

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH PERIOD ENDED  
31 MARCH 2021**

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

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UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2021

<b>INDEX</b>	<b>PAGE</b>
Independent Auditors' Review Report	1
Interim Statement of Financial Position	2
Interim Statement of Income	3
Interim Statement of Comprehensive Income	4
Interim Statement of Changes in Equity	5 – 6
Interim Statement of Cash Flows	7
Notes to the Interim Condensed Financial Statements	8 – 35



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Registration Number: 45

## INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders of Bupa Arabia  
Bupa Arabia for Cooperative Insurance Company  
(A Saudi Joint Stock Company)  
Kingdom of Saudi Arabia

### Introduction

We have reviewed the accompanying interim statement of financial position of Bupa Arabia for Cooperative Insurance Company (the "Company") as at 31 March 2021, and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes (collectively referred to as "the interim condensed statements").

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

We conducted our review in accordance with 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 that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

for PricewaterhouseCoopers  
Certified Public Accountants

Mufaddal A. Ali  
Certified Public Accountant  
License No. 447



for Ernst & Young & Co.  
(Public Accountants)

Ahmed I. Reda  
Certified Public Accountant  
License No. 356



Jeddah, Kingdom of Saudi Arabia  
28 Ramadan 1442 H  
corresponding to 10 May 2021G

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2021

	<i>Notes</i>	<i>31 March 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	4	204,901	633,251
Premiums receivable – net	5	1,977,875	1,320,043
Reinsurers' share of unearned premiums	9.1	26,505	20,108
Reinsurers' share of outstanding claims	9.2	2,312	1,475
Reinsurers' share of claims incurred but not reported	9.2	7,104	6,461
Deferred policy acquisition costs		184,840	68,214
Investments	6	6,572,267	6,029,446
Prepaid expenses and other assets		169,717	158,460
Term deposits	7	2,539,618	2,723,173
Fixtures, Furniture and Right-of-use assets – net		203,350	204,019
Intangible assets – net		65,819	61,958
Deferred tax asset	15	37,534	37,941
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	14,168	13,806
<b>TOTAL ASSETS</b>		<b>12,224,010</b>	<b>11,496,355</b>
<b><u>LIABILITIES</u></b>			
Accrued and other liabilities		674,733	676,050
Insurance operations' surplus payable		200,662	200,391
Reinsurers' balances payable		11,161	4,873
Unearned premiums	9.1	4,760,034	4,023,331
Outstanding claims	9.2	513,571	446,519
Claims incurred but not reported	9.2	1,328,522	1,378,294
Premium deficiency reserve	9.2	202,959	263,751
Claims handling reserve	9.2	20,664	20,755
Due to related parties	14	56,860	108,521
Provision for end-of-service benefits (EOSB)		142,288	140,012
Provision for zakat and income tax	15	240,864	317,199
Accrued income payable to SAMA	8	14,168	13,806
<b>TOTAL LIABILITIES</b>		<b>8,166,486</b>	<b>7,593,502</b>
<b><u>EQUITY</u></b>			
Share capital	16	1,200,000	1,200,000
Statutory reserve	17	867,096	867,096
Share based payments reserve		28,228	32,800
Shares held under employees share scheme		(39,258)	(48,779)
Retained earnings		1,823,906	1,684,003
Re-measurement reserve for employees' EOSB		(31,173)	(31,173)
Investments fair value reserve – related to shareholders		188,400	174,848
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,037,199</b>	<b>3,878,795</b>
Investments fair value reserve – related to policyholders		20,325	24,058
<b>TOTAL EQUITY</b>		<b>4,057,524</b>	<b>3,902,853</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,224,010</b>	<b>11,496,355</b>

Chairman

Director and Chief Executive Officer

Director and Chief Financial Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

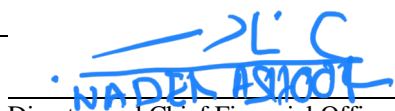
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF INCOME (Unaudited)

For the three-months period ended 31 March 2021

	Notes	<i>Three-months period ended 31 March</i>	
		<u>2021</u>	<u>2020</u>
		<i>SAR'000</i>	<i>SAR'000</i>
<b>REVENUES</b>			
Gross premiums written		3,252,782	3,469,978
Reinsurance premiums ceded – Local		(1,257)	(1,130)
Reinsurance premiums ceded – International		(23,354)	(16,434)
<b>Net premiums written</b>		<b>3,228,171</b>	<b>3,452,414</b>
Changes in unearned premiums – net		(730,306)	(780,058)
<b>Net premiums earned</b>		<b>2,497,865</b>	<b>2,672,356</b>
<b>UNDERWRITING COSTS &amp; EXPENSES</b>			
Gross claims paid		(2,192,841)	(2,338,050)
Reinsurers' share of claims paid		6,250	2,667
<b>Net claims paid</b>		<b>(2,186,591)</b>	<b>(2,335,383)</b>
Changes in outstanding claims		(67,052)	9,977
Changes in claims incurred but not reported		49,772	5,864
Changes in Premium deficiency reserve		60,792	--
Changes in claims handling reserves		91	83
Reinsurance share of changes in outstanding claims		837	74
Reinsurance share of changes in claims incurred but not reported		643	1,254
<b>Net claims incurred</b>		<b>(2,141,508)</b>	<b>(2,318,131)</b>
Policy acquisition costs		(56,668)	(136,823)
<b>Total underwriting costs &amp; expenses</b>		<b>(2,198,176)</b>	<b>(2,454,954)</b>
<b>NET UNDERWRITING INCOME</b>		<b>299,689</b>	<b>217,402</b>
<b>Other operating (expenses)/ income</b>			
(Allowance) / Reversal for doubtful receivables		(17,018)	21,571
General and administrative expenses		(132,022)	(142,227)
Selling and marketing expenses		(30,968)	(27,725)
Investment income – net		59,876	60,805
Other income – net		10,351	6,346
<b>Total other operating (expenses)/ income</b>		<b>(109,781)</b>	<b>(81,230)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>		<b>189,908</b>	<b>136,172</b>
<b>Income attributed to the insurance operations (transfer to surplus payable)</b>	1	<b>(14,489)</b>	<b>(10,515)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>		<b>175,419</b>	<b>125,657</b>
Zakat charge	15	(18,318)	(14,970)
Income tax charge	15	(17,198)	(10,952)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>		<b>139,903</b>	<b>99,735</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,452</b>	<b>119,346</b>
<b>Basic and diluted earnings per share (Expressed in SAR per Share)</b>	19	<b>1.17</b>	<b>0.83</b>

  
Chairman

  
Director and Chief Financial Officer

  
Director and Chief Executive Officer

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**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

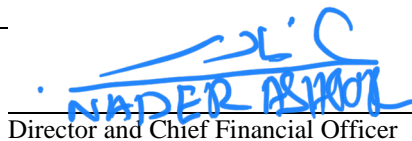
INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-months period ended 31 March 2021

	<i>Three-months period ended 31 March</i>	
	<u>2021</u>	<u>2020</u>
	<i>SAR'000</i>	<i>SAR'000</i>
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>139,903</b>	99,735
<b>Other comprehensive income</b>		
<i>Items that will are or may be reclassified to the interim statement of income in subsequent periods</i>		
Net changes in fair value of available-for-sale investments:		
- related to shareholders	<b>13,552</b>	(38,418)
- related to policyholders	<b>(3,733)</b>	(15,443)
	<b>9,819</b>	(53,861)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>149,722</b>	45,874



Chairman



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Director and Chief Financial Officer



Director and Chief Executive Officer

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**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF CHANGES IN EQUITY**

