

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED  
30 JUNE 2020**

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

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UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2020

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Accountants)  
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P. O. Box 1994  
Jeddah 21441  
Kingdom of Saudi Arabia  
Registration Number: 45

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

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

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Bupa Arabia for Cooperative Insurance Company - a Saudi Joint Stock Company (the "Company") as at 30 June 2020, and the related interim condensed statements of income and comprehensive income for the three month and six month periods then ended and interim condensed statement of changes in equity and interim condensed statement of cash flows for the six month period then ended, and notes to 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" 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 International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for PricewaterhouseCoopers  
Certified Public Accountants

Mufaddal A. Ali  
Certified Public Accountant  
License No. 447

for Ernst & Young & Co.  
(Public Accountants)

Ahmed I. Reda  
Certified Public Accountant  
License No. 356

8 Muharram 1442 H

Corresponding to 27 August 2020 G

Jeddah, Kingdom of Saudi Arabia



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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2020

	<i>Notes</i>	<i>30 June 2020 (Unaudited) SAR'000</i>	<i>31 December 2019 (Audited) SAR'000</i>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	4	333,261	665,709
Premiums receivable – net	5	2,353,810	1,689,377
Reinsurers' share of unearned premiums	9.1	20,027	20,625
Reinsurers' share of outstanding claims	9.2	932	1,218
Reinsurers' share of claims incurred but not reported	9.2	5,377	3,972
Deferred policy acquisition costs		--	134,022
Investments	6	4,301,670	1,840,832
Prepaid expenses and other assets		228,049	276,643
Term deposits	7	3,686,562	5,063,976
Fixtures, Furniture and Right-of-use assets – net		212,789	169,441
Intangible assets – net		56,114	56,245
Deferred tax asset	15	30,243	30,216
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	12,333	10,820
<b>TOTAL ASSETS</b>		<b>11,459,167</b>	<b>10,181,096</b>
<b><u>LIABILITIES</u></b>			
Accrued and other liabilities		547,430	448,687
Insurance operations' surplus payable		211,465	168,454
Reinsurers' balances payable		63,492	54,413
Unearned premiums	9.1	4,691,732	4,376,219
Outstanding claims	9.2	244,732	451,788
Claims incurred but not reported	9.2	1,267,242	1,157,428
Premium deficiency Reserve	9.2	285,653	--
Claims handling reserve	9.2	18,930	18,492
Due to related parties	14	76,377	78,848
Provision for end-of-service benefits		105,014	96,341
Provision for zakat and income tax	15	345,235	274,709
Accrued income payable to SAMA	8	12,333	10,820
<b>TOTAL LIABILITIES</b>		<b>7,869,635</b>	<b>7,136,199</b>
<b><u>EQUITY</u></b>			
Share capital	16	1,200,000	1,200,000
Statutory reserve	17	727,871	727,871
Share based payments		23,265	25,525
Shares held under employees share scheme		(48,779)	(57,538)
Retained earnings		1,614,741	1,128,973
Re-measurement reserve of end-of-service benefits		(10,473)	(10,473)
Investments fair value reserve – related to shareholders		68,913	18,035
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,575,538</b>	<b>3,032,393</b>
Investments fair value reserve – related to policyholders		13,994	12,504
<b>TOTAL EQUITY</b>		<b>3,589,532</b>	<b>3,044,897</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,459,167</b>	<b>10,181,096</b>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)

For the three-month and six-month periods ended 30 June 2020

Notes	Three-month period ended 30 June		Six-month period ended 30 June	
	2020	2019	2020	2019
	SAR'000	SAR'000	SAR'000	SAR'000
<b>REVENUES</b>				
Gross premiums written	2,243,218	2,438,802	5,713,196	5,344,249
Reinsurance premiums ceded – Local	(1,140)	(2,595)	(2,270)	(5,090)
Reinsurance premiums ceded – International	(9,478)	(27,854)	(25,912)	(46,027)
<b>Net premiums written</b>	<b>2,232,600</b>	<b>2,408,353</b>	<b>5,685,014</b>	<b>5,293,132</b>
Changes in unearned premiums – net	463,947	(123,597)	(316,111)	(811,051)
<b>Net premiums earned</b>	<b>2,696,547</b>	<b>2,284,756</b>	<b>5,368,903</b>	<b>4,482,081</b>
<b>UNDERWRITING COSTS &amp; EXPENSES</b>				
Gross claims paid	(1,597,818)	(1,851,411)	(3,935,868)	(3,783,292)
Reinsurers' share of claims paid	2,668	12,448	5,335	24,897
<b>Net claims paid</b>	<b>(1,595,150)</b>	<b>(1,838,963)</b>	<b>(3,930,533)</b>	<b>(3,758,395)</b>
Changes in outstanding claims	197,079	(63,025)	207,056	(32,499)
Changes in claims incurred but not reported	(115,678)	119,242	(109,814)	96,817
Changes in Premium deficiency Reserve	(285,653)	--	(285,653)	--
Changes in claims handling reserves	(521)	525	(438)	875
Reinsurance share of changes in outstanding claims	(360)	156	(286)	124
Reinsurance share of changes in claims incurred but not reported	151	50	1,405	41
<b>Net claims incurred</b>	<b>(1,800,132)</b>	<b>(1,782,015)</b>	<b>(4,118,263)</b>	<b>(3,693,037)</b>
Policy acquisition costs	(227,127)	(53,476)	(290,038)	(111,357)
<b>Total underwriting costs &amp; expenses</b>	<b>(2,027,259)</b>	<b>(1,835,491)</b>	<b>(4,408,301)</b>	<b>(3,804,394)</b>
<b>NET UNDERWRITING INCOME</b>	<b>669,288</b>	<b>449,265</b>	<b>960,602</b>	<b>677,687</b>
<b>Other operating income/(expenses)</b>				
Allowance for doubtful receivables	(26,049)	(84,090)	(4,478)	(73,051)
General and administrative expenses	(127,475)	(112,544)	(269,702)	(221,148)
Selling and marketing expenses	(84,323)	(83,051)	(185,960)	(175,061)
Investment income – net	50,291	61,716	111,096	118,543
Other income – net	7,663	5,211	14,009	11,000
<b>Total other operating (expenses)/ income</b>	<b>(179,893)</b>	<b>(212,758)</b>	<b>(335,035)</b>	<b>(339,717)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>	<b>489,395</b>	<b>236,507</b>	<b>625,567</b>	<b>337,970</b>
<b>Income attributed to the insurance operations (transfer to surplus payable)</b>	<b>(46,337)</b>	<b>(20,433)</b>	<b>(56,853)</b>	<b>(27,773)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>	<b>443,058</b>	<b>216,074</b>	<b>568,714</b>	<b>310,197</b>
Zakat charge	(20,495)	(13,125)	(35,465)	(24,151)
Income tax charge	(34,656)	(16,923)	(45,608)	(24,487)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>387,907</b>	<b>186,026</b>	<b>487,641</b>	<b>261,559</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>	<b>119,446</b>	<b>119,596</b>	<b>119,396</b>	<b>119,573</b>
<b>Basic earnings per share (Expressed in SAR per Share)</b>	<b>19</b>	<b>3.25</b>	<b>1.56</b>	<b>4.08</b>
			<b>2.19</b>	

Chairman

Chief Financial Officer

Director and Chief Executive Officer

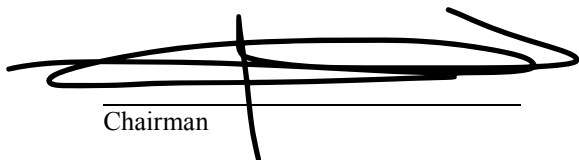
The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month and six-month periods ended 30 June 2020

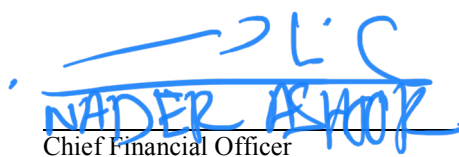
	<i>Three -month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>387,907</b>	186,026	<b>487,641</b>	261,559
<b>Other comprehensive income</b>				
<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	<b>89,296</b>	4,330	<b>50,878</b>	24,966
- related to policyholders	<b>16,933</b>	7,978	<b>1,490</b>	17,619
	<b>106,229</b>	12,308	<b>52,368</b>	42,585
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>494,136</b>	198,334	<b>540,009</b>	304,144



