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

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND NINE -MONTH PERIODS ENDED
30 SEPTEMBER 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 and nine -month periods ended 30 September 2023

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 30 September 2023 and the related condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the condensed interim statements of changes in equity and cash flows for the nine-month period ended 30 September 2023 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

25 October 2023

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

PricewaterhouseCoopers, License No. 25,
Al Hugayet Tower, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia
T: +966 (13) 849-6311, F: +966 (13) 849-6281, www.pwc.com/middle-east

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 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Assets			
Cash and cash equivalents	3	**27,670,081**	21,132,397
Prepayments and other receivables	4	**10,247,563**	14,875,130
Investment in Islamic financing contracts	5	**1,793,893,953**	1,554,622,774
Property and equipment		**3,938,830**	4,668,650
Intangible assets		**18,267,902**	17,361,941
Total assets		**1,854,018,329**	1,612,660,892
Equity and liabilities			
Equity			
Share capital	10	**350,000,000**	350,000,000
Statutory reserve		**48,213,507**	32,494,661
Retained earnings		**433,921,570**	292,451,955
Actuarial reserve		**(379,476)**	(379,476)
Net equity		**831,755,601**	674,567,140
Liabilities			
Trade and other payables	6, 9	**64,149,115**	72,931,317
Zakat payable	7	**18,082,035**	22,183,669
Borrowings	8	**933,384,040**	837,473,437
Employee benefit obligations		**6,647,538**	5,505,329
Total liabilities		**1,022,262,728**	938,093,752
Total equity and liabilities		**1,854,018,329**	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 30 September**		**For the nine-month period ended 30 September**	
		2023 (Unaudited)	**2022 (Unaudited)**	**2023 (Unaudited)**	**2022 (Unaudited)**
Income from Islamic financing activities	11	**132,261,088**	107,004,049	**383,214,539**	298,364,556
Finance costs	8	**(16,885,189)**	(8,078,367)	**(45,938,818)**	(16,522,932)
Net income from Islamic financing activities		**115,375,899**	98,925,682	**337,275,721**	281,841,624
General and administrative expenses	12	**(16,852,915)**	(16,831,892)	**(41,628,237)**	(40,054,431)
Selling and marketing expenses	13	**(30,471,565)**	(20,280,765)	**(82,903,360)**	(62,448,444)
Net impairment losses on financial assets	5	**(9,027,692)**	(12,304,257)	**(38,735,238)**	(23,164,887)
Other income - net		**532,497**	1,269,286	**1,261,610**	3,723,014
Profit before zakat		**59,556,224**	50,778,054	**175,270,496**	159,896,876
Zakat expense	7	**(6,150,464)**	(5,578,909)	**(18,082,035)**	(15,821,011)
Profit for the period		**53,405,760**	45,199,145	**157,188,461**	144,075,865
Other comprehensive income		**-**		**-**	-
Total comprehensive income for the period		**53,405,760**	45,199,145	**157,188,461**	144,075,865
Earnings per share					
Basic and diluted	14	**1.53**	1.29	**4.49**	4.12

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	-	-	144,075,865	-	144,075,865
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	144,075,865	-	144,075,865
Transfer to statutory reserve	-	14,407,587	(14,407,587)	-	-
At 30 September 2022 (Unaudited)	350,000,000	27,540,019	247,860,168	(582,709)	624,817,478
At 1 January 2023 (Audited)	350,000,000	32,494,661	292,451,955	(379,476)	674,567,140
Profit for the period	-	-	157,188,461	-	**157,188,461**
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	157,188,461	-	**157,188,461**
Transfer to statutory reserve	-	15,718,846	(15,718,846)	-	-
At 30 September 2023 (Unaudited)	**350,000,000**	**48,213,507**	**433,921,570**	**(379,476)**	**831,755,601**

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 nine-month period ended 30 September 2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat		**175,270,496**	159,896,876
Adjustments for:			
Depreciation and amortization		**3,514,910**	2,866,398
Finance costs		**45,938,818**	16,522,932
Property and equipment written off		**-**	36,426
Net impairment losses on financial assets	5	**38,735,238**	23,164,887
Employee benefit obligations		**1,305,370**	1,653,039
Changes in working capital:			
Increase in investment in Islamic financing contracts		**(278,006,417)**	(289,894,074)
Decrease (increase) in prepayments and other receivables		**4,627,567**	(4,565,112)
(Decrease) increase in trade and other payables		**(8,782,202)**	18,423,100
Cash utilized in operations		**(17,396,220)**	(71,895,528)
Finance costs paid		**(45,644,881)**	(16,044,127)
Zakat paid		**(22,183,669)**	(14,752,877)
Employee benefit obligations paid		**(163,161)**	(1,263,757)
Net cash outflow from operating activities		**(85,387,931)**	(103,956,289)
Cash flows from investing activities			
Payments for purchases of property and equipment		**(606,333)**	(462,185)
Payments for purchases of intangible assets		**(3,084,718)**	(1,541,768)
Net cash outflow from investing activities		**(3,691,051)**	(2,003,953)
Cash flows from financing activities			
Proceeds from long-term borrowings	8	**704,500,000**	350,000,000
Proceeds from short-term borrowings	8	**5,000,000**	195,000,000
Repayment of long-term borrowings	8	**(358,883,334)**	(451,229,166)
Repayment of short-term borrowings	8	**(255,000,000)**	-
Net cash inflow from financing activities		**95,616,666**	93,770,834
Net change in cash and cash equivalents		**6,537,684**	(12,189,408)
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	**27,670,081**	22,089,440

