

**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
2024
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 2024

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Report on review of Condensed Interim Financial Information

To the shareholder 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 2024 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 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

27 October 2024



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 2024 (Unaudited)	As at 31 December 2023 (Audited)
Assets			
Cash and cash equivalents	3	23,017,621	22,122,497
Prepayments and other receivables	4	30,590,568	14,459,616
Investment in Islamic financing contracts	5, 16	2,248,848,867	1,867,385,357
Property and equipment		3,622,666	4,005,781
Intangible assets		17,761,198	18,135,066
Total assets		2,323,840,920	1,926,108,317
Equity and liabilities			
Equity			
Share capital	10	350,000,000	350,000,000
Statutory reserve		69,527,868	53,730,044
Retained earnings		625,750,821	483,570,401
Actuarial reserve		(101,862)	(101,862)
Net equity		1,045,176,827	887,198,583
Liabilities			
Trade and other payables	6, 9	50,018,946	62,513,210
Zakat payable	7	18,169,744	24,423,377
Borrowings	8	1,202,541,655	945,351,417
Employee benefit obligations		7,933,748	6,621,730
Total liabilities		1,278,664,093	1,038,909,734
Total equity and liabilities		2,323,840,920	1,926,108,317

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	
		2024	2023	2024	2023
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income from Islamic financing contracts	11	161,693,028	132,261,088	450,951,816	383,214,539
Finance costs	8	(21,003,566)	(16,885,189)	(58,682,492)	(45,938,818)
Net income from Islamic financing contracts		140,689,462	115,375,899	392,269,324	337,275,721
General and administrative expenses	12	(21,641,602)	(16,852,915)	(54,827,359)	(41,628,237)
Selling and marketing expenses	13	(35,500,036)	(30,471,565)	(94,621,442)	(82,903,360)
Net impairment losses on financial assets	5	(17,531,283)	(9,027,692)	(66,804,441)	(38,735,238)
Other income - net		79,940	532,497	121,998	1,261,610
Profit before zakat		66,096,481	59,556,224	176,138,080	175,270,496
Zakat expense	7	(6,814,547)	(6,150,464)	(18,159,836)	(18,082,035)
Profit for the period		59,281,934	53,405,760	157,978,244	157,188,461
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		59,281,934	53,405,760	157,978,244	157,188,461
Earnings per share					
Basic and diluted	14	1.69	1.53	4.51	4.49

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 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
At 1 January 2024 (Audited)	350,000,000	53,730,044	483,570,401	(101,862)	887,198,583
Profit for the period	-	-	157,978,244	-	157,978,244
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	157,978,244	-	157,978,244
Transfer to statutory reserve	-	15,797,824	(15,797,824)	-	-
At 30 September 2024 (Unaudited)	350,000,000	69,527,868	625,750,821	(101,862)	1,045,176,827

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	
		2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities			
Profit before zakat		176,138,080	175,270,496
<u>Adjustments for:</u>			
Depreciation and amortization		4,081,590	3,514,910
Finance costs		58,682,492	45,938,818
Net impairment losses on financial assets	5	66,804,441	38,735,238
Employee benefit obligations		1,602,652	1,305,370
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(448,267,951)	(278,006,417)
(Increase) decrease in prepayments and other receivables		(16,130,952)	4,627,567
Decrease in trade and other payables		(12,494,264)	(8,782,202)
Cash utilized in operations		(169,583,912)	(17,396,220)
Finance costs paid		(55,656,004)	(45,644,881)
Zakat paid		(24,413,469)	(22,183,669)
Employee benefit obligations paid		(290,634)	(163,161)
Net cash outflow from operating activities		(249,944,019)	(85,387,931)
Cash flows from investing activities			
Payments for purchases of property and equipment		(1,109,629)	(606,333)
Payments for additions to intangible assets		(2,214,978)	(3,084,718)
Net cash outflow from investing activities		(3,324,607)	(3,691,051)
Cash flows from financing activities			
Proceeds from long-term borrowings	8	624,100,250	704,500,000
Repayment of long-term borrowings	8	(369,936,500)	(358,883,334)
Proceeds from short-term borrowings	8	-	5,000,000
Repayment of short-term borrowings	8	-	(255,000,000)
Net cash inflow from financing activities		254,163,750	95,616,666
Net increase in cash and cash equivalents		895,124	6,537,684
Cash and cash equivalents at beginning of the period		22,122,497	21,132,397
Cash and cash equivalents at end of the period	3	23,017,621	27,670,081

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 and nine-month periods ended 30 September 2024 (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 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 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, Tawarruq and credit card 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 regular and virtual bank transfers and SADAD. 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 and nine-month periods ended 30 September 2024, 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. Furthermore, there have been no significant changes to the underlying methodology used for determination of Expected Credit Loss (“ECL”) allowance on investment in Islamic financing contracts from those that were used for the purpose of determining the ECL allowance as at and for the year ended 31 December 2023. During the three-month period ended 30 September 2024, as part of an annual exercise, management has updated the underlying dataset of collection patterns, default trends and macroeconomic factors for computation of such ECL allowance. 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 2024 and for the three-month and nine-month periods ended 30 September 2024 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 2023.

The material 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.