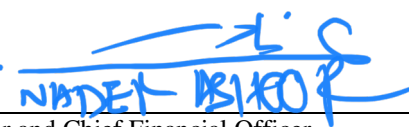
For three-months period ended 31 March 2021

	<i>Related to shareholders' Operations</i>						<i>Investments fair value reserve related to shareholders' operations</i>	<i>Total shareholders' equity</i>	<i>Investments fair value reserve – related to policyholders operations</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Share based payments</i>	<i>Shares held under employees share scheme</i>	<i>Retained earnings</i>	<i>Re-measurement reserve of employees' EOSB</i>				
<b>2021</b>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>Balance at 31 December 2020 (audited)</b>	<b>1,200,000</b>	<b>867,096</b>	<b>32,800</b>	<b>(48,779)</b>	<b>1,684,003</b>	<b>(31,173)</b>	<b>174,848</b>	<b>3,878,795</b>	<b>24,058</b>	<b>3,902,853</b>
<b>Total comprehensive income for the period</b>										
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	<b>139,903</b>	--	--	<b>139,903</b>	--	<b>139,903</b>
Actuarial losses on end-of-service benefits	--	--	--	--	--	--	--	--	--	--
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	<b>13,552</b>	<b>13,552</b>	<b>(3,733)</b>	<b>9,819</b>
<b>Total comprehensive income for the period</b>	--	--	--	--	<b>139,903</b>	--	<b>13,552</b>	<b>153,455</b>	<b>(3,733)</b>	<b>149,722</b>
Transfer to statutory reserves	--	--	--	--	--	--	--	--	--	--
Share based payment transactions	--	--	<b>4,949</b>	--	--	--	--	<b>4,949</b>	--	<b>4,949</b>
Delivery of shares under LTIP	--	--	<b>(9,521)</b>	<b>9,521</b>	--	--	--	--	--	--
Income tax refundable (to) / from non-Saudi shareholders	--	--	--	--	--	--	--	--	--	--
<b>Balance At 31 March 2021 (unaudited)</b>	<b>1,200,000</b>	<b>867,096</b>	<b>28,228</b>	<b>(39,258)</b>	<b>1,823,906</b>	<b>(31,173)</b>	<b>188,400</b>	<b>4,037,199</b>	<b>20,325</b>	<b>4,057,524</b>

Chairman



Director and Chief Financial Officer



Director and Chief Executive Officer



The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For three-months period ended 31 March 2021

	<i>Related to shareholders' Operations</i>						<i>Investments</i>	<i>Total shareholders' equity</i>	<i>Investments</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Share based payments</i>	<i>Shares held under employees share scheme</i>	<i>Retained earnings</i>	<i>Re-measurement reserve of employees' EOSB</i>	<i>fair value reserve – related to shareholder operations</i>		<i>fair value reserve – related to policyholders operations</i>	
<b>2020</b>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Balance at 31 December 2019 (audited)	1,200,000	727,871	25,525	(57,538)	1,128,973	(10,473)	18,035	3,032,393	12,504	3,044,897
Total comprehensive income for the period										
Net income for the period attributed to shareholders after zakat and income tax	-	-	-	-	99,735	-	-	99,735	-	99,735
Actuarial losses on end-of-service benefits	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available for sale investments	-	-	-	-	-	-	(38,418)	(38,418)	(15,443)	(53,861)
Total comprehensive income for the period	-	-	-	-	99,735	-	(38,418)	61,317	(15,443)	45,874
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	-
Share based payment transactions	-	-	1,499	-	-	-	-	1,499	-	1,499
Delivery of shares under LTIP	-	-	(8,759)	8,759	-	-	-	-	-	-
Balance at 31 March 2020 (unaudited)	<u>1,200,000</u>	<u>727,871</u>	<u>18,265</u>	<u>(48,779)</u>	<u>1,228,708</u>	<u>(10,473)</u>	<u>(20,383)</u>	<u>3,095,209</u>	<u>(2,939)</u>	<u>3,092,270</u>

Chairman

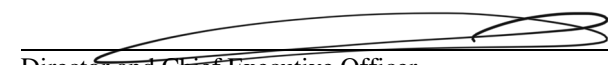


Director and Chief Financial Officer



NADER ARTOON

Director and Chief Executive Officer



The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.




**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF CASH FLOWS (Unaudited)  
For three-months period ended 31 March 2021

	Notes	<i>Three-months period ended 31 March</i>	
		<u>2021</u>	<u>2020</u>
		<u>SAR'000</u>	<u>SAR'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income attributed to shareholders before zakat and income tax		175,419	125,657
<u>Adjustments for non-cash items:</u>			
Net income attributed to insurance operations		14,489	10,515
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets		7,780	8,125
Amortization of intangible assets		3,430	4,466
Provision for LTIP		4,949	1,499
(Allowance) / reversal for doubtful receivables		17,018	(21,571)
Unrealized loss / (gains) on investments held as FVSI		(19)	1,666
Realized (gains) / loss on investments		(2,945)	(3,412)
Provision for EOSB		4,498	4,322
Finance cost		1,828	1,283
		<u>226,447</u>	<u>132,550</u>
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(674,850)	(658,144)
Reinsurers' share of unearned premiums		(6,397)	(2,800)
Reinsurers' share of outstanding claims		(837)	(74)
Reinsurers' share of claims incurred but not reported		(643)	(1,254)
Deferred policy acquisition costs		(116,626)	(7,707)
Prepaid expenses and other assets		(11,257)	27,083
Accrued and other liabilities		3,961	(32,533)
Reinsurers' balances payable		6,288	4,519
Unearned premiums		736,703	782,858
Outstanding claims		67,052	(9,977)
Claims incurred but not reported		(49,772)	(5,864)
Claims Premium deficiency reserve		(60,792)	--
Claims handling reserve		(91)	(83)
Due to related parties		(51,661)	7,453
		<u>67,525</u>	<u>236,027</u>
Employees' EOSBs paid		(2,222)	(2,052)
Surplus paid to policyholders		(14,218)	(8,774)
Zakat and income tax paid		(111,444)	(10,573)
<b>Net cash generated from operating activities</b>		<u>(60,359)</u>	<u>214,628</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits	7	(485,000)	(464,105)
Proceeds from maturity of term deposits	7	668,555	1,109,087
Additions to investments	6	(5,646,719)	(1,162,232)
Disposals of investments		5,116,681	437,298
Additions to Fixtures, Furniture and Right-of-use assets		(7,111)	(3,735)
Intangible assets acquired		(7,291)	(3,478)
<b>Net cash used in investing activities</b>		<u>(360,885)</u>	<u>(87,165)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability paid		(7,106)	(4,275)
<b>Net cash used in financing activities</b>		<u>(7,106)</u>	<u>(4,275)</u>
Net change in cash and cash equivalents		(428,350)	123,188
Cash and cash equivalents at the beginning of the period		633,251	665,709
<b>Cash and cash equivalents at the end of the period</b>		<u>204,901</u>	<u>788,897</u>
<u>Non-cash transactions</u>			
Unrealized gains on available-for-sale investments		9,819	53,861
Recognition of lease liability		2,739	--
Recognition of Right-of-use assets		(2,739)	--

Chairman

  
 NADER ASHOUR  
 Director and Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes from 1 to 23 an integral part of these interim condensed financial statements.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021

### 1. ORGANIZATION AND PRINCIPLE ACTIVITIES

Bupa Arabia for Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Investment’s Resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khaledeyah District,  
Prince Saud Al Faisal Street,  
Front of Saudi Airlines Cargo Building,  
P.O. Box 23807, Jeddah 21436,  
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers’ Resolution No 279 dated 28 Shabaaan 1428H (corresponding to 10 September 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by the Saudi Central Bank (“SAMA”), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders’ operations in full.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The interim condensed financial statements of the Company have 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 pronouncement issued by Saudi Organisation for Certified Public Accountants (“SOCPA”).

