

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2021**

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2021

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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 September 2021, and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes (collectively referred to as "the interim condensed financial 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

Jeddah, Kingdom of Saudi Arabia
5 Rabi' II 1443 H
Corresponding to 10 November 2021G

for Ernst & Young & Co.
(Public Accountants)



Hussain Saleh Asiri
Certified Public Accountant
License No. 414



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Notes</i>	<i>30 September 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
<u>ASSETS</u>			
Cash and cash equivalents	4	335,464	633,251
Premiums receivable – net	5	2,409,194	1,320,043
Reinsurers' share of unearned premiums	9.1	16,867	20,108
Reinsurers' share of outstanding claims	9.2	5,838	1,475
Reinsurers' share of claims incurred but not reported	9.2	5,415	6,461
Deferred policy acquisition costs		228,368	68,214
Investments	6	6,998,154	6,029,446
Prepaid expenses and other assets		123,340	158,460
Term deposits	7	2,328,445	2,723,173
Fixtures, Furniture – net		75,662	78,392
Right-of-use assets – net		116,578	125,627
Intangible assets – net		64,373	61,958
Deferred tax asset	15	40,475	37,941
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	14,645	13,806
TOTAL ASSETS		12,980,818	11,496,355
<u>LIABILITIES</u>			
Accrued and other liabilities		637,913	540,450
Lease liability		124,212	135,600
Insurance operations' surplus payable		218,417	200,391
Reinsurers' balances payable		18,256	4,873
Unearned premiums	9.1	5,468,467	4,023,331
Outstanding claims	9.2	505,905	446,519
Claims incurred but not reported	9.2	1,207,003	1,378,294
Premium deficiency reserve	9.2	125,045	263,751
Claims handling reserve	9.2	20,597	20,755
Due to related parties	14	26,319	108,521
Provision for end-of-service benefits (EOSB)		148,450	140,012
Provision for zakat and income tax	15	263,948	317,199
Accrued income payable to SAMA	8	14,645	13,806
TOTAL LIABILITIES		8,779,177	7,593,502
<u>EQUITY</u>			
Share capital	16	1,200,000	1,200,000
Statutory reserve	17	867,096	867,096
Share based payments reserve		38,947	32,800
Shares held under employees share scheme		(39,256)	(48,779)
Retained earnings		1,895,821	1,684,003
Re-measurement reserve for employees' EOSB		(31,173)	(31,173)
Investments fair value reserve – related to shareholders		255,997	174,848
TOTAL SHAREHOLDERS' EQUITY		4,187,432	3,878,795
Investments fair value reserve – related to policyholders		14,209	24,058
TOTAL EQUITY		4,201,641	3,902,853
TOTAL LIABILITIES AND EQUITY		12,980,818	11,496,355



Chairman


Director and Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 24 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-month and nine-month periods ended 30 September 2021

Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
	2021	2020	2021	2020
	SAR '000	SAR '000	SAR '000	SAR '000
REVENUES				
Gross premiums written	3,458,784	3,076,175	9,281,283	8,789,371
Reinsurance premiums ceded – Local	(1,366)	(1,135)	(3,917)	(3,405)
Reinsurance premiums ceded – International	(11,245)	(7,416)	(50,150)	(33,328)
Net premiums written	3,446,173	3,067,624	9,227,216	8,752,638
Changes in unearned premiums – net	(734,271)	(367,776)	(1,448,377)	(683,887)
Net premiums earned	2,711,902	2,699,848	7,778,839	8,068,751
UNDERWRITING COSTS & EXPENSES				
Gross claims paid	(2,397,325)	(1,984,777)	(6,711,649)	(5,920,645)
Reinsurers' share of claims paid	6,250	2,668	18,750	8,003
Net claims paid	(2,391,075)	(1,982,109)	(6,692,899)	(5,912,642)
Changes in outstanding claims	49,928	(161,121)	(59,386)	45,935
Changes in claims incurred but not reported	40,879	(33,231)	171,291	(143,045)
Changes in premium deficiency reserve	52,997	(5,502)	138,706	(291,155)
Changes in claims handling reserves	(380)	(143)	158	(581)
Reinsurance share of changes in outstanding claims	1,468	528	4,363	242
Reinsurance share of changes in claims incurred but not reported	(1,125)	1,296	(1,046)	2,701
Net claims incurred	(2,247,308)	(2,180,282)	(6,438,813)	(6,298,545)
Policy acquisition costs	(121,465)	(198,582)	(245,513)	(620,902)
Total underwriting costs & expenses	(2,368,773)	(2,378,864)	(6,684,326)	(6,919,447)
NET UNDERWRITING INCOME	343,129	320,984	1,094,513	1,149,304
Other operating income/(expenses)				
Allowance for doubtful receivables	(8,615)	(41,955)	(34,976)	(46,433)
General and administrative expenses	(152,245)	(132,385)	(422,865)	(402,087)
Selling and marketing expenses	(27,468)	(24,655)	(81,925)	(78,333)
Investment income – net	80,912	56,951	214,664	168,047
Other income – net	10,093	6,452	30,327	20,461
Total other operating income/(expenses)	(97,323)	(135,592)	(294,775)	(338,345)
Income before surplus, zakat & income tax	245,806	185,392	799,738	810,959
Income attributed to the insurance operations (transfer to surplus payable)	1	(17,529)	(62,432)	(72,177)
Income attributed to the shareholders before zakat and income tax		228,277	737,306	738,782
Zakat charge	15	(19,337)	(54,970)	(53,538)
Income tax charge	15	(31,224)	(76,759)	(57,985)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		177,716	605,577	627,259
Weighted average number of ordinary outstanding shares (in thousands)		119,608	119,557	119,413
Basic and diluted earnings per share (Expressed in SAR per share)	19	1.49	5.07	5.25

Chairman



NADEEF ASHOUR
Director and Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 24 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 (Unaudited)


