

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2022**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022**

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Ernst & Young Professional Services
(Professional LLC)
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hundred thousand Saudi Riyal)
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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders of
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 30 June 2022, and the related interim statements of income, comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in equity and cash flows for the six-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 Professional
Services

Hussain Saleh Asiri
Certified Public Accountant
License No. 414

Jeddah, kingdom of Saudi Arabia
12 Muharram 1444 H
Corresponding to 10 August 2022 G



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

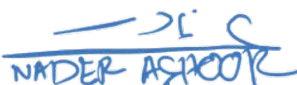
**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Notes	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
<u>ASSETS</u>			
Cash and cash equivalents	4	707,044	960,758
Premiums receivable – net	5	2,814,498	1,761,300
Reinsurers' share of unearned premiums	9.1	38,584	27,935
Reinsurers' share of outstanding claims	9.2	3,833	7,207
Reinsurers' share of claims incurred but not reported	9.2	10,943	7,829
Deferred policy acquisition costs		278,222	201,042
Investments	6	4,818,120	5,703,773
Prepaid expenses and other assets		78,446	113,254
Term deposits	7	5,346,736	3,093,720
Fixtures, furniture and equipments– net		63,100	69,771
Right-of-use assets – net		177,368	112,616
Intangible assets – net		63,505	67,277
Deferred tax asset	15	43,526	39,735
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	15,531	14,885
TOTAL ASSETS		14,677,456	12,399,102
<u>LIABILITIES</u>			
Accrued and other liabilities		1,173,243	604,774
Lease liability		189,290	125,333
Insurance operations' surplus payable		213,799	190,060
Reinsurers' balances payable		15,451	25,397
Unearned premiums	9.1	5,798,960	4,709,555
Outstanding claims	9.2	547,961	601,168
Claims incurred but not reported	9.2	2,247,522	1,413,888
Premium deficiency reserve	9.2	40,572	74,602
Claims handling reserve	9.2	26,189	21,797
Due to related parties	14	40,535	33,723
Provision for end-of-service benefits (EOSB)		157,297	152,286
Provision for zakat and income tax	15	260,517	236,610
Accrued income payable to SAMA	8	15,531	14,885
TOTAL LIABILITIES		10,726,867	8,204,078
<u>EQUITY</u>			
Share capital	16	1,200,000	1,200,000
Statutory reserve	17	992,210	992,210
Share based payments reserve		43,226	43,500
Shares held under employees share scheme		(62,973)	(53,356)
Retained earnings		1,633,995	1,790,700
Re-measurement reserve for employees' EOSB		(23,638)	(23,638)
Investments fair value reserve – related to shareholders		184,397	236,633
TOTAL SHAREHOLDERS' EQUITY		3,967,217	4,186,049
Investments fair value reserve – related to policyholders		(16,628)	8,975
TOTAL EQUITY		3,950,589	4,195,024
TOTAL LIABILITIES AND EQUITY		14,677,456	12,399,102

Chairman




Director, Deputy CEO and CFO



NADER ASA'AD

Director and Chief Executive Officer




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

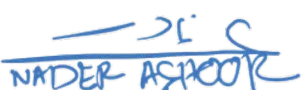
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**


INTERIM STATEMENT OF INCOME

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

Notes	Three-month period ended 30 June (Unaudited)		Six-month period ended 30 June (Unaudited)	
	2022 SAR'000	2021 SAR'000	2022 SAR'000	2021 SAR'000
REVENUES				
Gross premiums written	3,001,280	2,569,717	7,223,699	5,822,498
Reinsurance premiums ceded – Local	(1,758)	(1,293)	(3,241)	(2,551)
Reinsurance premiums ceded – International	(29,567)	(15,551)	(55,561)	(38,905)
Net premiums written	2,969,955	2,552,873	7,164,897	5,781,042
Changes in unearned premiums – net	170,986	16,201	(1,078,756)	(714,106)
Net premiums earned	3,140,941	2,569,074	6,086,141	5,066,936
UNDERWRITING COSTS & EXPENSES				
Gross claims paid	(2,394,857)	(2,121,483)	(4,422,991)	(4,314,323)
Reinsurers' share of claims paid	5,069	6,250	11,252	12,500
Net claims paid	(2,389,788)	(2,115,233)	(4,411,739)	(4,301,823)
Changes in outstanding claims	144,693	(42,263)	53,207	(109,315)
Changes in claims incurred but not reported	(369,857)	80,641	(833,634)	130,412
Changes in premium deficiency reserve	31,801	24,917	34,030	85,710
Changes in claims handling reserves	(654)	447	(4,392)	539
Reinsurance share of changes in outstanding claims	(2,837)	2,058	(3,374)	2,895
Reinsurance share of changes in claims incurred but not reported	2,325	(563)	3,114	79
Net claims incurred	(2,584,317)	(2,049,996)	(5,162,788)	(4,191,503)
Policy acquisition costs	(143,205)	(67,380)	(264,073)	(124,048)
Total underwriting costs & expenses	(2,727,522)	(2,117,376)	(5,426,861)	(4,315,551)
NET UNDERWRITING INCOME	413,419	451,698	659,280	751,385
Other operating (expenses) / income				
Allowance for doubtful receivables	(22,711)	(9,342)	(54,057)	(26,361)
General and administrative expenses	(150,747)	(138,599)	(289,203)	(270,621)
Selling and marketing expenses	(33,479)	(23,490)	(60,698)	(54,457)
Investment income – net	98,689	73,876	180,548	133,752
Other income – net	9,498	9,883	24,255	20,234
Total other operating (expenses) / income	(98,750)	(87,672)	(199,155)	(197,453)
Income before surplus, zakat & income tax	314,669	364,026	460,125	553,932
Income attributed to the insurance operations (transferred to surplus payable)	1 (23,646)	(30,414)	(31,146)	(44,903)
Income attributed to the shareholders before zakat and income tax	291,023	333,612	428,979	509,029
Zakat charge	15 (19,972)	(17,315)	(40,309)	(35,633)
Income tax charge	15 (14,468)	(28,338)	(38,016)	(45,535)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	256,583	287,959	350,654	427,861
Weighted average number of ordinary outstanding shares (in thousands)	119,472	119,611	119,485	119,531
Basic and diluted earnings per share (expressed in SAR per share)	19 2.15	2.41	2.93	3.58


Chairman


NADER ASPOOR
Director, Deputy CEO and CFO


Director and Chief Executive Officer

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

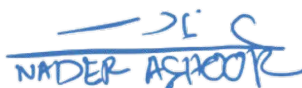
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

	Three-month period ended		Six-month period ended	
	30 June (Unaudited)		30 June (Unaudited)	
	2022	2021	2022	2021
	SAR'000	SAR'000	SAR'000	SAR'000
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	256,583	287,959	350,654	427,861
Other comprehensive income				
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>				
Net changes in fair value of available-for-sale investments:				
- related to shareholders	(50,777)	73,189	(52,236)	86,740
- related to policyholders	(10,364)	(3,373)	(25,603)	(7,107)
	<u>(61,141)</u>	<u>69,816</u>	<u>(77,839)</u>	<u>79,633</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	195,442	<u>357,775</u>	272,815	<u>507,494</u>