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For the three-month and nine-month periods ended 30 September 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

2.1 New standards and amendment to standards and interpretations

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

- Amendment to IFRS 16 ‘Leases’ (“IFRS 16”) - Leases on sale and leaseback;
- Amendments to IAS 1, Presentation of financial statements’ - Non-current liabilities with covenants; and
- Amendment to IAS 7 ‘Cash flow statements’ (“IAS 7”) and IFRS 7 ‘Financial instruments: Disclosures (“IFRS 7”) - Supplier finance.

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

2.2 Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 1 January 2024 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.

2.3 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 2023, except for certain changes made, during the period ended 30 September 2024, to the underlying dataset of collection patterns, default trends and macroeconomic factors used for computation of such ECL allowance 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.

3 Cash and cash equivalents

	30 September 2024	31 December 2023
	(Unaudited)	(Audited)
Cash in hand	9,000	9,360
Cash at banks	23,008,621	22,113,137
	23,017,621	22,122,497

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)**

Notes to the condensed interim financial information

For the three-month and nine-month periods ended 30 September 2024 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

4 Prepayments and other receivables

	Note	30 September 2024	31 December 2023
		(Unaudited)	(Audited)
Prepaid expenses		16,533,926	10,996,193
Advances to suppliers		9,435,081	917,178
Due from related parties	9	1,480,267	290,886
Advances to employees		840,819	763,489
Other receivables		2,300,475	1,491,870
		30,590,568	14,459,616

Classification of prepayments and other receivables is presented below:

Due within 12 months	29,412,639	12,965,243
Due after 12 months	1,177,929	1,494,373
	30,590,568	14,459,616

Also see Note 9.2.

5 Investment in Islamic financing contracts

	30 September 2024	31 December 2023
	(Unaudited)	(Audited)
Investment in Tawarruq financing contracts, net	1,791,297,826	1,531,316,342
Investment in Murabaha financing contracts, net	100,043,216	272,873,307
Investment in Islamic credit cards, net	357,507,825	63,195,708
	2,248,848,867	1,867,385,357
Less: Due after 12 months	(1,150,987,058)	(1,028,152,040)
Due within 12 months	1,097,861,809	839,233,317

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(A Saudi Closed Joint Stock Company)
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(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 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Gross investment in Islamic financing contracts	2,715,654,810	2,317,297,899	125,872,090	362,169,051	432,418,687	65,726,549	3,273,945,587	2,745,193,499
Unearned finance and processing fee income	(871,341,450)	(736,619,032)	(21,277,649)	(77,646,235)	(64,762,050)	-	(957,381,149)	(814,265,267)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	1,844,313,360	1,580,678,867	104,594,441	284,522,816	367,656,637	65,726,549	2,316,564,438	1,930,928,232
Allowance for ECL/net impairment on financial assets	(53,015,534)	(49,362,525)	(4,551,225)	(11,649,509)	(10,148,812)	(2,530,841)	(67,715,571)	(63,542,875)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	1,791,297,826	1,531,316,342	100,043,216	272,873,307	357,507,825	63,195,708	2,248,848,867	1,867,385,357
Net investment in I.F.C. - Due after 12 months	(1,132,771,038)	(957,962,987)	(18,216,020)	(70,189,053)	-	-	(1,150,987,058)	(1,028,152,040)
Net investment in I.F.C. - Due within 12 months	658,526,788	573,353,355	81,827,196	202,684,254	357,507,825	63,195,708	1,097,861,809	839,233,317

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 September 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Opening balance	49,362,525	40,064,024	11,649,509	6,325,964	2,530,841	364,939	63,542,875	46,754,927
Charge for the period / year	61,661,902	52,655,193	13,760,949	16,583,715	9,742,198	2,721,177	85,165,049	71,960,085
Amounts written-off	(58,008,893)	(43,356,692)	(20,859,233)	(11,260,170)	(2,124,227)	(555,275)	(80,992,353)	(55,172,137)
Closing balance	53,015,534	49,362,525	4,551,225	11,649,509	10,148,812	2,530,841	67,715,571	63,542,875

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(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

5.1.1 Net impairment losses on financial assets:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 September 2024	30 September 2023	30 September 2024	30 September 2023	30 September 2024	30 September 2023	30 September 2024	30 September 2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Charge for the period	61,661,902	30,804,576	13,760,949	13,626,449	9,742,198	1,224,056	85,165,049	45,655,081
Recoveries amount of previously written off	(13,170,327)	(4,628,149)	(5,190,281)	(2,291,694)	-	-	(18,360,608)	(6,919,843)
Net impairment losses on financial assets	48,491,575	26,176,427	8,570,668	11,334,755	9,742,198	1,224,056	66,804,441	38,735,238