For the three-month and nine-month periods ended 30 September 2021

	<i>Three -month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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	177,716	139,618	605,577	627,259
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	(5,591)	62,391	81,149	113,269
- related to policyholders	(2,742)	5,103	(9,849)	6,593
	(8,333)	67,494	71,300	119,862
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	169,383	207,112	676,877	747,121

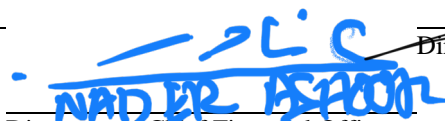
Chairman



Director and Chief Executive Officer



Director and Chief Financial Officer



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

INTERIM STATEMENT OF CHANGES IN EQUITY

For nine-months period ended 30 September 2021

	<i>Related to shareholders' Operations</i>					<i>Re-measurement reserve for employees' EOSB</i>	<i>Investments fair value reserve related to shareholders' operations</i>	<i>Total shareholders' operations 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 reserve</i>	<i>Shares held under employees share scheme</i>	<i>Retained earnings</i>					
2021	<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>
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
Total comprehensive income for the period										
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	605,577	--	--	605,577	--	605,577
Actuarial losses on end-of-service benefits	--	--	--	--	--	--	--	--	--	--
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	81,149	81,149	(9,849)	71,300
Total comprehensive income for the period	--	--	--	--	605,577	--	81,149	686,726	(9,849)	676,877
Share based payment transactions	--	--	15,670	--	--	--	--	15,670	--	15,670
Delivery of shares under LTIP	--	--	(9,523)	9,523	--	--	--	--	--	--
Dividends (Note 23)	--	--	--	--	(408,000)	--	--	(408,000)	--	(408,000)
Income tax refundable (to) / from non-Saudi shareholders	--	--	--	--	14,241	--	--	14,241	--	14,241
Balance At 30 September 2021 (unaudited)	1,200,000	867,096	38,947	(39,256)	1,895,821	(31,173)	255,997	4,187,432	14,209	4,201,641

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 CHANGES IN EQUITY (continued)

For nine-months period ended 30 September 2021

	<i>Related to shareholders' Operations</i>						<i>Investments fair value reserve related to shareholders' operations</i>	<i>Total shareholders' operations 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 reserve</i>	<i>Shares held under employees share scheme</i>	<i>Retained earnings</i>	<i>Re-measurement reserve for employees' EOSB</i>				
2020	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
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	--	--	--	--	627,259	--	--	627,259	--	627,259
Actuarial losses on end-of-service benefits	--	--	--	--	--	--	--	--	--	--
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	113,269	113,269	6,593	119,862
Total comprehensive income for the period	--	--	--	--	627,259	--	113,269	740,528	6,593	747,121
Share based payment transactions	--	--	11,249	--	--	--	--	11,249	--	11,249
Delivery of shares under LTIP	--	--	(8,759)	8,759	--	--	--	--	--	--
Income tax refundable (to) / from non-Saudi shareholders	--	--	--	--	(1,873)	--	--	(1,873)	--	(1,873)
Balance At 30 September 2020 (unaudited)	<u>1,200,000</u>	<u>727,871</u>	<u>28,015</u>	<u>(48,779)</u>	<u>1,754,359</u>	<u>(10,473)</u>	<u>131,304</u>	<u>3,782,297</u>	<u>19,097</u>	<u>3,801,394</u>

Chairman



Director and Chief Financial Officer



Director and Chief Executive Officer



The accompanying notes 1 to 24 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)

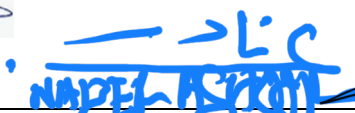
For nine-months period ended 30 September 2021

	Notes	Nine-month period ended 30 September	
		2021 SAR'000	2020 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to shareholders before zakat and income tax		737,306	738,782
<u>Adjustments for non-cash items:</u>			
Net income attributed to insurance operations		62,432	72,177
Depreciation of fixtures, and furniture		11,221	11,420
Amortization of Right-of-use assets		11,978	12,028
Amortization of intangible assets		10,729	11,851
Provision for LTIP		15,670	11,249
Allowance for doubtful receivables		34,976	46,433
Unrealized loss / (gains) on investments held as FVSI		(2,715)	(60)
Realized gains on investments		(53,391)	(9,598)
Provision for EOSB		11,932	15,756
Finance cost		4,523	4,171
		844,661	914,209
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(1,124,127)	(847,597)
Reinsurers' share of unearned premiums		3,241	7,553
Reinsurers' share of outstanding claims		(4,363)	(242)
Reinsurers' share of claims incurred but not reported		1,046	(2,701)
Deferred policy acquisition costs		(160,154)	134,022
Prepaid expenses and other assets		35,120	(5,851)
Accrued and other liabilities		97,463	143,549
Reinsurers' balances payable		13,383	13,646
Unearned premiums		1,445,136	676,334
Outstanding claims		59,386	(45,935)
Claims incurred but not reported		(171,291)	143,045
Premium deficiency reserve		(138,706)	291,155
Claims handling reserve		(158)	581
Due to related parties		(67,961)	5,132
		832,676	1,426,900
End-of-service benefits paid		(3,494)	(3,818)
Surplus paid to policyholders		(44,406)	(16,028)
Zakat and income tax paid		(187,514)	(77,949)
Net cash generated from operating activities		597,262	1,329,105
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	7	(1,443,327)	(669,350)
Proceeds from maturity of term deposits	7	1,838,055	2,494,947
Additions to investments	6	(12,168,101)	(8,531,608)
Disposals of investments		11,326,799	5,101,269
Additions to Fixtures, Furniture		(8,491)	(8,443)
Intangible assets acquired		(13,144)	(12,327)
Net cash used in investing activities		(468,209)	(1,625,512)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability paid		(18,840)	(12,734)
Dividend paid		(408,000)	--
Net cash used in financing activities		(426,840)	(12,734)
Net change in cash and cash equivalents		(297,787)	(309,141)
Cash and cash equivalents at beginning of the period		633,251	665,709
Cash and cash equivalents at end of the period		335,464	356,568
Non-cash transactions			
Unrealized gains on available-for-sale investments		(71,300)	(119,862)
Increase in lease liabilities/ Right-of-use assets		2,929	54,245
Income tax refundable from / (to) non-Saudi shareholders		14,241	(1,873)

Chairman



Director and Chief Financial Officer



Director and Chief Executive Officer

The accompanying notes from 1 to 24 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 September 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’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 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 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 and 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 30 September 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 condensed 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 of the Council of Cooperative Health Insurance’s (“CCHI”) 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 30 September 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 which was 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 30 September 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:

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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	The financial impact of applying IFRS 17 compared to IFRS 4 was not significant 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 would 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 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 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.