Chairman



Director, Deputy CEO and CFO



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
FOR SIX-MONTHS PERIOD ENDED 30 JUNE 2022

	Related to shareholders' Operations									
	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve for employees' EOSB	Investments fair value reserve related to shareholders' operations	Total shareholders' operations equity	Investments fair value reserve – related to policyholders operations	Total equity
<u>2022</u>	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2021 (audited)	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	236,633	4,186,049	8,975	4,195,024
Net income for the period attributed to shareholders after zakat and income tax	-	-	-	-	350,654	-	-	350,654	-	350,654
Actuarial losses on end-of-service benefits	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(52,236)	(52,236)	(25,603)	(77,839)
Total comprehensive income / (loss) for the period	-	-	-	-	350,654	-	(52,236)	298,418	(25,603)	272,815
Share based payment transactions	-	-	11,349	-	-	-	-	11,349	-	11,349
Delivery of shares held under employees share scheme	-	-	(11,623)	11,623	-	-	-	-	-	-
Purchase of shares held under employees share scheme	-	-	-	(21,240)	-	-	-	(21,240)	-	(21,240)
Dividends declared	-	-	-	-	(540,000)	-	-	(540,000)	-	(540,000)
Income tax refundable from non-Saudi shareholders	-	-	-	-	32,641	-	-	32,641	-	32,641
Balance At 30 June 2022 (unaudited)	1,200,000	992,210	43,226	(62,973)	1,633,995	(23,638)	184,397	3,967,217	(16,628)	3,950,589

Chairman



Director, Deputy CEO and CFO

— 21 S
NADER ASPOOR

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 SIX-MONTHS PERIOD ENDED 30 JUNE 2022

	Related to shareholders' Operations									
	Share capital	Statutory reserve	Share based payments	Shares held under employees share scheme	Retained earnings	Re-measurement reserve of employees' EOSB	Investments fair value reserve related to shareholders' operations	Total shareholders' operations equity	Investments fair value reserve – related to policyholders operations	Total equity
2021	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2020 (audited)	1,200,000	867,096	32,800	(48,779)	1,684,003	(31,173)	174,848	3,878,795	24,058	3,902,853
Net income for the period attributed to shareholders after zakat and income tax	-	-	-	-	427,861	-	-	427,861	-	427,861
Actuarial losses on end-of-service benefits	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	86,740	86,740	(7,107)	79,633
Total comprehensive income / (loss) for the period	-	-	-	-	427,861	-	86,740	514,601	(7,107)	507,494
Share based payment transactions	-	-	10,308	-	-	-	-	10,308	-	10,308
Delivery of shares held under employees share scheme	-	-	(9,521)	9,521	-	-	-	-	-	-
Dividends declared	-	-	-	-	(408,000)	-	-	(408,000)	-	(408,000)
Income tax refundable from non-Saudi shareholders	-	-	-	-	-	-	-	-	-	-
Balance At 30 June 2021 (unaudited)	<u>1,200,000</u>	<u>867,096</u>	<u>33,587</u>	<u>(39,258)</u>	<u>1,703,864</u>	<u>(31,173)</u>	<u>261,588</u>	<u>3,995,704</u>	<u>16,951</u>	<u>4,012,655</u>



 Chairman



 Director, Deputy CEO and CFO



 Director and Chief Executive Officer

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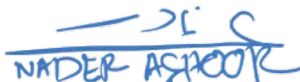
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (Unaudited)
FOR SIX-MONTHS PERIOD ENDED 30 JUNE 2022

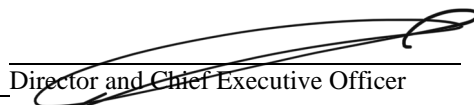
Notes	Six-month period ended 30 June	
	2022 SAR'000	2021 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributed to shareholders before zakat and income tax	428,979	509,029
<u>Adjustments for non-cash items:</u>		
Net income attributed to insurance operations	31,146	44,903
Depreciation of Fixtures, furniture and equipments	7,928	7,441
Loss on sale of Fixtures, furniture and equipments	267	-
Loss on sale of Intangible assets	326	-
Amortization of right-of-use assets	9,598	8,016
Amortization of intangible assets	6,316	6,839
Provision for employees share scheme	11,349	10,308
Allowance for doubtful receivables	54,057	26,361
Commission income on term deposits	(45,561)	(33,368)
Unrealized (gains) on investments held as FVSI	(461)	(1,032)
Realized gains on investments	(63,217)	(13,837)
Provision for end-of-service benefits	10,311	9,271
Finance cost	2,971	3,155
	454,009	577,086
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	(1,107,255)	(927,916)
Reinsurers' share of unearned premiums	(10,649)	(4,487)
Reinsurers' share of outstanding claims	3,374	(2,895)
Reinsurers' share of claims incurred but not reported	(3,114)	(79)
Deferred policy acquisition costs	(77,180)	(161,529)
Prepaid expenses and other assets	34,808	27,648
Accrued and other liabilities	61,110	69,997
Reinsurers' balances payable	(9,946)	6,555
Unearned premiums	1,089,405	718,593
Outstanding claims	(53,207)	109,315
Claims incurred but not reported	833,634	(130,412)
Premium deficiency reserve	(34,030)	(85,710)
Claims handling reserve	4,392	(539)
Due to related parties	6,812	(79,635)
	1,192,163	115,992
End-of-service benefits paid	(5,300)	(3,494)
Surplus paid to policyholders	(7,407)	(15,566)
Zakat and income tax paid	(58,209)	(169,630)
Net cash generated from/ (used in) operating activities	1,121,247	(72,698)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement in term deposits	7 (3,205,275)	(536,000)
Proceeds from maturity of term deposits	7 997,820	1,368,423
Additions to investments	6 (5,987,750)	(9,232,167)
Disposals of investments	6,859,242	8,597,346
Additions to Fixtures, furniture and equipments	(1,552)	(7,628)
Proceeds from sale of Fixtures, furniture and equipments	28	-
Additions to intangible assets	(2,870)	(10,703)
Net cash (used in)/ generated from investing activities	(1,340,357)	179,271
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of shares held under employees share scheme	(21,240)	-
Lease liability paid	(13,364)	(9,260)
Net cash used in financing activities	(34,604)	(9,260)
Net change in cash and cash equivalents	(253,714)	97,313
Cash and cash equivalents at beginning of the period	960,758	633,251
Cash and cash equivalents at end of the period	707,044	730,564
Non-cash transactions		
Unrealized (loss)/ gains on available-for-sale investments	(77,839)	79,633
Recognition of lease liability / right-of-use assets	74,350	2,739
Income tax refundable (to) / from non-Saudi shareholders	32,641	-
Dividends declared	22 540,000	408,000



Chairman



Director, Deputy CEO and CFO



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 30 JUNE 2022

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’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-Khaleidiah 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 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers’ Resolution No 279 dated 28 Shabaan 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 Chartered and Professional 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 defined benefit obligations [Employees’ end of service benefits (“EOSB”)] recorded at the present value using the projected unit credit method. The Company’s interim statement of financial position is presented in order of liquidity. Except for available-for-sale investments, Fixtures, furniture and equipments and right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service benefits (EOSB) 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 30 JUNE 2022

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 condensed financial statements provides the interim statement of financial position, interim statement of income, interim statement of comprehensive income and interim statement of 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 2021.