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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 2024 (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)	1,644,316,551	(14,244,919)	1,630,071,632	84,043,562	(359,645)	83,683,917	340,394,210	(3,225,349)	337,168,861	2,068,754,323	(17,829,913)	2,050,924,410
Under- performing (Stage 2)	60,404,430	(9,434,252)	50,970,178	3,324,073	(342,149)	2,981,924	5,629,975	(1,332,540)	4,297,435	69,358,478	(11,108,941)	58,249,537
Non- performing (Stage 3)	139,592,379	(29,336,363)	110,256,016	17,226,806	(3,849,431)	13,377,375	21,632,452	(5,590,923)	16,041,529	178,451,637	(38,776,717)	139,674,920
	1,844,313,360	(53,015,534)	1,791,297,826	104,594,441	(4,551,225)	100,043,216	367,656,637	(10,148,812)	357,507,825	2,316,564,438	(67,715,571)	2,248,848,867
31 December 2023 (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)	1,363,519,192	(12,795,904)	1,351,369,656	231,558,510	(1,145,853)	229,766,290	56,654,129	(734,894)	55,919,235	1,651,731,831	(14,676,651)	1,637,055,181
Under- performing (Stage 2)	94,488,537	(7,281,868)	87,206,669	13,124,454	(812,779)	12,311,675	3,111,317	(299,851)	2,811,466	110,724,308	(8,394,498)	102,329,810
Non- performing (Stage 3)	122,671,138	(29,284,753)	92,740,017	39,839,852	(9,690,877)	30,795,342	5,961,103	(1,496,096)	4,465,007	168,472,093	(40,471,726)	128,000,366
	1,580,678,867	(49,362,525)	1,531,316,342	284,522,816	(11,649,509)	272,873,307	65,726,549	(2,530,841)	63,195,708	1,930,928,232	(63,542,875)	1,867,385,357

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Notes to the condensed interim financial information
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(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
30 September 2024 (Unaudited)				
1 January 2024	14,676,651	8,394,498	40,471,726	63,542,875
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(4,660,730)	9,246,519	(606,527)	3,979,262
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(6,440,605)	(3,212,327)	27,226,779	17,573,847
Individual financial assets transferred to performing (12-month expected credit losses)	868,242	(2,839,789)	(2,335,133)	(4,306,680)
New financial assets originated	19,269,573	-	-	19,269,573
Amounts written-off	-	-	(80,992,353)	(80,992,353)
Other changes	(5,883,218)	(479,960)	55,012,225	48,649,047
30 September 2024	17,829,913	11,108,941	38,776,717	67,715,571
31 December 2023 (Audited)				
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)	(5,269,553)	8,233,965	(633,024)	2,331,388
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(16,973,642)	(1,927,646)	38,214,127	19,312,839
Individual financial assets transferred to performing (12-month expected credit losses)	41,654	(475,552)	(2,299,296)	(2,733,194)
New financial assets originated	28,620,255	-	-	28,620,255
Amounts written-off	(1,499,529)	(267,396)	(53,405,212)	(55,172,137)
Other changes	(2,196,792)	(351,425)	26,977,014	24,428,797
31 December 2023	14,676,651	8,394,498	40,471,726	63,542,875

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5 Investment in Islamic financing contracts (continued)

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

30 September 2024 (Unaudited)	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 Individual financial assets transferred to	12,795,904	7,281,868	29,284,753	1,145,853	812,779	9,690,877	734,894	299,851	1,496,096	14,676,651	8,394,498	40,471,726
-Stage 1	823,962	(2,594,821)	(2,110,925)	29,790	(235,422)	(204,762)	14,490	(9,546)	(19,446)	868,242	(2,839,789)	(2,335,133)
-Stage 2	(3,462,836)	7,664,257	(529,904)	(29,203)	262,434	(76,018)	(1,168,691)	1,319,828	(605)	(4,660,730)	9,246,519	(606,527)
-Stage 3	(3,685,829)	(2,866,641)	21,423,787	(60,343)	(302,827)	1,802,409	(2,694,433)	(42,859)	4,000,583	(6,440,605)	(3,212,327)	27,226,779
New financial assets originated	12,611,960	-	-	68,252	-	-	6,589,361	-	-	19,269,573	-	-
Amounts written- off	-	-	(58,008,893)	-	-	(20,859,233)	-	-	(2,124,227)	-	-	(80,992,353)
Other changes	(4,838,242)	(50,411)	39,277,545	(794,704)	(194,815)	13,496,158	(250,272)	(234,734)	2,238,522	(5,883,218)	(479,960)	55,012,225
At 30 September	14,244,919	9,434,252	29,336,363	359,645	342,149	3,849,431	3,225,349	1,332,540	5,590,923	17,829,913	11,108,941	38,776,717

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5 Investment in Islamic financing contracts (continued)

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

31 December 2023 (Audited)	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	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												
- Stage 1	39,352	(445,905)	(2,185,825)	1,614	(25,155)	(87,381)	688	(4,492)	(26,090)	41,654	(475,552)	(2,299,296)
- Stage 2	(4,472,683)	7,133,158	(583,276)	(508,040)	802,392	(49,748)	(288,830)	298,415	-	(5,269,553)	8,233,965	(633,024)
- Stage 3	(11,369,903)	(1,741,561)	27,348,710	(4,476,191)	(109,322)	9,369,321	(1,127,548)	(76,763)	1,496,096	(16,973,642)	(1,927,646)	38,214,127
New financial assets originated	21,149,451	-	-	5,383,182	-	-	2,087,622	-	-	28,620,255	-	-
Amounts written off	(1,372,988)	(250,833)	(41,732,873)	(126,541)	(16,563)	(11,117,066)	-	-	(555,273)	(1,499,529)	(267,396)	(53,405,212)
Other changes	(1,677,304)	(302,852)	19,763,833	(535,686)	(35,035)	6,853,764	16,198	(13,538)	359,417	(2,196,792)	(351,425)	26,977,014
At 31 December	12,795,904	7,281,868	29,284,753	1,145,853	812,779	9,690,877	734,894	299,851	1,496,096	14,676,651	8,394,498	40,471,726