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 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. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

Impact assessment

As at September 30, 2021, the Company has total financial assets and insurance related assets amounting to SR 9,326 million and SR 3,259 million, respectively. Financial assets mainly represent:

- Cash and cash equivalents,
- Held to maturity investments,
- Term deposits and designated sukuk amounting to SR 2,659 million (2020: SR 2,854 million).
- FVSI investments amounting to SR 4,513 million (2020: SR 3,695 million).
- Other financial assets, including available for sale investments amounting to SR 2,154 million (2020: SR 2,203 million).

The Company is still finalizing its assessment to measure the impact of applying and implementing IFRS 9. The Company, however, does not expect IFRS 9 to have a material impact on the classification and measurement of financial assets.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following:

	<i>30 September 2021 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	148,812	186,652	335,464
	148,812	186,652	335,464
	<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 nine-months period ended 30 September 2021, the insurance operations transferred cash of SR 473.4 million to the shareholders' operations (31 December 2020: SR 142 million).

5. PREMIUMS RECEIVABLE - NET

Receivable amounts are due from the following:

	<i>30 September 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Policyholders	2,122,599	1,159,253
Brokers	517,252	383,314
Related parties (note 14)	24,100	--
	2,663,951	1,542,567
Provision for doubtful receivables	(254,757)	(222,524)
Premiums receivable – net	2,409,194	1,320,043

6. INVESTMENTS

Investments are classified as follows:

	<i>30 September 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	3,057,006	1,456,266	4,513,272	2,869,628	825,133	3,694,761
Available-for-sale	722,972	1,430,660	2,153,632	698,553	1,504,882	2,203,435
Held to maturity	100,000	231,250	331,250	--	131,250	131,250
	3,879,978	3,118,176	6,998,154	3,568,181	2,461,265	6,029,446

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

6. INVESTMENTS (continued)

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

	<i>30 September 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	3,031,686	7,295	1,379,303	21,884	4,440,168
	<u>3,049,711</u>	<u>7,295</u>	<u>1,434,382</u>	<u>21,884</u>	<u>4,513,272</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>30 September 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	474,154	211,505	797,752	121,842	1,605,253
Funds	--	37,313	123,489	11,709	172,511
Equities	--	--	312,959	11,250	324,209
Investments in discretionary portfolios	--	--	51,659	--	51,659
	<u>474,154</u>	<u>248,818</u>	<u>1,285,859</u>	<u>144,801</u>	<u>2,153,632</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>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

6. INVESTMENTS (continued)

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

	<i>30 September 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	100,000	--	231,250	--	331,250
	100,000	--	231,250	--	331,250

	<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>30 September 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	3,568,181	2,461,265	6,029,446
Purchased during the period	6,310,355	5,857,746	12,168,101
Disposed during the period	(5,994,994)	(5,307,193)	(11,302,187)
Unrealized (losses) / gains during the period, net	(3,564)	106,358	102,794
	3,879,978	3,118,176	6,998,154

	<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 gains during the year, net	12,613	156,630	169,243
	3,568,181	2,461,265	6,029,446

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 0.30% to 4.30% per annum (2020: 1.20% to 4.30% per annum). The movement in term deposits during the period ended 30 September 2021 is as follows:

	<i>30 September 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	1,598,055	1,125,118	2,723,173
Matured during the period	(1,406,055)	(432,000)	(1,838,055)
Placed during the period	1,239,000	204,327	1,443,327
	1,431,000	897,445	2,328,445
	<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
	1,598,055	1,125,118	2,723,173

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 14.6 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>Nine-month ended 30 September 2021 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2021	4,023,331	(20,108)	4,003,223
Premium written/(ceded) during the period	9,281,283	(54,067)	9,227,216
Premium earned during the period	(7,836,147)	57,308	(7,778,839)
	5,468,467	(16,867)	5,451,600
	<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)
	4,023,331	(20,108)	4,003,223

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

9. TECHNICAL RESERVES (continued)

9.2 Net outstanding claims and reserves

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

	<i>30 September 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Outstanding claims	505,905	446,519
Claims incurred but not reported	1,207,003	1,378,294
Premium deficiency reserve	125,045	263,751
Claims handling reserves	20,597	20,755
	<u>1,858,550</u>	<u>2,109,319</u>
Less:		
- Reinsurers' share of outstanding claims	(5,838)	(1,475)
- Reinsurers' share of claims incurred but not reported	(5,415)	(6,461)
	<u>(11,253)</u>	<u>(7,936)</u>
Net outstanding claims and reserves	<u>1,847,297</u>	<u>2,101,383</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 Customer's 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 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 224 million as of 30 September 2021 (31 December 2020: SR 317.1 million).