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

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 controlled by United Electronics Company ("UEC"), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and principally engaged in the retail of electric appliances and electronic gadgets etc.

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 the 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 Notes 5 and 16.

During the three-month and nine-month periods ended 30 September 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. However, during the three-month period ended 30 September 2023, certain changes were made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) used by management in developing the model of computation of Expected Credit Loss (ECL) on investment in Islamic financing contracts. A detailed analysis of such change in estimate has been included in Note 16. Also see Note 5.

2 Basis of preparation

The condensed interim financial information of the Company as at 30 September 2023 and for the three-month and nine-month periods ended 30 September 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.

2 Basis of preparation (continued)

2.3 New standards and amendment to standards and interpretations

A number of new and amended standards became applicable for the current reporting period.

- A number of narrow-scope amendments to IFRS 3 'Business combinations' ("IFRS 3"), IAS 16 'Property, plant and equipment' ("IAS 16"), IAS 37 'Provisions, contingent liabilities and contingent assets' ("IAS 37") and some annual improvements on IFRS 1 'First-time Adoption of IFRS' ("IFRS 1"), IFRS 9 'Financial instruments' ("IFRS 9"), IAS 41 'Agriculture' ("IAS 41") and IFRS 16 'Leases' ("IFRS 16");
- Lessor forgiveness of lease payments (IFRS 9 and IFRS 16); and
- Amendment to IAS 12 - International tax reform - pillar two model rules.
- IFRS 17 – Insurance contracts ("IFRS 17")

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

With respect to IFRS 17, pursuant to the regulations in Kingdom of Saudi Arabia, 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 continues to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17, given it meets the scope exemption under IFRS 17. Accordingly, based on management's assessment, there was no impact upon adoption of IFRS 17 and the impact of such exposure under IFRS 9 is immaterial considering limited history of deceased customers.

2.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2023 reporting periods and have not been early adopted by the Company.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
- Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction;
- Amendment to IFRS 16 – Leases on sale and leaseback;
- Amendments to IAS 1, Presentation of financial statements' - Non-current liabilities with covenants;
- Amendment to IAS 7 and IFRS 7 – Supplier finance; and
- Amendments to IAS 21 - Lack of Exchangeability.

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 judgements and estimates 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, except for certain changes made, during the three-month period ended 30 September 2023, to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) in developing the model for computation of ECL on investment in Islamic financing contracts. A detailed analysis of such change in estimate and the underlying judgements has been included in Note 16. Also see Note 5.

(All amounts in Saudi Riyals unless otherwise stated)

3 Cash and cash equivalents

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand	**42,325**	5,000
Cash at bank	**27,627,756**	21,127,397
	27,670,081	21,132,397

4 Prepayments and other receivables

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Prepaid expenses		**6,619,181**	12,900,034
Advances to employees		**764,364**	678,699
Advances to suppliers		**333,907**	193,067
Due from related parties	9	**357,035**	-
Other receivables		**2,173,076**	1,103,330
		10,247,563	14,875,130

Classification of prepayments and other receivables is presented below:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Due within 12 months	**7,207,280**	13,544,639
Due after 12 months	**3,040,283**	1,330,491
	10,247,563	14,875,130

Also see Note 9.1.

5 Investment in Islamic financing contracts

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Investment in Tawarruq financing contracts, net	**1,446,037,867**	1,149,837,518
Investment in Murabaha financing contracts, net	**310,468,833**	398,318,567
Investment in Islamic credit cards, net	**37,387,253**	6,466,689
	1,793,893,953	1,554,622,774
Less: Due after 12 months	**(1,014,742,635)**	(894,027,755)
Due within 12 months	**779,151,318**	660,595,019