Chairman



Director and Chief Executive Officer



Chief Financial Officer

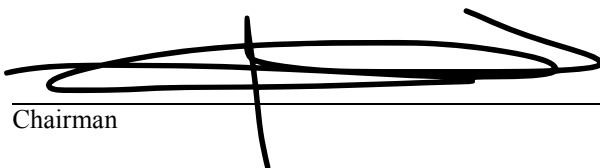
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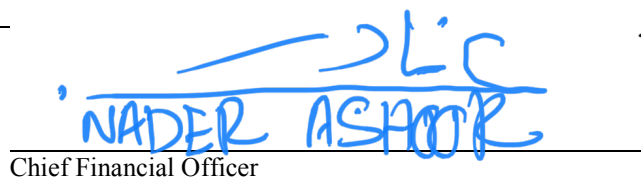
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For six-month period ended 30 June 2020

	<i>Related to shareholders</i>									
	<i>Share capital</i> SR'000	<i>Statutory reserve</i> SR'000	<i>Share based payments</i> SR'000	<i>Shares held under employees share scheme</i> SR'000	<i>Retained earnings</i> SR'000	<i>Re-measurement reserve of end-of-service benefits</i> SR'000	<i>Investments fair value reserve</i> SR'000	<i>Total shareholders' equity</i> SR'000	<i>Investments fair value reserve – related to policyholders</i> SR'000	<i>Total equity</i> SR'000
<b>2020</b>										
<b>Balance at 31 December 2019 (audited)</b>	1,200,000	727,871	25,525	(57,538)	1,128,973	(10,473)	18,035	3,032,393	12,504	3,044,897
<b>Total comprehensive income for the period</b>										
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	487,641	--	--	487,641	--	487,641
Actuarial losses on end-of-service benefits	--	--	--	--	--	--	--	--	--	--
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	50,878	50,878	1,490	52,368
<b>Total comprehensive income for the period</b>	--	--	--	--	487,641	--	50,878	538,519	1,490	540,009
Transfer to statutory reserves	--	--	--	--	--	--	--	--	--	--
Share based payment transactions	--	--	6,499	--	--	--	--	6,499	--	6,499
Delivery of shares under LTIP	--	--	(8,759)	8,759	--	--	--	--	--	--
Income tax refundable (to)/from non-Saudi shareholders	--	--	--	--	(1,873)	--	--	(1,873)	--	(1,873)
<b>Balance At 30 June 2020 (unaudited)</b>	<u>1,200,000</u>	<u>727,871</u>	<u>23,265</u>	<u>(48,779)</u>	<u>1,614,741</u>	<u>(10,473)</u>	<u>68,913</u>	<u>3,575,538</u>	<u>13,994</u>	<u>3,589,532</u>

  
Chairman

  
Chief Financial Officer

  
Director and Chief Executive Officer

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

For six-month period ended 30 June 2020

	<i>Related to shareholders</i>									
	<i>Share capital</i> <i>SR'000</i>	<i>Statutory reserve</i> <i>SR'000</i>	<i>Share based payments</i> <i>SR'000</i>	<i>Shares held under employees share scheme</i> <i>SR'000</i>	<i>Retained earnings</i> <i>SR'000</i>	<i>Remeasurement reserve of end-of-service benefits</i> <i>SR'000</i>	<i>Investments fair value reserve</i> <i>SR'000</i>	<i>Total shareholders' equity</i> <i>SR'000</i>	<i>Investments fair value reserve – related to policyholders</i> <i>SR'000</i>	<i>Total equity</i> <i>SR'000</i>
<b>2019</b>										
Balance at 31 December 2018	1,200,000	609,111	17,579	(32,662)	811,153	(8,922)	(21,942)	2,574,317	(8,589)	2,565,728
Effect of restatements	--	--	--	--	25,552	--	--	25,552	--	25,552
Impact of adopting IFRS 16 at 1 January 2019 (note 3.b)	--	--	--	--	(8,900)	--	--	(8,900)	--	(8,900)
Balance at 1 January 2019	1,200,000	609,111	17,579	(32,662)	827,805	(8,922)	(21,942)	2,590,969	(8,589)	2,582,380
Total comprehensive income for the period										
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	261,559	--	--	261,559	--	261,559
Actuarial losses on end-of-service benefits	--	--	--	--	--	--	--	--	--	--
Changes in fair value of available-for-sale investment	--	--	--	--	--	--	24,966	24,966	17,619	42,585
Total comprehensive income for the period	--	--	--	--	261,559	--	24,966	286,525	17,619	304,144
Share based payment transactions	--	--	3,513	--	--	--	--	3,513	--	3,513
Delivery of shares under LTIP	--	--	(7,867)	7,867	--	--	--	--	--	--
Income tax refundable from non-Saudi shareholders	--	--	--	--	6,131	--	--	6,131	--	6,131
Balance at 30 June 2019 (unaudited)	1,200,000	609,111	13,225	(24,795)	1,095,495	(8,922)	3,024	2,887,138	9,030	2,896,168

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.



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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)**

For six-month period ended 30 June 2020

	Notes	Six-month period ended 30 June	
		2020 SAR'000	2019 SAR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income attributed to shareholders before zakat and income tax		568,714	310,197
<u>Adjustments for non-cash items:</u>			
Net income attributed to insurance operations		56,853	27,773
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets		15,998	15,385
Amortization of intangible assets		8,102	11,119
Provision for LTIP		6,499	3,513
Allowance for doubtful receivables		4,478	73,051
Unrealized loss / (gains) on investments held as FVSI		474	(5,014)
Realized (gains) / loss on investments		(4,554)	(3,841)
Provision for end-of-service benefits		11,242	9,575
Finance cost		2,698	--
		<u>670,504</u>	<u>441,758</u>
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(668,911)	(1,186,356)
Reinsurers' share of unearned premiums		598	(8,251)
Reinsurers' share of outstanding claims		286	(124)
Reinsurers' share of claims incurred but not reported		(1,405)	(41)
Deferred policy acquisition costs		134,022	(15,233)
Prepaid expenses and other assets		48,594	(32,959)
Accrued and other liabilities		48,451	13,869
Reinsurers' balances payable		9,079	23,937
Unearned premiums		315,513	819,302
Outstanding claims		(207,056)	32,499
Claims incurred but not reported		109,814	(96,817)
Premium deficiency Reserve		285,653	--
Claims handling reserve		438	(875)
Due to related parties		(4,344)	6,512
		<u>741,236</u>	<u>(2,779)</u>
End-of-service benefits paid		(2,569)	(3,676)
Surplus paid to policyholders		(13,842)	(3,820)
Zakat and income tax paid		(10,574)	(37,651)
		<u>714,251</u>	<u>(47,926)</u>
<b>Net cash generated from/(used in) operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits	7	(669,045)	(1,762,489)
Proceeds from maturity of term deposits	7	2,046,459	2,454,522
Additions to investments	6	(4,185,874)	(1,269,737)
Disposals of investments	6	1,781,484	991,122
Additions to Fixtures, Furniture and Right-of-use assets		(5,101)	(5,706)
Disposal of Fixtures, Furniture and Right-of-use assets		--	100
Intangible assets acquired		(7,971)	(12,641)
		<u>(1,040,048)</u>	<u>395,171</u>
<b>Net cash (used in)/generated from investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability paid		(6,651)	(16,462)
		<u>(6,651)</u>	<u>(16,462)</u>
<b>Net cash used in financing activities</b>			
Net change in cash and cash equivalents		(332,448)	330,783
Cash and cash equivalents at beginning of the period		665,709	290,413
<b>Cash and cash equivalents at end of the period</b>		<u>333,261</u>	<u>621,196</u>
<b>Non-cash transactions</b>			
Unrealized gains on available-for-sale investments		(52,368)	(42,585)
Transfer to Fixtures, Furniture and Right-of-use assets		4,762	--
Transfer from WIP to Furniture and Right-of-use assets		4,008	--
Increase in lease liabilities/ Right-of-use assets		54,245	2,712
Income tax refundable (to)/from non-Saudi shareholders		(1,873)	--

Chairman

**NADER ASHOUR**  
 Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes from 1 to 22 an integral part of these interim condensed financial statements.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2020

### 1. ORGANIZATION AND PRINCIPLE ACTIVITIES

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

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

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

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

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by the Saudi Arabian Monetary Authority (“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 has been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organisation for Certified Public Accountants (“SOCPA”).

