

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

**CONDENSED INTERIM FINANCIAL
INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2025
AND REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL INFORMATION**

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Condensed interim financial information (Unaudited)
For the three-month period ended 31 March 2025**

	Page
Report on review of condensed interim financial information	2
Condensed interim statement of financial position	3
Condensed interim statement of profit or loss and other comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 33



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 31 March 2025 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Ali A. Alotaibi
License number 379

30 April 2025



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

	Note	As at 31 March 2025 (Unaudited)	As at 31 December 2024 (Audited)
Assets			
Cash and cash equivalents	3	51,938,217	20,098,930
Prepayments and other receivables	4	71,713,154	36,757,917
Investment in Islamic financing contracts	5	2,553,856,816	2,407,143,299
Property and equipment		3,278,325	3,653,969
Intangible assets		17,213,321	17,367,650
Total assets		2,697,999,833	2,485,021,765
Equity and liabilities			
Equity			
Share capital	10	350,000,000	350,000,000
Statutory reserve	10	81,963,468	76,039,369
Retained earnings		737,671,213	684,354,324
Actuarial reserve		(528,256)	(528,256)
Net equity		1,169,106,425	1,109,865,437
Liabilities			
Trade and other payables	6, 9	70,205,862	65,679,379
Zakat payable	7	32,449,532	25,639,901
Borrowings	8	1,417,469,680	1,275,669,092
Employee benefit obligations		8,768,334	8,167,956
Total liabilities		1,528,893,408	1,375,156,328
Total equity and liabilities		2,697,999,833	2,485,021,765

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

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

	Note	For the three-month period ended 31 March 2024 (Restated - 2025 Note 16) (Unaudited) (Unaudited)	
Income from Islamic financing contracts	11	174,654,153	139,434,654
Finance costs	8	(21,087,199)	(18,392,521)
Net income from Islamic financing contracts		153,566,954	121,042,133
Salaries and other benefits		(28,065,367)	(24,351,726)
Net impairment losses on financial assets	5	(30,634,872)	(17,818,585)
Depreciation and amortisation		(1,275,969)	(1,278,867)
Other operating expenses	12	(27,511,542)	(19,133,516)
Other (expenses) income - net		(28,585)	428,375
Profit before zakat		66,050,619	58,887,814
Zakat expense	7	(6,809,631)	(6,071,334)
Profit for the period		59,240,988	52,816,480
Other comprehensive income		-	-
Total comprehensive income for the period		59,240,988	52,816,480
Earnings per share			
Basic and diluted	13	1.69	1.51

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 2024 (Audited)	350,000,000	53,730,044	483,570,401	(101,862)	887,198,583
Profit for the period	-	-	52,816,480	-	52,816,480
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	52,816,480	-	52,816,480
Transfer to statutory reserve	-	5,281,648	(5,281,648)	-	-
At 31 March 2024 (Unaudited)	350,000,000	59,011,692	531,105,233	(101,862)	940,015,063
At 1 January 2025 (Audited)	350,000,000	76,039,369	684,354,324	(528,256)	1,109,865,437
Profit for the period	-	-	59,240,988	-	59,240,988
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	59,240,988	-	59,240,988
Transfer to statutory reserve (Note 10)	-	5,924,099	(5,924,099)	-	-
At 31 March 2025 (Unaudited)	350,000,000	81,963,468	737,671,213	(528,256)	1,169,106,425

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)

		For the three-month period ended 31 March	
	Note	2025	2024
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit before zakat		66,050,619	58,887,814
<u>Adjustments for:</u>			
Depreciation and amortization		1,275,969	1,278,867
Finance costs		21,087,199	18,392,521
Net impairment losses on financial assets	5	30,634,872	17,818,585
Employee benefit obligations		668,424	641,723
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(177,348,389)	(130,864,835)
Increase in prepayments and other receivables		(34,955,237)	(2,671,840)
Increase (decrease) in trade and other payables		4,526,483	(7,017,271)
Cash utilized in operations		(88,060,060)	(43,534,436)
Finance costs paid		(22,286,071)	(17,004,756)
Employee benefit obligations paid		(68,046)	(132,422)
Net cash outflow from operating activities		(110,414,177)	(60,671,614)
Cash flows from investing activities			
Payments for purchases of property and equipment		(24,217)	(384,367)
Payments for additions to intangible assets		(721,779)	(19,980)
Net cash outflow from investing activities		(745,996)	(404,347)
Cash flows from financing activities			
Proceeds from long-term borrowings	8	477,999,460	304,100,000
Repayment of long-term borrowings	8	(335,000,000)	(222,162,500)
Net cash inflow from financing activities		142,999,460	81,937,500
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		20,098,930	22,122,497
Cash and cash equivalents at end of the period	3	51,938,217	42,984,036

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (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 registered address of the Company is P.O. Box 76688, Al Khobar 31952, Kingdom of Saudi Arabia.