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through statement of income (FVSI) and available-for-sale investments and liabilities for cash-settled-share based payments and defined benefit obligations [Employees’ end of service benefits (“EOSBs”)] recorded at the present value. The Company’s interim statement of financial position is presented in order of liquidity. Except for available-for-sale investments, fixtures, furniture and Right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service benefits and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

## 2. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses attributable to either operation, are recorded in the respective accounts. Note 20 to these interim financial statements provides the interim statement of financial position, interim statements of income, interim comprehensive income and interim cash flows of the insurance operations and shareholders operations, separately.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2020.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand.

### (b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and the accompanying notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company’s accounting policies, and the key sources of estimating uncertainty including the risk management policies, were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2020. However, the Company has reviewed the key sources of estimating uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic and implications Council of Cooperative Health Insurance (“CCHI”) recently issued Circular 895 of article 11. For further details, please see note 22 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

### (c) Seasonality of operations

Due to the seasonality of operations, operating profits are expected to fluctuate from one period to another.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020 except as mentioned below:

### a) *New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company*

#### *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed financial statements of the Company.

The Company intends to use the practical expedients in future periods if they become applicable.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*b) Standards issued but not yet effective*

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The Company intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below
Amendments to IAS 37	Onerous contracts – Cost of Fulfilling a contract	1 January 2023

**IFRS 17 – Insurance Contracts**

**Overview**

This standard has been published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- i) embedded derivatives, if they meet certain specified criteria;
- ii) distinct investment components; and
- iii) any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

**Measurement**

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2005, IFRS 17 provides the following different measurement models:

The General model is based on the following “building blocks”:

- a) the Fulfilment Cash Flows (FCF), which consists of:
  - probability-weighted estimates of future cash flows,
  - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
  - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
  - the liability for remaining coverage, which of consists of the FCF related to future services and the CSM of the group at that date; and
  - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Standards issued but not yet effective (continued)

#### *IFRS 17 – Insurance Contracts (continued)*

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in statement of income. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into statement of income based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

- i) changes in the entity’s share of the fair value of underlying items, and
- ii) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows, unless the Company chooses to recognise the payments as an expense. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

#### *Effective date*

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

#### *Transition*

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to select either a modified retrospective approach or a fair value approach.

#### *Presentation and Disclosures*

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

#### *Impact*

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the Company expects the implementation of IFRS 17 to have impact on the following areas:

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*b) Standards issued but not yet effective (continued)*

**IFRS 17 – Insurance Contracts (continued)**

**Impact (continued)**

Impact Area	Summary of Impact
Financial Impact	No Significant impact based on the assessment conducted in 2020.
Data Impact	Management is assessing data storage and infrastructure considering systems interfaces and data integrity. However, management believes that the data impact is not likely to be significant.
IT Systems	Management is assessing the current IT systems and considering the migration to a new system in phases by utilizing the current system capabilities before the migration is carried out ensuring IFRS17 disclosure and reconciliation requirements are met.
Process Impact	The Company will need to establish new processes to ensure that required line items and additional breakdowns are fed into downstream systems to create the required presentations and disclosures.
Impact on RI Arrangements	The Company’s reinsurance arrangements are not material (less than 1% of GWP is reinsured). New/enhanced systems should be flexible to account for any changes in the Company’s reinsurance strategy.
Impact on Policies & Control Frameworks	The Company needs to update the actuarial and accounting policies and develop guidance papers; From governance perspective, management needs to make sure all IFRS17 key decisions and results are appropriately reviewed and signed off by the auditors, appointed actuary, audit committee as well as the board of directors and internal control functions.

**IFRS 9 - Financial Instruments**

This standard was published on 24 July 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

**Classification and measurement**

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and
- ii) the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 March 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *b) Standards issued but not yet effective (continued)*

##### *IFRS 9 – Financial Instruments (continued)*

###### *Classification and measurement (continued)*

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

###### *Impairment*

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

###### *Hedge accounting*

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Standards issued but not yet effective (continued)

#### *IFRS 9 - Financial Instruments (continued)*

##### *Effective date*

The published effective date of IFRS 9 was 1 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - a) the effective date of a new insurance contract standard; or
  - b) annual reporting periods beginning on or after 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

##### **Impact assessment**

As at March 31, 2021, the Company has total financial assets and insurance related assets amounting to SR 9,112 million and SR 2,736 million, respectively. Financial assets mainly represent:

- Cash and cash equivalents,
- Held to maturity investment,
- Term deposits and designated sukuk amounting to SR 2,796 million (2020: SR 2,854 million).
- Fair value investments held at fair value through statement of income as at March 31, 2021 is SR 4,034 million (2020: SR 3,695 million).
- Other financial assets consist of available for sale investments amounting to SR 2,282 million (2020: SR 2,203 million).

The Company is currently assessing the impact on application and implementation of IFRS 9, however the Company doesn’t expect a material impact on the classification and measurement of financial assets by the implementation of IFRS 9.



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consists of the following:

	<i>31 March 2021 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	<b>106,558</b>	<b>98,343</b>	<b>204,901</b>
	<b>106,558</b>	<b>98,343</b>	<b>204,901</b>

	<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	195,232	438,019	633,251
	195,232	438,019	633,251

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the three-months period ended 31 March 2021, the insurance operations transferred cash of SR 81.9 million to the shareholders' operations (31 December 2020: SR 142 million).

**5. PREMIUMS RECEIVABLE - NET**

Receivable amounts are due from the following:

	<i>31 March 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Policyholders	<b>1,460,709</b>	1,159,253
Brokers	<b>751,387</b>	383,314
Related parties (note 14)	<b>4,069</b>	--
	<b>2,216,165</b>	1,542,567
Provision for doubtful receivables	<b>(238,290)</b>	(222,524)
<b>Premiums receivable – net</b>	<b>1,977,875</b>	1,320,043

**6. INVESTMENTS**

Investments are classified as follows:

	<i>31 March 2021 (Unaudited)</i>			<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>					
Held as FVSI	<b>2,830,494</b>	<b>1,203,200</b>	<b>4,033,694</b>	2,869,628	825,133	3,694,761
Available-for-sale	<b>809,852</b>	<b>1,472,471</b>	<b>2,282,323</b>	698,553	1,504,882	2,203,435
Held to maturity	<b>100,000</b>	<b>156,250</b>	<b>256,250</b>	--	131,250	131,250
	<b>3,740,346</b>	<b>2,831,921</b>	<b>6,572,267</b>	3,568,181	2,461,265	6,029,446

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**6. INVESTMENTS (continued)**

(i) Investments held as FVSI comprise of the following:

	<i>31 March 2021 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	18,025	--	55,079	--	73,104
Funds	2,804,987	7,482	1,125,676	22,445	3,960,590
	<u>2,823,012</u>	<u>7,482</u>	<u>1,180,755</u>	<u>22,445</u>	<u>4,033,694</u>
	<i>31 December 2020 (Audited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
	Sukuks	18,025	--	55,079	--
Funds	2,843,985	7,618	747,199	22,855	3,621,657
	<u>2,862,010</u>	<u>7,618</u>	<u>802,278</u>	<u>22,855</u>	<u>3,694,761</u>

(ii) Available-for-sale investments comprise of the following:

	<i>31 March 2021 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	535,381	236,795	835,899	147,863	1,755,938
Funds	--	37,676	109,366	7,029	154,071
Equities	--	--	259,029	5,625	264,654
Investments in discretionary portfolios	--	--	107,660	--	107,660
	<u>535,381</u>	<u>274,471</u>	<u>1,311,954</u>	<u>160,517</u>	<u>2,282,323</u>
	<i>31 December 2020 (Audited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
	Sukuks	422,351	238,029	900,236	147,710
Funds	-	38,173	107,501	7,111	152,785
Equities	-	-	228,716	5,625	234,341
Investments in discretionary portfolios	-	-	107,983	-	107,983
	<u>422,351</u>	<u>276,202</u>	<u>1,344,436</u>	<u>160,446</u>	<u>2,203,435</u>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**6. INVESTMENTS (continued)**

(iii) Held to maturity investments comprise of the following:

	<i>31 March 2021 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	<b>100,000</b>	--	<b>156,250</b>	--	<b>256,250</b>
	<b>100,000</b>	--	<b>156,250</b>	--	<b>256,250</b>
	<i>31 December 2020 (Audited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	--	--	131,250	--	131,250
	--	--	131,250	--	131,250

The movements in the investments balance are as follows:

	<i>31 March 2021 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the period	<b>3,568,181</b>	<b>2,461,265</b>	<b>6,029,446</b>
Purchased during the period	<b>3,348,359</b>	<b>2,298,360</b>	<b>5,646,719</b>
Disposed during the period	<b>(3,173,000)</b>	<b>(1,941,461)</b>	<b>(5,114,461)</b>
Unrealized gain during the period, net	<b>(3,194)</b>	<b>13,757</b>	<b>10,563</b>
	<b>3,740,346</b>	<b>2,831,921</b>	<b>6,572,267</b>
	<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the year	725,551	1,115,281	1,840,832
Purchased during the year	9,765,721	3,983,139	13,748,860
Disposed during the year	(6,935,704)	(2,793,785)	(9,729,489)
Unrealized gain during the year, net	12,613	156,630	169,243
	<b>3,568,181</b>	<b>2,461,265</b>	<b>6,029,446</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**7. TERM DEPOSITS**

Term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structure with a small allocation in Mudaraba structure. They are mostly denominated in Saudi Arabian Riyals and have an original maturity ranging from more than three months to more than one year (2020: three months to more than one year) and yield financial income at rates ranging from 0.3% to 4.30% per annum (2020: 1.2% to 4.30% per annum). The movement in term deposits during the period ended 31 March 2021 is as follows:

	<i>31 March 2021 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the period	<b>1,598,055</b>	<b>1,125,118</b>	<b>2,723,173</b>
Matured during the period	<b>(548,555)</b>	<b>(120,000)</b>	<b>(668,555)</b>
Placed during the period	<b>385,000</b>	<b>100,000</b>	<b>485,000</b>
	<b>1,434,500</b>	<b>1,105,118</b>	<b>2,539,618</b>
	<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the year	3,347,965	1,716,011	5,063,976
Matured during the year	(2,238,760)	(890,893)	(3,129,653)
Placed during the year	488,850	300,000	788,850
	<b>1,598,055</b>	<b>1,125,118</b>	<b>2,723,173</b>

**8. STATUTORY DEPOSIT**

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 120 million, in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 14.2 million (2020: SR 13.8 million) and this deposit cannot be withdrawn without approval from SAMA.

**9. TECHNICAL RESERVES**

**9.1 Movement in unearned premiums**

Movements in unearned premiums are as follows:

	<i>Three-month ended 31 March 2021 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2021	<b>4,023,331</b>	<b>(20,108)</b>	<b>4,003,223</b>
Premium written/(ceded) during the period	<b>3,252,782</b>	<b>(24,611)</b>	<b>3,228,171</b>
Premium earned during the period	<b>(2,516,079)</b>	<b>18,214</b>	<b>(2,497,865)</b>
	<b>4,760,034</b>	<b>(26,505)</b>	<b>4,733,529</b>
	<i>Year ended 31 December 2020 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2020	4,376,219	(20,625)	4,355,594
Premium written/(ceded) during the year	10,447,353	(65,242)	10,382,111
Premium earned during the year	(10,800,241)	65,759	(10,734,482)
	<b>4,023,331</b>	<b>(20,108)</b>	<b>4,003,223</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**9. TECHNICAL RESERVES (continued)**

**9.2 Net outstanding claims and reserves**

Net outstanding claims and other technical reserves consist of the following:

	<i>31 March 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Outstanding claims	513,571	446,519
Claims incurred but not reported	1,328,522	1,378,294
Premium deficiency reserve	202,959	263,751
Claims handling reserves	20,664	20,755
	<u>2,065,716</u>	<u>2,109,319</u>
Less:		
- Reinsurers' share of outstanding claims	(2,312)	(1,475)
- Reinsurers' share of claims incurred but not reported	(7,104)	(6,461)
	<u>(9,416)</u>	<u>(7,936)</u>
<b>Net outstanding claims and reserves</b>	<u><b>2,056,300</b></u>	<u><b>2,101,383</b></u>

**10. FIDUCIARY ASSETS**

During the year ended 31 December 2018, after obtaining SAMA's approvals, the Company entered into a Third Party Administration agreement (TPA) with a customer under which the Company facilitates healthcare services to its employees with specific terms and conditions. The agreement is effective from 1 March 2018. The services are remunerated against administration fees.

In order to fulfil the commitment relating to this agreement, the Company has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the reporting date are excluded from the interim statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 327.7 million as of 31 March 2021 (31 December 2020: SR 317.1 million).

**11. COMMITMENTS AND CONTINGENCIES**

a) The Company's commitments and contingencies are as follows:

	<i>31 March 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Letters of guarantee	--	--
<b>Total</b>	<u><b>--</b></u>	<u><b>--</b></u>

i) As of 31 March 2021, total Letters of Guarantee issued by banks amounted to SR 155.6 million (2020: 138 million), of which Nil (31 December 2020: Nil) are issued against restricted deposits with banks and have been recorded under prepaid expenses and other assets.

ii) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings from 31 December 2020.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability.

**a) Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

**b) Carrying amounts and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

	<i>Fair value</i>				<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<i>31 March 2021 (Unaudited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	--	4,033,694	--	4,033,694	4,033,694
- Available-for-sale investments	1,609,932	666,766	5,625	2,282,323	2,282,323
	<u>1,609,932</u>	<u>4,700,460</u>	<u>5,625</u>	<u>6,316,017</u>	<u>6,316,017</u>
<i>Fair value</i>					
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	<i>Carrying value</i>
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<i>31 December 2020 (Audited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	--	3,694,761	--	3,694,761	3,694,761
- Available for sale investments	1,404,736	793,074	5,625	2,203,435	2,203,435
	<u>1,404,736</u>	<u>4,487,835</u>	<u>5,625</u>	<u>5,898,196</u>	<u>5,898,196</u>

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### c) Measurement of fair value

#### *Valuation technique and significant unobservable inputs*

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 March 2021 and 31 December 2020, as well as the significant unobservable inputs used.

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Floating rate sukuku and mutual funds	Valuations are based on quotations as received by the custodians at the end of each period and on published net asset value (NAV) closing prices.	Not applicable	Not applicable

## 13. OPERATING SEGMENTS

The Company only issues short-term insurance contracts for providing health care services ('medical insurance'). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent members of large corporations, and all others are considered as non-major. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions, has been identified as the chief executive officer. No inter-segment transactions occurred during the period

Operating segments do not include shareholders' operations of the Company.