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

## 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 condensed statement of financial position, interim condensed statements of income, interim condensed comprehensive income and interim condensed 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 2019.

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 estimation 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 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details please see note 21 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

### (c) Seasonality of operations

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019, except as mentioned below:

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:

<u>Standard / Amendments</u>	<u>Description</u>
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards

The adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

## 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

### IFRS 17 – Insurance Contracts

#### Overview

This standard has been published on 18 May 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 2015, 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 a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
  - the liability for remaining coverage, which consists of the FCF related to future services and the CSM of the group at that date;
  - and 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 June 2020

## 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 profit or loss. 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 profit or loss 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,
- 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. 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 IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023. This is a deferral of 1 year compared to the previous date of 1 January 2021. 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 choose 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. The Company does not expect a significant financial impact from adopting the standard due to the short-term nature of its insurance contracts and the related settlement patterns of its cash flows. The company also does not expect a significant impact on its reinsurance arrangements from adopting the standard, given their immateriality. The Company, however, expects that adopting the standard will likely have an impact on IT systems, data requirements and accounting policies to address additional presentation and disclosure requirements. At the date of publication of these financial statements, it was not practicable to quantify the potential impact of adopting IFRS 17.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### *IFRS 9 - Financial Instruments*

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

#### *Classification and measurement*

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

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

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

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

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

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

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

#### *Impairment*

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

#### *Hedge accounting*

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

## 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. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

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

##### ***Impact assessment***

As at 30 June, 2020, the Company has total financial assets and insurance related assets amounting to SR 8,321 million and SR 3,138million, (2019: SR 7,571 million and SR 2,610) respectively. Financial assets mainly represent investments held to maturity which consist of cash and cash equivalents, term deposits and designated sukuk amounting to SR 4,151 million (2019: SR 5,511 million), Investments held at fair value through statement of income as At 30 June 2020 at SR 2,238 million (2019: SR 270 million) and investments held as available for sale investments amounting to SR 1,932 million (2019: SR 1,440 million). The Company is yet to fully assess changes from the application and implementation of IFRS 9, however at this stage, the Company does not expect the classification and measurement of financial assets to be impacted by IFRS9 implementation.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consists of of the following:

	<i>30 June 2020 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	<u>77,455</u>	<u>255,806</u>	<u>333,261</u>
	<u>77,455</u>	<u>255,806</u>	<u>333,261</u>
	<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	230,946	118,767	349,713
Term deposits	<u>215,996</u>	<u>100,000</u>	<u>315,996</u>
	<u>446,942</u>	<u>218,767</u>	<u>665,709</u>

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the six-month period ended 30 June 2020, the insurance operations transferred cash of SR 239.4 million to the shareholders' operations (31 December 2019: SR 99 million).

**5. PREMIUMS RECEIVABLE - NET**

Receivable amounts are due from the following:

	<i>30 June 2020 (Unaudited)</i>	<i>31 December 2019 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Policyholders	<b>1,423,098</b>	1,287,810
Brokers	<b>1,074,983</b>	598,754
Related parties (note 14)	<b>54,885</b>	--
	<u><b>2,552,966</b></u>	<u>1,886,564</u>
Provision for doubtful receivables	<u><b>(199,156)</b></u>	<u>(197,187)</u>
<b>Premiums receivable – net</b>	<u><b>2,353,810</b></u>	<u>1,689,377</u>

**6. INVESTMENTS**

Investments are classified as follows:

	<i>30 June 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>					
Held as FVSI	<b>1,510,013</b>	<b>728,038</b>	<b>2,238,051</b>	161,548	107,968	269,516
Available-for-sale	<b>524,994</b>	<b>1,407,375</b>	<b>1,932,369</b>	564,003	876,063	1,440,066
Held to maturity	--	<b>131,250</b>	<b>131,250</b>	--	131,250	131,250
	<u><b>2,035,007</b></u>	<u><b>2,266,663</b></u>	<u><b>4,301,670</b></u>	<u>725,551</u>	<u>1,115,281</u>	<u>1,840,832</u>



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**6. INVESTMENTS (continued)**

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

	<i>30 June 2020 (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	25,025	--	78,079	--	103,104
Funds	1,477,376	7,612	627,123	22,836	2,134,947
	<u>1,502,401</u>	<u>7,612</u>	<u>705,202</u>	<u>22,836</u>	<u>2,238,051</u>
	<i>31 December 2019 (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	25,025	--	78,078	--	103,103
Funds	136,523	--	29,890	--	166,413
	<u>161,548</u>	<u>--</u>	<u>107,968</u>	<u>--</u>	<u>269,516</u>

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

	<i>30 June 2020 (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	253,985	235,405	888,523	142,891	1,520,804
Funds	--	35,604	112,289	5,571	153,464
Equities	--	--	160,535	--	160,535
Investments in discretionary portfolios	--	--	97,566	--	97,566
	<u>253,985</u>	<u>271,009</u>	<u>1,258,913</u>	<u>148,462</u>	<u>1,932,369</u>
	<i>31 December 2019 (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	238,899	287,287	461,248	180,545	1,167,979
Funds	--	37,817	112,314	7,782	157,913
Investments in discretionary portfolios	--	--	114,174	--	114,174
	<u>238,899</u>	<u>325,104</u>	<u>687,736</u>	<u>188,327</u>	<u>1,440,066</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
 At 30 June 2020

**6. INVESTMENTS (continued)**

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

	<i>30 June 2020 (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	--	--	131,250	--	131,250
	--	--	131,250	--	131,250
	<i>31 December 2019 (Audited)</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 June 2020 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the period	725,551	1,115,281	1,840,832
Purchased during the period	2,507,618	1,678,256	4,185,874
Disposed during the period	(1,198,927)	(578,003)	(1,776,930)
Unrealized gain during the period, net	765	51,129	51,894
	<u>2,035,007</u>	<u>2,266,663</u>	<u>4,301,670</u>
	<i>31 December 2019 (Audited)</i>		
Balance at the beginning of the year	810,175	811,316	1,621,491
Purchased during the year	2,037,449	1,664,712	3,702,161
Disposed during the year	(2,154,358)	(1,402,277)	(3,556,635)
Unrealized gain during the year, net	32,285	41,530	73,815
	<u>725,551</u>	<u>1,115,281</u>	<u>1,840,832</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
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**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 from more than three-month to more than one year and yield financial income at rates ranging from 2% to 4.3% per annum. The movements in term deposits during the period ended 30 June 2020 as follows:

	<i>30 June 2020 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR '000</i>		
Balance at the beginning of the period	<b>3,347,965</b>	<b>1,716,011</b>	<b>5,063,976</b>
Matured during the period	<b>(1,205,565)</b>	<b>(840,894)</b>	<b>(2,046,459)</b>
Placed during the period	<b>369,045</b>	<b>300,000</b>	<b>669,045</b>
	<b>2,511,445</b>	<b>1,175,117</b>	<b>3,686,562</b>
	<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR '000</i>		
Balance at the beginning of the year	3,033,743	1,681,538	4,715,281
Matured during the year	(2,162,343)	(1,126,451)	(3,288,794)
Placed during the year	2,476,565	1,160,924	3,637,489
	3,347,965	1,716,011	5,063,976