The Company is a subsidiary of United International Holding Company (“UIHC”), a Saudi 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, which is also the Company’s ultimate controlling party and is principally engaged in the retail and wholesale 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.

During the three-month period ended 31 March 2025, 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. In accordance with the approved business plan, the Murabaha Portfolio has continued to downsize whereas steady growth has been witnessed in the Islamic credit card product offerings and Tawarruq portfolio, consistent with the previous year. Also see Note 15.

2 Basis of preparation

The condensed interim financial information of the Company as at 31 March 2025 and for the three-month period then ended 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).

The 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 2024. 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.

2.1 New standards and amendment to standards and interpretations

There were no new standards or amendments to standards and interpretations that become applicable for the current reporting period, except for the amendment to IAS 21 ‘Foreign currencies’. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting this amendment.

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 2025 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.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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 2024. Also see Note 5 and Note 15.

3 Cash and cash equivalents

	31 March 2025	31 December 2024
	(Unaudited)	(Audited)
Cash at banks	51,883,128	20,084,030
Cash in hand	55,089	14,900
	51,938,217	20,098,930

4 Prepayments and other receivables

	Note	31 March 2025	31 December 2024
		(Unaudited)	(Audited)
Advances to suppliers		54,081,660	16,259,986
Prepaid expenses		11,267,485	15,122,043
Due from related parties	9	2,560,851	1,698,297
Advances to employees		683,607	863,589
Other receivables		3,119,551	2,814,002
		71,713,154	36,757,917

Classification of prepayments and other receivables is presented below:

Due within 12 months	70,603,912	35,351,246
Due after 12 months	1,109,242	1,406,671
	71,713,154	36,757,917

Also see Note 9.2.

5 Investment in Islamic financing contracts

	31 March 2025	31 December 2024
	(Unaudited)	(Audited)
Investment in Tawarruq financing contracts, net	1,975,163,386	1,883,590,052
Investment in Murabaha financing contracts, net	43,179,010	65,871,349
Investment in Islamic credit cards, net	535,514,420	457,681,898
	2,553,856,816	2,407,143,299
Less: Due after 12 months	(1,273,899,612)	(1,212,167,352)
Due within 12 months	1,279,957,204	1,194,975,947

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2025	31 December 2024	31 March 2025	31 December 2024	31 March 2025	31 December 2024	31 March 2025	31 December 2024
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	3,014,522,267	2,863,543,920	52,157,989	80,772,680	645,544,416	551,925,203	3,712,224,672	3,496,241,803
Unearned finance and processing fee income	(977,051,217)	(924,498,812)	(7,095,966)	(12,173,366)	(90,892,927)	(79,843,884)	(1,075,040,110)	(1,016,516,062)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	2,037,471,050	1,939,045,108	45,062,023	68,599,314	554,651,489	472,081,319	2,637,184,562	2,479,725,741
Allowance for ECL/net impairment on financial assets	(62,307,664)	(55,455,056)	(1,883,013)	(2,727,965)	(19,137,069)	(14,399,421)	(83,327,746)	(72,582,442)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	1,975,163,386	1,883,590,052	43,179,010	65,871,349	535,514,420	457,681,898	2,553,856,816	2,407,143,299
Net investment in I.F.C. - Due after 12 months	(1,268,477,212)	(1,202,280,870)	(5,422,400)	(9,886,482)	-	-	(1,273,899,612)	(1,212,167,352)
Net investment in I.F.C. - Due within 12 months	706,686,174	681,309,182	37,756,610	55,984,867	535,514,420	457,681,898	1,279,957,204	1,194,975,947

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2025	31 December 2024	31 March 2025	31 December 2024	31 March 2025	31 December 2024	31 March 2025	31 December 2024
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Opening balance	55,455,056	49,362,525	2,727,965	11,649,509	14,399,421	2,530,841	72,582,442	63,542,875
Charge for the period / year	31,572,241	85,784,391	1,652,388	17,536,269	7,649,581	17,349,812	40,874,210	120,670,472
Amounts written-off	(24,719,633)	(79,691,860)	(2,497,340)	(26,457,813)	(2,911,933)	(5,481,232)	(30,128,906)	(111,630,905)
Closing balance	62,307,664	55,455,056	1,883,013	2,727,965	19,137,069	14,399,421	83,327,746	72,582,442

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

5.1.1 Net impairment losses on financial assets:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Charge for the period	31,572,241	18,054,886	1,652,388	3,875,979	7,649,581	2,670,874	40,874,210	24,601,739
Recoveries amount of previously written off	(7,858,775)	(4,854,987)	(2,030,829)	(1,928,167)	(349,734)	-	(10,239,338)	(6,783,154)
Net impairment losses on financial assets	23,713,466	13,199,899	(378,441)	1,947,812	7,299,847	2,670,874	30,634,872	17,818,585