Segment results do not include investment and commission income, other income, selling and marketing expenses and general and administration expenses.

Segment assets do not include cash and cash equivalents, fixtures, furniture and right-of-use assets, term deposits, investments, and prepaid expenses and other assets. Segment liabilities do not include reinsurance balance payable, accrued and other liabilities, due to shareholders' operations, share based payment and policyholders' share of surplus from insurance operations.

Consistent with the Company's internal reporting, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>As at 31 March 2021 (Unaudited)</i>				
	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total Insurance operations</i>		
	<i>SAR'000</i>		<i>SAR'000</i>	<i>SAR'000</i>	
<b>Assets</b>					
Premiums receivable – net	1,161,945	815,930	1,977,875	--	1,977,875
Reinsurers' share of unearned premiums	15,355	11,150	26,505	--	26,505
Reinsurers' share of outstanding claims	720	1,592	2,312	--	2,312
Reinsurers' share of claims incurred but not reported	2,288	4,816	7,104	--	7,104
Deferred policy acquisition costs	91,900	92,940	184,840	--	184,840
Unallocated assets			5,394,969	4,630,405	10,025,374
<b>Total assets</b>			<b>7,593,605</b>	<b>4,630,405</b>	<b>12,224,010</b>
<b>Liabilities</b>					
Unearned premiums	2,757,521	2,002,513	4,760,034	--	4,760,034
Outstanding claims	368,911	144,660	513,571	--	513,571
Claims incurred but not reported	951,339	377,183	1,328,522	--	1,328,522
Premium deficiency Reserve	117,576	85,383	202,959	--	202,959
Claims handling reserve	14,820	5,844	20,664	--	20,664
Unallocated liabilities			747,530	593,206	1,340,736
<b>Total liabilities</b>			<b>7,573,280</b>	<b>593,206</b>	<b>8,166,486</b>

<i>Operating segments</i>	<i>At 31 December 2020 (Audited)</i>				
	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total Insurance operations</i>		
	<i>SR'000</i>		<i>SR'000</i>	<i>SR'000</i>	
<b>ASSETS</b>					
Premiums receivable – net	775,488	544,555	1,320,043	--	1,320,043
Reinsurers' share of unearned premiums	11,759	8,349	20,108	--	20,108
Reinsurers' share of outstanding claims	490	985	1,475	--	1,475
Reinsurers' share of claims incurred but not reported	1,959	4,502	6,461	--	6,461
Deferred policy acquisition costs	28,520	39,694	68,214	--	68,214
Unallocated assets			5,479,872	4,600,182	10,080,054
<b>Total assets</b>			<b>6,896,173</b>	<b>4,600,182</b>	<b>11,496,355</b>
<b>LIABILITIES</b>					
Unearned premiums	2,352,884	1,670,447	4,023,331	--	4,023,331
Outstanding claims	319,669	126,850	446,519	--	446,519
Claims incurred but not reported	988,089	390,205	1,378,294	--	1,378,294
Premium Deficiency Reserve	189,017	74,734	263,751	--	263,751
Claims handling reserve	14,869	5,886	20,755	--	20,755
Unallocated liabilities			739,465	721,387	1,460,852
<b>Total liabilities</b>			<b>6,872,115</b>	<b>721,387</b>	<b>7,593,502</b>



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Three-month period ended 31 March 2021</i> <i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<b><u>REVENUES</u></b>			
Gross written premium	2,099,044	1,153,738	3,252,782
Reinsurance premiums ceded – Local	(811)	(446)	(1,257)
Reinsurance premiums ceded – International	(15,071)	(8,283)	(23,354)
<b>Net premiums written</b>	<b>2,083,162</b>	<b>1,145,009</b>	<b>3,228,171</b>
Changes in unearned premiums – net	(401,041)	(329,265)	(730,306)
<b>Net premiums earned</b>	<b>1,682,121</b>	<b>815,744</b>	<b>2,497,865</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(1,572,308)	(620,533)	(2,192,841)
Reinsurers' share of claims paid	4,481	1,769	6,250
<b>Net claims paid</b>	<b>(1,567,827)</b>	<b>(618,764)</b>	<b>(2,186,591)</b>
Changes in outstanding claims	(49,242)	(17,810)	(67,052)
Changes in claims incurred but not reported	36,750	13,022	49,772
Changes in Premium deficiency Reserve	71,441	(10,649)	60,792
Changes in claims handling reserves	49	42	91
Reinsurance share of changes in outstanding claims	230	607	837
Reinsurance share of changes in claims incurred but not reported	329	314	643
<b>Net claims incurred</b>	<b>(1,508,270)</b>	<b>(633,238)</b>	<b>(2,141,508)</b>
Policy acquisition costs	(34,001)	(22,667)	(56,668)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,542,271)</b>	<b>(655,905)</b>	<b>(2,198,176)</b>
<b>NET UNDERWRITING INCOME</b>	<b>139,850</b>	<b>159,839</b>	<b>299,689</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Allowance for doubtful receivables			(17,018)
Unallocated income			70,227
Unallocated expenses			(162,990)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			<b>(109,781)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>			<b>189,908</b>
Income attributed to insurance operations (transfer to surplus payable)			(14,489)
<b>Income attributed to the shareholders before zakat and income tax</b>			<b>175,419</b>
Zakat charge			(18,318)
Income tax charge			(17,198)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>139,903</b>
<b><u>Gross Written Premium details</u></b>			
			<i>Three-month period ended 31 March 2021</i> <i>SAR'000</i>
Corporates			2,389,210
Medium Enterprises			620,456
Small Enterprises			218,453
Micro Enterprises			20,031
Individuals			4,632
<b>Total Gross Written Premium</b>			<b>3,252,782</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Three-month period ended 31 March 2020</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<b>REVENUES</b>			
Gross written premium	2,315,208	1,154,770	3,469,978
Reinsurance premiums ceded – Local	(754)	(376)	(1,130)
Reinsurance premiums ceded – International	(10,965)	(5,469)	(16,434)
<b>Net premiums written</b>	<b>2,303,489</b>	<b>1,148,925</b>	<b>3,452,414</b>
Changes in unearned premiums – net	(496,776)	(283,282)	(780,058)
<b>Net premiums earned</b>	<b>1,806,713</b>	<b>865,643</b>	<b>2,672,356</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(1,670,955)	(667,095)	(2,338,050)
Reinsurers' share of claims paid	1,906	761	2,667
<b>Net claims paid</b>	<b>(1,669,049)</b>	<b>(666,334)</b>	<b>(2,335,383)</b>
Changes in outstanding claims	11,429	(1,452)	9,977
Changes in claims incurred but not reported	12,223	(6,359)	5,864
Changes in Premium deficiency Reserve	-	-	-
Changes in claims handling reserves	211	(128)	83
Reinsurance share of changes in outstanding claims	24	50	74
Reinsurance share of changes in claims incurred but not reported	938	316	1,254
<b>Net claims incurred</b>	<b>(1,644,224)</b>	<b>(673,907)</b>	<b>(2,318,131)</b>
Policy acquisition costs	(82,095)	(54,728)	(136,823)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,726,319)</b>	<b>(728,635)</b>	<b>(2,454,954)</b>
<b>NET UNDERWRITING INCOME</b>	<b>80,394</b>	<b>137,008</b>	<b>217,402</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Allowance for doubtful receivables			21,571
Unallocated income			67,151
Unallocated expenses			(169,952)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			<b>(81,230)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>			<b>136,172</b>
<b>Income attributed to insurance operations (transfer to surplus payable)</b>			<b>(10,515)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>			<b>125,657</b>
Zakat charge			(14,970)
Income tax charge			(10,952)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>99,735</b>
<b>Gross Written Premium details</b>			
			<i>Three-month period ended 31 March 2020</i>
			<i>SAR'000</i>
Corporates			2,614,930
Medium Enterprises			626,692
Small Enterprises			204,430
Micro Enterprises			18,080
Individuals			5,846
<b>Total Gross Written Premium</b>			<b>3,469,978</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**14. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, Board members and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Contract pricing policies and terms are conducted on an arm's length basis and transactions are approved by the Company's management or where required and applicable the Company's Board of Directors. The following are the details of the major related party transactions during the period and their related balances:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the period ended</u>		<u>Receivable/(payable) balance as at</u>	
		<u>31 March 2021</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 March 2020</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 March 2021</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 December 2020</u> <i>(Audited)</i> <i>SR'000</i>
Shareholders	Insurance premium written	<b>153,617</b>	357,988	<b>4,069**</b>	(536)**
Shareholders	Reinsurance Premium ceded	<b>18,324</b>	13,044	<b>(21,906)*</b>	(79,803)*
Shareholders	Claims paid	<b>23,145</b>	15,688	<b>(2,641)***</b>	(20,997)***
Shareholders	Medical costs charged by providers	<b>17,269</b>	18,818	<b>(1,900)***</b>	(15,303)***
Shareholders	Expenses charged to/from a related party - net	<b>681</b>	136	<b>226*</b>	966*
Shareholders	Tax equalisation - net	--	--	<b>(1,873)*</b>	(1,873)*
Shareholders	Board members fees	<b>151</b>	225	<b>(151)*</b>	(915)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	<b>6,260</b>	6,699	<b>(33,156)*</b>	(26,896)*