Following factors contributed to the change in the ECL allowance during the three-month and nine-month periods ended 30 September 2024:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases on account of impact of enhanced collection strategies and efforts) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL.
- Additional allowances for new financial assets recognised during the period;
- During the period ended 30 September 2024, as part of an annual exercise, management has updated the underlying dataset of collection patterns, default trends and macroeconomic factors for computation of such ECL allowance. A detailed analysis of such change in estimate has been included in Note 16;
- Financial assets written off; and
- 'Other changes' in Stage 3 principally represent net impact of additional allowance for ECL recognized upon write-offs.

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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:

30 September 2024 (Unaudited)	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 Individual financial assets transferred to	1,363,519,192	94,488,537	122,671,138	231,558,510	13,124,454	39,839,852	56,654,129	3,111,317	5,961,103	1,651,731,831	110,724,308	168,472,093
- Stage 1	42,783,402	(33,575,536)	(9,207,866)	13,989,591	(3,784,633)	(10,204,958)	2,540,104	(708,250)	(1,831,854)	59,313,097	(38,068,419)	(21,244,678)
- Stage 2	(50,111,128)	52,383,128	(2,272,000)	(3,408,521)	3,732,460	(323,939)	(5,409,779)	5,420,240	(10,461)	(58,929,428)	61,535,828	(2,606,400)
- Stage 3	(61,679,538)	(38,000,555)	99,680,093	(4,682,381)	(4,838,970)	9,521,351	(11,826,252)	(1,911,107)	13,737,359	(78,188,171)	(44,750,632)	122,938,803
New financial assets originated	836,750,905	-	-	6,592,808	-	-	303,236,242	-	-	1,146,579,955	-	-
Amounts written-off	-	-	(58,008,893)	-	-	(20,859,233)	-	-	(2,124,227)	-	-	(80,992,353)
Collections and other changes	(486,946,282)	(14,891,144)	(13,270,093)	(160,006,445)	(4,909,238)	(746,267)	(4,800,234)	(282,225)	5,900,532	(651,752,961)	(20,082,607)	(8,115,828)
At 30 September	1,644,316,551	60,404,430	139,592,379	84,043,562	3,324,073	17,226,806	340,394,210	5,629,975	21,632,452	2,068,754,323	69,358,478	178,451,637

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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)

31 December 2023 (Audited)	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 Individual financial assets transferred to	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
- Stage 1	8,258,699	(2,977,463)	(5,281,236)	6,483,793	(516,755)	(5,967,038)	560,237	(82,174)	(478,063)	15,302,729	(3,576,392)	(11,726,337)
- Stage 2	(105,939,794)	107,377,995	(1,438,201)	(19,287,063)	19,498,243	(211,180)	(3,277,445)	3,277,445	-	(128,504,302)	130,153,683	(1,649,381)
- Stage 3	(104,820,476)	(10,514,776)	115,335,252	(37,908,327)	(2,177,175)	40,085,502	(4,664,061)	(371,584)	5,035,645	(147,392,864)	(13,063,535)	160,456,399
New financial assets originated	887,520,986	-	-	164,443,855	-	-	64,413,772	-	-	1,116,378,613	-	-
Amounts written-off	(1,372,988)	(250,833)	(41,732,873)	(126,541)	(16,563)	(11,117,066)	-	-	(555,273)	(1,499,529)	(267,396)	(53,405,212)
Collections and other changes	(422,373,311)	(17,875,952)	(13,137,704)	(260,909,315)	(8,422,345)	(3,973,740)	(6,218,351)	(208,480)	1,463,253	(689,500,977)	(26,506,777)	(15,648,191)
At 31 December	1,363,519,192	94,488,537	122,671,138	231,558,510	13,124,454	39,839,852	56,654,129	3,111,317	5,961,103	1,651,731,831	110,724,308	168,472,093

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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 2024	31 December 2023
	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts		
Within one year	1,383,596,370	1,034,366,835
From one to two years	863,900,316	808,227,507
From two to three years	522,112,634	479,714,718
From three to four years	352,124,752	295,255,542
Four to five years	152,211,515	127,628,897
	<u>3,273,945,587</u>	<u>2,745,193,499</u>

Present value of investment in Islamic financing contracts

Within one year	1,135,332,883	870,366,971
From one to two years	572,828,652	550,792,884
From two to three years	330,096,959	301,094,317
From three to four years	199,448,040	150,008,190
Four to five years	78,857,904	58,665,870
	<u>2,316,564,438</u>	<u>1,930,928,232</u>

6 Trade and other payables

	Note	30 September 2024	31 December 2023
		(Unaudited)	(Audited)
Accrued expenses		18,436,038	9,213,172
Due to related parties	9	11,315,402	25,561,785
Trade payables		10,747,839	15,249,186
Accrued salaries and other benefits		6,325,279	8,997,816
Accrued Board of Directors' fee		1,728,230	2,479,778
Value added tax payable		831,048	541,309
Others		635,110	470,164
		<u>50,018,946</u>	<u>62,513,210</u>

7 Zakat payable

	For the nine- month period ended 30 September 2024	For the year ended 31 December 2023
	(Unaudited)	(Audited)
Opening balance	24,423,377	22,183,669
Provision for the period/year	18,159,836	24,423,377
Payments	(24,413,469)	(22,183,669)
Closing balance	<u>18,169,744</u>	<u>24,423,377</u>

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7 Zakat payable (continued)

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 2023.