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

31 March 2025	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)	1,807,866,601	(18,116,439)	1,789,750,162	35,119,399	(136,915)	34,982,484	494,161,496	(4,695,062)	489,466,434	2,337,147,496	(22,948,416)	2,314,199,080
Under- performing (Stage 2)	62,569,585	(9,757,300)	52,812,285	1,949,056	(168,753)	1,780,303	18,134,555	(3,952,279)	14,182,276	82,653,196	(13,878,332)	68,774,864
Non- performing (Stage 3)	167,034,864	(34,433,925)	132,600,939	7,993,568	(1,577,345)	6,416,223	42,355,438	(10,489,728)	31,865,710	217,383,870	(46,500,998)	170,882,872
	2,037,471,050	(62,307,664)	1,975,163,386	45,062,023	(1,883,013)	43,179,010	554,651,489	(19,137,069)	535,514,420	2,637,184,562	(83,327,746)	2,553,856,816
31 December 2024	Tawarruq finance			Murabaha finance			Islamic credit card			Total		
(Audited)	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)	1,723,985,236	(14,387,459)	1,709,597,777	54,788,970	(200,770)	54,588,200	431,109,626	(4,577,868)	426,531,758	2,209,883,832	(19,166,097)	2,190,717,735
Under- performing (Stage 2)	59,231,366	(9,115,750)	50,115,616	2,902,372	(249,187)	2,653,185	13,256,397	(2,947,380)	10,309,017	75,390,135	(12,312,317)	63,077,818
Non- performing (Stage 3)	155,828,506	(31,951,847)	123,876,659	10,907,972	(2,278,008)	8,629,964	27,715,296	(6,874,173)	20,841,123	194,451,774	(41,104,028)	153,347,746
	1,939,045,108	(55,455,056)	1,883,590,052	68,599,314	(2,727,965)	65,871,349	472,081,319	(14,399,421)	457,681,898	2,479,725,741	(72,582,442)	2,407,143,299

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Performing (Stage 1)	Under- performing (Stage 2)	Non- Performing (Stage 3)	Total
31 March 2025 (Unaudited)				
1 January 2025	19,166,097	12,312,317	41,104,028	72,582,442
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,778,772)	12,295,031	(380,355)	10,135,904
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(1,742,373)	(8,584,194)	15,753,414	5,426,847
Individual financial assets transferred to performing (12-month expected credit losses)	781,913	(1,678,283)	(1,396,026)	(2,292,396)
New financial assets originated	3,846,920	-	-	3,846,920
Amounts written-off	-	-	(30,128,906)	(30,128,906)
Other changes	2,674,631	(466,539)	21,548,843	23,756,935
31 March 2025	22,948,416	13,878,332	46,500,998	83,327,746
31 December 2024 (Audited)				
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)	(7,357,388)	11,016,436	(673,588)	2,985,460
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(13,006,781)	(3,473,543)	38,481,627	22,001,303
Individual financial assets transferred to performing (12-month expected credit losses)	648,207	(2,614,665)	(1,922,315)	(3,888,773)
New financial assets originated	31,592,724	-	-	31,592,724
Amounts written-off	-	-	(111,630,905)	(111,630,905)
Other changes	(7,387,316)	(1,010,409)	76,377,483	67,979,758
31 December 2024	19,166,097	12,312,317	41,104,028	72,582,442

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

31 March 2025 (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	14,387,459	9,115,750	31,951,847	200,770	249,187	2,278,008	4,577,868	2,947,380	6,874,173	19,166,097	12,312,317	41,104,028
-Stage 1	735,982	(1,348,154)	(1,019,847)	6,634	(37,256)	(56,393)	39,297	(292,873)	(319,786)	781,913	(1,678,283)	(1,396,026)
-Stage 2	(1,590,522)	8,233,365	(357,255)	(23,064)	125,459	(17,384)	(165,186)	3,936,207	(5,716)	(1,778,772)	12,295,031	(380,355)
-Stage 3	(985,048)	(5,914,054)	10,510,444	(12,559)	(141,467)	362,221	(744,766)	(2,528,673)	4,880,749	(1,742,373)	(8,584,194)	15,753,414
New financial assets originated	2,804,891	-	-	239	-	-	1,041,790	-	-	3,846,920	-	-
Amounts written-off	-	-	(24,719,633)	-	-	(2,497,341)	-	-	(2,911,932)	-	-	(30,128,906)
Other changes	2,763,677	(329,607)	18,068,369	(35,105)	(27,170)	1,508,234	(53,941)	(109,762)	1,972,240	2,674,631	(466,539)	21,548,843
At 31 March	18,116,439	9,757,300	34,433,925	136,915	168,753	1,577,345	4,695,062	3,952,279	10,489,728	22,948,416	13,878,332	46,500,998

