

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH PERIOD ENDED  
31 MARCH 2022**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

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As at 31 March 2022

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Ernst & Young Professional Services  
(Professional LLC)  
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## INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

### Introduction

We have reviewed the accompanying interim statement of financial position of Bupa Arabia for Cooperative Insurance Company (the "Company") as at 31 March 2022, and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, and other explanatory notes (collectively referred to as "the interim condensed statements").

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

### Scope of review

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

### Conclusion

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

for PricewaterhouseCoopers  
Certified Public Accountants

Mufaddal A. Ali  
Certified Public Accountant  
License No. 447



Jeddah, Kingdom of Saudi Arabia  
14 Shawwal 1443 H  
Corresponding to 15 May 2022G

Ernst & Young Professional  
services

Hussain Saleh Asiri  
Certified Public Accountant  
License No. 414



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

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2022

	Notes	31 March 2022 (Unaudited) SAR '000	31 December 2021 (Audited) SAR '000
<b><u>ASSETS</u></b>			
Cash and cash equivalents	4	891,012	960,758
Premiums receivable – net	5	2,999,830	1,761,300
Reinsurers' share of unearned premiums	9.1	33,108	27,935
Reinsurers' share of outstanding claims	9.2	6,670	7,207
Reinsurers' share of claims incurred but not reported	9.2	8,618	7,829
Deferred policy acquisition costs		263,834	201,042
Investments	6	5,186,619	5,703,773
Prepaid expenses and other assets		116,354	113,254
Term deposits	7	4,343,654	3,093,720
Fixtures, furniture – net		66,766	69,771
Right-of-use assets – net		108,931	112,616
Intangible assets – net		65,245	67,277
Deferred tax asset	15	37,911	39,735
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	15,190	14,885
<b>TOTAL ASSETS</b>		<b>14,361,742</b>	<b>12,399,102</b>
<b><u>LIABILITIES</u></b>			
Accrued and other liabilities		647,006	604,774
Lease liability		120,423	125,333
Insurance operations' surplus payable		194,080	190,060
Reinsurers' balances payable		32,813	25,397
Unearned premiums	9.1	5,964,471	4,709,555
Outstanding claims	9.2	692,654	601,168
Claims incurred but not reported	9.2	1,877,665	1,413,888
Premium deficiency reserve	9.2	72,373	74,602
Claims handling reserve	9.2	25,535	21,797
Due to related parties	14	46,430	33,723
Provision for end-of-service benefits (EOSB)		155,587	152,286
Provision for zakat and income tax	15	260,786	236,610
Accrued income payable to SAMA	8	15,190	14,885
<b>TOTAL LIABILITIES</b>		<b>10,105,013</b>	<b>8,204,078</b>
<b><u>EQUITY</u></b>			
Share capital	16	1,200,000	1,200,000
Statutory reserve	17	992,210	992,210
Share based payments reserve		37,452	43,500
Shares held under employees share scheme		(62,973)	(53,356)
Retained earnings		1,884,768	1,790,700
Re-measurement reserve for employees' EOSB		(23,638)	(23,638)
Investments fair value reserve – related to shareholders		235,174	236,633
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,262,993</b>	<b>4,186,049</b>
Investments fair value reserve – related to policyholders		(6,264)	8,975
<b>TOTAL EQUITY</b>		<b>4,256,729</b>	<b>4,195,024</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,361,742</b>	<b>12,399,102</b>

Chairman



  
**NADER ASBACH**  
 Director and Chief Financial Officer

Director and Chief Executive Officer


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

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

INTERIM STATEMENT OF INCOME (Unaudited)