8 Borrowings

	30 September 2024	31 December 2023
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	1,193,700,000	939,536,250
Accrued finance cost	8,841,655	5,815,167
	1,202,541,655	945,351,417

Classification of borrowings is presented below:

Due within 12 months	379,379,155	280,613,917
Due after 12 months	823,162,500	664,737,500
	1,202,541,655	945,351,417

8.1 The movement in the Company's borrowings is as follows:

	30 September 2024	31 December 2023
	(Unaudited)	(Audited)
Opening balance	945,351,417	837,473,437
Proceeds from long-term borrowings	624,100,250	774,500,000
Repayment of long-term borrowings	(369,936,500)	(416,897,083)
Proceeds from short-term borrowings	-	5,000,000
Repayment of short-term borrowings	-	(255,000,000)
Finance cost accrued	58,682,492	63,243,271
Finance cost paid	(55,656,004)	(62,968,208)
Closing balance	1,202,541,655	945,351,417

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

	30 September 2024	31 December 2023
	(Unaudited)	(Audited)
Less than 6 months	179,018,750	139,923,750
Between 6 to 12 months	191,518,750	134,875,000
Between 1 and 2 years	358,037,500	269,750,000
Between 2 and 5 years	465,125,000	394,987,500
	1,193,700,000	939,536,250

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

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8 Borrowings (continued)

8.3 The Company has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia. All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate (“SAIBOR”) plus certain margins. 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 facility-wise breakdown of the outstanding loan balance is as follows:

	Note	30 September 2024	31 December 2023
		(Unaudited)	(Audited)
Long-term borrowings			
Murabaha IV	8.3.1	375,000,000	249,998,750
Murabaha VI	8.3.2	396,700,000	356,350,000
Murabaha VII	8.3.3	422,000,000	333,187,500
		1,193,700,000	939,536,250
Accrued finance cost		8,841,655	5,815,167
		1,202,541,655	945,351,417

The financial charges incurred during the period increased on account of increase in amount of borrowings. 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 2024.

Details of the type of borrowings facilities as allocated to and availed by the Company are as follows:

Long-term borrowings:

8.3.1 Murabaha IV

Total amount available to the Company under such facility is Saudi Riyals 450.0 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 2024, the Company has an outstanding loan balance of Saudi Riyals 375.0 million against this facility (31 December 2023: Saudi Riyals 250.0 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 2024, the ratio of EBITDA to debt service was 4.1 (31 December 2023: 4.8), 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 2024, such ratio of investment in Islamic financing contracts to net equity was 2.2 (31 December 2023: 2.2), in compliance with the requirements of SAMA.

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8 Borrowings (continued)

8.3.2 Murabaha VI

Total amount available to the Company under such facility is Saudi Riyals 430.0 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 2024, the Company has an outstanding loan balance of Saudi Riyals 396.7 million against this facility (31 December 2023: 356.4 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum current ratio of 1.05. As at 30 September 2024, the current ratio was 2.6 (31 December 2023: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement.

8.3.3 Murabaha VII

Total amount available to the Company under such facility is Saudi Riyals 500.0 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 2024, the Company has an outstanding loan balance of Saudi Riyals 422.0 million against this facility (31 December 2023: 333.1 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum current ratio of 1.1. As at 30 September 2024, the current ratio was 2.6 (31 December 2023: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement.

8.3.4 Murabaha VIII

Total amount available to the Company under such facility is Saudi Riyals 200.0 million, which is unutilized as at 30 September 2024.

9 Related party transactions and balances

Related parties comprise the shareholder, directors, affiliated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's direct and indirect shareholders), and key management personnel. Related parties also include business entities in which certain directors or senior management have control or joint control.