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

31 December 2024 (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	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
Individual financial assets transferred to												
- Stage 1	625,261	(2,374,682)	(1,777,563)	14,340	(186,705)	(123,632)	8,606	(53,278)	(21,120)	648,207	(2,614,665)	(1,922,315)
- Stage 2	(4,625,369)	7,865,689	(619,064)	(37,189)	216,805	(49,224)	(2,694,830)	2,933,942	(5,300)	(7,357,388)	11,016,436	(673,588)
- Stage 3	(8,344,941)	(2,985,156)	29,758,340	(79,936)	(299,578)	1,896,733	(4,581,904)	(188,809)	6,826,554	(13,006,781)	(3,473,543)	38,481,627
New financial assets originated	20,167,585	-	-	78,944	-	-	11,346,195	-	-	31,592,724	-	-
Amounts written off	-	-	(79,691,860)	-	-	(26,457,813)	-	-	(5,481,232)	-	-	(111,630,905)
Other changes	(6,230,981)	(671,969)	54,997,241	(921,242)	(294,114)	17,321,067	(235,093)	(44,326)	4,059,175	(7,387,316)	(1,010,409)	76,377,483
At 31 December	14,387,459	9,115,750	31,951,847	200,770	249,187	2,278,008	4,577,868	2,947,380	6,874,173	19,166,097	12,312,317	41,104,028

Following factors contributed to the change in the ECL allowance during the three-month period ended 31 March 2025:

- 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;
- Financial assets written off; and
- 'Other changes' in Stage 3 principally represent net impact of additional allowance for ECL recognized upon write-offs.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

5-5 Category-wise movement in stage-wise gross carrying amounts of net investment in Islamic financing contracts is as follows:

31 March 2025 (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	1,723,985,236	59,231,366	155,828,506	54,788,970	2,902,372	10,907,972	431,109,626	13,256,397	27,715,296	2,209,883,832	75,390,135	194,451,774
Individual financial assets transferred to												
- Stage 1	49,509,768	(10,592,744)	(38,917,024)	5,033,173	(634,941)	(4,398,232)	6,742,098	(1,710,891)	(5,031,207)	61,285,039	(12,938,576)	(48,346,463)
- Stage 2	(49,513,061)	51,251,129	(1,738,068)	(1,375,747)	1,457,367	(81,620)	(17,393,232)	17,417,535	(24,303)	(68,282,040)	70,126,031	(1,843,991)
- Stage 3	(48,321,131)	(36,331,172)	84,652,303	(347,268)	(1,475,006)	1,822,274	(7,460,293)	(11,453,518)	18,913,811	(56,128,692)	(49,259,696)	105,388,388
New financial assets originated	347,808,236	-	-	86,074	-	-	131,831,897	-	-	479,726,207	-	-
Amounts written-off	-	-	(24,719,633)	-	-	(2,497,341)	-	-	(2,911,932)	-	-	(30,128,906)
Collections and other changes	(215,602,447)	(988,994)	(8,071,220)	(23,065,803)	(300,736)	2,240,515	(50,668,600)	625,032	3,693,773	(289,336,850)	(664,698)	(2,136,932)
At 31 March	1,807,866,601	62,569,585	167,034,864	35,119,399	1,949,056	7,993,568	494,161,496	18,134,555	42,355,438	2,337,147,496	82,653,196	217,383,870

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

31 December 2024 (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	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
Individual financial assets transferred to												
- Stage 1	37,964,810	(30,277,686)	(7,687,124)	15,045,637	(2,983,418)	(12,062,219)	5,406,676	(754,117)	(4,652,559)	58,417,123	(34,015,221)	(24,401,902)
- Stage 2	(52,287,894)	54,941,656	(2,653,762)	(3,858,938)	4,068,226	(209,288)	(12,908,617)	12,939,534	(30,917)	(69,055,449)	71,949,416	(2,893,967)
- Stage 3	(100,804,627)	(39,336,230)	140,140,857	(5,825,710)	(4,638,761)	10,464,471	(20,594,457)	(1,867,040)	22,461,497	(127,224,794)	(45,842,031)	173,066,825
New financial assets originated	1,085,187,409	-	-	5,156,849	-	-	412,643,781	-	-	1,502,988,039	-	-
Amounts written-off	-	-	(79,691,860)	-	-	(26,457,813)	-	-	(5,481,232)	-	-	(111,630,905)
Collections and other changes	(609,593,654)	(20,584,911)	(16,950,743)	(187,287,378)	(6,668,129)	(667,031)	(10,091,886)	(173,297)	9,457,404	(806,972,918)	(27,426,337)	(8,160,370)
At 31 December	1,723,985,236	59,231,366	155,828,506	54,788,970	2,902,372	10,907,972	431,109,626	13,256,397	27,715,296	2,209,883,832	75,390,135	194,451,774

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	31 March 2025	31 December 2024
	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts		
Within one year	1,646,750,434	1,477,540,582
From one to two years	936,161,015	922,557,910
From two to three years	564,724,397	557,563,334
From three to four years	381,942,171	376,033,518
Four to five years	182,646,655	162,546,459
	<u>3,712,224,672</u>	<u>3,496,241,803</u>
Present value of investment in Islamic financing contracts		
Within one year	1,319,511,042	1,240,297,157
From one to two years	607,417,930	588,174,376
From two to three years	382,415,805	353,346,496
From three to four years	230,751,984	213,495,654
Four to five years	97,087,801	84,412,058
	<u>2,637,184,562</u>	<u>2,479,725,741</u>