**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 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>Six-month period ended 30 June 2020 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR '000</i>		
Balance at 1 January 2020	<b>4,376,219</b>	<b>(20,625)</b>	<b>4,355,594</b>
Premium written/(ceded) during the period	<b>5,713,196</b>	<b>(28,182)</b>	<b>5,685,014</b>
Premium earned during the period	<b>(5,397,683)</b>	<b>28,780</b>	<b>(5,368,903)</b>
	<b>4,691,732</b>	<b>(20,027)</b>	<b>4,671,705</b>
	<i>Year ended 31 December 2019 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR '000</i>		
Balance at 1 January 2019	3,428,131	(6,320)	3,421,811
Premium written/(ceded) during the year	10,410,868	(105,794)	10,305,074
Premium earned during the year	(9,462,780)	91,489	(9,371,291)
	4,376,219	(20,625)	4,355,594

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**9. TECHNICAL RESERVES (continued)**

**9.2 Net outstanding claims and reserves**

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

	<i>30 June 2020 (Unaudited) SAR'000</i>	<i>31 December 2019 (Audited) SAR'000</i>
Outstanding claims	244,732	451,788
Claims incurred but not reported	1,267,242	1,157,428
Premium deficiency Reserve	285,653	--
Claims handling reserves	<u>18,930</u>	<u>18,492</u>
	<u>1,816,557</u>	<u>1,627,708</u>
Less:		
- Reinsurers' share of outstanding claims	(932)	(1,218)
- Reinsurers' share of claims incurred but not reported	<u>(5,377)</u>	<u>(3,972)</u>
	<u>(6,309)</u>	<u>(5,190)</u>
<b>Net outstanding claims and reserves</b>	<u><b>1,810,248</b></u>	<u><b>1,622,518</b></u>

**10. FIDUCIARY ASSETS**

During 2018, after getting the approval from SAMA, the Company entered into a Third Party Administration agreement, (TPA) with a customer under which the Company facilitates healthcare services to the employees of a customer with specific terms and conditions. The services are remunerated against administration fees. The agreement is effective from 13 Jumada Al-Thani 1439 (corresponding to 1 March 2018).

In order to fulfil the commitment relating to this agreement, the Company has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the balance sheet date are offset in the interim condensed statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 150.5 million as of 30 June 2020 (31 December 2019: SR 272.9 million).

**11. COMMITMENTS AND CONTINGENCIES**

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

	<i>30 June 2020 (Unaudited) SAR'000</i>	<i>31 December 2019 (Audited) SAR'000</i>
Letters of guarantee	<u>18,683</u>	<u>34,818</u>
<b>Total</b>	<u><b>18,683</b></u>	<u><b>34,818</b></u>

i) As of 30 June 2020, total Letters of Guarantee issued by banks amounted to SR 110.3 million (2019: 134.8 million), of which SR 18.7 million (31 December 2019: SR 34.8 million) is restricted deposits with banks and has been recorded under prepayments and other assets.

ii) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings from 31 December 2019.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

**b) Carrying amounts and fair value**

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

	<i>Fair value</i>				<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<i>30 June 2020 (Unaudited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	--	2,238,051	--	2,238,051	2,238,051
- Available-for-sale investments	1,239,454	692,915	--	1,932,369	1,932,369
	<u>1,239,454</u>	<u>2,930,966</u>	<u>--</u>	<u>4,170,420</u>	<u>4,170,420</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 2019 (Audited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	990	268,526	--	269,516	269,516
- Available-for-sale investments	883,099	556,967	--	1,440,066	1,440,066
	<u>884,089</u>	<u>825,493</u>	<u>--</u>	<u>1,709,582</u>	<u>1,709,582</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

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

### c) Measurement of fair value

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

The following table shows the valuation techniques used in measuring Level 2 fair value At 30 June 2020 and 31 December 2019, as well as the significant unobservable inputs used.

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

## 13. OPERATING SEGMENTS

The Company only issues short-term insurance contracts for providing health care services ('medical insurance'). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent members of large corporations, and all others are considered as non-major. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Executive Team, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions.

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, term deposits, investments, and prepayments and other assets. Segment liabilities do not include reinsurance balance payable, accrued expenses 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 June 2020

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>At 30 June 2020 (Unaudited)</i>				
	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total Insurance operations</i>		
	<i>SAR'000</i>		<i>SAR'000</i>	<i>SAR'000</i>	
<b>Assets</b>					
Premiums receivable – net	1,382,796	971,014	2,353,810	--	2,353,810
Reinsurers' share of unearned premiums	11,697	8,330	20,027	--	20,027
Reinsurers' share of outstanding claims	374	558	932	--	932
Reinsurers' share of claims incurred but not reported	2,187	3,190	5,377	--	5,377
Unallocated assets			4,817,797	4,261,224	9,079,021
<b>Total assets</b>			<b>7,197,943</b>	<b>4,261,224</b>	<b>11,459,167</b>
<b>Liabilities</b>					
Unearned premiums	2,740,456	1,951,276	4,691,732	--	4,691,732
Outstanding claims	173,232	71,500	244,732	--	244,732
Claims incurred but not reported	904,042	363,200	1,267,242	--	1,267,242
Premium deficiency Reserve	202,600	83,053	285,653	--	285,653
Claims handling reserve	13,452	5,478	18,930	--	18,930
Unallocated liabilities			675,660	685,686	1,361,346
<b>Total liabilities</b>			<b>7,183,949</b>	<b>685,686</b>	<b>7,869,635</b>

<i>Operating segments</i>	<i>At 31 December 2019 (Audited)</i>				
	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total Insurance operations</i>		
	<i>SR'000</i>		<i>SR'000</i>	<i>SR'000</i>	
<b>ASSETS</b>					
Premiums receivable – net	992,461	696,916	1,689,377	--	1,689,377
Reinsurers' share of unearned premiums	10,819	9,806	20,625	--	20,625
Reinsurers' share of outstanding claims	526	692	1,218	--	1,218
Reinsurers' share of claims incurred but not reported	1,213	2,759	3,972	--	3,972
Deferred policy acquisition costs	81,753	52,269	134,022	--	134,022
Unallocated assets			4,742,882	3,589,000	8,331,882
<b>Total assets</b>			<b>6,592,096</b>	<b>3,589,000</b>	<b>10,181,096</b>
<b>LIABILITIES</b>					
Unearned premiums	2,717,387	1,658,832	4,376,219	--	4,376,219
Outstanding claims	327,541	124,247	451,788	--	451,788
Claims incurred but not reported	845,862	311,566	1,157,428	--	1,157,428
Claims handling reserve	13,460	5,032	18,492	--	18,492
Unallocated liabilities			575,665	556,607	1,132,272
<b>Total liabilities</b>			<b>6,579,592</b>	<b>556,607</b>	<b>7,136,199</b>

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**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Three-month period ended 30 June 2020</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>(Unaudited)</i>		
	<i>SAR'000</i>		
<b><u>REVENUES</u></b>			
Gross written premium	1,357,956	885,262	2,243,218
Reinsurance premiums ceded – Local	(690)	(450)	(1,140)
Reinsurance premiums ceded – International	(5,737)	(3,741)	(9,478)
<b>Net premiums written</b>	<b>1,351,529</b>	<b>881,071</b>	<b>2,232,600</b>
Changes in unearned premiums – net	474,585	(10,638)	463,947
<b>Net premiums earned</b>	<b>1,826,114</b>	<b>870,433</b>	<b>2,696,547</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(1,148,197)	(449,621)	(1,597,818)
Reinsurers' share of claims paid	1,917	751	2,668
<b>Net claims paid</b>	<b>(1,146,280)</b>	<b>(448,870)</b>	<b>(1,595,150)</b>
Changes in outstanding claims	142,880	54,199	197,079
Changes in claims incurred but not reported	(70,403)	(45,275)	(115,678)
Changes in Premium deficiency Reserve	(202,600)	(83,053)	(285,653)
Changes in claims handling reserves	(203)	(318)	(521)
Reinsurance share of changes in outstanding claims	(176)	(184)	(360)
Reinsurance share of changes in claims incurred but not reported	36	115	151
<b>Net claims incurred</b>	<b>(1,276,746)</b>	<b>(523,386)</b>	<b>(1,800,132)</b>
Policy acquisition costs	(136,276)	(90,851)	(227,127)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b><u>(1,413,022)</u></b>	<b><u>(614,237)</u></b>	<b><u>(2,027,259)</u></b>
<b>NET UNDERWRITING INCOME</b>	<b>413,092</b>	<b>256,196</b>	<b>669,288</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Allowance for doubtful receivables			(26,049)
Unallocated income			57,954
Unallocated expenses			(211,798)
<b><u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u></b>			<b><u>(179,893)</u></b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>			<b>489,395</b>
<b>Income attributed to insurance operations (transfer to surplus payable)</b>			<b>(46,337)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>			<b>443,058</b>
Zakat charge			(20,495)
Income tax charge			(34,656)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>387,907</b>
<b><u>Gross Written Premium details</u></b>			
			<b><u>Three-month period ended 30 June 2020</u></b>
			<b><u>SAR'000</u></b>
Corporates			1,620,432
Medium Enterprises			444,667
Small Enterprises			163,745
Micro Enterprises			12,586
Individuals			1,788
<b>Total Gross Written Premium</b>			<b>2,243,218</b>