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

Related party	Relationship
UEC	Ultimate Parent Company
UIHC	Parent Company
Procco Financial Services W.L.L ("Procco") - Fellow subsidiary of UIHC	Affiliated Company

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9 Related party transactions and balances (continued)

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

Nature of transaction	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
UEC				
Purchases from UEC to be financed to consumers under Murabaha contracts	599,745	44,305,310	11,154,433	204,722,357
Payments to UEC	(11,801,884)	(81,364,030)	(41,765,133)	(234,859,525)
Collections made by UEC on behalf of the Company	(2,412)	(3,561)	(76,654)	(3,561)
Collections made by Company on behalf of UEC	-	-	-	48,985
Expenses incurred by UEC on behalf of the Company	7,412,102	1,835,223	14,297,362	6,021,067
Procco				
Outsourced personnel expenses	8,640,958	10,561,229	23,999,353	22,328,047
Payments during the period	(10,837,098)	(10,254,826)	(21,855,745)	(21,876,598)
UIHC				
Expenses incurred by the Company on behalf of UIHC	62,756	298,810	1,189,381	357,035
Due to related parties				
			30 September 2024	31 December 2023
			(Unaudited)	(Audited)
Procco			7,647,096	5,503,488
UEC			3,668,306	20,058,297
			11,315,402	25,561,785
Due from related parties				
			30 September 2024	31 December 2023
			(Unaudited)	(Audited)
UIHC			1,480,267	290,886

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9 Related party transactions and balances (continued)

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

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 2024, 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 2023.

Related party balances as at 30 September 2024 and 31 December 2023 bear no financial charges, are unsecured and are settled in cash. Further, the ECL allowance on such balances was immaterial.

9.2 Key management personnel compensation

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Short-term employee benefits	1,905,889	2,071,765	6,196,036	8,343,056
Employee benefit obligations	94,633	193,532	280,833	304,792
Board of Directors' fees	613,000	1,074,613	1,839,000	1,802,537
	2,613,522	3,339,910	8,315,869	10,450,385

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9 Related party transactions and balances (continued)

9.3 Key management compensation

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

As at 30 September 2024, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.1 million (31 December 2023: Saudi Riyals 0.3 million). Refer Note 4.

10 Share capital

The share capital of the Company as of 30 September 2024 and 31 December 2023 comprised 35,000,000 shares stated at Saudi Riyals 10 per share, wholly owned by UIHC.

11 Income from Islamic financing contracts

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Income from tawarruq finance activities	121,401,424	95,025,048	348,489,732	270,675,053
Income from Islamic credit card activities	25,676,428	1,412,929	52,691,275	2,175,670
Income from murabaha finance activities	14,615,176	35,823,111	49,770,809	110,363,816
	161,693,028	132,261,088	450,951,816	383,214,539

12 General and administrative expenses

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Salaries and other benefits	10,699,915	11,090,179	31,746,720	26,972,106
Information technology support	7,407,128	2,649,770	14,278,405	5,993,878
Professional fees	1,241,594	641,825	2,526,301	2,054,379
Amortisation of intangible assets	788,231	792,127	2,456,477	2,178,757
Depreciation on property and equipment	274,763	273,188	872,557	798,919
Rent	262,700	262,701	788,102	788,102
Utilities, printing and stationery	111,273	239,960	432,711	695,994
Other	855,998	903,165	1,726,086	2,146,102
	21,641,602	16,852,915	54,827,359	41,628,237

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13 Selling and marketing expenses

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Salaries and other benefits	16,715,790	13,815,957	45,164,936	44,680,646
Fee and subscription	6,770,925	6,959,830	20,269,915	13,083,925
Advertising	8,576,125	5,239,961	19,510,091	12,536,442
Rent	833,745	902,549	2,544,188	2,493,465
Collection charges	935,901	1,893,589	2,347,133	6,503,982
Depreciation on property and equipment	252,415	182,262	752,557	537,234
Other	1,415,135	1,477,417	4,032,622	3,067,666
	35,500,036	30,471,565	94,621,442	82,903,360

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	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to the shareholders of the Company	59,281,934	53,405,760	157,978,244	157,188,461
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	1.69	1.53	4.51	4.49

15 Fair values of financial assets and financial liabilities

As at 30 September 2024 and 31 December 2023, 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 2024 and 31 December 2023 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 2024, there have been no significant market developments which might indicate towards a potential change in fair value of the Company's financial instruments.

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16 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, profit rate 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 30 September 2024, the Company has maintained an ECL allowance of Saudi Riyals 67.7 million (31 December 2023: Saudi Riyals 63.5 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, Murabaha and credit card 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 regular and virtual bank transfers and SADAD. 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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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 investment in Islamic financing contracts.*

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
30 September 2024 (Unaudited)				
<i>Internal credit risk ratings</i>				
Low risk	1,105,643,648	21,848,892	44,265,723	1,171,758,263
Medium risk	918,973,540	31,086,096	77,407,442	1,027,467,078
High risk	915,377,565	44,105,680	115,237,001	1,074,720,246
	2,939,994,753	97,040,668	236,910,166	3,273,945,587
31 December 2023 (Audited)				
<i>Internal credit risk ratings</i>				
Low risk	888,086,845	32,479,258	43,996,434	964,562,537
Medium risk	725,723,756	51,529,863	78,637,899	855,891,518
High risk	737,399,490	74,474,932	112,865,022	924,739,444
	2,351,210,091	158,484,053	235,499,355	2,745,193,499

Subsequent to initial recognition, the Company monitors the credit quality of its exposures based on staging criteria and past due ageing of the exposures.