6 Trade and other payables

	Note	31 March 2025	31 December 2024
		(Unaudited)	(Audited)
Accrued expenses		29,021,020	21,511,856
Due to related parties	9	17,176,361	12,086,995
Trade payables		9,947,479	12,386,999
Accrued salaries and other benefits		6,723,585	9,757,679
Value added tax payable		878,437	807,065
Accrued Board of Directors' fee		478,084	2,315,437
Others		5,980,896	6,813,348
		<u>70,205,862</u>	<u>65,679,379</u>

Classification of trade and other payables is presented below:

Due within 12 months	64,745,862	59,494,379
Due after 12 months	5,460,000	6,185,000
	<u>70,205,862</u>	<u>65,679,379</u>

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

7 Zakat payable

	For the three-month period ended 31 March 2025	For the year ended 31 December 2024
	(Unaudited)	(Audited)
Opening balance	25,639,901	24,423,377
Provision for the period/year		
- For current period/year	6,809,631	25,639,901
- Adjustments related to prior period/year	-	(9,909)
	6,809,631	25,629,992
Payments	-	(24,413,468)
Closing balance	32,449,532	25,639,901

The Company's zakat assessments 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 and subsequent to the three-month period ended 31 March 2025, has also obtained the zakat certificate for the year 2024.

8 Borrowings

	31 March 2025	31 December 2024
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	1,410,449,460	1,267,450,000
Accrued finance costs	7,020,220	8,219,092
	1,417,469,680	1,275,669,092

Classification of borrowings is presented below:

Due within 12 months	436,195,220	426,612,842
Due after 12 months	981,274,460	849,056,250
	1,417,469,680	1,275,669,092

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

	31 March 2025	31 December 2024
	(Unaudited)	(Audited)
Opening balance	1,275,669,092	945,351,417
Proceeds from long-term borrowings	477,999,460	923,101,250
Repayment of long-term borrowings	(335,000,000)	(595,187,500)
Finance costs accrued	21,087,199	79,888,826
Finance costs paid	(22,286,071)	(77,484,901)
Closing balance	1,417,469,680	1,275,669,092

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	31 March 2025	31 December 2024
	(Unaudited)	(Audited)
Less than 6 months	206,681,250	209,196,875
Between 6 to 12 months	222,493,750	209,196,875
Between 1 and 2 years	401,612,500	368,393,750
Between 2 and 5 years	579,661,960	480,662,500
	1,410,449,460	1,267,450,000

Maturity profile of borrowings, including finance cost component, is disclosed in Note 15.

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	31 March 2025	31 December 2024
		(Unaudited)	(Audited)
Long-term borrowings			
Murabaha I	8.3.1	565,499,460	350,000,000
Murabaha II	8.3.2	189,450,000	234,575,000
Murabaha III	8.3.3	472,375,000	487,250,000
Murabaha IV	8.3.4	183,125,000	195,625,000
		1,410,449,460	1,267,450,000
Accrued finance costs		7,020,220	8,219,092
		1,417,469,680	1,275,669,092

The financial charges incurred during the period increased on account of increase in the 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 31 March 2025.

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

Long-term borrowings:

8.3.1 Murabaha I

Total amount available to the Company under such facility is Saudi Riyals 875.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2024, the Company has an outstanding loan balance of Saudi Riyals 565.5 million against this facility (31 December 2024: Saudi Riyals 350.0 million).

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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 31 March 2025, the ratio of EBITDA to debt service was 4.2 (31 December 2024: 4.2), 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 31 March 2025, such ratio of investment in Islamic financing contracts to net equity was 2.2 (31 December 2024: 2.2), in compliance with the requirements of SAMA.

8.3.2 Murabaha II

Total amount available to the Company under such facility is Saudi Riyals 800.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 March 2025, the Company has an outstanding loan balance of Saudi Riyals 189.5 million against this facility (31 December 2024: Saudi Riyals 234.6 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum current ratio of 1.05. As at 31 March 2025, the current ratio was 2.6 (31 December 2024: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement.

8.3.3 Murabaha III

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 31 March 2025, the Company has an outstanding loan balance of Saudi Riyals 472.4 million against this facility (31 December 2024: Saudi Riyals 487.3 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum current ratio of 1.1. As at 31 March 2025, the current ratio was 2.6 (31 December 2024: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement. The Company is also required to maintain a minimum net equity balance of Saudi Riyals 480.0 million. As at 31 March 2025, the net equity for the Company was Saudi Riyals 1,169.1 million (31 December 2024: Saudi Riyals 1,110.0 million), in compliance with the requirements of the minimum balance as set out in such facility agreement.

8.3.4 Murabaha IV

Total amount available to the Company under such facility is Saudi Riyals 200.0 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing one month after receipt of the borrowed amount. As at 31 March 2025, the Company has an outstanding loan balance of Saudi Riyals 183.1 million against this facility (31 December 2024: Saudi Riyals 195.6 million).