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	**2,186,782,120**	1,756,429,044	**414,786,357**	531,814,471	**38,976,248**	6,831,628	**2,640,544,725**	2,295,075,143
Unearned finance and processing fee income	**(695,017,472)**	(566,527,502)	**(92,785,144)**	(127,169,940)	**-**	-	**(787,802,616)**	(693,697,442)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	**1,491,764,648**	1,189,901,542	**322,001,213**	404,644,531	**38,976,248**	6,831,628	**1,852,742,109**	1,601,377,701
Allowance for ECL/net impairment on financial assets	**(45,726,781)**	(40,064,024)	**(11,532,380)**	(6,325,964)	**(1,588,995)**	(364,939)	**(58,848,156)**	(46,754,927)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	**1,446,037,867**	1,149,837,518	**310,468,833**	398,318,567	**37,387,253**	6,466,689	**1,793,893,953**	1,554,622,774
Net investment in I.F.C. - Due after 12 months	**(929,334,482)**	(773,390,465)	**(85,408,153)**	(120,637,290)	**-**	-	**(1,014,742,635)**	(894,027,755)
Net investment in I.F.C. - Due within 12 months	**516,703,385**	376,447,053	**225,060,680**	277,681,277	**37,387,253**	6,466,689	**779,151,318**	660,595,019

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 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	**30,804,576**	42,044,281	**13,626,449**	5,449,115	**1,224,056**	364,939	**45,655,081**	47,858,335
Recoveries of amounts previously written-off	**(4,628,149)**	(4,691,718)	**(2,291,694)**	(2,413,029)	**-**	-	**(6,919,843)**	(7,104,747)
Net charge for the period / year	**26,176,427**	37,352,563	**11,334,755**	3,036,086	**1,224,056**	364,939	**38,735,238**	40,753,588
Amounts written-off	**(20,513,670)**	(21,221,425)	**(6,128,339)**	(6,140,907)	**-**	-	**(26,642,009)**	(27,362,332)
Closing balance	**45,726,781**	40,064,024	**11,532,380**	6,325,964	**1,588,995**	364,939	**58,848,156**	46,754,927

The ECL allowance on undrawn commitments for credit cards issued was immaterial as at 30 September 2023 and 31 December 2022.

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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

30 September 2023 (Unaudited)	**Tawarruq finance P.V. of I.F.C.**	**Tawarruq finance Allowance for ECL**	**Tawarruq finance Net investment in I.F.C.**	**Murabaha finance P.V. of I.F.C.**	**Murabaha finance Allowance for ECL**	**Murabaha finance Net investment in I.F.C.**	**Islamic credit card P.V. of I.F.C.**	**Islamic credit card Allowance for ECL**	**Islamic credit card Net investment in I.F.C.**	**Total P.V. of I.F.C.**	**Total Allowance for ECL**	**Total Net investment in I.F.C.**
Performing (Stage 1)	**1,349,070,777**	**(14,968,028)**	**1,334,102,749**	**274,541,132**	**(1,371,726)**	**273,169,406**	**32,635,392**	**(374,483)**	**32,260,909**	**1,656,247,301**	**(16,714,23٧)**	**1,639,533,064**
Under-performing (Stage 2)	**27,018,007**	**(3,187,063)**	**23,830,944**	**6,723,581**	**(644,462)**	**6,079,119**	**3,015,899**	**(446,346)**	**2,569,553**	**36,757,487**	**(4,277,87١)**	**32,479,616**
Non-performing (Stage 3)	**115,675,864**	**(27,571,690)**	**88,104,174**	**40,736,500**	**(9,516,192)**	**31,220,308**	**3,324,957**	**(768,166)**	**2,556,791**	**159,737,321**	**(37,856,048)**	**121,881,273**
	1,491,764,648	**(45,726,781)**	**1,446,037,867**	**322,001,213**	**(11,532,380)**	**310,468,833**	**38,976,248**	**(1,588,995)**	**37,387,253**	**1,852,742,109**	**(58,848,156)**	**1,793,893,953**

31 December 2022 (Audited)	**Tawarruq finance P.V of I.F.C.**	**Tawarruq finance Allowance for ECL**	**Tawarruq finance Net investment in I.F.C.**	**Murabaha finance P.V of I.F.C.**	**Murabaha finance Allowance for ECL**	**Murabaha finance Net investment in I.F.C.**	**Islamic credit card P.V of I.F.C.**	**Islamic credit card Allowance for ECL**	**Islamic credit card Net investment in I.F.C.**	**Total P.V of I.F.C.**	**Total Allowance for ECL**	**Total 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

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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)	**(2,368,173)**	**4,122,229**	**(287,830)**	**1,466,226**
Individual financial assets transferred to non-performing (credit-impaired financial assets)	**(10,096,716)**	**(2,048,887)**	**29,020,866**	**16,875,263**
Individual financial assets to performing (12-month expected credit losses)	**166,384**	**(662,027)**	**(2,558,852)**	**(3,054,495)**
New financial assets originated	**18,463,897**	**-**	**-**	**18,463,897**
Amounts written-off	**-**	**-**	**(26,642,009)**	**(26,642,009)**
Other changes	**(1,405,412)**	**(315,995)**	**6,705,754**	**4,984,347**
30 September 2023	**16,714,238**	**4,277,872**	**37,856,046**	**58,848,156**

	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

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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