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Three-month period ended 30 June 2019</i>		
	<i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>SAR '000</i>		
<b><u>REVENUES</u></b>			
Gross written premium	1,465,709	973,093	2,438,802
Reinsurance premiums ceded – Local	(1,842)	(753)	(2,595)
Reinsurance premiums ceded – International	(19,776)	(8,078)	(27,854)
Net premiums written	1,444,091	964,262	2,408,353
Changes in unearned premiums – net	41,098	(164,695)	(123,597)
Net premiums earned	1,485,189	799,567	2,284,756
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(1,258,959)	(592,452)	(1,851,411)
Reinsurers' share of claims paid	8,465	3,983	12,448
Net claims paid	(1,250,494)	(588,469)	(1,838,963)
Changes in outstanding claims	(40,336)	(22,689)	(63,025)
Changes in claims incurred but not reported	76,315	42,927	119,242
Changes in claims handling reserves	336	189	525
Reinsurance share of changes in outstanding claims	141	15	156
Reinsurance share of changes in claims incurred but not reported	45	5	50
Net claims incurred	(1,213,993)	(568,022)	(1,782,015)
Policy acquisition costs	(32,139)	(21,337)	(53,476)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b>(1,246,132)</b>	<b>(589,359)</b>	<b>(1,835,491)</b>
<b>NET UNDERWRITING INCOME</b>	<b>239,057</b>	<b>210,208</b>	<b>449,265</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Allowance for doubtful receivables			(84,090)
Unallocated income			66,927
Unallocated expenses			(195,595)
<b><u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u></b>			<b>(212,758)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>			<b>236,507</b>
Income attributed to insurance operations (transfer to surplus payable)			(20,433)
Income attributed to the shareholders before zakat and income tax			216,074
Zakat charge			(13,125)
Income tax charge			(16,923)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>186,026</b>
<b><u>Gross Written Premium details</u></b>			
			<i>Three-month period ended 30 June 2019</i>
			<i>SAR '000</i>
Corporates			1,710,264
Medium Enterprises			525,020
Small Enterprises			186,779
Micro Enterprises			13,635
Individuals			3,104
<b>Total Gross Written Premium</b>			<b>2,438,802</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Six-month period ended 30 June 2020</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>(Unaudited)</i>		
	<i>SAR'000</i>		
<b><u>REVENUES</u></b>			
Gross written premium	3,673,163	2,040,033	5,713,196
Reinsurance premiums ceded – Local	(1,462)	(808)	(2,270)
Reinsurance premiums ceded – International	(16,684)	(9,228)	(25,912)
<b>Net premiums written</b>	<b>3,655,017</b>	<b>2,029,997</b>	<b>5,685,014</b>
Changes in unearned premiums – net	(22,191)	(293,920)	(316,111)
<b>Net premiums earned</b>	<b>3,632,826</b>	<b>1,736,077</b>	<b>5,368,903</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(2,819,152)	(1,116,716)	(3,935,868)
Reinsurers' share of claims paid	3,823	1,512	5,335
<b>Net claims paid</b>	<b>(2,815,329)</b>	<b>(1,115,204)</b>	<b>(3,930,533)</b>
Changes in outstanding claims	154,309	52,747	207,056
Changes in claims incurred but not reported	(58,180)	(51,634)	(109,814)
Changes in Premium deficiency Reserve	(202,600)	(83,053)	(285,653)
Changes in claims handling reserves	8	(446)	(438)
Reinsurance share of changes in outstanding claims	(152)	(134)	(286)
Reinsurance share of changes in claims incurred but not reported	974	431	1,405
<b>Net claims incurred</b>	<b>(2,920,970)</b>	<b>(1,197,293)</b>	<b>(4,118,263)</b>
Policy acquisition costs	(174,023)	(116,015)	(290,038)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b>(3,094,993)</b>	<b>(1,313,308)</b>	<b>(4,408,301)</b>
<b>NET UNDERWRITING INCOME</b>	<b>537,833</b>	<b>422,769</b>	<b>960,602</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>			
Allowance for doubtful receivables			(4,478)
Unallocated income			125,105
Unallocated expenses			(455,662)
<b><u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u></b>			<b>(335,035)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>			<b>625,567</b>
<b>Income attributed to insurance operations (transfer to surplus payable)</b>			<b>(56,853)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>			<b>568,714</b>
Zakat charge			(35,465)
Income tax charge			(45,608)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>487,641</b>
<b><u>Gross Written Premium details</u></b>			<b><u>Six-month period ended 30 June 2020</u></b>
			<b><u>SAR'000</u></b>
Corporates			4,235,362
Medium Enterprises			1,071,359
Small Enterprises			368,175
Micro Enterprises			30,666
Individuals			7,634
<b>Total Gross Written Premium</b>			<b>5,713,196</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Six-month period ended 30 June 2019</i>		
	<i>Major customers</i>	<i>Non-major customers</i>	<i>Total</i>
	<i>SAR '000</i>		
<b>REVENUES</b>			
Gross written premium	3,254,945	2,089,304	5,344,249
Reinsurance premiums ceded – Local	(3,613)	(1,477)	(5,090)
Reinsurance premiums ceded – International	(32,681)	(13,346)	(46,027)
Net premiums written	3,218,651	2,074,481	5,293,132
Changes in unearned premiums – net	(312,766)	(498,285)	(811,051)
Net premiums earned	2,905,885	1,576,196	4,482,081
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(2,563,758)	(1,219,534)	(3,783,292)
Reinsurers' share of claims paid	16,873	8,024	24,897
Net claims paid	(2,546,885)	(1,211,510)	(3,758,395)
Changes in outstanding claims	(20,799)	(11,700)	(32,499)
Changes in claims incurred but not reported	61,963	34,854	96,817
Changes in claims handling reserves	560	315	875
Reinsurance share of changes in outstanding claims	113	11	124
Reinsurance share of changes in claims incurred but not reported	37	4	41
Net claims incurred	(2,505,011)	(1,188,026)	(3,693,037)
Policy acquisition costs	(67,194)	(44,163)	(111,357)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(2,572,205)</b>	<b>(1,232,189)</b>	<b>(3,804,394)</b>
<b>NET UNDERWRITING INCOME</b>	<b>333,680</b>	<b>344,007</b>	<b>677,687</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Allowance for doubtful receivables			(73,051)
Unallocated income			129,543
Unallocated expenses			(396,209)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			<b>(339,717)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>			<b>337,970</b>
Income attributed to insurance operations (transfer to surplus payable)			(27,773)
Income attributed to the shareholders before zakat and income tax			310,197
Zakat charge			(24,151)
Income tax charge			(24,487)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>261,559</b>
<b>Gross Written Premium details</b>		<i>Six-month period ended 30 June 2019</i>	
		<i>SAR '000</i>	
Corporates		3,826,506	
Medium Enterprises		1,100,047	
Small Enterprises		380,787	
Micro Enterprises		30,176	
Individuals		6,733	
<b>Total Gross Written Premium</b>		<b>5,344,249</b>	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**14. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, directors 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. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and their related balances:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the period ended</u>		<u>Receivable/(payable) balance as at</u>	
		<u>30 June 2020</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>30 June 2019</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>30 June 2020</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 December 2019</u> <i>(Audited)</i> <i>SR'000</i>
Shareholders	Insurance premium written	<b>372,145</b>	218,731	<b>54,885**</b>	(285)**
Shareholders	Reinsurance Premium ceded	<b>(19,103)</b>	16,988	<b>(61,031)*</b>	(55,319)*
Shareholders	Claims paid	<b>12,926</b>	75,334	<b>(1,423)***</b>	(14,010)***
Shareholders	Medical costs charged by providers	<b>11,921</b>	34,106	<b>(1,290)***</b>	(9,824)***
Shareholders	Expenses charged to/from a related party - net	<b>268</b>	338	<b>478*</b>	779*
Shareholders	Tax equalisation - net	<b>(1,873)</b>	6,131	<b>(1,873)*</b>	--
Shareholders	Board members fees	<b>503</b>	450	<b>(503)*</b>	(700)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	<b>13,448</b>	11,294	<b>(13,448)*</b>	(23,608)*

\* Amounts due to related parties amounted to SR 76,377 thousand (2019: SR 78,848 thousand).