For the three-month ended 31 March 2022

	Notes	Three-month period ended	
		31 March	
		2022	2021
		SAR'000	SAR'000
<b>REVENUES</b>			
Gross premiums written		4,222,419	3,252,782
Reinsurance premiums ceded – Local		(1,483)	(1,257)
Reinsurance premiums ceded – International		(25,993)	(23,354)
<b>Net premiums written</b>		<b>4,194,943</b>	<b>3,228,171</b>
Changes in unearned premiums – net		(1,249,743)	(730,306)
<b>Net premiums earned</b>		<b>2,945,200</b>	<b>2,497,865</b>
<b>UNDERWRITING COSTS &amp; EXPENSES</b>			
Gross claims paid		(2,028,134)	(2,192,841)
Reinsurers' share of claims paid		6,183	6,250
<b>Net claims paid</b>		<b>(2,021,951)</b>	<b>(2,186,591)</b>
Changes in outstanding claims		(91,486)	(67,052)
Changes in claims incurred but not reported		(463,777)	49,772
Changes in premium deficiency reserve		2,229	60,792
Changes in claims handling reserves		(3,738)	91
Reinsurance share of changes in outstanding claims		(537)	837
Reinsurance share of changes in claims incurred but not reported		789	643
<b>Net claims incurred</b>		<b>(2,578,471)</b>	<b>(2,141,508)</b>
Policy acquisition costs		(120,868)	(56,668)
<b>Total underwriting costs &amp; expenses</b>		<b>(2,699,339)</b>	<b>(2,198,176)</b>
<b>NET UNDERWRITING INCOME</b>		<b>245,861</b>	<b>299,689</b>
<b>Other operating income/(expenses)</b>			
Allowance for doubtful receivables		(31,346)	(17,018)
General and administrative expenses		(138,457)	(132,022)
Selling and marketing expenses		(27,219)	(30,968)
Investment income – net		81,858	59,876
Other income – net		14,757	10,351
<b>Total other operating income/(expenses)</b>		<b>(100,407)</b>	<b>(109,781)</b>
<b>Income before surplus, zakat &amp; income tax</b>		<b>145,454</b>	<b>189,908</b>
<b>Income attributed to the insurance operations (transfer to surplus payable)</b>	1	<b>(7,501)</b>	<b>(14,489)</b>
<b>Income attributed to the shareholders before zakat and income tax</b>		<b>137,953</b>	<b>175,419</b>
Zakat charge	15	(20,337)	(18,318)
Income tax charge	15	(23,548)	(17,198)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>		<b>94,068</b>	<b>139,903</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,497</b>	<b>119,452</b>
<b>Basic and diluted earnings per share (Expressed in SAR per share)</b>	19	<b>0.79</b>	<b>1.17</b>

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Director and Chief Executive Officer

  
 \_\_\_\_\_  
 Director and Chief Financial Officer

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

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month period ended 31 March 2022

	<i>Three-month period ended</i>	
	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>SAR'000</i>	<i>SAR'000</i>
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>94,068</b>	139,903
<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	(1,459)	13,552
- related to policyholders	(15,239)	(3,733)
	<b>(16,698)</b>	9,819
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>77,370</b>	149,722



Chairman



**NADER ASMOIL**  
Director and Chief Financial Officer



Director and Chief Executive Officer

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

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

**INTERIM STATEMENT OF CHANGES IN EQUITY**

For three-months period ended 31 March 2022

	<i>Related to shareholders' Operations</i>						<i>Investments fair value reserve related to shareholder's operations</i>	<i>Total shareholders' operations equity</i>	<i>Investments fair value reserve – related to policyholders operations</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Share based payments reserve</i>	<i>Shares held under employees share scheme</i>	<i>Retained earnings</i>	<i>Re-measurement reserve for employees' EOSB</i>				
<b>2022</b>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>Balance at 31 December 2021 (audited)</b>	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	236,633	4,186,049	8,975	4,195,024
<b>Total comprehensive income for the period</b>										
Net income for the period attributed to shareholders after zakat and income tax	-	-	-	-	94,068	-	-	94,068	-	94,068
Actuarial losses on end-of-service benefits	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(1,459)	(1,459)	(15,239)	(16,698)
<b>Total comprehensive income for the period</b>	-	-	-	-	94,068	-	(1,459)	92,609	(15,239)	77,370
Share based payment transactions	-	-	5,575	-	-	-	-	5,575	-	5,575
Delivery of shares under LTIP	-	-	(11,623)	11,623	-	-	-	-	-	-
Purchase of shares under LTIP	-	-	-	(21,240)	-	-	-	(21,240)	-	(21,240)
<b>Balance At 31 March 2022 (unaudited)</b>	<b>1,200,000</b>	<b>992,210</b>	<b>37,452</b>	<b>(62,973)</b>	<b>1,884,768</b>	<b>(23,638)</b>	<b>235,174</b>	<b>4,262,993</b>	<b>(6,264)</b>	<b>4,256,729</b>