11. COMMITMENTS AND CONTINGENCIES

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

	<i>30 September 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>
Letters of guarantee*	--	--
Total	<u>--</u>	<u>--</u>

❖ As of 30 September 2021, total Letters of Guarantee issued by banks amounted to SR 153.9 million (2020: 138 million), of which Nil (31 December 2020: Nil) are issued against restricted deposits with banks.

b) 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 as 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>30 September 2021 (Unaudited)</i>					
Financial assets measured at fair value					
- Investments held as FVSI	--	4,513,272	--	4,513,272	4,513,272
- Available-for-sale investments	1,467,950	669,932	15,750	2,153,632	2,153,632
	<u>1,467,950</u>	<u>5,183,204</u>	<u>15,750</u>	<u>6,666,904</u>	<u>6,666,904</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>					
Financial assets measured at fair value					
- 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>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 30 September 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 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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

13. OPERATING SEGMENTS (continued)

<i>As at 30 September 2021 (Unaudited)</i>					
<i>Operating segments</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>				
Assets					
Premiums receivable – net	1,415,333	993,861	2,409,194	--	2,409,194
Reinsurers' share of unearned premiums	10,466	6,401	16,867	--	16,867
Reinsurers' share of outstanding claims	2,012	3,826	5,838	--	5,838
Reinsurers' share of claims incurred but not reported	1,816	3,599	5,415	--	5,415
Deferred policy acquisition costs	130,228	98,140	228,368	--	228,368
Unallocated assets			5,543,952	4,771,184	10,315,136
Total assets			8,209,634	4,771,184	12,980,818
Liabilities					
Unearned premiums	3,393,036	2,075,431	5,468,467	--	5,468,467
Outstanding claims	357,826	148,079	505,905	--	505,905
Claims incurred but not reported	845,226	361,777	1,207,003	--	1,207,003
Premium deficiency Reserve	77,587	47,458	125,045	--	125,045
Claims handling reserve	14,496	6,101	20,597	--	20,597
Unallocated liabilities			868,408	583,752	1,452,160
Total liabilities			8,195,425	583,752	8,779,177

<i>At 31 December 2020 (Audited)</i>					
<i>Operating segments</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>				
ASSETS					
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
Total assets			6,896,173	4,600,182	11,496,355
LIABILITIES					
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
Total liabilities			6,872,115	721,387	7,593,502

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13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Three-month period ended 30 September 2021</i> <i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<u>REVENUES</u>			
Gross written premium	2,634,173	824,611	3,458,784
Reinsurance premiums ceded – Local	(1,040)	(326)	(1,366)
Reinsurance premiums ceded – International	(8,564)	(2,681)	(11,245)
Net premiums written	2,624,569	821,604	3,446,173
Changes in unearned premiums – net	(800,786)	66,515	(734,271)
Net premiums earned	1,823,783	888,119	2,711,902
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(1,667,952)	(729,373)	(2,397,325)
Reinsurers' share of claims paid	4,348	1,902	6,250
Net claims paid	(1,663,604)	(727,471)	(2,391,075)
Changes in outstanding claims	38,459	11,469	49,928
Changes in claims incurred but not reported	30,705	10,174	40,879
Changes in Premium deficiency Reserve	19,855	33,142	52,997
Changes in claims handling reserves	(193)	(187)	(380)
Reinsurance share of changes in outstanding claims	647	821	1,468
Reinsurance share of changes in claims incurred but not reported	(254)	(871)	(1,125)
Net claims incurred	(1,574,385)	(672,923)	(2,247,308)
Policy acquisition costs	(72,879)	(48,586)	(121,465)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,647,264)	(721,509)	(2,368,773)
NET UNDERWRITING INCOME	176,519	166,610	343,129
<u>OTHER OPERATING INCOME/(EXPENSES)</u>			
Allowance for doubtful receivables			(8,615)
Unallocated income			91,005
Unallocated expenses			(179,713)
TOTAL OTHER OPERATING INCOME/(EXPENSES)			(97,323)
<u>Income before Surplus, Zakat & Income Tax</u>			245,806
Income attributed to insurance operations (transfer to surplus payable)			(17,529)
Income attributed to the shareholders before zakat and income tax			228,277
Zakat charge			(19,337)
Income tax charge			(31,224)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			177,716
<u>Gross Written Premium details</u>			<u>Three-month period ended</u>
			<u>30 September 2021</u>
			<u>SAR'000</u>
Corporates			2,852,556
Medium Enterprises			391,445
Small Enterprises			188,823
Micro Enterprises			20,688
Individuals			5,272
Total Gross Written Premium			3,458,784

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Three-month period ended 30 September 2020</i>		
	<i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR '000</i>		
REVENUES			
Gross written premium	2,388,634	687,541	3,076,175
Reinsurance premiums ceded – Local	(836)	(299)	(1,135)
Reinsurance premiums ceded – International	(5,805)	(1,611)	(7,416)
Net premiums written	2,381,993	685,631	3,067,624
Changes in unearned premiums – net	(552,145)	184,369	(367,776)
Net premiums earned	1,829,848	870,000	2,699,848
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,401,097)	(583,680)	(1,984,777)
Reinsurers' share of claims paid	1,884	784	2,668
Net claims paid	(1,399,213)	(582,896)	(1,982,109)
Changes in outstanding claims	(115,778)	(45,343)	(161,121)
Changes in claims incurred but not reported	(21,079)	(12,152)	(33,231)
Changes in Premium deficiency Reserve	(4,571)	(931)	(5,502)
Changes in claims handling reserves	(123)	(20)	(143)
Reinsurance share of changes in outstanding claims	196	332	528
Reinsurance share of changes in claims incurred but not reported	52	1,244	1,296
Net claims incurred	(1,540,516)	(639,766)	(2,180,282)
Policy acquisition costs	(119,149)	(79,433)	(198,582)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,659,665)	(719,199)	(2,378,864)
NET UNDERWRITING INCOME	170,183	150,801	320,984
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(41,955)
Unallocated income			63,403
Unallocated expenses			(157,040)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(135,592)
Income before Surplus, Zakat & Income Tax			185,392
Income attributed to insurance operations (transfer to surplus payable)			(15,324)
Income attributed to the shareholders before zakat and income tax			170,068
Zakat charge			(18,073)
Income tax charge			(12,377)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			139,618
Gross Written Premium details			Three-month period ended 30 September 2020
			SAR '000
Corporates			2,567,320
Medium Enterprises			342,281
Small Enterprises			149,610
Micro Enterprises			13,645
Individuals			3,319
Total Gross Written Premium			3,076,175