Under the terms of this borrowing facility, the Company is required to comply with certain financial covenants which are as follows:

- the Company’s borrowings to total equity ratio is required to not exceed the ratio of 3 to 1. As at 31 March 2025, the ratio of borrowings to total equity was 1.2 to 1 (31 December 2024: 1.2 to 1);
- the Company’s borrowings to not exceed 80% of net investment in Islamic financing contracts for both stage 1 and stage 2. As at 31 March 2025, such ratio of borrowings to Islamic financing contracts for both stage 1 and stage 2 was 59.5% (31 December 2024: 56.6%);
- The Company’s non-performing (stage 3) balance of net investment in Islamic financing contracts to not exceed 10% of the net investment in Islamic financing contracts. As at 31 March 2025, the ratio of non-performing balance to Islamic financing contracts was 6.7% (31 December 2024: 6.4%); and
- UEC’s shareholding (direct or indirect) in the Company to not go below 51%. As at 31 March 2025, UEC’s direct and indirect shareholding was 70% (31 December 2024: 70%).

The Company is in compliance with the afore-mentioned requirements as set out in such facility agreement.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

8.3.5 Murabaha V

Total amount available to the Company under such facility is Saudi Riyals 150.0 million, which is unutilized as at 31 March 2025.

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

Nature of transaction	For the three-month period ended 31 March	
	2025 (Unaudited)	2024 (Unaudited)
UEC		
Purchases from UEC to be financed to consumers under Murabaha contracts	6,051,015	7,849,795
Payments to UEC	(6,712,239)	(25,952,494)
Collections made by UEC on behalf of the Company	(1,358)	(67,926)
Expenses incurred by UEC on behalf of the Company	1,950,213	4,320,287
Procco		
Outsourced personnel expenses	5,970,705	4,979,133
Payments during the period	(6,407,401)	(5,296,826)
UIHC		
Expenses incurred by the Company on behalf of UIHC	(862,554)	(1,400,205)

Due to related parties

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Procco	10,356,852	6,555,116
UEC	6,819,509	5,531,879
	17,176,361	12,086,995

Due from related parties

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
UIHC	2,560,851	1,698,297

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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 UEC on behalf of the Company represents collections for UEC's legacy financing portfolio.

During the three-month period ended 31 March 2025, 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 2024.

Related party balances as at 31 March 2025 and 31 December 2024 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 31 March	
	2025	2024
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,245,342	2,191,729
Employee benefit obligations	100,789	93,931
Board of Directors' fees	645,000	613,000
	2,991,131	2,898,660

9.3 Key management compensation

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

As at the period ended 31 March 2025, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.1 million (31 December 2024: Saudi Riyals 0.1 million). Refer Note 4.

10 Share capital and statutory reserve

The share capital of the Company as of 31 March 2025 and 31 December 2024 comprised 35,000,000 shares stated at Saudi Riyals 10 per share, wholly owned by UIHC.

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, applicable until January 2023, the Company was required to transfer 10% of the net profit for the period to a statutory reserve until such reserve equals 30% of share capital. However, with the introduction of new Regulations for Companies in the Kingdom of Saudi Arabia, the requirement to maintain statutory reserve is no longer applicable.

During the period ended 31 March 2025, the shareholder of the Company, in an extraordinary general meeting, held on 9 January 2025, resolved to amend the By-laws of the Company in accordance with the new Regulations for Companies. The legal formalities for amendments to the By-laws are in progress as of the date of approval of this condensed interim financial information and hence, during the period-ended 31 March 2025, the Company has continued to transfer 10% of the net profit to the statutory reserve to ensure compliance with the current form of the Company's Articles of Association.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

11 Income from Islamic financing contracts

	For the three-month period ended 31 March	
	2025	2024
	(Unaudited)	(Unaudited)
Income from tawarruq finance activities, net	128,127,646	110,396,269
Income from murabaha finance activities, net	3,337,828	21,302,133
Income from Islamic credit card activities, net	43,188,679	7,736,252
	174,654,153	139,434,654

12 Other operating expenses

	For the three-month period ended 31 March	
	2025	2024
	(Unaudited)	(Unaudited)
		(Restated - Note 16)
Advertising	7,760,160	5,525,108
Fee and subscription	6,651,940	6,116,420
Technical support fees	4,338,683	1,316,123
Information technology support	2,810,411	1,517,568
Professional fees	1,362,296	728,735
Rent	1,113,820	1,139,413
Utilities, printing and stationery	1,012,957	748,601
Collection charges	956,108	1,150,815
Other	1,505,167	890,733
	27,511,542	19,133,516

13 Basic and diluted earnings per share

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

	For the three-month period ended 31 March	
	2025	2024
	(Unaudited)	(Unaudited)
Profit attributable to the shareholder of the Company	59,240,988	52,816,480
Weighted average number of ordinary shares for basic and diluted earnings per share	35,000,000	35,000,000
Basic and diluted earnings per share	1.69	1.51

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

14 Fair values of financial assets and financial liabilities

As at 31 March 2025 and 31 December 2024, all financial assets and financial liabilities of the Company are categorized as held at amortized cost. Management believes that the fair values of the Company's financial assets and liabilities as at 31 March 2025 and 31 December 2024 are not materially different from their carrying values since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates. During the three-month period ended 31 March 2025, there have been no significant market developments which might indicate towards a potential change in fair value of the Company's financial instruments.