2023	Tawarruq finance Performing (Stage 1)	Tawarruq finance Under-performing (Stage 2)	Tawarruq finance Non-performing (Stage 3)	Murabaha finance Performing (Stage 1)	Murabaha finance Under-performing (Stage 2)	Murabaha finance Non-performing (Stage 3)	Islamic Credit Card Performing (Stage 1)	Islamic Credit Card Under-performing (Stage 2)	Islamic Credit Card Non-performing (Stage 3)	Total Performing (Stage 1)	Total Under-performing (Stage 2)	Total Non-performing (Stage 3)
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)	**(1,538,257)**	**3,047,462**	**(244,887)**	**(406,051)**	**629,225**	**(34,662)**	**(423,867)**	**445,542**	**(5,004)**	**(2,368,175)**	**4,122,229**	**(284,553)**
- non-performing (credit-impaired financial assets)	**(6,646,134)**	**(1,853,523)**	**20,533,672**	**(3,183,163)**	**(117,707)**	**7,858,872**	**(267,419)**	**(77,658)**	**628,322**	**(10,096,716)**	**(2,048,888)**	**29,020,866**
- performing (12-month expected credit losses)	**156,365**	**(614,509)**	**(2,376,524)**	**9,243**	**(42,309)**	**(155,142)**	**777**	**(5,209)**	**(30,461)**	**166,385**	**(662,027)**	**(2,562,127)**
New financial assets originated	**13,415,393**	**-**	**-**	**4,041,919**	**-**	**-**	**1,006,585**	**-**	**-**	**18,463,897**	**-**	**-**
Amounts written-off	**-**	**-**	**(20,513,670)**	**-**	**-**	**(6,128,339)**	**-**	**-**	**-**	**-**	**-**	**(26,642,009)**
Other changes	**(919,320)**	**(282,228)**	**3,498,917**	**(497,737)**	**(21,209)**	**3,253,476**	**11,644**	**(12,557)**	**(46,639)**	**(1,405,413)**	**(315,994)**	**6,705,754**
At 30 September	**14,968,026**	**3,187,063**	**27,571,692**	**1,371,726**	**644,462**	**9,516,192**	**374,484**	**446,347**	**768,164**	**16,714,236**	**4,277,872**	**37,856,048**

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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

2022	Tawarruq finance Performing (Stage 1)	Tawarruq finance Under-performing (Stage 2)	Tawarruq finance Non-performing (Stage 3)	Murabaha finance Performing (Stage 1)	Murabaha finance Under-performing (Stage 2)	Murabaha finance Non-performing (Stage 3)	Islamic Credit Card Performing (Stage 1)	Islamic Credit Card Under-performing (Stage 2)	Islamic Credit Card Non-performing (Stage 3)	Total Performing (Stage 1)	Total Under-performing (Stage 2)	Total 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 and nine month periods ended 30 September 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;
- During the three-month period ended 30 September 2023, there were certain changes made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) used by management in developing the model for computation of Expected Credit Loss (ECL) on investment in Islamic financing contracts. A detailed analysis of such change in estimate and the underlying judgements has been explained in Note 16;
- Additional allowances for new financial assets recognised during the year;
- Financial assets written off; and
- ‘Other changes’ in Stage 3 principally represent net impact of additional allowance for ECL recognized upon write-offs amounting to Saudi Riyals 16.8 million which has been partially offset by recoveries from previously written-off exposures amounting to Saudi Riyals 10.1 million.

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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		
2023	**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	**1,102,246,076**	**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)	**(26,587,724)**	**25,314,833**	**(600,457)**	**(7,402,944)**	**6,421,670**	**(148,667)**	**(2,957,382)**	**3,009,573**	**(11,760)**	**(36,948,050)**	**34,746,076**	**(760,884)**
non-performing (credit-impaired financial assets)	**(73,133,854)**	**(11,405,665)**	**84,485,183**	**(30,391,446)**	**(2,433,437)**	**32,873,001**	**(1,560,627)**	**(382,861)**	**2,844,768**	**(105,085,927)**	**(14,221,963)**	**120,202,952**
performing (12-month expected credit losses)	**5,890,247**	**(4,205,841)**	**(5,712,982)**	**760,880**	**(877,134)**	**(667,080)**	**55,956**	**(39,009)**	**(71,588)**	**6,707,083**	**(5,121,984)**	**(6,451,650)**
New financial assets originated	**678,326,670**	**-**	**-**	**153,604,244**	**-**	**-**	**30,955,371**	**-**	**-**	**862,886,285**	**-**	**-**
Amounts written-off	**-**	**-**	**(20,513,670)**	**-**	**-**	**(6,128,339)**	**-**	**-**	**-**	**-**	**-**	**(26,642,009)**
Collections and other changes	**(337,670,638)**	**(1,414,886)**	**(10,908,110)**	**(220,891,710)**	**(1,146,567)**	**(6,215,789)**	**302,097**	**(67,914)**	**67,996**	**(558,260,251)**	**(2,629,367)**	**(17,055,903)**
At 30 September	**1,349,070,777**	**27,018,007**	**115,675,864**	**274,541,132**	**6,723,581**	**40,736,500**	**32,635,392**	**3,015,899**	**3,324,957**	**1,656,247,301**	**36,757,487**	**159,737,321**