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 disclosures notes 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 2021. 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 of the Council of Health Insurance’s (“CCHI”) Circular 895 of Article 11 dated 17 December 2020 and Circular 965 dated 14 March 2022. For further details, please see note 21 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 2021 except as mentioned below:

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

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
Amendments to IFRS 3	Reference to the Conceptual Framework

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 30 JUNE 2022

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 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

IFRS 17 – Insurance Contracts

Overview

This standard which was published on May 18, 2017 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 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.

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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 the 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 has performed an operational gap assessment which has focused on the impact of IFRS 17 across data, systems, processes and people. The Company is currently assessing the impact of the application and implementation of IFRS 17 and in the process of applying applicable requirements. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact (continued)

For further details on the impact assessment of IFRS 17 adoption, reference to the annual financial statements for the year ended 31 December 2021 should be made.

As of the date of the publication of these interim condensed financial statements, the Company has already submitted Phase 3 Implementation plan to SAMA and two unaudited dry run results using 2020 and 2021 data, respectively.

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 statement of income. 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 statement of income 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 statement of income. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through statement of income if doing so eliminates or significantly reduces an accounting mismatch.

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 statement of income.

Additionally, for financial liabilities that are designated as at fair value through statement of income, 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 statement of income.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

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.

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 statement of income 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 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.

Impact assessment

As at June 30, 2022, the Company has total financial assets and insurance related assets amounting to SR 10,165 million and SR 4,111 million, respectively. The Company is still finalizing its assessment to measure the impact of applying and implementing IFRS 9.

For further details on the impact assessment of IFRS 9 adoption, reference to the annual financial statements for the year ended 31 December 2021 should be made.

As of the date of the publication of these interim condensed financial statements, the Company has already submitted Phase 1 Gap Analysis to SAMA and one unaudited dry run results to SAMA using 2021 data.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following:

	30 June 2022 (Unaudited)		
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Bank balances	402,227	133,581	535,808
Term deposits	100,830	70,406	171,236
	<u>503,057</u>	<u>203,987</u>	<u>707,044</u>
	31 December 2021 (Audited)		
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Bank balances	430,300	30,067	460,367
Term deposits	500,391	-	500,391
	<u>930,691</u>	<u>30,067</u>	<u>960,758</u>

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the six-months period ended 30 June 2022, the insurance operations transferred cash of SR 242 million to the shareholders' operations (31 December 2021: SR 435 million).

5. PREMIUMS RECEIVABLE - NET

Premium receivable amounts are due from the following:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	SAR'000	SAR'000
Policyholders	1,683,397	1,401,823
Brokers	1,409,964	590,833
	<u>3,093,361</u>	<u>1,992,656</u>
Provision for doubtful receivables	(278,863)	(231,356)
Premiums receivable – net	<u>2,814,498</u>	<u>1,761,300</u>

6. INVESTMENTS

Investments are classified as follows:

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
Held as FVSI	827,686	1,529,112	2,356,798	1,808,199	1,449,736	3,257,935
Available-for-sale	644,607	1,485,465	2,130,072	691,230	1,423,358	2,114,588
Held to maturity	100,000	231,250	331,250	100,000	231,250	331,250
	<u>1,572,293</u>	<u>3,245,827</u>	<u>4,818,120</u>	<u>2,599,429</u>	<u>3,104,344</u>	<u>5,703,773</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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6. INVESTMENTS (continued)

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

	30 June 2022 (Unaudited)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	11,014	-	36,044	-	47,058
Funds	<u>809,722</u>	<u>6,950</u>	<u>1,472,218</u>	<u>20,850</u>	<u>2,309,740</u>
	<u>820,736</u>	<u>6,950</u>	<u>1,508,262</u>	<u>20,850</u>	<u>2,356,798</u>
	31 December 2021 (Audited)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	18,014	-	55,045	-	73,059
Funds	<u>1,782,875</u>	<u>7,310</u>	<u>1,372,761</u>	<u>21,930</u>	<u>3,184,876</u>
	<u>1,800,889</u>	<u>7,310</u>	<u>1,427,806</u>	<u>21,930</u>	<u>3,257,935</u>

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

	30 June 2022 (Unaudited)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	465,966	143,498	810,269	101,670	1,521,403
Funds	-	35,143	159,088	14,250	208,481
Equities	-	-	333,246	23,622	356,868
Investments in discretionary portfolios	-	-	43,320	-	43,320
	<u>465,966</u>	<u>178,641</u>	<u>1,345,923</u>	<u>139,542</u>	<u>2,130,072</u>
	31 December 2021 (Audited)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	470,858	183,613	793,312	105,726	1,553,509
Funds	-	36,759	127,646	17,287	181,692
Equities	-	-	316,826	12,372	329,198
Investments in discretionary portfolios	-	-	50,189	-	50,189
	<u>470,858</u>	<u>220,372</u>	<u>1,287,973</u>	<u>135,385</u>	<u>2,114,588</u>

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6. INVESTMENTS (continued)

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

	30 June 2022 (Unaudited)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	100,000	-	156,250	75,000	331,250
	100,000	-	156,250	75,000	331,250

	31 December 2021 (Audited)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
	SR'000				
Sukuks	100,000	-	156,250	75,000	331,250
	100,000	-	156,250	75,000	331,250

The movements in the investments balance are as follows:

	30 June 2022 (Unaudited)		
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Balance at the beginning of the period	2,599,429	3,104,344	5,703,773
Purchased during the period	2,840,803	3,146,947	5,987,750
Disposed during the period	(3,848,174)	(3,011,068)	(6,859,242)
Unrealized (losses) / gains during the period, net	(19,765)	5,604	(14,161)
	1,572,293	3,245,827	4,818,120

	31 December 2021 (Audited)		
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Balance at the beginning of the year	3,568,181	2,461,265	6,029,446
Purchased during the year	8,132,760	7,033,358	15,166,118
Disposed during the year	(9,088,960)	(6,452,176)	(15,541,136)
Unrealized (losses) / gains during the year, net	(12,552)	61,897	49,345
	2,599,429	3,104,344	5,703,773

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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7. TERM DEPOSITS

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structures with a small allocation in Mudaraba structures. They are mostly denominated in Saudi Arabian Riyals and have an original maturity from more than three-month to more than one year and yield financial income at rates ranging from 0.90% to 4.30% per annum (2021: from 0.95% to 4.30% per annum). The movements in term deposits during the period ended 30 June 2022 as follows:

	30 June 2022 (Unaudited)		
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Balance at the beginning of the period	2,007,922	1,085,798	3,093,720
Matured during the period	(713,818)	(284,002)	(997,820)
Placed during the period	2,935,275	270,000	3,205,275
Commission income earned during the period	32,128	13,433	45,561
	<u>4,261,507</u>	<u>1,085,229</u>	<u>5,346,736</u>
	31 December 2021 (Audited)		
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Balance at the beginning of the year	1,645,292	1,151,255	2,796,547
Matured during the year	(1,507,552)	(466,960)	(1,974,512)
Placed during the year	1,839,000	374,328	2,213,328
Commission income earned during the year	31,182	27,175	58,357
	<u>2,007,922</u>	<u>1,085,798</u>	<u>3,093,720</u>