\* Amounts due to related parties amounted to SR **56,860 thousand** (2020: SR 108,521 thousand).

\*\* Amounts included in premium receivables (note 5).

\*\*\* Amounts are included in outstanding claims.

The remuneration of the key management personnel during the period ended 31 March is as follows:

	<u>31 March 2021</u> <i>(Unaudited)</i> <i>SAR'000</i>	<u>31 March 2020</u> <i>(Unaudited)</i> <i>SAR'000</i>
Short-term benefits	<b>7,115</b>	6,133
Long-term benefits	<b>4,862</b>	2,864
	<b>11,977</b>	8,997

Short-term benefits include salaries, allowances, annual bonuses and incentives whilst long-term benefits include employees' end of service benefits and the Long Term Incentive Plan ("LTIP").

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**15. ZAKAT AND INCOME TAX**

Breakup of zakat and income tax charge for the Three-month period ended 31 March 2021 and 2020 are as follows:

	<i>Three-months period ended 31 March 2021 (Unaudited)</i>	<i>Three-months period ended 31 March 2020 (Unaudited)</i>
	<u>SAR'000</u>	<u>SAR'000</u>
Current zakat charge	<b>18,318</b>	14,970
Current tax charge	<b>16,791</b>	8,363
Deferred tax charge (note 15.a)	<b>407</b>	2,589
	<b>17,198</b>	10,952
	<b>35,516</b>	25,922

a) The reconciliation of deferred tax is as follows:

	<i>31 March 2021</i>	<i>31 December 2020</i>	<i>31 March 2020</i>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Opening deferred tax asset	<b>37,941</b>	30,216	30,216
Deferred tax (charge) / income	<b>(407)</b>	7,725	(2,589)
	<b>37,534</b>	37,941	27,627

Movements in the Zakat and income tax accrued during the period ended 31 March 2021 and year ended 31 December 2020 respectively are as follows:

	<i>Zakat payable</i>	<i>Income tax payable</i>	<i>Total 31 March 2021 (Unaudited)</i>	<i>Total 31 December 2020 (Audited)</i>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Balance at beginning of the period/year	<b>285,448</b>	<b>31,751</b>	<b>317,199</b>	274,709
Provided during the period/year	<b>18,318</b>	<b>16,791</b>	<b>35,109</b>	135,266
Payments during the period/year	<b>(110,520)</b>	<b>(924)</b>	<b>(111,444)</b>	(92,776)
Balance at end of the period/year	<b>193,246</b>	<b>47,618</b>	<b>240,864</b>	317,199

**Status of assessments**

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2020 with the Zakat, Tax and Custom Authority. The Company has received assessments for the fiscal periods 2008 through 2018 of additional zakat, corporate income tax and withholding tax in addition to delay fines on various assessed items.

In February 2021, the company reached a settlement with Zakat, Tax and Custom Authority on all zakat, corporate income tax and withholding tax for the years 2008 through 2016 and 2018. All settled liabilities were provided for previously in respective year, and, hence, there is no significant financial impact on the company. For the year 2017 assessments, the company has escalated the matter to the General Secretariat of Tax Committees (the "GSTC").

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

## 16. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is SAR 1,200 at 31 March 2021 (31 December 2020: SAR 1,200 million) consisting of 120 million shares (31 December 2020: 120 million shares) of SAR 10 each. Shareholding structure of the Company is as below:

	<i>31 March 2021</i> <i>(Unaudited)</i>		<i>31 December 2020</i> <i>(Audited)</i>	
	<i>Holding percentage</i>	<i>SR'000</i>	<i>Holding percentage</i>	<i>SR'000</i>
Major shareholders	52.3%	628,066	52.3%	628,066
General Public	47.7%	571,934	47.7%	571,934
	100.0%	1,200,000	100.0%	1,200,000

Subsequent to the period, on 25 April 2021, the Board of Directors of the Company has recommended a dividend of SR 3.4 per share for the year ended 31 December 2020.

## 17. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company carry out this transfer on an annual basis at 31 December. As at 31 March 2021, SR 867.1 million (31 December 2020: SR 867.1 million) had been set aside as a statutory reserve, representing 72% (31 December 2020: 72%) of the paid-up share capital.

## 18. CAPITAL MANAGEMENT

Objectives are set by the Board of Directors of the Company to maintain healthy capital ratios to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and the risk characteristics of the Company's activities. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the regulatory capital requirements during the reported financial period.

## 19. EARNINGS PER SHARE

The basic and diluted earnings per share has been calculated by dividing net income after zakat and income tax for the period by the weighted average number of ordinary shares issued and outstanding at the period end.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**20. SUPPLEMENTARY INFORMATION**

**Interim financial position**

	<i>31 March 2021 (Unaudited)</i>			<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	106,558	98,343	204,901	195,232	438,019	633,251
Premiums receivables – net	1,977,875	--	1,977,875	1,320,043	--	1,320,043
Reinsurers' share of unearned premiums	26,505	--	26,505	20,108	--	20,108
Reinsurers' share of outstanding claims	2,312	--	2,312	1,475	--	1,475
Reinsurers' share of claims Incurred but not reported	7,104	--	7,104	6,461	--	6,461
Deferred policy acquisition costs	184,840	--	184,840	68,214	--	68,214
Investments	3,740,346	2,831,921	6,572,267	3,568,181	2,461,265	6,029,446
Prepaid expenses and other assets	113,565	56,152	169,717	118,404	40,056	158,460
Term deposits	1,434,500	1,105,118	2,539,618	1,598,055	1,125,118	2,723,173
Fixtures, Furniture and Right-of-use assets – net	--	203,350	203,350	--	204,019	204,019
Intangible assets – net	--	65,819	65,819	--	61,958	61,958
Deferred tax asset	--	37,534	37,534	--	37,941	37,941
Goodwill	--	98,000	98,000	--	98,000	98,000
Statutory deposit	--	120,000	120,000	--	120,000	120,000
Accrued income on statutory deposit	--	14,168	14,168	--	13,806	13,806
<b>TOTAL ASSETS</b>	<b>7,593,605</b>	<b>4,630,405</b>	<b>12,224,010</b>	<b>6,896,173</b>	<b>4,600,182</b>	<b>11,496,355</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim financial position (continued)**