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
2022	**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	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	1,102,246,076	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

(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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

	30 September 2023	31 December 2022
Gross investment in Islamic financing contracts		
Within one year	**974,315,620**	891,198,952
From one to two years	**791,200,071**	715,448,610
From two to three years	**460,499,466**	407,361,700
From three to four years	**274,628,168**	205,335,564
Four to five years	**139,901,400**	75,730,317
	2,640,544,725	2,295,075,143
Present value of investment in Islamic financing contracts		
Within one year	**758,350,416**	673,915,155
From one to two years	**544,438,628**	492,312,721
From two to three years	**298,338,675**	263,912,900
From three to four years	**169,764,965**	126,930,843
Four to five years	**81,849,425**	44,306,082
	1,852,742,109	1,601,377,701

6 Trade and other payables

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Due to related parties	9	**16,288,262**	39,907,489
Accrued expenses		**21,008,336**	7,958,569
Trade payables		**18,563,010**	14,897,843
Accrued salaries and other benefits		**6,098,280**	5,996,627
Accrued Board of Directors' fee		**1,427,665**	2,102,978
Value added tax payable		**291,020**	301,698
Advances from customers		**472,542**	1,766,113
		64,149,115	72,931,317

(All amounts in Saudi Riyals unless otherwise stated)

7 Zakat payable

	For the nine-month period ended 30 September 202٣	For the year ended 31 December 2022
	(Unaudited)	(Audited)
Opening balance	**22,183,669**	15,423,663
Provisions		
-For current period/year	**18,082,035**	22,183,669
-Adjustments related to prior years	-	(670,787)
	18,082,035	21,512,882
Payments	**(22,183,669)**	(14,752,876)
Closing balance	**18,082,035**	22,183,669

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

	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	**927,550,000**	581,933,334
Short-term borrowings		
Murabaha facilities	-	250,000,000
	927,550,000	831,933,334
Accrued finance cost	**5,834,040**	5,540,103
	933,384,040	837,473,437

Classification of borrowings is presented below:

Due within 12 months (including short-term borrowings)	**258,084,040**	435,806,777
Due after 12 months	**675,300,000**	401,666,660
	933,384,040	837,473,437

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 nine-month period ended 30 September 2023, the Company made early repayments of borrowings under certain facilities and entered into a new facility agreement (Murabaha VI and Murabaha VII) with another commercial bank on favorable 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:

8 Borrowings (continued)

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 216.9 million (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 33 million (31 December 2022: early repayment amounting to Saudi Riyals 360.8 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 30 September 2023, the Company has an outstanding loan balance of Saudi Riyals 275 million against this facility (31 December 2022: Saudi Riyals 350.0 million). Under the terms of this borrowing facility, the Company is required to maintain a minimum ratio of 1.2 to 1 of earnings before interest, tax, depreciation and amortization ("EBITDA") to Debt Service. As at 30 September 2023, the ratio of EBITDA to debt service was 4.9 (31 December 2022: 1.6), in compliance with the requirements of the minimum ratio as set out in such facility agreement. The Company is also required to monitor the aggregate amount of financing offered by the Company in line with the regulatory requirements of SAMA, which requires companies engaged in financing other than real estate, not to exceed aggregate financing to capital ratio of three times, which is calculated by dividing net investment in Islamic financing contracts by total equity. As at 30 September 2023, such ratio of investment in Islamic financing contracts to net equity was 2.2 (31 December 2022: 2.3), in compliance with the requirements of SAMA.

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 30 September 2023, the Company has an outstanding loan balance of Saudi Riyals 370.7 million against this facility (31 December 2022: Nil). Under the terms of this new borrowing facility availed in 2023, the Company is required to maintain a minimum current ratio of 1.05. As at 30 September 2023, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

Murabaha VII

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 30 September 2023, the Company has an outstanding loan balance of Saudi Riyals 281.9 million against this facility (31 December 2022: Nil). Under the terms of this new borrowing facility availed in 2023, the Company is required to maintain a minimum current ratio of 1.1. As at 30 September 2023, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

8 Borrowings (continued)

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. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 255 million (31 December 2022: Saudi Riyals 250 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 0.85% to 1.25% (31 December 2022: SAIBOR plus 1.1% to 1.4%). The Company's borrowings are carried at amortised cost and are periodically contractually repriced after every three months, in line with the terms of the borrowing arrangements. 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 30 September 2023.