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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 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Not past due	1,554,351,282	1,366,065,772	77,554,582	231,442,987	309,642,882	56,562,085	1,941,548,746	1,654,070,844
Past due 1-30 days	89,965,269	65,242,345	6,488,980	8,654,776	30,751,328	1,504,307	127,205,577	75,401,428
Past due 31-90 days	60,404,430	26,946,879	3,324,073	4,707,969	5,629,975	1,763,127	69,358,478	33,417,975
Past due 91-180 days	52,407,068	43,430,069	10,834,599	10,167,007	9,270,830	3,348,127	72,512,497	56,945,203
Past due 181-364 days	61,610,825	64,677,283	3,607,005	25,562,003	9,575,475	1,561,416	74,793,305	91,800,702
Over 365 days	25,574,486	14,316,519	2,785,202	3,988,074	2,786,147	987,487	31,145,835	19,292,080
	1,844,313,360	1,580,678,867	104,594,441	284,522,816	367,656,637	65,726,549	2,316,564,438	1,930,928,232
Less: Impairment for Islamic financing contracts	(53,015,534)	(49,362,525)	(4,551,225)	(11,649,509)	(10,148,812)	(2,530,841)	(67,715,571)	(63,542,875)
Net investment in Islamic financing contracts	1,791,297,826	1,531,316,342	100,043,216	272,873,307	357,507,825	63,195,708	2,248,848,867	1,867,385,357

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL

The Company applies three-stage model for impairment of Investment in Islamic financing contracts, in line with the requirements of IFRS 9 'Financial Instruments', based on changes in credit quality since initial recognition. The assessment of credit risk in the net investment in Islamic financing receivables requires further estimations of credit risk using ECL which is derived by Probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Company measures an ECL at a contract level considering the EAD, PD, LGD and discount rates. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Company uses present value of recoveries for loss accounts adjusted by the forward-looking information. EAD represents the exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract i.e. contractual repayments. Such financing contracts are not collateralised. For discounting, the Company has used each contract's effective profit rate.

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. "Through-the-Cycle" estimates were calculated based on collection and default trends. Such "Through-the-Cycle" PD rates are later converted to 'Point-in-time' PD rates by incorporating the forward-looking information (see below) using the Vasicek framework.

LGD inputs have been calculated using the "Through-the-Cycle" estimates based on historical collection and default trends of both Murabaha, Tawarruq and credit card portfolios, which are later converted to 'Point-in-time' LGD rates using the Jacob-Frye methodology.

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 for "upturn", "baseline" and "downturn" scenarios respectively which are computed through statistical methodologies.

a) Changes in assumptions upon updates to source data

During the three-month and nine-month periods ended 30 September 2024, there have been no significant changes to the underlying methodology used for determination of ECL from those that were used for the purpose of determining the ECL allowance as at the year ended 31 December 2023, however, management, as part of an annual exercise, have updated the data interval used to assess the historical collection, default and recovery trends for computation of PD and LGD, to cover the contracts entered from 1 September 2019 to 30 June 2023 (31 December 2023: 1 September 2019 to 30 June 2022), for which the performance was observed until 30 June 2024. Furthermore, the macroeconomic factors and scenario weightings, used to convert "Through-the-Cycle" PD/LGD estimates to 'Point-in-time' PD/LGD rates, have been updated in line with latest available information. The summary of key changes made, along with their impact as at 30 September 2024, is as follows:

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

During the three-month and nine-month periods ended 30 September 2024, 'Through-the-Cycle' estimates were recalculated based on updated collection and default trends for contracts entered from 1 September 2019 to 30 June 2023 (31 December 2023: 1 September 2019 to 30 June 2022).

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL (continued)

Such change in PD inputs resulted in an increase of Saudi Riyals 5.3 million, in the ECL allowance as at 30 September 2024. The stage-wise analysis is as follows:

	Impact of change in PD
Performing (Stage 1)	(1,552,239)
Under-performing (Stage 2)	6,850,569
Non-performing (Stage 3)	-
	<u>5,298,330</u>

- Loss given default (LGD):

During the three-month and nine-month periods ended 30 September 2024, LGD inputs have been recalculated based on historical collection and default trends of both Murabaha and Tawarruq portfolios for contracts entered from 1 September 2019 to 30 June 2023 (31 December 2023: 1 September 2019 to 30 June 2022).

Accordingly, the updated overall LGD rate was determined to be 22.78%, based on updated cure rate for both Murabaha and Tawarruq financing contracts which share similar customer characteristics. Management believes the historical information is insufficient to compute the credit card specific cure rates as this business has just started growing this year.

The recovery rate used to compute the LGD continues to be in accordance with the Basel guidelines considering that the Company has insufficient historical information in relation to the subsequent recovery trends and hence, this will be reassessed in the future reporting periods. Basel prescribed floor of LGD for credit cards is different, causing the overall LGD for such portfolio to be 25.31%.

Such change in LGD inputs resulted in a decrease of Saudi Riyals 15.4 million in the ECL allowance as at 30 September 2024. The stage-wise analysis is as follows:

	Impact of change in LGD
Performing (Stage 1)	(7,556,186)
Under-performing (Stage 2)	(1,203,448)
Non-performing (Stage 3)	(6,628,911)
	<u>(15,388,545)</u>

- Macroeconomic factors:

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 and nine-month periods ended 30 September 2024, macroeconomic data containing 300 macroeconomic variables (including previously used 'Real gross domestic product' and 'Government consumption') were analysed from Economic Intelligence Unit (EIU) and weighted average default rates were calculated from the historical data to determine appropriate predictive variables.