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 15.5 million (2021: SR 14.9 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:

	Six-month ended 30 June 2022 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance at 1 January 2022	4,709,555	(27,935)	4,681,620
Premium written/(ceded) during the period	7,223,699	(58,802)	7,164,897
Premium earned during the period	(6,134,294)	48,153	(6,086,141)
	<u>5,798,960</u>	<u>(38,584)</u>	<u>5,760,376</u>
	Year ended 31 December 2021 (Audited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance at 1 January 2021	4,023,331	(20,108)	4,003,223
Premium written/(ceded) during the year	11,382,194	(86,082)	11,296,112
Premium earned during the year	(10,695,970)	78,255	(10,617,715)
	<u>4,709,555</u>	<u>(27,935)</u>	<u>4,681,620</u>

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9. TECHNICAL RESERVES (continued)

9.2 Net outstanding claims and reserves

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

	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Outstanding claims	547,961	601,168
Claims incurred but not reported	2,247,522	1,413,888
Premium deficiency reserve	40,572	74,602
Claims handling reserves	26,189	21,797
	<u>2,862,244</u>	<u>2,111,455</u>
Less:		
- Reinsurers' share of outstanding claims	(3,833)	(7,207)
- Reinsurers' share of claims incurred but not reported	(10,943)	(7,829)
	<u>(14,776)</u>	<u>(15,036)</u>
Net outstanding claims and reserves	<u>2,847,468</u>	<u>2,096,419</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 the customer's employees with specific terms and conditions. The agreement is effective from 1 March 2018.

In order to fulfil the commitment relating to this agreement, the Company receives 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 527 million as of 30 June 2022 (31 December 2021: SR 260 million).

11. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

- i) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings during the current period from the status disclosed as at 31 December 2021.
- ii) As of 30 June 2022 total letters of guarantee issued by banks on behalf of the Company amounted to SR 112.8 million (2021: SR 128 million).
- iii) Refer to Note 15 for zakat and tax related matters.

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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 as the carrying amount is a reasonable approximation to fair value.

	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
	SAR'000			SAR'000	SAR'000
30 June 2022 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	-	2,356,798	-	2,356,798	2,356,798
- Available-for-sale investments	1,354,695	737,505	37,872	2,130,072	2,130,072
	<u>1,354,695</u>	<u>3,094,303</u>	<u>37,872</u>	<u>4,486,870</u>	<u>4,486,870</u>
Fair value					
	Level 1	Level 2	Level 3	Total	Carrying value
	SAR'000			SAR'000	SAR'000
31 December 2021 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	-	3,257,935	-	3,257,935	3,257,935
- Available for sale investments	1,421,562	670,903	22,123	2,114,588	2,114,588
	<u>1,421,562</u>	<u>3,928,838</u>	<u>22,123</u>	<u>5,372,523</u>	<u>5,372,523</u>

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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 30 June 2022 and 31 December 2021, 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 sukuks and 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. 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:

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13. OPERATING SEGMENTS (continued)

Operating segments	As at 30 June 2022 (Unaudited)				
	Insurance operations			Shareholders' operations	Total
	Major customers	Non-Major customers	Total Insurance operations		
	SAR'000			SAR'000	SAR'000
Assets					
Premiums receivable – net	1,653,437	1,161,061	2,814,498	-	2,814,498
Reinsurers' share of unearned premiums	15,309	23,275	38,584	-	38,584
Reinsurers' share of outstanding claims	1,478	2,355	3,833	-	3,833
Reinsurers' share of claims incurred but not reported	4,303	6,640	10,943	-	10,943
Deferred policy acquisition costs	144,445	133,777	278,222	-	278,222
Unallocated assets			6,397,966	5,133,410	11,531,376
Total assets			9,544,046	5,133,410	14,677,456
Liabilities					
Unearned premiums	2,300,781	3,498,179	5,798,960	-	5,798,960
Outstanding claims	392,180	155,781	547,961	-	547,961
Claims incurred but not reported	1,601,238	646,284	2,247,522	-	2,247,522
Premium deficiency reserve	16,097	24,475	40,572	-	40,572
Claims handling reserve	18,701	7,488	26,189	-	26,189
Unallocated liabilities			899,470	1,166,193	2,065,663
Total liabilities			9,560,674	1,166,193	10,726,867

Operating segments	At 31 December 2021 (Audited)				
	Insurance operations			Shareholders' operations	Total
	Major customers	Non-Major customers	Total Insurance operations		
	SR'000			SR'000	SR'000
Assets					
Premiums receivable – net	1,034,713	726,587	1,761,300	-	1,761,300
Reinsurers' share of unearned premiums	15,353	12,582	27,935	-	27,935
Reinsurers' share of outstanding claims	2,560	4,647	7,207	-	7,207
Reinsurers' share of claims incurred but not reported	2,623	5,206	7,829	-	7,829
Deferred policy acquisition costs	114,645	86,397	201,042	-	201,042
Unallocated assets			5,638,040	4,755,749	10,393,789
Total assets			7,643,353	4,755,749	12,399,102
Liabilities					
Unearned premiums	2,588,246	2,121,309	4,709,555	-	4,709,555
Outstanding claims	425,245	175,923	601,168	-	601,168
Claims incurred but not reported	1,000,536	413,352	1,413,888	-	1,413,888
Premium deficiency reserve	40,999	33,603	74,602	-	74,602
Claims handling reserve	15,421	6,376	21,797	-	21,797
Unallocated liabilities			813,368	569,700	1,383,068
Total liabilities			7,634,378	569,700	8,204,078

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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13. OPERATING SEGMENTS (continued)

Operating segments	Three-month period ended 30 June 2022 (Unaudited)		
	Major customers	Non-Major customers	Total
	SAR'000		
REVENUES			
Gross premiums written	1,083,161	1,918,119	3,001,280
Reinsurance premiums ceded – Local	(634)	(1,124)	(1,758)
Reinsurance premiums ceded – International	(10,671)	(18,896)	(29,567)
Net premiums written	1,071,856	1,898,099	2,969,955
Changes in unearned premiums – net	1,037,050	(866,064)	170,986
Net premiums earned	2,108,906	1,032,035	3,140,941
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,678,219)	(716,638)	(2,394,857)
Reinsurers' share of claims paid	3,552	1,517	5,069
Net claims paid	(1,674,667)	(715,121)	(2,389,788)
Changes in outstanding claims	101,844	42,849	144,693
Changes in claims incurred but not reported	(255,399)	(114,458)	(369,857)
Changes in premium deficiency reserve	24,444	7,357	31,801
Changes in claims handling reserves	(443)	(211)	(654)
Reinsurance share of changes in outstanding claims	(821)	(2,016)	(2,837)
Reinsurance share of changes in claims incurred but not reported	1,345	980	2,325
Net claims incurred	(1,803,697)	(780,620)	(2,584,317)
Policy acquisition costs	(85,925)	(57,280)	(143,205)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,889,622)	(837,900)	(2,727,522)
NET UNDERWRITING INCOME	219,284	194,135	413,419
OTHER OPERATING INCOME/(EXPENSES)			
Allowance for doubtful receivables			(22,711)
Unallocated income			108,187
Unallocated expenses			(184,226)
TOTAL OTHER OPERATING INCOME/(EXPENSES)			(98,750)
Income before Surplus, Zakat & Income Tax			314,669
Income attributed to insurance operations (transfer to surplus payable)			(23,646)
Income attributed to the shareholders before zakat and income tax			291,023
Zakat charge			(19,972)
Income tax charge			(14,468)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			256,583
Gross Premium Written details			Three-month period ended 30 June 2022
			SAR'000
Corporates			1,279,942
Medium Enterprises			1,587,433
Small Enterprises			117,916
Micro Enterprises			11,493
Individuals			4,496
Total Gross Premium Written			3,001,280