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Nine-month period ended 30 September 2021</i>		
	<i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<u>REVENUES</u>			
Gross written premium	6,304,457	2,976,826	9,281,283
Reinsurance premiums ceded – Local	(2,593)	(1,324)	(3,917)
Reinsurance premiums ceded – International	(33,193)	(16,957)	(50,150)
Net premiums written	6,268,671	2,958,545	9,227,216
Changes in unearned premiums – net	(1,041,445)	(406,932)	(1,448,377)
Net premiums earned	5,227,226	2,551,613	7,778,839
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(4,767,442)	(1,944,207)	(6,711,649)
Reinsurers' share of claims paid	13,329	5,421	18,750
Net claims paid	(4,754,113)	(1,938,786)	(6,692,899)
Changes in outstanding claims	(38,157)	(21,229)	(59,386)
Changes in claims incurred but not reported	142,863	28,428	171,291
Changes in Premium deficiency Reserve	111,430	27,276	138,706
Changes in claims handling reserves	373	(215)	158
Reinsurance share of changes in outstanding claims	1,522	2,841	4,363
Reinsurance share of changes in claims incurred but not reported	(143)	(903)	(1,046)
Net claims incurred	(4,536,225)	(1,902,588)	(6,438,813)
Policy acquisition costs	(147,308)	(98,205)	(245,513)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,683,533)	(2,000,793)	(6,684,326)
NET UNDERWRITING INCOME	543,693	550,820	1,094,513
<u>OTHER OPERATING INCOME/(EXPENSES)</u>			
Allowance for doubtful receivables			(34,976)
Unallocated income			244,991
Unallocated expenses			(504,790)
TOTAL OTHER OPERATING INCOME/(EXPENSES)			(294,775)
<u>Income before Surplus, Zakat & Income Tax</u>			799,738
Income attributed to insurance operations (transfer to surplus payable)			(62,432)
Income attributed to the shareholders before zakat and income tax			737,306
Zakat charge			(54,970)
Income tax charge			(76,759)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			605,577
<u>Gross Written Premium details</u>			
			<i>Nine-month period ended</i>
			<i>30 September 2021</i>
			<i>SAR'000</i>
Corporates			7,066,362
Medium Enterprises			1,561,903
Small Enterprises			583,058
Micro Enterprises			55,547
Individuals			14,413
Total Gross Written Premium			9,281,283

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Nine-month period ended 30 September 2020</i>		
	<i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR '000</i>		
REVENUES			
Gross written premium	6,061,797	2,727,574	8,789,371
Reinsurance premiums ceded – Local	(2,298)	(1,107)	(3,405)
Reinsurance premiums ceded – International	(22,489)	(10,839)	(33,328)
Net premiums written	6,037,010	2,715,628	8,752,638
Changes in unearned premiums – net	(574,336)	(109,551)	(683,887)
Net premiums earned	5,462,674	2,606,077	8,068,751
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(4,220,249)	(1,700,396)	(5,920,645)
Reinsurers' share of claims paid	5,707	2,296	8,003
Net claims paid	(4,214,542)	(1,698,100)	(5,912,642)
Changes in outstanding claims	38,531	7,404	45,935
Changes in claims incurred but not reported	(79,259)	(63,786)	(143,045)
Changes in Premium deficiency Reserve	(207,171)	(83,984)	(291,155)
Changes in claims handling reserves	(115)	(466)	(581)
Reinsurance share of changes in outstanding claims	44	198	242
Reinsurance share of changes in claims incurred but not reported	1,026	1,675	2,701
Net claims incurred	(4,461,486)	(1,837,059)	(6,298,545)
Policy acquisition costs	(372,541)	(248,361)	(620,902)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,834,027)	(2,085,420)	(6,919,447)
NET UNDERWRITING INCOME	628,647	520,657	1,149,304
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(46,433)
Unallocated income			188,508
Unallocated expenses			(480,420)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(338,345)
Income before Surplus, Zakat & Income Tax			810,959
Income attributed to insurance operations (transfer to surplus payable)			(72,177)
Income attributed to the shareholders before zakat and income tax			738,782
Zakat charge			(53,538)
Income tax charge			(57,985)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			627,259
Gross Written Premium details		<i>Nine-month period ended 30 September 2020</i>	
		<i>SAR '000</i>	
Corporates		6,802,682	
Medium Enterprises		1,413,640	
Small Enterprises		517,785	
Micro Enterprises		44,311	
Individuals		10,953	
Total Gross Written Premium		8,789,371	

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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 September 2021</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>30 September 2020</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>30 September 2021</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 December 2020</u> <i>(Audited)</i> <i>SR'000</i>
Shareholders and others	Insurance premium written	208,476	381,021	24,100 **	(536)**
Shareholders	Reinsurance Premium ceded	(34,484)	(23,112)	(19,021) *	(79,803)*
Shareholders and others	Claims paid	126,490	153,555	(13,144) ***	(20,997)***
Shareholders	Medical costs charged by providers	117,402	86,563	(12,914) ***	(15,303)***
Shareholders	Expenses charged to/from a related party - net	874	579	435 *	966*
Shareholders	Tax equalisation - net	14,241	(1,873)	12,368 *	(1,873)*
Shareholders	Board members fees	605	703	(605) *	(915)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	19,496	20,209	(19,496) *	(26,896)*

* Amounts due to related parties amounted to SR **26,319 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 30 September is as follows:

	<u>30 September 2021</u> <i>(Unaudited)</i> <i>SAR'000</i>	<u>30 September 2020</u> <i>(Unaudited)</i> <i>SAR'000</i>
Short-term benefits	22,035	18,400
Long-term benefits	13,014	7,685
	35,049	26,085

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").