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

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

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

	<u>30 June 2020</u> <i>(Unaudited)</i> <i>SAR'000</i>	<u>30 June 2019</u> <i>(Unaudited)</i> <i>SAR'000</i>
Short-term benefits	<b>12,267</b>	12,461
Long-term benefits	<b>5,124</b>	2,794
	<b><u>17,391</u></b>	<b><u>15,255</u></b>

Short-term benefits include salaries, allowances, annual bonuses and incentives whilst long-term benefits include employees' end of service benefits and the LTIP.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**15. ZAKAT AND INCOME TAX**

Breakup of zakat and income tax charge for the Six-month period ended 30 June 2020 and 2019 are as follows:

	<i>Six-month period ended 30 June 2020 (Unaudited) SAR'000</i>	<i>Six-month period ended 30 June 2019 (Unaudited) SAR'000</i>
Current zakat charge	35,465	24,151
Current tax charge	<b>45,635</b>	31,096
Deferred tax charge (note 15.a)	<b>(27)</b>	(6,609)
	<b>45,608</b>	24,487
	<b>81,073</b>	48,638

a) The reconciliation of deferred tax is as follows:

	<i>30 June 2020 SAR'000</i>	<i>31 December 2019 SAR'000</i>	<i>30 June 2019 SAR'000</i>
Opening deferred tax asset	30,216	25,552	25,552
Deferred tax (charge) / income	27	4,664	6,609
	<b>30,243</b>	30,216	32,161

Movements in the Zakat and income tax accrued during the period ended 30 June 2020 and year ended 31 December 2019 respectively are as follows:

	<i>Zakat payable SAR'000</i>	<i>Income tax payable SAR'000</i>	<i>Total 30 June 2020 (Unaudited) SAR'000</i>	<i>Total 31 December 2019 (Audited) SAR'000</i>
Balance at beginning of the period/year	232,444	42,265	274,709	199,784
Provided during the period/year	35,465	45,635	81,100	123,520
Payments during the period/year	(23)	(10,551)	(10,574)	(48,595)
Balance at end of the period/year	<b>267,886</b>	<b>77,349</b>	<b>345,235</b>	274,709

**Status of assessments**

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2018 with the General Authority of Zakat and Tax (the "GAZT"). The Company has received assessments for the fiscal periods 2008 through 2010, 2013 through 2016 and 2018 of additional zakat, corporate income tax and withholding tax in addition to delay fines on various assessed items.

The additional assessed amounts have mainly arisen due to the disallowance of investments and statutory deposits from the zakat base as well as not taking into consideration some taxes and zakats which have been already settled upon the annual declarations. The Company has filed appeals against all assessments raised with the GAZT and the General Secretariat of Tax Committees (the "GSTC").

For the years 2011 and 2012, the Company has received Preliminary Objection Committee's decisions in favour of the GAZT for the additional zakat liability of SR 17 million and has filed an appeal with the Higher Appeal Committee.

Following the recent change in Law, the cases were transferred to the GSTC. A hearing is yet to be assigned to review the Company's case.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

## 16. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company was SAR 1,200 million at 30 June 2020 (31 December 2019: SAR 1,200 million) consisting of 120 million shares (31 December 2019: 120 million shares) of SAR 10 each. Shareholding structure of the Company is as below:

	<i>30 June 2020</i> <i>(Unaudited)</i>		<i>31 December 2019</i> <i>(Audited)</i>	
	<i>Holding percentage</i>	<i>SR'000</i>	<i>Holding percentage</i>	<i>SR'000</i>
Major shareholders	<b>52.3%</b>	<b>628,066</b>	52.3%	628,066
General Public	<b>47.7%</b>	<b>571,934</b>	47.7%	571,934
	<b>100.0%</b>	<b>1,200,000</b>	100.0%	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 makes this transfer on an annual basis at 31 December. As At 30 June 2020 , SR 727.9 million (31 December 2019: SR 727.9 million) had been set aside as a statutory reserve, representing 61% (31 December 2019: 61%) 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 earnings per share have been calculated by dividing net income for the period by the weighted average number of ordinary shares issued and outstanding at the period end. Diluted earnings per share are not applicable to the Company.

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

At 30 June 2020

**20. SUPPLEMENTARY INFORMATION**

**Interim condensed financial position**

	<i>30 June 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b>ASSETS</b>						
Cash and cash equivalents	77,455	255,806	333,261	446,942	218,767	665,709
Premiums receivables – net	2,353,810	--	2,353,810	1,689,377	--	1,689,377
Reinsurers' share of unearned premiums	20,027	--	20,027	20,625	--	20,625
Reinsurers' share of outstanding claims	932	--	932	1,218	--	1,218
Reinsurers' share of claims Incurred but not reported	5,377	--	5,377	3,972	--	3,972
Deferred policy acquisition costs	--	--	--	134,022	--	134,022
Investments	2,035,007	2,266,663	4,301,670	725,551	1,115,281	1,840,832
Prepaid expenses and other assets	193,890	34,159	228,049	222,424	54,219	276,643
Term deposits	2,511,445	1,175,117	3,686,562	3,347,965	1,716,011	5,063,976
Fixtures, Furniture and Right-of-use assets – net	--	212,789	212,789	--	169,441	169,441
Intangible assets – net	--	56,114	56,114	--	56,245	56,245
Deferred tax asset	--	30,243	30,243	--	30,216	30,216
Goodwill	--	98,000	98,000	--	98,000	98,000
Statutory deposit	--	120,000	120,000	--	120,000	120,000
Accrued income on statutory deposit	--	12,333	12,333	--	10,820	10,820
<b>TOTAL ASSETS</b>	<b>7,197,943</b>	<b>4,261,224</b>	<b>11,459,167</b>	<b>6,592,096</b>	<b>3,589,000</b>	<b>10,181,096</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed financial position (continued)**

	<i>30 June 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>LIABILITIES</u></b>						
Accrued and other liabilities	400,703	146,727	547,430	352,798	95,889	448,687
Insurance operations' surplus payable	211,465	--	211,465	168,454	--	168,454
Reinsurers' balances payable	63,492	--	63,492	54,413	--	54,413
Unearned premiums	4,691,732	--	4,691,732	4,376,219	--	4,376,219
Outstanding claims	244,732	--	244,732	451,788	--	451,788
Claims incurred but not reported	1,267,242	--	1,267,242	1,157,428	--	1,157,428
Premium deficiency Reserve	285,653	--	285,653	--	--	--
Claims handling reserve	18,930	--	18,930	18,492	--	18,492
Due to related parties	--	76,377	76,377	--	78,848	78,848
Provision for end-of-service benefits	--	105,014	105,014	--	96,341	96,341
Provision for zakat and income tax	--	345,235	345,235	--	274,709	274,709
Accrued income payable to SAMA	--	12,333	12,333	--	10,820	10,820
<b>TOTAL LIABILITIES</b>	<b>7,183,949</b>	<b>685,686</b>	<b>7,869,635</b>	<b>6,579,592</b>	<b>556,607</b>	<b>7,136,199</b>
<b><u>EQUITY</u></b>						
Share capital	--	1,200,000	1,200,000	--	1,200,000	1,200,000
Statutory reserve	--	727,871	727,871	--	727,871	727,871
Share based payments	--	23,265	23,265	--	25,525	25,525
Shares held under employees share scheme	--	(48,779)	(48,779)	--	(57,538)	(57,538)
Retained earnings	--	1,614,741	1,614,741	--	1,128,973	1,128,973
Re-measurement reserve of end-of-service benefits	--	(10,473)	(10,473)	--	(10,473)	(10,473)
Investments fair value reserve	13,994	68,913	82,907	12,504	18,035	30,539
<b>TOTAL EQUITY</b>	<b>13,994</b>	<b>3,575,538</b>	<b>3,589,532</b>	<b>12,504</b>	<b>3,032,393</b>	<b>3,044,897</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b>7,197,943</b>	<b>4,261,224</b>	<b>11,459,167</b>	<b>6,592,096</b>	<b>3,589,000</b>	<b>10,181,096</b>



