenario weightings with all other variables held constant will result in an increase of Saudi Riyals 0.7 million, in the ECL allowance (31 December 2022: Saudi Riyals 0.5 million).

An increase or decrease of 10% in the loss rates (PDs and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 8.4 million or a decrease of Saudi Riyals 8.1 million respectively, in the ECL allowance (31 December 2022: an increase of Saudi Riyals 8.2 million or a decrease of Saudi Riyals 7.9 million, respectively in the ECL allowance).

16.1.3 Cash and cash equivalents and other receivables

The Company uses "low credit risk" practical expedient for the cash and cash equivalents with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months. Cash and cash equivalents are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. At 31 March 2023 and 31 December 2022, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to be low credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At 31 March 2023 and 31 December 2022, the ECL allowance on other financial assets was immaterial.

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16.2 Profit rate risk

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Company's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 1,678.5 million (31 December 2022: Saudi Riyals 1,554.6 million). However, the profit rates have been agreed with the respective customers upon inception of the Islamic financing contracts. Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 903.9 million (31 December 2022: Saudi Riyals 837.5 million) and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 10.2 million (31 December 2022: Saudi Riyals 9.7 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Company's financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

16.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities as made available by the shareholder.

Total unused credit facilities available to the Company as at 31 March 2023 were approximately Saudi Riyals 951.0 million (31 December 2022: Saudi Riyals 618.1 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits on any of its borrowing facilities allocated by the ultimate shareholder. Such cash flow forecasts consider, among other items, that the Company has pre-agreed fixed profit rates from its customers under Murabaha and Tawarruq financing contracts, whereas, its borrowings from commercial banks are based on SAIBOR based variable finance costs. The maturity profile of financial assets and financial liabilities are set out in the table below which demonstrates a significant head room of financial assets over financial liabilities. Management also believes that any change in the variable finance costs of their borrowings would not result in the entity facing any liquidity issues. The cash flows of the Company, during the three-month period ended 31 March 2023, have been principally consistent with the underlying budgeted forecasts and there are no developments which might indicate towards any potential liquidity concerns in the near future.

The tables below summarises the Company's financial assets and financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances, as the impact of discounting is not significant.

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31 March 2023 (Unaudited)	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than 3 years	Total
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	329,944,209	781,756,360	1,083,129,912	276,550,447	2,471,380,928
Prepayments and other receivables	Non-profit bearing	976,050	1,625,053	-	-	2,601,103
Cash and cash equivalents	Non-profit bearing	27,836,701	-	-	-	27,836,701
		358,756,960	783,381,413	1,083,129,912	276,550,447	2,501,818,732
Financial liabilities						
Borrowings	Profit bearing	143,579,946	240,256,560	395,324,259	172,067,024	951,227,789
Trade and other payables	Non-profit bearing	75,772,543	-	-	-	75,772,543
		219,352,489	240,256,560	395,324,259	172,067,024	1,027,000,332
Net financial assets		139,404,471	543,124,853	687,805,653	104,483,423	1,474,818,400
31 December 2022 (Audited)						
	Nature	Up to 3 months	More than 3 months and to one year	1 to 3 years	More than 3 years	Total
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	278,406,728	744,972,668	1,017,093,320	254,602,427	2,295,075,143
Prepayments and other receivables	Non-profit bearing	798,745	257,789	725,495	-	1,782,029
Cash and cash equivalents	Non-profit bearing	21,132,397	-	-	-	21,132,397
		300,337,870	745,230,457	1,017,818,815	254,602,427	2,317,989,569
Financial liabilities						
Borrowings	Profit bearing	171,401,480	261,205,392	345,175,852	96,774,965	874,557,689
Trade and other payables	Non-profit bearing	70,863,506	-	-	-	70,863,506
		242,264,986	261,205,392	345,175,852	96,774,965	945,421,195
Net financial assets		58,072,884	484,025,065	672,642,963	157,827,462	1,372,568,374

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17 Date of approval of condensed interim financial information

The accompanying condensed interim financial information was approved by the Company's Board of Directors on 1 May 2023.