Chairman



Director and Chief Financial Officer



Director and Chief Executive Officer



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

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

INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For three-months period ended 31 March 2022

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

Chairman

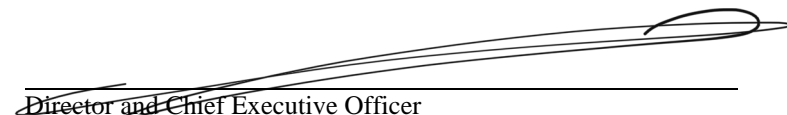


Director and Chief Financial Officer



**NADIA ASTOOR**

Director and Chief Executive Officer



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



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

INTERIM STATEMENT OF CASH FLOWS (Unaudited)  
 For three-months period ended 31 March 2022

	Notes	Three-month period ended 31 March	
		2022	2021
		SAR'000	SAR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income attributed to shareholders before zakat and income tax		137,953	175,419
<u>Adjustments for non-cash items:</u>			
Net income attributed to insurance operations		7,501	14,489
Depreciation of fixtures, and furniture		4,015	3,715
Amortization of Right-of-use assets		3,685	4,065
Amortization of intangible assets		2,972	3,430
Provision for LTIP		5,575	4,949
Allowance for doubtful receivables		31,346	17,018
Commission income on term deposits		(18,457)	(18,442)
Unrealized loss / (gains) on investments held as FVSI		401	(19)
Realized gains on investments		(30,028)	(2,945)
Provision for end-of-service benefits		4,909	4,498
Finance cost		1,273	1,828
		<b>151,145</b>	<b>208,005</b>
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(1,269,876)	(674,850)
Reinsurers' share of unearned premiums		(5,173)	(6,397)
Reinsurers' share of outstanding claims		537	(837)
Reinsurers' share of claims incurred but not reported		(789)	(643)
Deferred policy acquisition costs		(62,792)	(116,626)
Prepaid expenses and other assets		(3,100)	(11,257)
Accrued and other liabilities		42,232	3,961
Reinsurers' balances payable		7,416	6,288
Unearned premiums		1,254,916	736,703
Outstanding claims		91,486	67,052
Claims incurred but not reported		463,777	(49,772)
Premium deficiency reserve		(2,229)	(60,792)
Claims handling reserve		3,738	(91)
Due to related parties		12,707	(51,661)
		<b>683,995</b>	<b>49,083</b>
End-of-service benefits paid		(1,608)	(2,222)
Surplus paid to policyholders		(3,481)	(14,218)
Zakat and income tax paid		(17,885)	(111,444)
<b>Net cash generated from operating activities</b>		<b>661,021</b>	<b>(78,801)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits	7	(1,450,250)	(485,000)
Proceeds from maturity of term deposits	7	218,773	686,997
Additions to investments	6	(3,606,062)	(5,646,719)
Disposals of investments		4,136,145	5,116,681
Additions to Fixtures, Furniture		(1,010)	(7,111)
Intangible assets acquired		(940)	(7,291)
<b>Net cash used in investing activities</b>		<b>(703,344)</b>	<b>(342,443)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Purchase of shares under LTIP		(21,240)	-
Lease liability paid		(6,183)	(7,106)
<b>Net cash used in financing activities</b>		<b>(27,423)</b>	<b>(7,106)</b>
Net change in cash and cash equivalents		(69,746)	(428,350)
Cash and cash equivalents at beginning of the period		960,758	633,251
<b>Cash and cash equivalents at end of the period</b>		<b>891,012</b>	<b>204,901</b>
<b>Non-cash transactions</b>			
Unrealized (loss)/ gains on available-for-sale investments		(17,099)	9,819
Recognition of lease liability / Right-of-use assets		204	2,739



Chairman

  
 Director and Chief Executive Officer

Director and Chief Financial Officer

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

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2022

### 1. ORGANIZATION AND PRINCIPLE ACTIVITIES

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

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

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

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

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

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

The interim condensed financial statements of the Company have been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

## 2. BASIS OF PREPARATION (continued)

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

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

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2021.