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15. ZAKAT AND INCOME TAX

Breakup of zakat and income tax charge for the nine-month period ended 30 September 2021 and 2020 are as follows:

	<i>Nine-months period ended 30 September 2021 (Unaudited) SAR'000</i>	<i>Nine-months period ended 30 September 2020 (Unaudited) SAR'000</i>
Current zakat charge	54,970	53,538
Current tax charge	79,293	62,530
Deferred tax charge (note 15.a)	(2,534)	(4,545)
	76,759	57,985
	131,729	111,523

a) The reconciliation of deferred tax is as follows:

	<i>30 September 2021 (Unaudited) SAR'000</i>	<i>31 December 2020 (Audited) SAR'000</i>	<i>30 September 2020 (Unaudited) SAR'000</i>
Opening deferred tax asset	37,941	30,216	30,216
Deferred tax (charge) / income	2,534	7,725	4,545
	40,475	37,941	34,761

Movements in the Zakat and income tax accrued during the period ended 30 September 2021 and year ended 31 December 2020 respectively are as follows:

	<i>Zakat payable SAR'000</i>	<i>Income tax payable SAR'000</i>	<i>Total 30 September 2021 (Unaudited) SAR'000</i>	<i>Total 31 December 2020 (Audited) SAR'000</i>
Balance at beginning of the period/year	285,448	31,751	317,199	274,709
Provided during the period/year	54,970	79,293	134,263	135,266
Payments during the period/year	(123,764)	(63,750)	(187,514)	(92,776)
Balance at end of the period/year	216,654	47,294	263,948	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") 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 at 30 September 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>30 September 2021 (Unaudited)</i>		<i>31 December 2020 (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%	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 September 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.

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20. SUPPLEMENTARY INFORMATION

Interim financial position

	<i>30 September 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>
<u>ASSETS</u>						
Cash and cash equivalents	148,812	186,652	335,464	195,232	438,019	633,251
Premiums receivables – net	2,409,194	--	2,409,194	1,320,043	--	1,320,043
Reinsurers' share of unearned premiums	16,867	--	16,867	20,108	--	20,108
Reinsurers' share of outstanding claims	5,838	--	5,838	1,475	--	1,475
Reinsurers' share of claims Incurred but not reported	5,415	--	5,415	6,461	--	6,461
Deferred policy acquisition costs	228,368	--	228,368	68,214	--	68,214
Investments	3,879,978	3,118,176	6,998,154	3,568,181	2,461,265	6,029,446
Prepaid expenses and other assets	84,162	39,178	123,340	118,404	40,056	158,460
Term deposits	1,431,000	897,445	2,328,445	1,598,055	1,125,118	2,723,173
Fixtures, Furniture – net	--	75,662	75,662	--	78,392	78,392
Right-of-use assets – net	--	116,578	116,578	--	125,627	125,627
Intangible assets – net	--	64,373	64,373	--	61,958	61,958
Deferred tax asset	--	40,475	40,475	--	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	--	14,645	14,645	--	13,806	13,806
TOTAL ASSETS	8,209,634	4,771,184	12,980,818	6,896,173	4,600,182	11,496,355

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

20. SUPPLEMENTARY INFORMATION (continued)

Interim financial position (continued)

	<i>30 September 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>
<u>LIABILITIES</u>						
Accrued and other liabilities	631,735	6,178	637,913	534,201	6,249	540,450
Lease Liability	--	124,212	124,212	--	135,600	135,600
Insurance operations' surplus payable	218,417	--	218,417	200,391	--	200,391
Reinsurers' balances payable	18,256	--	18,256	4,873	--	4,873
Unearned premiums	5,468,467	--	5,468,467	4,023,331	--	4,023,331
Outstanding claims	505,905	--	505,905	446,519	--	446,519
Claims incurred but not reported	1,207,003	--	1,207,003	1,378,294	--	1,378,294
Premium deficiency Reserve	125,045	--	125,045	263,751	--	263,751
Claims handling reserve	20,597	--	20,597	20,755	--	20,755
Due to related parties	--	26,319	26,319	--	108,521	108,521
Provision for end-of-service benefits (EOSB)	--	148,450	148,450	--	140,012	140,012
Provision for zakat and income tax	--	263,948	263,948	--	317,199	317,199
Accrued income payable to SAMA	--	14,645	14,645	--	13,806	13,806
TOTAL LIABILITIES	8,195,425	583,752	8,779,177	6,872,115	721,387	7,593,502
<u>EQUITY</u>						
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	--	38,947	38,947	--	32,800	32,800
Shares held under employees share scheme	--	(39,256)	(39,256)	--	(48,779)	(48,779)
Retained earnings	--	1,895,821	1,895,821	--	1,684,003	1,684,003
Re-measurement reserve for employees' EOSB	--	(31,173)	(31,173)	--	(31,173)	(31,173)
Investments fair value reserve	14,209	255,997	270,206	24,058	174,848	198,906
TOTAL EQUITY	14,209	4,187,432	4,201,641	24,058	3,878,795	3,902,853
<u>TOTAL LIABILITIES AND EQUITY</u>	8,209,634	4,771,184	12,980,818	6,896,173	4,600,182	11,496,355