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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13. OPERATING SEGMENTS (continued)

Operating segments	Three-month period ended 30 June 2021 (Unaudited)		
	Major customers	Non-Major customers	Total
	SAR'000		
REVENUES			
Gross premium written	1,571,240	998,477	2,569,717
Reinsurance premiums ceded – Local	(790)	(503)	(1,293)
Reinsurance premiums ceded – International	(9,509)	(6,042)	(15,551)
Net premiums written	1,560,941	991,932	2,552,873
Changes in unearned premiums – net	160,384	(144,183)	16,201
Net premiums earned	1,721,325	847,749	2,569,074
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,527,182)	(594,301)	(2,121,483)
Reinsurers' share of claims paid	4,499	1,751	6,250
Net claims paid	(1,522,683)	(592,550)	(2,115,233)
Changes in outstanding claims	(27,375)	(14,888)	(42,263)
Changes in claims incurred but not reported	75,409	5,232	80,641
Changes in premium deficiency reserve	20,133	4,784	24,917
Changes in claims handling reserves	518	(71)	447
Reinsurance share of changes in outstanding claims	645	1,413	2,058
Reinsurance share of changes in claims incurred but not reported	(217)	(346)	(563)
Net claims incurred	(1,453,570)	(596,426)	(2,049,996)
Policy acquisition costs	(40,428)	(26,952)	(67,380)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,493,998)	(623,378)	(2,117,376)
NET UNDERWRITING INCOME	227,327	224,371	451,698
OTHER OPERATING INCOME/(EXPENSES)			
Allowance for doubtful receivables			(9,342)
Unallocated income			83,759
Unallocated expenses			(162,089)
TOTAL OTHER OPERATING INCOME/(EXPENSES)			(87,672)
Income before Surplus, Zakat & Income Tax			364,026
Income attributed to insurance operations (transfer to surplus payable)			(30,414)
Income attributed to the shareholders before zakat and income tax			333,612
Zakat charge			(17,315)
Income tax charge			(28,338)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			287,959
Gross Premium Written details			Three-month period ended 30 June 2021
			SAR'000
Corporates			1,824,595
Medium Enterprises			550,003
Small Enterprises			175,782
Micro Enterprises			14,828
Individuals			4,509
Total Gross Premium Written			2,569,717

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13. OPERATING SEGMENTS (continued)

Operating segments	Six-month period ended 30 June 2022 (Unaudited)		
	Major customers	Non-Major customers	Total
	SAR'000		
REVENUES			
Gross premium written	3,835,701	3,387,998	7,223,699
Reinsurance premiums ceded – Local	(1,993)	(1,248)	(3,241)
Reinsurance premiums ceded – International	(27,225)	(28,336)	(55,561)
Net premiums written	3,806,483	3,358,414	7,164,897
Changes in unearned premiums – net	287,421	(1,366,177)	(1,078,756)
Net premiums earned	4,093,904	1,992,237	6,086,141
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(3,089,873)	(1,333,118)	(4,422,991)
Reinsurers' share of claims paid	7,856	3,396	11,252
Net claims paid	(3,082,017)	(1,329,722)	(4,411,739)
Changes in outstanding claims	33,065	20,142	53,207
Changes in claims incurred but not reported	(600,702)	(232,932)	(833,634)
Changes in Premium deficiency Reserve	24,902	9,128	34,030
Changes in claims handling reserves	(3,280)	(1,112)	(4,392)
Reinsurance share of changes in outstanding claims	(1,082)	(2,292)	(3,374)
Reinsurance share of changes in claims incurred but not reported	1,680	1,434	3,114
Net claims incurred	(3,627,434)	(1,535,354)	(5,162,788)
Policy acquisition costs	(158,444)	(105,629)	(264,073)
TOTAL UNDERWRITING COSTS AND EXPENSES	(3,785,878)	(1,640,983)	(5,426,861)
NET UNDERWRITING INCOME	308,026	351,254	659,280
OTHER OPERATING INCOME/(EXPENSES)			
Allowance for doubtful receivables			(54,057)
Unallocated income			204,803
Unallocated expenses			(349,901)
TOTAL OTHER OPERATING INCOME/(EXPENSES)			(199,155)
Income before Surplus, Zakat & Income Tax			460,125
Income attributed to insurance operations (transfer to surplus payable)			(31,146)
Income attributed to the shareholders before zakat and income tax			428,979
Zakat charge			(40,309)
Income tax charge			(38,016)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			350,654
Gross Premium Written details			Six-month period ended 30 June 2022
			SAR'000
Corporates			4,462,270
Medium Enterprises			2,340,244
Small Enterprises			368,891
Micro Enterprises			38,336
Individuals			13,958
Total Gross Premium Written			7,223,699

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 AT 30 JUNE 2022

13. OPERATING SEGMENTS (continued)

Operating segments	Six-month period ended 30 June 2021 (Unaudited)		
	Major customers	Non-Major customers	Total
	SAR'000		
<u>REVENUES</u>			
Gross premium written	3,670,283	2,152,215	5,822,498
Reinsurance premiums ceded – Local	(1,611)	(940)	(2,551)
Reinsurance premiums ceded – International	(24,570)	(14,335)	(38,905)
Net premiums written	3,644,102	2,136,940	5,781,042
Changes in unearned premiums – net	(240,659)	(473,447)	(714,106)
Net premiums earned	3,403,443	1,663,493	5,066,936
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(3,099,489)	(1,214,834)	(4,314,323)
Reinsurers' share of claims paid	8,981	3,519	12,500
Net claims paid	(3,090,508)	(1,211,315)	(4,301,823)
Changes in outstanding claims	(76,617)	(32,698)	(109,315)
Changes in claims incurred but not reported	112,158	18,254	130,412
Changes in premium deficiency reserve	91,576	(5,866)	85,710
Changes in claims handling reserves	567	(28)	539
Reinsurance share of changes in outstanding claims	876	2,019	2,895
Reinsurance share of changes in claims incurred but not reported	111	(32)	79
Net claims incurred	(2,961,837)	(1,229,666)	(4,191,503)
Policy acquisition costs	(74,429)	(49,619)	(124,048)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	<u>(3,036,266)</u>	<u>(1,279,285)</u>	<u>(4,315,551)</u>
NET UNDERWRITING INCOME	367,177	384,208	751,385
<u>OTHER OPERATING INCOME/(EXPENSES)</u>			
Allowance for doubtful receivables			(26,361)
Unallocated income			153,986
Unallocated expenses			(325,078)
<u>TOTAL OTHER OPERATING INCOME/(EXPENSES)</u>			<u>(197,453)</u>
<u>Income before Surplus, Zakat & Income Tax</u>			553,932
Income attributed to insurance operations (transfer to surplus payable)			(44,903)
Income attributed to the shareholders before zakat and income tax			509,029
Zakat charge			(35,633)
Income tax charge			(45,535)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			427,861
<u>Gross Premium Written details</u>			
		Six-month period ended	
		30 June 2021	
		SAR'000	
Corporates		4,213,803	
Medium Enterprises		1,170,458	
Small Enterprises		394,236	
Micro Enterprises		34,859	
Individuals		9,142	
Total Gross Premium Written		5,822,498	