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL (continued)

Based on such analysis carried out by the management and as a result of more experience with the portfolio, the following were identified as the most appropriate macroeconomic factors with the highest correlation to the historical collection and default trends.

- Exports of goods and services (% change per annum): Annual percentage change in a country's exports of goods and services, adjusted for inflation;
- Crude petroleum (% change per annum): Annual percentage change in production, export, and global price of unrefined oil.
- Foreign-exchange reserves (% change per annum): Annual percentage change in a country's reserves of foreign currencies.

A drop in the aforementioned macroeconomic factors can lead to financial stress, thereby leading to increase in default rates.

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 15%, 70% and 15% for "upturn", "baseline" and "downturn" scenarios respectively (31 December 2023: 32.95%, 34.1% and 32.95% respectively) which are computed through statistical methodologies.

As at 30 September 2024, the afore-mentioned macroeconomic factors incorporated in the upturn, baseline and downturn scenarios were as follows:

	Upturn	Baseline	Downturn
Exports of Goods and Services (% change per annum)	11.9%	2.7%	(6.5%)
Crude petroleum (% change per annum)	55.7%	48.8%	41.8%
Foreign-exchange reserves (% change per annum)	0.019%	0.001%	(0.016%)

As at 31 December 2023, the macroeconomic factors used were the real gross domestic product (% change per annum) and government consumption (% change per annum) which when 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%)

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL (continued)

Such changes in macroeconomic factors, scenario weightings and certain other factors resulted in an increase of Saudi Riyals 0.5 million, in the ECL allowance as at 30 September 2024.

b) Sensitivity analysis:

The table below illustrates the sensitivity of ECL to key factors, with all other variables held constant, noting that the macroeconomic factors present dynamic relationships between them:

	Impact on statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2024 (in millions)
Key assumptions	
<i>Macroeconomic factors (Exports of Goods and Services, Crude petroleum and Foreign-exchange reserves)</i>	
Increase by 10%	(1.8)
Decrease by 10%	1.9
<i>PD and LGD</i>	
Increase by 10%	(10.3)
Decrease by 10%	9.2
<i>Scenario weightings</i>	
100% weightage assigned to base scenarios	2.1
100% weightage assigned to downside scenarios	(35.8)

16.1.3 Cash and cash equivalents and other receivables

The Company uses “lower 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 2024 and 31 December 2023, the ECL allowance on cash at bank was immaterial.

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.3 Cash and cash equivalents and other receivables (continued)

Other financial assets at amortised cost include other receivables. These instruments are considered to carry lower 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 2024 and 31 December 2023, the ECL allowance on other financial assets was immaterial.

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 2,260.3 million (31 December 2023: Saudi Riyals 1,867.3 million). Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 1,202.5 million (31 December 2023: Saudi Riyals 945.3 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 29.9 million (31 December 2023: Saudi Riyals 18.2 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. Total unused credit facilities available to the Company as at 30 September 2024 were approximately Saudi Riyals 377.5 million (31 December 2023: Saudi Riyals 1,311 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. 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 nine-month period ended 30 September 2024, 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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16 Financial risk management (continued)

16.3 Liquidity risk (continued)

30 September 2024 (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	647,937,822	735,658,548	1,386,012,950	504,336,267	3,273,945,587
Prepayments and other receivables	Non-profit bearing	2,725,461	1,896,100	-	-	4,621,561
Cash and cash equivalents	Non-profit bearing	23,017,621	-	-	-	23,017,621
		673,680,904	737,554,648	1,386,012,950	504,336,267	3,301,584,769
Financial liabilities						
Borrowings	Profit bearing	103,253,527	338,614,675	697,165,661	208,128,813	1,347,162,676
Trade and other payables	Non-profit bearing	48,552,788	-	-	-	48,552,788
		151,806,315	338,614,675	697,165,661	208,128,813	1,395,715,464
Net financial assets		521,874,589	398,939,973	688,847,289	296,207,454	1,905,869,305

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16 Financial risk management (continued)

16.3 Liquidity risk (continued)

31 December 2023 (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	400,070,165	840,288,472	1,156,423,978	348,410,884	2,745,193,499
Prepayments and other receivables	Non-profit bearing	2,266,308	279,937	-	-	2,546,245
Cash and cash equivalents	Non-profit bearing	22,122,497	-	-	-	22,122,497
		<u>424,458,970</u>	<u>840,568,409</u>	<u>1,156,423,978</u>	<u>348,410,884</u>	<u>2,769,862,241</u>
Financial liabilities						
Borrowings	Profit bearing	163,487,642	154,472,732	543,224,444	181,739,604	1,042,924,422
Trade and other payables	Non-profit bearing	61,501,737	-	-	-	61,501,737
		<u>224,989,379</u>	<u>154,472,732</u>	<u>543,224,444</u>	<u>181,739,604</u>	<u>1,104,426,159</u>
Net financial assets		<u>199,469,591</u>	<u>686,095,677</u>	<u>613,199,534</u>	<u>166,671,280</u>	<u>1,665,436,082</u>

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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 24 October 2024.