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

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

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

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company’s accounting policies, and the key sources of estimating uncertainty including the risk management policies, were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2021. However, the Company has reviewed the key sources of estimating uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic and implications of the Council of Cooperative Health Insurance’s (“CCHI”) Circular 895 of Article 11 and Circular 965 dated 14 March 2022. For further details, please see note 22 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

### (c) Seasonality of operations

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021 except as mentioned below:

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

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

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

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

These amendments had no impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Standards issued but not yet effective

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

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

### IFRS 17 – Insurance Contracts

#### Overview

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

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

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

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

#### Measurement

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

#### *Effective date*

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

#### *Transition*

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

#### *Presentation and disclosures*

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

#### *Impact*

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

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At 31 March 2022

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

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

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

**Impact (continued)**

Impact Area	Summary of Impact
Financial Impact	The financial impact of applying IFRS 17 compared to IFRS 4 was not significant based on the assessment conducted in 2020.
Data Impact	Management is assessing data storage and infrastructure considering systems interfaces and data integrity. However, management believes that the data impact is not likely to be significant.
IT Systems	Management is assessing the current IT systems and considering the migration to a new system in phases by utilizing the current system capabilities before the migration is carried out ensuring IFRS17 disclosure and reconciliation requirements are met.
Process Impact	The Company will need to establish new processes to ensure that required line items and additional breakdowns are fed into downstream systems to create the required presentations and disclosures.
Impact on RI Arrangements	The Company’s reinsurance arrangements are not material (less than 1% of GWP is reinsured). New/enhanced systems would be flexible to account for any changes in the Company’s reinsurance strategy.
Impact on Policies & Control Frameworks	The Company needs to update the actuarial and accounting policies and develop guidance papers; From governance perspective, management needs to make sure all IFRS17 key decisions and results are appropriately reviewed and signed off by the auditors, appointed actuary, audit committee as well as the board of directors and internal control functions.

As of the date of the publication of these financial statements, the Company has already submitted Phase 3 Implementation plan to SAMA, and first unaudited dry run results to SAMA using 2020 data. The Company is planning to perform another dry run using 2021 data which will be submitted to SAMA during the current year.

**IFRS 9 - Financial Instruments**

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

**Classification and measurement**

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

##### **Impairment**

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

##### **Hedge accounting**

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

##### *Effective date*

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

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

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

##### **Impact assessment**

As at March 31, 2022, the Company has total financial assets and insurance related assets amounting to SR 9,530 million and SR 4,492 million, respectively. Financial assets mainly represent:

- Cash and cash equivalents,
- Held to maturity investments,
- Term deposits and designated sukus amounting to SR 4,344 million (2021: SR 3,094 million).
- FVSI investments amounting to SR 2,779 million (2021: SR 3,258 million).
- Other financial assets, including available for sale investments amounting to SR 2,076 million (2021: SR 2,115 million).

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



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consists of the following:

	<i>31 March 2022 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	<b>378,557</b>	<b>51,744</b>	<b>430,301</b>
Term deposits	<b>460,711</b>	-	<b>460,711</b>
	<b>839,268</b>	<b>51,744</b>	<b>891,012</b>
	<i>31 December 2021 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	430,300	30,067	460,367
Term deposits	500,391	-	500,391
	<b>930,691</b>	<b>30,067</b>	<b>960,758</b>

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the three-months period ended 31 March 2022, the insurance operations transferred cash of SR 50 million to the shareholders' operations (31 December 2021: SR 435.3 million).

**5. PREMIUMS RECEIVABLE - NET**

Receivable amounts are due from the following:

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Policyholders	<b>2,039,676</b>	1,401,823
Brokers	<b>1,222,190</b>	590,833
	<b>3,261,866</b>	1,992,656
Provision for doubtful receivables	<b>(262,036)</b>	(231,356)
<b>Premiums receivable – net</b>	<b>2,999,830</b>	<b>1,761,300</b>

**6. INVESTMENTS**

Investments are classified as follows:

	<i>31 March 2022 (Unaudited)</i>			<i>31 December 2021 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>					
Held as FVSI	<b>1,311,819</b>	<b>1,467,467</b>	<b>2,779,286</b>	1,808,199	1,449,736	3,257,935
Available-for-sale	<b>581,583</b>	<b>1,494,500</b>	<b>2,076,083</b>	691,230	1,423,358	2,114,588
Held to maturity	<b>100,000</b>	<b>231,250</b>	<b>331,250</b>	100,000	231,250	331,250
	<b>1,993,402</b>	<b>3,193,217</b>	<b>5,186,619</b>	<b>2,599,429</b>	<b>3,104,344</b>	<b>5,703,773</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**6. INVESTMENTS (continued)**