15 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:

15.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 31 March 2025, the Company has maintained an ECL allowance of Saudi Riyals 83.3 million (31 December 2024: Saudi Riyals 72.6 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:

15.1.1 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.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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.

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
31 March 2025 (Unaudited)				
<i>Internal credit risk ratings</i>				
Low risk	1,181,478,965	27,824,932	61,605,947	1,270,909,844
Medium risk	1,055,267,178	40,751,879	101,781,672	1,197,800,729
High risk	1,073,052,415	45,571,141	124,890,543	1,243,514,099
	3,309,798,558	114,147,952	288,278,162	3,712,224,672
31 December 2024 (Audited)				
<i>Internal credit risk ratings</i>				
Low risk	1,147,540,307	22,553,430	50,738,771	1,220,832,508
Medium risk	995,000,277	35,240,678	84,700,738	1,114,941,693
High risk	993,157,733	45,740,598	121,569,271	1,160,467,602
	3,135,698,317	103,534,706	257,008,780	3,496,241,803

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance		Murabaha finance		Islamic Credit Card		Total	
	31 March 2025 (Unaudited)	31 December 2024 (Audited)	31 March 2025 (Unaudited)	31 December 2024 (Audited)	31 March 2025 (Unaudited)	31 December 2024 (Audited)	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Not past due	1,736,597,780	1,645,459,253	33,066,592	52,292,641	480,514,643	419,859,733	2,250,179,015	2,117,611,627
Past due 1-30 days	71,268,821	78,525,983	2,052,807	2,496,329	13,646,853	11,249,893	86,968,481	92,272,205
Past due 31-90 days	62,569,585	59,231,366	1,949,056	2,902,372	18,134,555	13,256,397	82,653,196	75,390,135
Past due 91-180 days	57,706,845	38,846,251	2,242,206	1,906,766	20,751,464	10,416,706	80,700,515	51,169,723
Past due 181-364 days	87,730,216	96,896,105	4,006,756	6,787,285	16,039,751	14,013,904	107,776,723	117,697,294
Over 365 days	21,597,803	20,086,150	1,744,606	2,213,921	5,564,223	3,284,686	28,906,632	25,584,757
	2,037,471,050	1,939,045,108	45,062,023	68,599,314	554,651,489	472,081,319	2,637,184,562	2,479,725,741
Less: Impairment for Islamic financing contracts	(62,307,664)	(55,455,056)	(1,883,013)	(2,727,965)	(19,137,069)	(14,399,421)	(83,327,746)	(72,582,442)
Net investment in Islamic financing contracts	1,975,163,386	1,883,590,052	43,179,010	65,871,349	535,514,420	457,681,898	2,553,856,816	2,407,143,299

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

15.1.2 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 using the Vasicek framework.

LGD inputs have been calculated using the 'Through-the-Cycle' estimates based on historical collection and default trends of 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 of 15%, 70% and 15% for "upturn", "baseline" and "downturn" scenarios respectively which are computed through statistical methodologies.

As at 31 March 2025, the Exports of Goods and Services (% change per annum), Crude petroleum (% change per annum) and Foreign-exchange reserves (% change per annum) 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%)

During the three-month period ended 31 March 2025, there have been no significant changes to the underlying methodology, assumptions and judgements used for determination of ECL from those that were used for the purpose of determining the ECL allowance as of 31 December 2024, including the weight assigned to each scenario i.e. upturn, baseline and downturn scenarios.

The Company's management believes that adequate ECL allowance has been made, where required to address the credit risk.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

a) 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 condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2025 (in millions)
Key assumptions	
<i>Macroeconomic factors (Exports of Goods and Services, Crude petroleum and Foreign-exchange reserves)</i>	
Increase by 10%	(1.3)
Decrease by 10%	2.7
<i>PD and LGD</i>	
Increase by 10%	(12.7)
Decrease by 10%	10.1
<i>Scenario weightings</i>	
100% weightage assigned to base scenarios	1.4
100% weightage assigned to downside scenarios	(27.4)

15.1.3 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 31 March 2025 and 31 December 2024, the ECL allowance on cash at bank was immaterial.

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 31 March 2025 and 31 December 2024, the ECL allowance on other financial assets was immaterial.

15.2 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 2,553.9 million (31 December 2024: Saudi Riyals 2,407.1 million). Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 1,417.5 million (31 December 2024: Saudi Riyals 1,275.7 million) and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income / loss for the period would have been approximately Saudi Riyals 29.9 million (31 December 2024: Saudi Riyals 25.6 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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.