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

At 30 June 2020

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of income**

	<i>Three-month period ended 30 June (Unaudited)</i>						<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>2020</i>			<i>2019</i>			<i>2020</i>			<i>2019</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>	
<b>REVENUES</b>												
Gross premiums written	2,243,218	--	2,243,218	2,438,802	--	2,438,802	5,713,196	--	5,713,196	5,344,249	--	5,344,249
Reinsurance premiums ceded –												
Local	(1,140)	--	(1,140)	(2,595)	--	(2,595)	(2,270)	--	(2,270)	(5,090)	--	(5,090)
Reinsurance premiums ceded –												
International	(9,478)	--	(9,478)	(27,854)	--	(27,854)	(25,912)	--	(25,912)	(46,027)	--	(46,027)
<b>Net premiums written</b>	<b>2,232,600</b>	<b>--</b>	<b>2,232,600</b>	<b>2,408,353</b>	<b>--</b>	<b>2,408,353</b>	<b>5,685,014</b>	<b>--</b>	<b>5,685,014</b>	<b>5,293,132</b>	<b>--</b>	<b>5,293,132</b>
Changes in unearned premiums – net	463,947	--	463,947	(123,597)	--	(123,597)	(316,111)	--	(316,111)	(811,051)	--	(811,051)
<b>Net premiums earned</b>	<b>2,696,547</b>	<b>--</b>	<b>2,696,547</b>	<b>2,284,756</b>	<b>--</b>	<b>2,284,756</b>	<b>5,368,903</b>	<b>--</b>	<b>5,368,903</b>	<b>4,482,081</b>	<b>--</b>	<b>4,482,081</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>												
Gross claims paid	(1,597,818)	--	(1,597,818)	(1,851,411)	--	(1,851,411)	(3,935,868)	--	(3,935,868)	(3,783,292)	--	(3,783,292)
Reinsurers' share of claims paid	2,668	--	2,668	12,448	--	12,448	5,335	--	5,335	24,897	--	24,897
<b>Net claims paid</b>	<b>(1,595,150)</b>	<b>--</b>	<b>(1,595,150)</b>	<b>(1,838,963)</b>	<b>--</b>	<b>(1,838,963)</b>	<b>(3,930,533)</b>	<b>--</b>	<b>(3,930,533)</b>	<b>(3,758,395)</b>	<b>--</b>	<b>(3,758,395)</b>
Changes in outstanding claims	197,079	--	197,079	(63,025)	--	(63,025)	207,056	--	207,056	(32,499)	--	(32,499)
Changes in claims incurred but not reported	(115,678)	--	(115,678)	119,242	--	119,242	(109,814)	--	(109,814)	96,817	--	96,817
Changes in Premium deficiency Reserve	(285,653)	--	(285,653)	--	--	--	(285,653)	--	(285,653)	--	--	--
Changes in claims handling reserves	(521)	--	(521)	525	--	525	(438)	--	(438)	875	--	875
Reinsurance share of changes in outstanding claims	(360)	--	(360)	156	--	156	(286)	--	(286)	124	--	124
Reinsurance share of changes in claims incurred but not reported	151	--	151	50	--	50	1,405	--	1,405	41	--	41
<b>Net claims incurred</b>	<b>(1,800,132)</b>	<b>--</b>	<b>(1,800,132)</b>	<b>(1,782,015)</b>	<b>--</b>	<b>(1,782,015)</b>	<b>(4,118,263)</b>	<b>--</b>	<b>(4,118,263)</b>	<b>(3,693,037)</b>	<b>--</b>	<b>(3,693,037)</b>
Policy acquisition costs	(227,127)	--	(227,127)	(53,476)	--	(53,476)	(290,038)	--	(290,038)	(111,357)	--	(111,357)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(2,027,259)</b>	<b>--</b>	<b>(2,027,259)</b>	<b>(1,835,491)</b>	<b>--</b>	<b>(1,835,491)</b>	<b>(4,408,301)</b>	<b>--</b>	<b>(4,408,301)</b>	<b>(3,804,394)</b>	<b>--</b>	<b>(3,804,394)</b>
<b>NET UNDERWRITING INCOME</b>	<b>669,288</b>	<b>--</b>	<b>669,288</b>	<b>449,265</b>	<b>--</b>	<b>449,265</b>	<b>960,602</b>	<b>--</b>	<b>960,602</b>	<b>677,687</b>	<b>--</b>	<b>677,687</b>

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

At 30 June 2020

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of income (continued)**

	<i>Three-month period ended 30 June (Unaudited)</i>						<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>2020</i>			<i>2019</i>			<i>2020</i>			<i>2019</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>	
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>												
Allowance for doubtful receivables	(26,049)	--	(26,049)	(84,090)	--	(84,090)	(4,478)	--	(4,478)	(73,051)	--	(73,051)
General and administrative expenses	(124,531)	(2,944)	(127,475)	(110,221)	(2,323)	(112,544)	(263,663)	(6,039)	(269,702)	(216,560)	(4,588)	(221,148)
Selling and marketing expenses	(84,323)	--	(84,323)	(83,051)	--	(83,051)	(185,960)	--	(185,960)	(175,061)	--	(175,061)
Investment income – net	28,994	21,297	50,291	33,685	28,031	61,716	63,244	47,852	111,096	67,373	51,170	118,543
Other income – net	(4)	7,667	7,663	(1,255)	6,466	5,211	(1,216)	15,225	14,009	(2,659)	13,659	11,000
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(205,913)</b>	<b>26,020</b>	<b>(179,893)</b>	<b>(244,932)</b>	<b>32,174</b>	<b>(212,758)</b>	<b>(392,073)</b>	<b>57,038</b>	<b>(335,035)</b>	<b>(399,958)</b>	<b>60,241</b>	<b>(339,717)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>	<b>463,375</b>	<b>26,020</b>	<b>489,395</b>	<b>204,333</b>	<b>32,174</b>	<b>236,507</b>	<b>568,529</b>	<b>57,038</b>	<b>625,567</b>	<b>277,729</b>	<b>60,241</b>	<b>337,970</b>
Transfer of surplus to shareholders	(417,038)	417,038	--	(183,900)	183,900	--	(511,676)	511,676	--	(249,956)	249,956	--
<b><u>NET RESULTS FROM OPERATIONS</u></b>	<b>46,337</b>	<b>443,058</b>	<b>489,395</b>	<b>20,433</b>	<b>216,074</b>	<b>236,507</b>	<b>56,853</b>	<b>568,714</b>	<b>625,567</b>	<b>27,773</b>	<b>310,197</b>	<b>337,970</b>
Zakat charge	--	(20,495)	(20,495)	--	(13,125)	(13,125)	--	(35,465)	(35,465)	--	(24,151)	(24,151)
Income tax charge	--	(34,656)	(34,656)	--	(16,923)	(16,923)	--	(45,608)	(45,608)	--	(24,487)	(24,487)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>46,337</b>	<b>387,907</b>	<b>434,244</b>	<b>20,433</b>	<b>186,026</b>	<b>206,459</b>	<b>56,853</b>	<b>487,641</b>	<b>544,494</b>	<b>27,773</b>	<b>261,559</b>	<b>289,332</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,446</b>			<b>119,596</b>			<b>119,396</b>			<b>119,573</b>	
<b>Basic earnings per share (Expressed in SAR per share)</b>		<b>3.25</b>			<b>1.56</b>			<b>4.08</b>			<b>2.19</b>	