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Less than 6 months	**126,125,000**	352,633,342
Between 6 to 12 months	**126,125,000**	77,633,332
Between 1 and 2 years	**252,250,000**	155,266,664
Between 2 and 5 years	**423,050,000**	246,399,996
	927,550,000	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, United Electronics Company, and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

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 ("Procco") - Fellow subsidiary of UIHC	Associated Company

(All amounts in Saudi Riyals unless otherwise stated)

9 Related party transactions and balances (continued)

Nature of transaction	**For the three-month period ended 30 September**		**For the nine-month period ended 30 September**	
	2023	**2022**	**2023**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
United Electronics Company				
Purchases from UEC to be financed to consumers under Murabaha contracts	**44,305,310**	89,818,728	**204,722,357**	276,509,230
Payments to UEC	**(81,364,030)**	(98,226,290)	**(234,859,525)**	(299,649,233)
Collections made by UEC on behalf of the Company	**(3,561)**	(2,265)	**(3,561)**	(241,008)
Collections made by Company on behalf of UEC	**-**	3,064,329	**48,985**	11,960,347
Expenses incurred by UEC on behalf of the Company	**1,835,223**	1,799,854	**6,021,067**	5,811,234
Procco Financial Services W.L.L				
Outsourced personnel expenses	**10,561,229**	5,314,830	**22,328,047**	14,161,739
Payments during the period	**(10,254,826)**	(3,632,761)	**(21,876,598)**	(10,735,390)
United International Holding Company				
Expenses incurred by the Company on behalf of UIHC	**298,810**	-	**357,035**	-

(All amounts in Saudi Riyals unless otherwise stated)

9 Related party transactions and balances (continued)

Due to related parties

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
UEC	**12,727,550**	36,798,226
Procco	**3,560,712**	3,109,263
	16,288,262	39,907,489

Due from related parties

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
UIHC	**357,035**	-

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 and nine-month periods ended 30 September 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 30 September 2023 and 31 December 2022 bear no financial charges.

9.1 Key management compensation

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Short-term employee benefits	**2,071,765**	2,993,325	**8,343,056**	7,825,250
Employee benefit obligations	**193,532**	122,181	**304,792**	341,632
Board of Directors' fees	**1,074,613**	549,453	**1,802,537**	1,478,784
	3,339,910	3,664,959	**10,450,385**	9,645,666

(All amounts in Saudi Riyals unless otherwise stated)

9 Related party transactions and balances (continued)

9.1 Key management compensation (continued)

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

As at the period ended 30 September 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.

10 Share capital

The share capital of the Company as of 30 September 2023 and 31 December 2022 comprised 35,000,000 shares stated at Saudi Riyals 10 per share, wholly owned by UIHC. Also see Note 1.

11 Income from Islamic financing activities

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	**2022**	**2023**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Income from tawarruq finance activities	**95,025,048**	69,184,779	**270,675,053**	189,515,467
Income from murabaha finance activities	**35,823,111**	37,664,552	**110,363,816**	108,694,371
Income from Islamic credit card activities	**1,412,929**	154,718	**2,175,670**	154,718
	132,261,088	107,004,049	**383,214,539**	298,364,556

12 General and administrative expenses

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	**2022**	**2023**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Salaries and other benefits	**11,090,179**	11,844,624	**26,972,106**	26,771,429
Information technology support	**2,080,191**	1,117,329	**4,694,266**	3,581,900
Amortisation	**792,127**	586,739	**2,178,757**	1,674,582
Professional fees	**641,825**	1,298,015	**2,054,379**	2,861,015
Depreciation	**273,188**	241,407	**798,919**	714,650
Rent	**262,701**	262,701	**788,102**	744,319
Utilities, printing and stationery	**239,960**	481,411	**695,994**	1,304,498
Other	**1,472,744**	999,666	**3,445,714**	2,402,038
	16,852,915	16,831,892	**41,628,237**	40,054,431

(All amounts in Saudi Riyals unless otherwise stated)

13 Selling and marketing expenses

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	**2022**	**2023**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Salaries and other benefits	**13,815,957**	10,394,166	**44,680,646**	33,932,156
Fee and subscription	**6,959,830**	4,374,619	**13,083,925**	11,324,655
Advertising	**5,239,961**	2,005,562	**12,536,442**	7,288,436
Collection charges	**1,893,589**	2,176,019	**6,503,982**	5,828,597
Rent	**902,549**	916,475	**2,493,465**	2,571,095
Depreciation	**182,262**	161,181	**537,234**	470,168
Other	**1,477,417**	252,743	**3,067,666**	1,033,337
	30,471,565	20,280,765	**82,903,360**	62,448,444

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 30 September		For the nine-month period ended 30 September	
	2023	**2022**	**2023**	**2022**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Profit attributable to the shareholders of the Company	**53,405,760**	45,199,145	**157,188,461**	144,075,865
Weighted average number of ordinary shares for basic and diluted earnings per share	**35,000,000**	35,000,000	**35,000,000**	35,000,000
Basic and diluted earnings per share	**1.53**	1.29	**4.49**	4.12

15 Fair values of financial assets and financial liabilities

As at 30 September 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 30 September 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 and nine-month periods ended 30 September 2023, there have been no significant market developments which might indicate towards a potential change in fair value of the Company's financial instruments.