	<i>31 March 2021 (Unaudited)</i>			<i>31 December 2020 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>LIABILITIES</u></b>						
Accrued and other liabilities	535,707	139,026	674,733	534,201	141,849	676,050
Insurance operations' surplus payable	200,662	--	200,662	200,391	--	200,391
Reinsurers' balances payable	11,161	--	11,161	4,873	--	4,873
Unearned premiums	4,760,034	--	4,760,034	4,023,331	--	4,023,331
Outstanding claims	513,571	--	513,571	446,519	--	446,519
Claims incurred but not reported	1,328,522	--	1,328,522	1,378,294	--	1,378,294
Premium deficiency Reserve	202,959	--	202,959	263,751	--	263,751
Claims handling reserve	20,664	--	20,664	20,755	--	20,755
Due to related parties	--	56,860	56,860	--	108,521	108,521
Provision for end-of-service benefits (EOSB)	--	142,288	142,288	--	140,012	140,012
Provision for zakat and income tax	--	240,864	240,864	--	317,199	317,199
Accrued income payable to SAMA	--	14,168	14,168	--	13,806	13,806
<b>TOTAL LIABILITIES</b>	<b>7,573,280</b>	<b>593,206</b>	<b>8,166,486</b>	<b>6,872,115</b>	<b>721,387</b>	<b>7,593,502</b>
<b><u>EQUITY</u></b>						
Share capital	--	1,200,000	1,200,000	--	1,200,000	1,200,000
Statutory reserve	--	867,096	867,096	--	867,096	867,096
Share based payments reserve	--	28,228	28,228	--	32,800	32,800
Shares held under employees share scheme	--	(39,258)	(39,258)	--	(48,779)	(48,779)
Retained earnings	--	1,823,906	1,823,906	--	1,684,003	1,684,003
Re-measurement reserve for employees' EOSB	--	(31,173)	(31,173)	--	(31,173)	(31,173)
Investments fair value reserve	20,325	188,400	208,725	24,058	174,848	198,906
<b>TOTAL EQUITY</b>	<b>20,325</b>	<b>4,037,199</b>	<b>4,057,524</b>	<b>24,058</b>	<b>3,878,795</b>	<b>3,902,853</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b>7,593,605</b>	<b>4,630,405</b>	<b>12,224,010</b>	<b>6,896,173</b>	<b>4,600,182</b>	<b>11,496,355</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of income**

*Three-month period ended 31 March (Unaudited)*

	2021			2020		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>REVENUES</u></b>						
Gross premiums written	3,252,782	--	3,252,782	3,469,978	--	3,469,978
Reinsurance premiums ceded – Local	(1,257)	--	(1,257)	(1,130)	--	(1,130)
Reinsurance premiums ceded – International	(23,354)	--	(23,354)	(16,434)	--	(16,434)
<b>Net premiums written</b>	<b>3,228,171</b>	<b>--</b>	<b>3,228,171</b>	<b>3,452,414</b>	<b>--</b>	<b>3,452,414</b>
Changes in unearned premiums – net	(730,306)	--	(730,306)	(780,058)	--	(780,058)
<b>Net premiums earned</b>	<b>2,497,865</b>	<b>--</b>	<b>2,497,865</b>	<b>2,672,356</b>	<b>--</b>	<b>2,672,356</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>						
Gross claims paid	(2,192,841)	--	(2,192,841)	(2,338,050)	--	(2,338,050)
Reinsurers' share of claims paid	6,250	--	6,250	2,667	--	2,667
<b>Net claims paid</b>	<b>(2,186,591)</b>	<b>--</b>	<b>(2,186,591)</b>	<b>(2,335,383)</b>	<b>--</b>	<b>(2,335,383)</b>
Changes in outstanding claims	(67,052)	--	(67,052)	9,977	--	9,977
Changes in claims incurred but not reported	49,772	--	49,772	5,864	--	5,864
Changes in Premium deficiency Reserve	60,792	--	60,792	--	--	--
Changes in claims handling reserves	91	--	91	83	--	83
Reinsurance share of changes in outstanding claims	837	--	837	74	--	74
Reinsurance share of changes in claims incurred but not reported	643	--	643	1,254	--	1,254
<b>Net claims incurred</b>	<b>(2,141,508)</b>	<b>--</b>	<b>(2,141,508)</b>	<b>(2,318,131)</b>	<b>--</b>	<b>(2,318,131)</b>
Policy acquisition costs	(56,668)	--	(56,668)	(136,823)	--	(136,823)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(2,198,176)</b>	<b>--</b>	<b>(2,198,176)</b>	<b>(2,454,954)</b>	<b>--</b>	<b>(2,454,954)</b>
<b>NET UNDERWRITING INCOME</b>	<b>299,689</b>	<b>--</b>	<b>299,689</b>	<b>217,402</b>	<b>--</b>	<b>217,402</b>



**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of income (continued)**

*Three-month period ended 31 March (Unaudited)*

	2021			2020		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>						
(Allowance)/Reversal for doubtful receivables	(17,018)	--	(17,018)	21,571	--	21,571
General and administrative expenses	(129,449)	(2,573)	(132,022)	(139,131)	(3,096)	(142,227)
Selling and marketing expenses	(30,968)	--	(30,968)	(27,725)	--	(27,725)
Investment income – net	23,635	36,241	59,876	34,249	26,556	60,805
Other income – net	(1,000)	11,351	10,351	(1,212)	7,558	6,346
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(154,800)</b>	<b>45,019</b>	<b>(109,781)</b>	<b>(112,248)</b>	<b>31,018</b>	<b>(81,230)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>	<b>144,889</b>	<b>45,019</b>	<b>189,908</b>	<b>105,154</b>	<b>31,018</b>	<b>136,172</b>
Transfer of surplus to shareholders	(130,400)	130,400	--	(94,639)	94,639	--
<b><u>NET RESULTS FROM OPERATIONS</u></b>	<b>14,489</b>	<b>175,419</b>	<b>189,908</b>	<b>10,515</b>	<b>125,657</b>	<b>136,172</b>
Zakat charge	--	(18,318)	(18,318)	--	(14,970)	(14,970)
Income tax charge	--	(17,198)	(17,198)	--	(10,952)	(10,952)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>14,489</b>	<b>139,903</b>	<b>154,392</b>	<b>10,515</b>	<b>99,735</b>	<b>110,250</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,452</b>			<b>119,346</b>	
<b>Basic and diluted earnings per share (Expressed in SAR per share)</b>		<b>1.17</b>			<b>0.83</b>	

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

20. SUPPLEMENTARY INFORMATION (continued)

**Interim statement of comprehensive income**

	<i>Three-month period ended 31 March (Unaudited)</i>					
	2021			2020		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Net income attributed to the shareholders after zakat and income tax	14,489	139,903	154,392	10,515	99,735	110,250
Other comprehensive (loss) /income						
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>						
- Net change in fair value of available-for-sale investments	(3,733)	13,552	9,819	(15,443)	(38,418)	(53,861)
<b><u>TOTAL COMPREHENSIVE INCOME/(LOSS)</u></b>	<b>10,756</b>	<b>153,455</b>	<b>164,211</b>	<b>(4,928)</b>	<b>61,317</b>	<b>56,389</b>
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			(14,489)			(10,515)
<b><u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u></b>			<b>149,722</b>			<b>45,874</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of cash flows**