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

At 30 June 2020

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of comprehensive income**

	<i>Three month period ended 30 June (Unaudited)</i>						<i>Six month period ended 30 June (Unaudited)</i>					
	<i>2020</i>			<i>2019</i>			<i>2020</i>			<i>2019</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	46,337	387,907	434,244	20,433	186,026	206,459	56,853	487,641	544,494	27,773	261,559	289,332
<b>Other comprehensive (loss) /income</b>												
<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	16,933	89,296	106,229	7,978	4,330	12,308	1,490	50,878	52,368	17,619	24,966	42,585
<b><u>TOTAL COMPREHENSIVE INCOME</u></b>	<b>63,270</b>	<b>477,203</b>	<b>540,473</b>	28,411	190,356	218,767	<b>58,343</b>	<b>538,519</b>	<b>596,862</b>	45,392	286,525	331,917
Reconciliation:												
Less: Net income attributable to insurance operations transferred to surplus payable			(46,337)			(20,433)			(56,853)			(27,773)
<b><u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u></b>			<b>494,136</b>			<b>198,334</b>			<b>540,009</b>			<b>304,144</b>

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

At 30 June 2020

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim condensed statement of cash flows**

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<i>2020</i>			<i>2019</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income attributed to the shareholders before zakat and income tax	--	568,714	568,714	--	310,197	310,197
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	56,853	--	56,853	27,773	--	27,773
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets	15,998	--	15,998	15,385	--	15,385
Amortization of intangible assets	8,102	--	8,102	11,119	--	11,119
Provision for LTIP	--	6,499	6,499	--	3,513	3,513
Allowance for doubtful receivables	4,478	--	4,478	73,051	--	73,051
Unrealized loss / (gains) on investments held as FVSI	726	(252)	474	(3,096)	(1,918)	(5,014)
Realized (gains) on investments	(5,101)	547	(4,554)	(2,898)	(943)	(3,841)
Provision for end-of-service benefits	--	11,242	11,242	--	9,575	9,575
Finance cost	--	2,698	2,698	--	--	--
	<b>81,056</b>	<b>589,448</b>	<b>670,504</b>	121,334	320,424	441,758
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(668,911)	--	(668,911)	(1,186,356)	--	(1,186,356)
Reinsurers' share of unearned premiums	598	--	598	(8,251)	--	(8,251)
Reinsurers' share of outstanding claims	286	--	286	(124)	--	(124)
Reinsurers' share of claims incurred but not reported	(1,405)	--	(1,405)	(41)	--	(41)
Deferred policy acquisition costs	134,022	--	134,022	(15,233)	--	(15,233)
Prepaid expenses and other assets	28,534	20,060	48,594	(30,304)	(2,655)	(32,959)
Accrued and other liabilities	51,857	(3,406)	48,451	14,725	(856)	13,869
Reinsurers' balances payable	9,079	--	9,079	23,937	--	23,937
Unearned premiums	315,513	--	315,513	819,302	--	819,302
Outstanding claims	(207,056)	--	(207,056)	32,499	--	32,499
Claims incurred but not reported	109,814	--	109,814	(96,817)	--	(96,817)
Premium deficiency Reserve	285,653	--	285,653	--	--	--
Claims handling reserve	438	--	438	(875)	--	(875)
Due to related parties	--	(4,344)	(4,344)	--	6,512	6,512
Due to shareholders' operations	(28,053)	28,053	--	(23,713)	23,713	--
	<b>111,425</b>	<b>629,811</b>	<b>741,236</b>	(349,917)	347,138	(2,779)
End-of-service benefits paid	--	(2,569)	(2,569)	--	(3,676)	(3,676)
Surplus paid to policyholders	(13,842)	--	(13,842)	(3,820)	--	(3,820)
Zakat and income tax paid	--	(10,574)	(10,574)	--	(37,651)	(37,651)
<b>Net cash generated from/(Used In) operating activities</b>	<b>97,583</b>	<b>616,668</b>	<b>714,251</b>	<b>(353,737)</b>	<b>305,811</b>	<b>(47,926)</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

**20. SUPPLEMENTARY INFORMATION (continued)**

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

	<i>Six-month period ended 30 June (Unaudited)</i>					
	<u>2020</u>			<u>2019</u>		
	<i>Insurance operations</i>	<i>Share- holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share- holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in term deposits	(369,045)	(300,000)	(669,045)	(1,001,565)	(760,924)	(1,762,489)
Proceeds from maturity of term deposits	1,205,565	840,894	2,046,459	1,460,575	993,947	2,454,522
Additions in investments	(2,507,618)	(1,678,256)	(4,185,874)	(510,153)	(759,584)	(1,269,737)
Disposals of investments	1,204,028	577,456	1,781,484	466,954	524,168	991,122
Additions to Fixtures, Furniture and Right-of-use assets	--	(5,101)	(5,101)	--	(5,706)	(5,706)
Disposal of Fixtures, Furniture and Right-of-use assets	--	--	--	--	100	100
Intangible assets acquired	--	(7,971)	(7,971)	--	(12,641)	(12,641)
<b>Net cash (used in)/generated from investing activities</b>	<u>(467,070)</u>	<u>(572,978)</u>	<u>(1,040,048)</u>	<u>415,811</u>	<u>(20,640)</u>	<u>395,171</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Lease liability paid	--	(6,651)	(6,651)	--	(16,462)	(16,462)
<b>Net cash (used in) financing activities</b>	<u>--</u>	<u>(6,651)</u>	<u>(6,651)</u>	<u>--</u>	<u>(16,462)</u>	<u>(16,462)</u>
Net change in cash and cash equivalents	(369,487)	37,039	(332,448)	62,074	268,709	330,783
Cash and cash equivalents at beginning of the period	446,942	218,767	665,709	272,527	17,886	290,413
<b>Cash and cash equivalents at end of the period</b>	<u>77,455</u>	<u>255,806</u>	<u>333,261</u>	<u>334,601</u>	<u>286,595</u>	<u>621,196</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2020

## 21. IMPACT OF COVID-19

The World Health Organization on March 11, 2020 declared COVID-19 a pandemic, with far reaching consequences on economic and business activities around the world. As a result of the curfews and travel restrictions enforced by the Government of Saudi Arabia to combat the spread of the novel coronavirus, Bupa Arabia activated its business continuity plans to maintain acceptable service levels and operational activities while ensuring the safety and wellbeing of its employees.

The major impact of Covid-19 pandemic is seen in medical line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgement and rapidly evolving situation and the many uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed financial statements.

### Premium Deficiency Reserve

As the Covid-19 pandemic continued to evolve during the second quarter of 2020, access to providers and demand for healthcare declined temporarily following the lockdown and curfew measures taken by local authorities. This has resulted in a substantial drop in incurred claims from April through May which began to recover in June reaching pre-Covid-19 claims levels by the end of the second quarter. At this stage, the Company expects a significant portion of these untreated conditions to rebound as health care patterns are gradually restored and hence expects a surge in expected future claims.

The propensity of a particular type of claim to be deferred depends on the nature of the medical condition and the types of diagnostic investigation and treatment associated with it. The expected surge in future claims related to insurance contracts in force as at 30 June 2020 was explicitly considered in the Premium Deficiency Reserve (PDR) estimation.

With reference to SAMA's circular 173, dated 16/01/2019, insurance companies are required to hold an additional PDR in case the relevant Unearned Premium Reserve (UPR) is insufficient against the corresponding projected claims and expenses. To be adequate to meet the future insurance liabilities of the unexpired risk, the PDR calculation for the second quarter of 2020 after considering the expected surge in claims resulted in recognizing an amount of SR 286 million as PDR (2019: Nil) while expensing related deferred acquisition costs of SR 162 million following IFRS 4, insurance contracts, requirements.

## 22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 28 Dhu'l-Hijjah 1441H corresponding to 18 August 2020.