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>2021</i>			<i>2020</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>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>	
REVENUES												
Gross premiums written	3,458,784	--	3,458,784	3,076,175	--	3,076,175	9,281,283	--	9,281,283	8,789,371	--	8,789,371
Reinsurance premiums ceded – Local	(1,366)	--	(1,366)	(1,135)	--	(1,135)	(3,917)	--	(3,917)	(3,405)	--	(3,405)
Reinsurance premiums ceded – International	(11,245)	--	(11,245)	(7,416)	--	(7,416)	(50,150)	--	(50,150)	(33,328)	--	(33,328)
Net premiums written	3,446,173	--	3,446,173	3,067,624	--	3,067,624	9,227,216	--	9,227,216	8,752,638	--	8,752,638
Changes in unearned premiums – net	(734,271)	--	(734,271)	(367,776)	--	(367,776)	(1,448,377)	--	(1,448,377)	(683,887)	--	(683,887)
Net premiums earned	2,711,902	--	2,711,902	2,699,848	--	2,699,848	7,778,839	--	7,778,839	8,068,751	--	8,068,751
UNDERWRITING COSTS AND EXPENSES												
Gross claims paid	(2,397,325)	--	(2,397,325)	(1,984,777)	--	(1,984,777)	(6,711,649)	--	(6,711,649)	(5,920,645)	--	(5,920,645)
Reinsurers' share of claims paid	6,250	--	6,250	2,668	--	2,668	18,750	--	18,750	8,003	--	8,003
Net claims paid	(2,391,075)	--	(2,391,075)	(1,982,109)	--	(1,982,109)	(6,692,899)	--	(6,692,899)	(5,912,642)	--	(5,912,642)
Changes in outstanding claims	49,928	--	49,928	(161,121)	--	(161,121)	(59,386)	--	(59,386)	45,935	--	45,935
Changes in claims incurred but not reported	40,879	--	40,879	(33,231)	--	(33,231)	171,291	--	171,291	(143,045)	--	(143,045)
Changes in Premium deficiency Reserve	52,997	--	52,997	(5,502)	--	(5,502)	138,706	--	138,706	(291,155)	--	(291,155)
Changes in claims handling reserves	(380)	--	(380)	(143)	--	(143)	158	--	158	(581)	--	(581)
Reinsurance share of changes in outstanding claims	1,468	--	1,468	528	--	528	4,363	--	4,363	242	--	242
Reinsurance share of changes in claims incurred but not reported	(1,125)	--	(1,125)	1,296	--	1,296	(1,046)	--	(1,046)	2,701	--	2,701
Net claims incurred	(2,247,308)	--	(2,247,308)	(2,180,282)	--	(2,180,282)	(6,438,813)	--	(6,438,813)	(6,298,545)	--	(6,298,545)
Policy acquisition costs	(121,465)	--	(121,465)	(198,582)	--	(198,582)	(245,513)	--	(245,513)	(620,902)	--	(620,902)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,368,773)	--	(2,368,773)	(2,378,864)	--	(2,378,864)	(6,684,326)	--	(6,684,326)	(6,919,447)	--	(6,919,447)
NET UNDERWRITING INCOME	343,129	--	343,129	320,984	--	320,984	1,094,513	--	1,094,513	1,149,304	--	1,149,304

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

At 30 September 2021

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income (continued)

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>2021</i>			<i>2020</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>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	(8,615)	--	(8,615)	(41,955)	--	(41,955)	(34,976)	--	(34,976)	(46,433)	--	(46,433)
General and administrative expenses	(149,477)	(2,768)	(152,245)	(130,155)	(2,230)	(132,385)	(414,267)	(8,598)	(422,865)	(393,818)	(8,269)	(402,087)
Selling and marketing expenses	(27,468)	--	(27,468)	(24,655)	--	(24,655)	(81,925)	--	(81,925)	(78,333)	--	(78,333)
Investment income – net	19,087	61,825	80,912	30,496	26,455	56,951	64,657	150,007	214,664	93,740	74,307	168,047
Other income – net	(1,366)	11,459	10,093	(1,473)	7,925	6,452	(3,686)	34,013	30,327	(2,689)	23,150	20,461
TOTAL OTHER OPERATING INCOME/(EXPENSES)	(167,839)	70,516	(97,323)	(167,742)	32,150	(135,592)	(470,197)	175,422	(294,775)	(427,533)	89,188	(338,345)
<u>Income before Surplus, Zakat & Income Tax</u>	175,290	70,516	245,806	153,242	32,150	185,392	624,316	175,422	799,738	721,771	89,188	810,959
Transfer of surplus to shareholders	(157,761)	157,761	--	(137,918)	137,918	--	(561,884)	561,884	--	(649,594)	649,594	--
<u>NET RESULTS FROM OPERATIONS</u>	17,529	228,277	245,806	15,324	170,068	185,392	62,432	737,306	799,738	72,177	738,782	810,959
Zakat charge	--	(19,337)	(19,337)	--	(18,073)	(18,073)	--	(54,970)	(54,970)	--	(53,538)	(53,538)
Income tax charge	--	(31,224)	(31,224)	--	(12,377)	(12,377)	--	(76,759)	(76,759)	--	(57,985)	(57,985)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	17,529	177,716	195,245	15,324	139,618	154,942	62,432	605,577	668,009	72,177	627,259	699,436
Weighted average number of ordinary outstanding shares (in thousands)	119,608			119,446			119,557			119,413		
Basic and diluted earnings per share (Expressed in SAR per share)	1.49			1.17			5.07			5.25		

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of comprehensive income

	<i>Three month period ended 30 September (Unaudited)</i>						<i>Nine month period ended 30 September (Unaudited)</i>					
	<i>2021</i>			<i>2020</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>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	17,529	177,716	195,245	15,324	139,618	154,942	62,432	605,577	668,009	72,177	627,259	699,436
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	(2,742)	(5,591)	(8,333)	5,103	62,391	67,494	(9,849)	81,149	71,300	6,593	113,269	119,862
<u>TOTAL COMPREHENSIVE INCOME</u>	14,787	172,125	186,912	20,427	202,009	222,436	52,583	686,726	739,309	78,770	740,528	819,298
Reconciliation:												
Less: Net income attributable to insurance operations transferred to surplus payable			(17,529)			(15,324)			(62,432)			(72,177)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>			169,383			207,112			676,877			747,121