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 Financial risk management (continued)

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 30 September 2023, the Company has maintained an ECL allowance of Saudi Riyals 58.8 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.

(All amounts in Saudi Riyals unless otherwise stated)

16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.1 Investment in Islamic financing contracts (continued)

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
30 September 2023				
Internal credit risk ratings				
Low risk	**906,068,703**	**9,099,555**	**43,993,398**	**959,161,656**
Medium risk	**731,151,003**	**16,261,306**	**72,489,297**	**819,901,606**
High risk	**733,739,151**	**24,288,144**	**103,454,168**	**861,481,463**
	2,370,958,857	**49,649,005**	**219,936,863**	**2,640,544,725**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
31 December 2022				
Internal credit risk ratings				
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

(All amounts in Saudi Riyals unless otherwise stated)

16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.1 Investment in Islamic financing contracts (continued)

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	
	30 September 2023	**31 December 2022**	**30 September 2023**	**31 December 2022**	**30 September 2023**	**31 December 2022**	**30 September 2023**	**31 December 2022**
Not past due	**1,291,315,568**	1,067,030,105	**265,805,439**	368,275,414	**33,255,894**	5,650,607	**1,590,376,901**	1,440,956,126
Past due 1-30 days	**59,397,910**	35,759,594	**9,662,940**	11,019,678	**1,535,505**	189,370	**70,596,355**	46,968,642
Past due 31-90 days	**26,920,122**	19,074,046	**7,275,939**	4,496,158	**1,149,477**	496,110	**35,345,538**	24,066,314
Past due 91-180 days	**43,595,107**	34,893,005	**10,347,937**	9,421,114	**1,461,078**	495,541	**55,404,122**	44,809,660
Past due 181-364 days	**57,402,865**	24,579,623	**25,471,564**	8,350,489	**1,068,034**	-	**83,942,463**	32,930,112
Over 365 days	**13,133,077**	8,565,169	**3,437,393**	3,081,678	**506,260**	-	**17,076,730**	11,646,847
	1,491,764,649	1,189,901,542	**322,001,212**	404,644,531	**38,976,248**	6,831,628	**1,852,742,109**	1,601,377,701
Less: Impairment for Islamic financing contracts	**(45,726,781)**	(40,064,024)	**(11,532,380)**	(6,325,964)	**(1,588,995)**	(364,939)	**(58,848,156)**	(46,754,927)
Net investment in Islamic financing contracts	**1,446,037,868**	1,149,837,518	**310,468,832**	398,318,567	**37,387,253**	6,466,689	**1,793,893,953**	1,554,622,774

16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL

a) Changes in estimates and underlying judgements

During the three-month and nine-month periods ended 30 September 2023, there were certain changes made to the underlying methodology and assumptions used for determination of ECL against Investment in Islamic financing contracts. The previous ECL model was developed in the initial phase of the Company's business activities and historical collection and default trends from the Ultimate Parent Company's murabaha portfolio were used, being the best available information at that time. The Company's portfolio has matured since then and the ECL models have now been updated, to better reflect the changes in historical data, macroeconomic indicators, industry trends, credit quality and diversification in the portfolio. The summary of key changes made, along with their impact as at 30 September 2023, is as follows:

- **Probability of default (PD):**

Probability of default is the likelihood that a borrower will default on their financial obligation. It is typically based on historical default rates and other forward looking information such as economic indicators or borrower-specific information. PD has been calculated as a probability that an exposure will move to more than 90 days past due in the next 12 months or over the remaining lifetime of the obligation. During the three-month period ended 30 September 2023, 'Through-the-Cycle' estimates were recalculated based on updated collection and default trends (until 31 December 2022). Such "Through-the-Cycle" PD rates are later converted to 'Point-in-time' PD rates by incorporating forward-looking information (see below) using the Vasicek framework.

Since numerous contracts in Tawarruq portfolio have completed their life cycle/tenure, management has now used Tawarruq specific collection and default trends to compute the PDs whereas previously used loss rates for Tawarruq portfolio were driven from historical data of murabaha given that sufficient historical data was not available for Tawarruq portfolio. Given the availability of more default related information and experience, management has now transitioned to a more comprehensive approach with separate PDs being derived for each portfolio (i.e. Murabaha, Tawarruq and credit cards).

Such change in PD inputs resulted in an increase of Saudi Riyals 15.5 million, in the ECL allowance as at 30 September 2023.

- **Loss given default (LGD):**

Loss given default is the amount of financial loss that an entity would incur if a borrower defaulted on their financial obligation. It is typically expressed as a percentage of the outstanding principal amount of the financial asset. The LGD component estimates the expected loss if the borrower defaults, taking into account the recovery rate that could be achieved from any collateral or other sources of recovery. Previously, the Company had used present value of historical recoveries from loss accounts of Murabaha Portfolio to arrive at the LGD of 28.11%. However, the LGD used for Tawarruq portfolio was 45% in accordance with the Basel guidelines considering that the Company had insufficient historical information.