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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>30 June 2022</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>30 June 2021</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>30 June 2022</u> <u>(Unaudited)</u> <u>SR'000</u>	<u>31 December 2021</u> <u>(Audited)</u> <u>SR'000</u>
Shareholders and others	Insurance premium written	38,265	156,722	58**	2,726**
Shareholders	Reinsurance Premium ceded	(42,596)	(28,701)	(26,700)*	(19,672)*
Shareholders and others	Claims paid	41,818	76,247	(904)***	(17,289)***
Shareholders	Medical costs charged by providers	92,807	70,843	(2,788)***	(19,696)***
Shareholders	Expenses charged to/from a related party - net	65	-	1,863*	1,024*
Shareholders	Tax equalisation - net	32,641	-	-*	12,369*
Shareholders	Board members fees	442	390	(442)*	(833)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	15,256	12,700	(15,256)*	(26,611)*

* Amounts due to related parties amounted to SR 40,535 thousand (2021: SR 33,723 thousand).

** Amounts included in premium receivables.

*** Amounts are included in outstanding claims.

The remuneration of the key management personnel during the period ended 30 June is as follows:

	<u>30 June 2022</u> <u>(Unaudited)</u> <u>SAR'000</u>	<u>30 June 2021</u> <u>(Unaudited)</u> <u>SAR'000</u>
Short-term benefits	14,321	14,690
Long-term benefits	8,022	8,676
	<u>22,343</u>	<u>23,366</u>

Short-term benefits include salaries, allowances, annual bonuses and incentives whilst long-term benefits include employees' end of service benefits and the shares held under employees share scheme.

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15. ZAKAT AND INCOME TAX

Breakup of zakat and income tax charge for the six-month period ended 30 June 2022 and 2021 are as follows:

	six-months period ended 30 June 2022 (Unaudited) SAR'000	six-months period ended 30 June 2021 (Unaudited) SAR'000
Current zakat charge	40,309	35,633
Current income tax charge	41,807	46,660
Deferred tax charge (note 15.a)	(3,791)	(1,125)
	38,016	45,535
	78,325	81,168

The reconciliation of deferred tax is as follows:

	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000	30 June 2021 (Unaudited) SAR'000
Opening deferred tax asset	39,735	37,941	37,941
Deferred tax (charge) / income	3,791	1,794	1,125
	43,526	39,735	39,066

Movements in the Zakat and income tax accrued during the period ended 30 June 2022 and year ended 31 December 2021 respectively are as follows:

	Zakat payable SAR'000	Income tax payable SAR'000	Total 30 June 2022 (Unaudited) SAR'000	Total 31 December 2021 (Audited) SAR'000
Balance at beginning of the period/year	202,820	33,790	236,610	317,199
Provided during the period/year	40,309	41,807	82,116	106,925
Payments during the period/year	(11,172)	(47,037)	(58,209)	(187,514)
Balance at end of the period/year	231,957	28,560	260,517	236,610

Status of assessments

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2021 with the Zakat, Tax and Customs Authority.

The Company has finalized its corporate income tax, zakat and withholding tax with the Zakat, Tax and Custom Authority for the fiscal periods 2008 through 2016 and 2018. For the year 2017 assessments, the Company has escalated the matter to the General Secretariat of Tax Committees (the "GSTC") and their review is awaited.

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16. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is SAR 1,200 million at 30 June 2022 (31 December 2021: SAR 1,200 million) consisting of 120 million shares (31 December 2021: 120 million shares) of SAR 10 each. Shareholding structure of the Company is as below:

	30 June 2022		31 December 2021	
	(Unaudited)		(Audited)	
	Holding	SR'000	Holding	SR'000
	percentage		percentage	
Major shareholders	52.3%	628,066	52.3%	628,066
General Public	47.7%	571,934	47.7%	571,934
	100%	1,200,000	100%	1,200,000

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 30 June 2022, SR 992.2 million (31 December 2021: SR 992.2 million) had been set aside as a statutory reserve, representing 83 % (31 December 2021: 83%) 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. Weighted average number of ordinary share outstanding at the period end are the ordinary shares issued adjusted for share held under employees share scheme as at 30 June 2022.

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20. SUPPLEMENTARY INFORMATION

Interim financial position

	<i>30 June 2022 (Unaudited)</i>			<i>31 December 2021 (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>
<u>ASSETS</u>						
Cash and cash equivalents	503,057	203,987	707,044	930,691	30,067	960,758
Premiums receivables – net	2,814,498	-	2,814,498	1,761,300	-	1,761,300
Reinsurers' share of unearned premiums	38,584	-	38,584	27,935	-	27,935
Reinsurers' share of outstanding claims	3,833	-	3,833	7,207	-	7,207
Reinsurers' share of claims Incurred but not reported	10,943	-	10,943	7,829	-	7,829
Deferred policy acquisition costs	278,222	-	278,222	201,042	-	201,042
Investments	1,572,293	3,245,827	4,818,120	2,599,429	3,104,344	5,703,773
Prepaid expenses and other assets	61,109	17,337	78,446	99,998	13,256	113,254
Term deposits	4,261,507	1,085,229	5,346,736	2,007,922	1,085,798	3,093,720
Fixtures, furniture and equipments– net	-	63,100	63,100	-	69,771	69,771
Right-of-use assets – net	-	177,368	177,368	-	112,616	112,616
Intangible assets – net	-	63,505	63,505	-	67,277	67,277
Deferred tax asset	-	43,526	43,526	-	39,735	39,735
Goodwill	-	98,000	98,000	-	98,000	98,000
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Accrued income on statutory deposit	-	15,531	15,531	-	14,885	14,885
TOTAL ASSETS	9,544,046	5,133,410	14,677,456	7,643,353	4,755,749	12,399,102

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20. SUPPLEMENTARY INFORMATION (continued)

Interim financial position (continued)