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

At 30 September 2021

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows

	<i>Nine-month period ended 30 September (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>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders before zakat and income tax	--	737,306	737,306	--	738,782	738,782
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	62,432	--	62,432	72,177	--	72,177
Depreciation of Fixtures, and Furniture	11,221	--	11,221	11,420	--	11,420
Amortization of Right-of-use assets	11,978	--	11,978	12,028	--	12,028
Amortization of intangible assets	10,729	--	10,729	11,851	--	11,851
Provision for LTIP	--	15,670	15,670	--	11,249	11,249
Allowance for doubtful receivables	34,976	--	34,976	46,433	--	46,433
Unrealized loss / (gains) on investments held as FVIS	(3,057)	342	(2,715)	276	(336)	(60)
Realized gains on investments	(4,617)	(48,774)	(53,391)	(8,968)	(630)	(9,598)
Provision for employees EOSB	--	11,932	11,932	--	15,756	15,756
Finance cost	--	4,523	4,523	--	4,171	4,171
	123,662	720,999	844,661	145,217	768,992	914,209
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(1,124,127)	--	(1,124,127)	(847,597)	--	(847,597)
Reinsurers' share of unearned premiums	3,241	--	3,241	7,553	--	7,553
Reinsurers' share of outstanding claims	(4,363)	--	(4,363)	(242)	--	(242)
Reinsurers' share of claims incurred but not reported	1,046	--	1,046	(2,701)	--	(2,701)
Deferred policy acquisition costs	(160,154)	--	(160,154)	134,022	--	134,022
Prepaid expenses and other assets	34,242	878	35,120	(12,900)	7,049	(5,851)
Accrued and other liabilities	97,534	(71)	97,463	107,780	35,769	143,549
Reinsurers' balances payable	13,383	--	13,383	13,646	--	13,646
Unearned premiums	1,445,136	--	1,445,136	676,334	--	676,334
Outstanding claims	59,386	--	59,386	(45,935)	--	(45,935)
Claims incurred but not reported	(171,291)	--	(171,291)	143,045	--	143,045
Claims Premium deficiency reserve	(138,706)	--	(138,706)	291,155	--	291,155
Claims handling reserve	(158)	--	(158)	581	--	581
Due to related parties	--	(67,961)	(67,961)	--	5,132	5,132
	178,831	653,845	832,676	609,958	816,942	1,426,900
Due to shareholders' operations	(33,928)	33,928	--	--	--	--
Employees' EOSBs paid	--	(3,494)	(3,494)	--	(3,818)	(3,818)
Surplus paid to policyholders	(44,406)	--	(44,406)	(16,028)	--	(16,028)
Zakat and income tax paid	--	(187,514)	(187,514)	--	(77,949)	(77,949)
Net cash generated from operating activities	100,497	496,765	597,262	593,930	735,175	1,329,105

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2021

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows (continued)

	<i>Nine-month period ended 30 September (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>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	(1,239,000)	(204,327)	(1,443,327)	(369,350)	(300,000)	(669,350)
Proceeds from maturity of term deposits	1,406,055	432,000	1,838,055	1,654,054	840,893	2,494,947
Additions in investments	(6,310,355)	(5,857,746)	(12,168,101)	(5,832,879)	(2,698,729)	(8,531,608)
Disposals of investments	5,996,383	5,330,416	11,326,799	3,761,632	1,339,637	5,101,269
Additions to Fixtures, Furniture	--	(8,491)	(8,491)	--	(8,443)	(8,443)
Intangible assets acquired	--	(13,144)	(13,144)	--	(12,327)	(12,327)
Net cash used in investing activities	(146,917)	(321,292)	(468,209)	(786,543)	(838,969)	(1,625,512)
CASH FLOWS FROM FINANCING ACTIVITY						
Lease liability paid	--	(18,840)	(18,840)	--	(12,734)	(12,734)
Dividend paid	--	(408,000)	(408,000)	--	--	--
Net cash used in financing activity	--	(426,840)	(426,840)	--	(12,734)	(12,734)
Net change in cash and cash equivalents	(46,420)	(251,367)	(297,787)	(192,613)	(116,528)	(309,141)
Cash and cash equivalents at the beginning of the period	195,232	438,019	633,251	446,942	218,767	665,709
Cash and cash equivalents at the end of the period	148,812	186,652	335,464	254,329	102,239	356,568

21. COMPARATIVE FIGURES

Certain comparative figures have been restated and regrouped to conform with the current period's presentation in these interim condensed financial statements. These restatements have no impact on the net income for the three-month and nine-month periods ended 30 September 2020 and retained earnings as at 30 September 2020.

For the nine-month period ended 30 September 2020, an amount of SR 199.180 million has been reclassified from 'Selling and marketing expenses' to 'Policy acquisition costs'. Similarly for the three-month ended 30 September 2020, an amount of SR 66.898 million has been reclassified from 'Selling and marketing expenses' to 'Policy acquisition costs'.

As at 31 December 2020, an amount of SR 125.627 million has been reclassified from 'Fixtures, Furniture and Right-of-use assets – net' to 'Right-of-use assets – net'. Similarly as at 31 December 2020, an amount of SR 135.600 million has been reclassified from 'Accrued and other liabilities' to 'Lease liability'.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 nine months of 2021. This resulted in a noticeable increase in incurred claims from June 2020 through September 2021, with current levels exceeding those that existed pre-Covid. The Company expects this pattern to persist over the next months, unless another 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”) 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 continued to accelerate further into Q3 as more government medical providers submitted their claims and as COVID-19 curfew measures were further relaxed. 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 continues to hold a PDR of SR 125 million as at 30 September 2021 (31 December 2020: 263.75 million).

23. DIVIDENDS DECLARED

On 25 April 2021, the Company’s Board of Directors proposed to pay a dividend, for the year ended 31 December 2020, of SR 3.4 per share totalling SR 408 million to its shareholders. The dividend was approved by the shareholders in the Extraordinary General Assembly meeting, held on 24 June 2021, and accordingly the dividend payment was executed in July 2021.

24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 27 Rabi Al Awal 1443 H corresponding to 02 November 2021 G.