15.3 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 31 March 2025 were approximately Saudi Riyals 1,127.0 million (31 December 2024: Saudi Riyals 737.6 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 three-month period ended 31 March 2025, 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.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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.

31 March 2025 (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	873,878,458	772,871,976	1,500,885,412	564,588,826	3,712,224,672
Prepayments and other receivables	Non-profit bearing	6,124,544	276,695	-	-	6,401,239
Cash and cash equivalents	Non-profit bearing	51,938,217	-	-	-	51,938,217
		931,941,219	773,148,671	1,500,885,412	564,588,826	3,770,564,128
Financial liabilities						
Borrowings	Profit bearing	127,531,457	388,216,662	804,049,327	272,570,627	1,592,368,073
Trade and other payables	Non-profit bearing	63,867,425	-	5,460,000	-	69,327,425
		191,398,882	388,216,662	809,509,327	272,570,627	1,661,695,498
Net financial assets		740,542,337	384,932,009	691,376,085	292,018,199	2,108,868,630

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

31 December 2024 (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	743,172,921	734,367,661	1,480,121,244	538,579,977	3,496,241,803
Prepayments and other receivables	Non-profit bearing	3,927,240	1,448,648	-	-	5,375,888
Cash and cash equivalents	Non-profit bearing	20,098,930	-	-	-	20,098,930
		<u>767,199,091</u>	<u>735,816,309</u>	<u>1,480,121,244</u>	<u>538,579,977</u>	<u>3,521,716,621</u>
Financial liabilities						
Borrowings	Profit bearing	126,227,472	368,696,186	725,445,511	203,603,792	1,423,972,961
Trade and other payables	Non-profit bearing	58,166,418	-	6,185,000	-	64,351,418
		<u>184,393,890</u>	<u>368,696,186</u>	<u>731,630,511</u>	<u>203,603,792</u>	<u>1,488,324,379</u>
Net financial assets		<u>582,805,201</u>	<u>367,120,123</u>	<u>748,490,733</u>	<u>334,976,185</u>	<u>2,033,392,242</u>

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

16 Restatements

For all years up to 31 December 2023, the Company opted to present its expenses 'by function' in the statement of profit or loss and other comprehensive income as permitted under International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia. During the year ended 31 December 2024, management had re-evaluated the classification of expenses in the statement of profit or loss and other comprehensive income and had changed the presentation to present its expenses 'by nature' instead of 'by function'. As a result, the financial line items for the condensed interim financial information of the prior period is being aligned by management with the financial statements for the year ended 31 December 2024 and the relevant line items in the condensed interim statement of profit or loss and other comprehensive income are being restated to ensure alignment with the requirements of International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia.

The presentation of expenses 'by nature' provides information that is reliable and more relevant than presentation of expenses by function considering the nature of the industry in which the Company operates. In accordance with IAS 8 'Accounting policies, accounting estimates and errors' ("IAS 8"), the change has been made retrospectively, and comparatives have been restated accordingly.

The effect of this restatement on the condensed interim statement of profit or loss and other comprehensive income, for the period ended 31 March 2024, is summarized below:

	Amount previously reported	Restatement	Restated amounts
31 March 2024			
Condensed interim statement of profit or loss and other comprehensive income			
General and administrative expenses	(16,182,055)	16,182,055	-
Selling and marketing expenses	(28,582,054)	28,582,054	-
Salaries and other benefits	-	(24,351,726)	(24,351,726)
Depreciation and amortization	-	(1,278,867)	(1,278,867)
Other operating expenses	-	(19,133,516)	(19,133,516)
	<u>(44,764,109)</u>	<u>-</u>	<u>(44,764,109)</u>

The effect of the afore-mentioned change in presentation on the condensed interim statement of profit or loss and other comprehensive income for the period ended 31 March 2023, is as follows:

	Amount previously reported	Impact of change in presentation	Adjusted amounts
31 March 2023			
Condensed interim statement of profit or loss and other comprehensive income			
General and administrative expenses	(13,829,787)	13,829,787	-
Selling and marketing expenses	(27,710,256)	27,710,256	-
Salaries and other benefits	-	(25,886,322)	(25,886,322)
Depreciation and amortization	-	(1,116,950)	(1,116,950)
Other operating expenses	-	(14,536,771)	(14,536,771)
	<u>(41,540,043)</u>	<u>-</u>	<u>(41,540,043)</u>

The above change has had no impact on the Company's condensed interim statements of changes in equity and cash flows, profit for the period or the basic and diluted earnings per share for the periods ended 31 March 2024 and 31 March 2023.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2025 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

17 Contingencies

At 31 March 2025, the Company was contingently liable for a letter of credit issued in the normal course of business amounting to Saudi Riyals 112.5 million (31 December 2024: Nil).

18 Date of approval of condensed interim financial information

The accompanying condensed interim financial information was approved by the Company's Board of Directors on 28 April 2025.