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	<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>
<u>LIABILITIES</u>						
Accrued and other liabilities	670,220	503,023	1,173,243	597,911	6,863	604,774
Lease Liability	-	189,290	189,290	-	125,333	125,333
Insurance operations' surplus payable	213,799	-	213,799	190,060	-	190,060
Reinsurers' balances payable	15,451	-	15,451	25,397	-	25,397
Unearned premiums	5,798,960	-	5,798,960	4,709,555	-	4,709,555
Outstanding claims	547,961	-	547,961	601,168	-	601,168
Claims incurred but not reported	2,247,522	-	2,247,522	1,413,888	-	1,413,888
Premium deficiency reserve	40,572	-	40,572	74,602	-	74,602
Claims handling reserve	26,189	-	26,189	21,797	-	21,797
Due to related parties	-	40,535	40,535	-	33,723	33,723
Provision for end-of-service benefits (EOSB)	-	157,297	157,297	-	152,286	152,286
Provision for zakat and income tax	-	260,517	260,517	-	236,610	236,610
Accrued income payable to SAMA	-	15,531	15,531	-	14,885	14,885
TOTAL LIABILITIES	9,560,674	1,166,193	10,726,867	7,634,378	569,700	8,204,078
<u>EQUITY</u>						
Share capital	-	1,200,000	1,200,000	-	1,200,000	1,200,000
Statutory reserve	-	992,210	992,210	-	992,210	992,210
Share based payments reserve	-	43,226	43,226	-	43,500	43,500
Shares held under employees share scheme	-	(62,973)	(62,973)	-	(53,356)	(53,356)
Retained earnings	-	1,633,995	1,633,995	-	1,790,700	1,790,700
Re-measurement reserve for employees' EOSB	-	(23,638)	(23,638)	-	(23,638)	(23,638)
Investments fair value reserve	(16,628)	184,397	167,769	8,975	236,633	245,608
TOTAL EQUITY	(16,628)	3,967,217	3,950,589	8,975	4,186,049	4,195,024
<u>TOTAL LIABILITIES AND EQUITY</u>	9,544,046	5,133,410	14,677,456	7,643,353	4,755,749	12,399,102

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2022

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income

	<i>Three-month period ended 30 June (Unaudited)</i>						<i>Six-month period ended 30 June (Unaudited)</i>					
	2022			2021			2022			2021		
	<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>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	
REVENUES												
Gross premiums written	3,001,280	-	3,001,280	2,569,717	-	2,569,717	7,223,699	-	7,223,699	5,822,498	-	5,822,498
Reinsurance premiums ceded –												
Local	(1,758)	-	(1,758)	(1,293)	-	(1,293)	(3,241)	-	(3,241)	(2,551)	-	(2,551)
Reinsurance premiums ceded –												
International	(29,567)	-	(29,567)	(15,551)	-	(15,551)	(55,561)	-	(55,561)	(38,905)	-	(38,905)
Net premiums written	2,969,955	-	2,969,955	2,552,873	-	2,552,873	7,164,897	-	7,164,897	5,781,042	-	5,781,042
Changes in unearned premiums – net	170,986	-	170,986	16,201	-	16,201	(1,078,756)	-	(1,078,756)	(714,106)	-	(714,106)
Net premiums earned	3,140,941	-	3,140,941	2,569,074	-	2,569,074	6,086,141	-	6,086,141	5,066,936	-	5,066,936
UNDERWRITING COSTS AND EXPENSES												
Gross claims paid	(2,394,857)	-	(2,394,857)	(2,121,483)	-	(2,121,483)	(4,422,991)	-	(4,422,991)	(4,314,323)	-	(4,314,323)
Reinsurers' share of claims paid	5,069	-	5,069	6,250	-	6,250	11,252	-	11,252	12,500	-	12,500
Net claims paid	(2,389,788)	-	(2,389,788)	(2,115,233)	-	(2,115,233)	(4,411,739)	-	(4,411,739)	(4,301,823)	-	(4,301,823)
Changes in outstanding claims	144,693	-	144,693	(42,263)	-	(42,263)	53,207	-	53,207	(109,315)	-	(109,315)
Changes in claims incurred but not reported	(369,857)	-	(369,857)	80,641	-	80,641	(833,634)	-	(833,634)	130,412	-	130,412
Changes in premium deficiency reserve	31,801	-	31,801	24,917	-	24,917	34,030	-	34,030	85,710	-	85,710
Changes in claims handling reserves	(654)	-	(654)	447	-	447	(4,392)	-	(4,392)	539	-	539
Reinsurance share of changes in outstanding claims	(2,837)	-	(2,837)	2,058	-	2,058	(3,374)	-	(3,374)	2,895	-	2,895
Reinsurance share of changes in claims incurred but not reported	2,325	-	2,325	(563)	-	(563)	3,114	-	3,114	79	-	79
Net claims incurred	(2,584,317)	-	(2,584,317)	(2,049,996)	-	(2,049,996)	(5,162,788)	-	(5,162,788)	(4,191,503)	-	(4,191,503)
Policy acquisition costs	(143,205)	-	(143,205)	(67,380)	-	(67,380)	(264,073)	-	(264,073)	(124,048)	-	(124,048)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,727,522)	-	(2,727,522)	(2,117,376)	-	(2,117,376)	(5,426,861)	-	(5,426,861)	(4,315,551)	-	(4,315,551)
NET UNDERWRITING INCOME	413,419	-	413,419	451,698	-	451,698	659,280	-	659,280	751,385	-	751,385

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2022

20. SUPPLEMENTARY INFORMATION (continued)
Interim statement of income (continued)

	<i>Three-month period ended 30 June (Unaudited)</i>						<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>2022</i>			<i>2021</i>			<i>2022</i>			<i>2021</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>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>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<u>OTHER OPERATING INCOME/(EXPENSES)</u>												
Allowance for doubtful receivables	(22,711)	-	(22,711)	(9,342)	-	(9,342)	(54,057)	-	(54,057)	(26,361)	-	(26,361)
General and administrative expenses	(148,992)	(1,755)	(150,747)	(135,341)	(3,258)	(138,599)	(285,638)	(3,565)	(289,203)	(264,790)	(5,831)	(270,621)
Selling and marketing expenses	(33,479)	-	(33,479)	(23,490)	-	(23,490)	(60,698)	-	(60,698)	(54,457)	-	(54,457)
Investment income – net	29,938	68,751	98,689	21,935	51,941	73,876	55,567	124,981	180,548	45,570	88,182	133,752
Other income – net	(1,717)	11,215	9,498	(1,320)	11,203	9,883	(2,991)	27,246	24,255	(2,320)	22,554	20,234
TOTAL OTHER OPERATING INCOME/(EXPENSES)	(176,961)	78,211	(98,750)	(147,558)	59,886	(87,672)	(347,817)	148,662	(199,155)	(302,358)	104,905	(197,453)
<u>Income before Surplus, Zakat & Income Tax</u>	236,458	78,211	314,669	304,140	59,886	364,026	311,463	148,662	460,125	449,027	104,905	553,932
Transfer of surplus to shareholders	(212,812)	212,812	-	(273,726)	273,726	-	(280,317)	280,317	-	(404,124)	404,124	-
<u>NET RESULTS FROM OPERATIONS</u>	23,646	291,023	314,669	30,414	333,612	364,026	31,146	428,979	460,125	44,903	509,029	553,932
Zakat charge	-	(19,972)	(19,972)	-	(17,315)	(17,315)	-	(40,309)	(40,309)	-	(35,633)	(35,633)
Income tax charge	-	(14,468)	(14,468)	-	(28,338)	(28,338)	-	(38,016)	(38,016)	-	(45,535)	(45,535)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	23,646	256,583	280,229	30,414	287,959	318,373	31,146	350,654	381,800	44,903	427,861	472,764
Weighted average number of ordinary outstanding shares (in thousands)	<u>119,472</u>			<u>119,611</u>			<u>119,485</u>			<u>119,531</u>		
Basic and diluted earnings per share (Expressed in SAR per share)	<u>2.15</u>			<u>2.41</u>			<u>2.93</u>			<u>3.58</u>		