During the three-month period ended 30 September 2023, LGD inputs have been recalculated using the 'Through-the-Cycle' estimates based historical collection and default trends of both Murabaha and Tawarruq portfolios from 2019 through 2022 , which are later converted to 'Point-in-time' LGD rates using the Jacob-Frye methodology.

(All amounts in Saudi Riyals unless otherwise stated)

16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL (continued)

- **Loss given default (LGD):** (continued)

Accordingly, the updated LGD rate was determined to be 29.2% which has been used for determination of ECL for both Murabaha and Tawarruq portfolios considering similar customer characteristics. Management also considered the use of Tawarruq specific LGD rates, however, while such portfolio has matured since the start of business activities and sufficient historical information is available in relation to the default trends, management still believes that the recovery related information is insufficient as at 30 September 2023 and will be reassessed in the future reporting periods.

Such change in LGD inputs resulted in a decrease of Saudi Riyals 19.9 million in the ECL allowance as at 30 September 2023.

- **Forward-looking information:**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. During the three-month period ended 30 September 2023, macroeconomic data containing 300 macroeconomic variables (including previously used ‘crude oil price’ and ‘changes in unemployment statistics’) were analysed from Economic Intelligence Unit (EIU) and weighted average default rates were calculated from the historical data to determine appropriate predictive variables.

Based on such analysis carried out by the management and as a result of more experience with the portfolio, real gross domestic product (% change per annum), an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, and government consumption (% change per annum), which is proportion of a country's total economic output that is spent by the government on goods and services, were identified as the most appropriate macroeconomic factors with the highest correlation to the historical collection and default trends.

The Company measures the ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stage 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings of 32.95%, 34.1% and 32.95% for “upturn”, “baseline” and “downturn” scenarios respectively (31 December 2022: 30%, 40% and 30% respectively) which are computed through statistical methodologies.

As at 30 September 2023, the real gross domestic product (% change per annum) and government consumption (% change per annum) incorporated in the upturn, baseline and downturn scenarios were as follows:

	Upturn	**Baseline**	**Downturn**
Real gross domestic product (% change per annum)	10.6%	7.2%	3.8%
Government consumption (% change per annum)	10.1%	3.1%	(3.9%)

16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL (continued)

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 and the unemployment factor incorporated in the calculation of changes in unemployment statistics was 5.8%, which contributed to determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation.

Such changes in macroeconomic factors, scenario weightings and certain other factors resulted in a decrease of Saudi Riyals 6.1 million, in the ECL allowance as at 30 September 2023.

b) Sensitivity analysis:

An increase or decrease of 10% in the macroeconomic factors, i.e. real gross domestic product and government consumption factors, with all other variables held constant will result in an increase of Saudi Riyals 5.7 million or a decrease of Saudi Riyals 5.2 million respectively, in the ECL allowance. (31 December 2022: An increase or decrease of 10% in the macroeconomic factors previously used i.e. oil prices scenario and unemployment scenario weightings with all other variables held constant resulted in an increase/decrease of Saudi Riyals 1.8 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 12.0 million or a decrease of Saudi Riyals 10.0 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 30 September 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 30 September 2023 and 31 December 2022, the ECL allowance on other financial assets was immaterial.

16 Financial risk management (continued)

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 1,793.9 million (31 December 2022: Saudi Riyals 1,554.6 million). Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 933.4 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 17.9 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 30 September 2023 were approximately Saudi Riyals 1,322 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 and nine-month periods ended 30 September 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 summarise 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.

(All amounts in Saudi Riyals unless otherwise stated)

16 Financial risk management (continued)

16.3 Liquidity risk (continued)

30 September 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	351,791,247	829,030,699	1,150,458,669	309,264,110	2,640,544,725
Prepayments and other receivables	Non-profit bearing	528,452	328,867	2,080,121	-	2,937,440
Cash and cash equivalents	Non-profit bearing	27,670,081	-	-	-	27,670,081
		379,989,780	829,359,566	1,152,538,790	309,264,110	2,671,152,246
Financial liabilities						
Borrowings	Profit bearing	148,709,053	144,481,627	533,168,725	202,260,583	1,028,619,988
Trade and other payables	Non-profit bearing	63,385,553	-	-	-	63,385,553
		212,094,606	144,481,627	533,168,725	202,260,583	1,092,005,541
Net financial assets		167,895,174	684,877,939	619,370,065	107,003,527	1,579,146,705

(All amounts in Saudi Riyals unless otherwise stated)

16 Financial risk management (continued)

16.3 Liquidity risk (continued)

31 December 2022 (Audited)	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	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

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 24 October 2023.