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>2021</i>			<i>2020</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income attributed to the shareholders before zakat and income tax	--	175,419	175,419	--	125,657	125,657
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	14,489	--	14,489	10,515	--	10,515
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets	7,780	--	7,780	8,125	--	8,125
Amortization of intangible assets	3,430	--	3,430	4,466	--	4,466
Provision for LTIP	--	4,949	4,949	--	1,499	1,499
(Allowance) / reversal for doubtful receivables	17,018	--	17,018	(21,571)	--	(21,571)
Unrealized loss / (gains) on investments held as FVIS	(381)	362	(19)	735	931	1,666
Realized (gains) / loss on investments	(2,220)	(725)	(2,945)	(2,128)	(1,284)	(3,412)
Provision for employees EOSB	--	4,498	4,498	--	4,322	4,322
Finance cost	--	1,828	1,828	--	1,283	1,283
	<b>40,116</b>	<b>186,331</b>	<b>226,447</b>	<b>142</b>	<b>132,408</b>	<b>132,550</b>
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(674,850)	--	(674,850)	(658,144)	--	(658,144)
Reinsurers' share of unearned premiums	(6,397)	--	(6,397)	(2,800)	--	(2,800)
Reinsurers' share of outstanding claims	(837)	--	(837)	(74)	--	(74)
Reinsurers' share of claims incurred but not reported	(643)	--	(643)	(1,254)	--	(1,254)
Deferred policy acquisition costs	(116,626)	--	(116,626)	(7,707)	--	(7,707)
Prepaid expenses and other assets	4,839	(16,096)	(11,257)	9,544	17,539	27,083
Accrued and other liabilities	(1,505)	5,466	3,961	(32,617)	84	(32,533)
Reinsurers' balances payable	6,288	--	6,288	4,519	--	4,519
Unearned premiums	736,703	--	736,703	782,858	--	782,858
Outstanding claims	67,052	--	67,052	(9,977)	--	(9,977)
Claims incurred but not reported	(49,772)	--	(49,772)	(5,864)	--	(5,864)
Claims Premium deficiency reserve	(60,792)	--	(60,792)	--	--	--
Claims handling reserve	(91)	--	(91)	(83)	--	(83)
Due to related parties	--	(51,661)	(51,661)	--	7,453	7,453
	<b>(56,515)</b>	<b>124,040</b>	<b>67,525</b>	<b>78,543</b>	<b>157,484</b>	<b>236,027</b>
Due to shareholders' operations	(8,199)	8,199	--	30,324	(30,324)	--
Employees' EOSBs paid	--	(2,222)	(2,222)	--	(2,052)	(2,052)
Surplus paid to policyholders	(14,218)	--	(14,218)	(8,774)	--	(8,774)
Zakat and income tax paid	--	(111,444)	(111,444)	--	(10,573)	(10,573)
<b>Net cash generated from operating activities</b>	<b>(78,932)</b>	<b>18,573</b>	<b>(60,359)</b>	<b>100,093</b>	<b>114,535</b>	<b>214,628</b>

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of cash flows (continued)**

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>2021</i>			<i>2020</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in term deposits	(385,000)	(100,000)	(485,000)	(314,105)	(150,000)	(464,105)
Proceeds from maturity of term deposits	548,555	120,000	668,555	634,000	475,087	1,109,087
Additions in investments	(3,348,359)	(2,298,360)	(5,646,719)	(552,813)	(609,419)	(1,162,232)
Disposals of investments	3,175,062	1,941,619	5,116,681	283,790	153,508	437,298
Additions to Fixtures, Furniture and Right-of-use assets	--	(7,111)	(7,111)	--	(3,735)	(3,735)
Disposal of Fixtures, Furniture and Right-of-use assets	--	--	--	--	--	--
Intangible assets acquired	--	(7,291)	(7,291)	--	(3,478)	(3,478)
<b>Net cash (used in) / generated from investing activities</b>	<b>(9,742)</b>	<b>(351,143)</b>	<b>(360,885)</b>	<b>50,872</b>	<b>(138,037)</b>	<b>(87,165)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>						
Lease liability paid	--	(7,106)	(7,106)	--	(4,275)	(4,275)
<b>Net cash used in financing activity</b>	<b>--</b>	<b>(7,106)</b>	<b>(7,106)</b>	<b>--</b>	<b>(4,275)</b>	<b>(4,275)</b>
Net change in cash and cash equivalents	(88,674)	(339,676)	(428,350)	150,965	(27,777)	123,188
Cash and cash equivalents at the beginning of the period	195,232	438,019	633,251	446,942	218,767	665,709
<b>Cash and cash equivalents at the end of the period</b>	<b>106,558</b>	<b>98,343</b>	<b>204,901</b>	<b>597,907</b>	<b>190,990</b>	<b>788,897</b>

**21. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified and regrouped to conform with the current period's presentation to these interim financial statements.

# BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2021

## 22. IMPACT OF COVID-19 & COMPENSATION FOR GOVERNMENT PROVIDERS

As many world economies grapple with the resurgence of coronavirus ("COVID-19"), Bupa Arabia continues to monitor the situation closely and refresh its business continuity and risk management plans to ensure sustainability of its current service levels and operational activities under different scenarios while preserving the safety and health of its employees. COVID-19 is having a profound impact on many facets of the health insurance sector, including medical claim patterns as explained below. Given the many uncertainties surrounding the duration and severity of the pandemic, management continues reassessing and updating its estimates and judgments on a regular basis. Actual outcomes may differ from those projected. The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed financial statements.

After Saudi Arabia eased COVID-19 lockdown and curfew measures towards the end of second quarter of 2020, demand for healthcare services gradually recovered during the second half of 2020 and continued throughout the first quarter of 2021. This resulted in a noticeable increase in incurred claims from June 2020 through March 2021, with current levels exceeding those that existed pre-Covid. The Company expects this pattern to persist over the next few months as more untreated and deferred medical conditions find their way through the provider network, unless a second COVID-19 wave is witnessed. The propensity of a particular type of claim to be deferred depends on the nature of the medical condition and the types of diagnostic investigations and treatments associated with it.

### *Compensation for Government Providers*

The Council of Cooperative Health Insurance ("CCHI") recently issued Circular 895, dated 17/12/2020, regarding the enforcement of Article 11 of the Cooperative Health Insurance Law, requesting medical insurance companies, effective 1/1/2021, to include all accredited government healthcare providers in their medical network while complying with the approved financial compensation structure. During the first quarter of 2021, following the implementation of Article 11, the company started to witness a surge in claims received from government providers. This trend is expected to increase as more government medical providers commence submitting their claims. Given the many uncertainties surrounding the actual rollout and application of Circular 895, management continues monitoring the situation closely, while reassessing and updating its estimates and judgments on a regular basis.

### *SAMA's Circular 173*

SAMA's circular 173, dated 16/01/2019, requires insurance companies to hold a Premium Deficiency Reserve ("PDR") in case the relevant Unearned Premium Reserve ("UPR") is insufficient to cover related projected claims and expenses. When a premium deficiency exists, the amount of the deficiency must first be offset against any Deferred Acquisition Costs ("DAC"). Any remaining deficiency not absorbed by DAC is accrued for as a separate premium deficiency reserve. To adequately meet the future insurance liabilities of the unexpired risk after considering the impact of COVID-19 and Circular 895, the Company continued to hold a PDR of SR 202.95 million as at 31 March 2021 (31 December 2020: 263.75 million).

## 23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 17 Ramadan 1442 H corresponding to 29 April 2021.