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2022

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of comprehensive income

	<i>Three month period ended 30 June (Unaudited)</i>						<i>Six month period ended 30 June (Unaudited)</i>					
	<i>2022</i>			<i>2021</i>			<i>2022</i>			<i>2021</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>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>	<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 after zakat and income tax	23,646	256,583	280,229	30,414	287,959	318,373	31,146	350,654	381,800	44,903	427,861	472,764
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	(10,364)	(50,777)	(61,141)	(3,373)	73,189	69,816	(25,603)	(52,236)	(77,839)	(7,107)	86,740	79,633
<u>TOTAL COMPREHENSIVE INCOME</u>	13,282	205,806	219,088	27,041	361,148	388,189	5,543	298,418	303,961	37,796	514,601	552,397
Reconciliation:												
Less: Net income attributable to insurance operations transferred to surplus payable			(23,646)			(30,414)			(31,146)			(44,903)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>			195,442			357,775			272,815			507,494

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2022

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows

	<i>six-month period ended 30 June (Unaudited)</i>					
	2022			2021		
	<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>
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders before zakat and income tax	-	428,979	428,979	-	509,029	509,029
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	31,146	-	31,146	44,903	-	44,903
Depreciation of Fixtures, furniture and equipments	7,928	-	7,928	7,441	-	7,441
Loss on sale of Fixtures, furniture and equipments	-	267	267	-	-	-
Loss on sale of Intangible assets	-	326	326	-	-	-
Amortization of Right-of-use assets	9,598	-	9,598	8,016	-	8,016
Amortization of intangible assets	6,316	-	6,316	6,839	-	6,839
Provision for employees share scheme	-	11,349	11,349	-	10,308	10,308
Allowance for doubtful receivables	54,057	-	54,057	26,361	-	26,361
Commission income on term deposits	(32,128)	(13,433)	(45,561)	(33,368)	-	(33,368)
Unrealized loss / (gains) on investments held as FVIS	(920)	459	(461)	(1,515)	483	(1,032)
Realized gains on investments	(4,917)	(58,300)	(63,217)	(3,287)	(10,550)	(13,837)
Provision for end-of-service benefits	-	10,311	10,311	-	9,271	9,271
Finance cost	-	2,971	2,971	-	3,155	3,155
	71,080	382,929	454,009	55,390	521,696	577,086
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(1,107,255)	-	(1,107,255)	(927,916)	-	(927,916)
Reinsurers' share of unearned premiums	(10,649)	-	(10,649)	(4,487)	-	(4,487)
Reinsurers' share of outstanding claims	3,374	-	3,374	(2,895)	-	(2,895)
Reinsurers' share of claims incurred but not reported	(3,114)	-	(3,114)	(79)	-	(79)
Deferred policy acquisition costs	(77,180)	-	(77,180)	(161,529)	-	(161,529)
Prepaid expenses and other assets	38,889	(4,081)	34,808	29,794	(2,146)	27,648
Accrued and other liabilities	72,309	(11,199)	61,110	67,452	2,545	69,997
Reinsurers' balances payable	(9,946)	-	(9,946)	6,555	-	6,555
Unearned premiums	1,089,405	-	1,089,405	718,593	-	718,593
Outstanding claims	(53,207)	-	(53,207)	109,315	-	109,315
Claims incurred but not reported	833,634	-	833,634	(130,412)	-	(130,412)
Premium deficiency reserve	(34,030)	-	(34,030)	(85,710)	-	(85,710)
Claims handling reserve	4,392	-	4,392	(539)	-	(539)
Due to related parties	-	6,812	6,812	-	(79,635)	(79,635)
	817,702	374,461	1,192,163	(326,468)	442,460	115,992
Due to shareholders' operations	(23,843)	23,843	-	(22,296)	22,296	-
End-of-service benefits paid	-	(5,300)	(5,300)	-	(3,494)	(3,494)
Surplus paid to policyholders	(7,407)	-	(7,407)	(15,566)	-	(15,566)
Zakat and income tax paid	-	(58,209)	(58,209)	-	(169,630)	(169,630)
Net cash generated from / (used in) operating activities	786,452	334,795	1,121,247	(364,330)	291,632	(72,698)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2022

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows (continued)

	<i>six-month period ended 30 June (Unaudited)</i>					
	<i>2022</i>			<i>2021</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>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	(2,935,275)	(270,000)	(3,205,275)	(436,000)	(100,000)	(536,000)
Proceeds from maturity of term deposits	713,818	284,002	997,820	1,036,423	332,000	1,368,423
Additions to investments	(2,840,803)	(3,146,947)	(5,987,750)	(4,844,337)	(4,387,830)	(9,232,167)
Disposals of investments	3,848,174	3,011,068	6,859,242	4,475,974	4,121,372	8,597,346
Additions of Fixtures, furniture and equipments	-	(1,552)	(1,552)	-	(7,628)	(7,628)
Proceeds from sale of Fixtures, furniture and equipments	-	28	28	-	-	-
Additions to intangible assets	-	(2,870)	(2,870)	-	(10,703)	(10,703)
Net cash (used in) / generated from investing activities	(1,214,086)	(126,271)	(1,340,357)	232,060	(52,789)	179,271
CASH FLOWS FROM FINANCING ACTIVITY						
Purchase of shares held under employees share scheme	-	(21,240)	(21,240)	-	-	-
Lease liability paid	-	(13,364)	(13,364)	-	(9,260)	(9,260)
Net cash used in financing activity	-	(34,604)	(34,604)	-	(9,260)	(9,260)
Net change in cash and cash equivalents	(427,634)	173,920	(253,714)	(132,270)	229,583	97,313
Cash and cash equivalents at the beginning of the period	930,691	30,067	960,758	195,232	438,019	633,251
Cash and cash equivalents at the end of the period	503,057	203,987	707,044	62,962	667,602	730,564

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
AT 30 JUNE 2022

21. IMPACT OF COVID-19 & COMPENSATION FOR GOVERNMENT PROVIDERS

a. Impact of Government Providers

The Council of Health Insurance (“CHI”) 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. The circular is expected to have a material impact on future medical claims considering the mandated prices and protocols regulating the relationship between government health facilities and insurance companies. 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.

b. COVID-19 Expenses

CHI issued Circular 965, dated 14/3/2022, stating that insurance companies will be covering all expenses resulting from suspected and confirmed cases with COVID-19. The coverage will include all policies currently in force which results in deficiency in Unearned Premium Reserve (“UPR”) and hence the company will hold a Premium Deficiency Reserve (“PDR”) balance of SR 40.5M. The PDR calculation follows SAMA Circular 173 dated 16/01/2019, which requires insurance companies to hold a PDR in case the relevant UPR is insufficient to cover related projected claims and expenses.

22. DIVIDENDS DECLARED

During June 2022, the Company’s Board of Directors proposed to pay dividends, for the year ended 31 December 2021, of SR 4.5 per share, totalling SR 540 million to its shareholders. The dividends were approved by the shareholders in the Extraordinary General Assembly meeting, held on 30 June 2022.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 4 Muharram 1444 H corresponding to 2 August 2022.