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

	<i>31 March 2022 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	<b>11,014</b>	-	<b>36044</b>	-	<b>47,058</b>
Funds	<b>1,293,597</b>	<b>7,208</b>	<b>1,409,800</b>	<b>21,623</b>	<b>2,732,228</b>
	<b>1,304,611</b>	<b>7,208</b>	<b>1,445,844</b>	<b>21,623</b>	<b>2,779,286</b>

	<i>31 December 2021 (Audited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	18,014	-	55,045	-	73,059
Funds	1,782,875	7,310	1,372,761	21,930	3,184,876
	1,800,889	7,310	1,427,806	21,930	3,257,935

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

	<i>31 March 2022 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	<b>399,058</b>	<b>146,745</b>	<b>798,319</b>	<b>103,099</b>	<b>1,447,221</b>
Funds	-	<b>35,780</b>	<b>147,102</b>	<b>16,795</b>	<b>199,677</b>
Equities	-	-	<b>366,023</b>	<b>11,250</b>	<b>377,273</b>
Investments in discretionary portfolios	-	-	<b>51,912</b>	-	<b>51,912</b>
	<b>399,058</b>	<b>182,525</b>	<b>1,363,356</b>	<b>131,144</b>	<b>2,076,083</b>

	<i>31 December 2021 (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	470,858	183,613	793,312	105,726	1,553,509
Funds	-	36,759	127,646	17,287	181,692
Equities	-	-	316,826	12,372	329,198
Investments in discretionary portfolios	-	-	50,189	-	50,189
	470,858	220,372	1,287,973	135,385	2,114,588

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At 31 March 2022

**6. INVESTMENTS (continued)**

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

	<i>31 March 2022 (Unaudited)</i>				
	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	<b>100,000</b>	-	<b>156,250</b>	<b>75,000</b>	<b>331,250</b>
	<b>100,000</b>	-	<b>156,250</b>	<b>75,000</b>	<b>331,250</b>

	<i>31 December 2021 (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	100,000	-	156,250	75,000	331,250
	100,000	-	156,250	75,000	331,250

The movements in the investments balance are as follows:

	<i>31 March 2022 (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>2,599,429</b>	<b>3,104,344</b>	<b>5,703,773</b>
Purchased during the period	<b>1,902,318</b>	<b>1,703,744</b>	<b>3,606,062</b>
Disposed during the period	<b>(2,495,800)</b>	<b>(1,640,345)</b>	<b>(4,136,145)</b>
Unrealized (losses) / gains during the period, net	<b>(12,545)</b>	<b>25,474</b>	<b>12,929</b>
	<b>1,993,402</b>	<b>3,193,217</b>	<b>5,186,619</b>

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

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**7. TERM DEPOSITS**

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structures with a small allocation in Mudaraba structures. They are mostly denominated in Saudi Arabian Riyals and have an original maturity from more than three-month to more than one year and yield financial income at rates ranging from 0.9% to 4.2% per annum (2021: from 1.2% to 4.3% per annum). The movements in term deposits during the period ended 31 March 2022 as follows:

	<i>31 March 2022 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the period	2,007,922	1,085,798	3,093,720
Matured during the period	(5,528)	(213,245)	(218,773)
Placed during the period	1,250,250	200,000	1,450,250
Commission income earned during the period	12,165	6,292	18,457
	<u>3,264,809</u>	<u>1,078,845</u>	<u>4,343,654</u>
	<i>31 December 2021 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Balance at the beginning of the year	1,645,292	1,151,255	2,796,547
Matured during the year	(1,507,552)	(466,960)	(1,974,512)
Placed during the year	1,839,000	374,328	2,213,328
Commission income earned during the year	31,182	27,175	58,357
	<u>2,007,922</u>	<u>1,085,798</u>	<u>3,093,720</u>

**8. STATUTORY DEPOSIT**

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 120 million, in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 15.2 million (2021: SR 14.9 million) and this deposit cannot be withdrawn without approval from SAMA.

**9. TECHNICAL RESERVES**

**9.1 Movement in unearned premiums**

Movements in unearned premiums are as follows:

	<i>Three-month ended 31 March 2022 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2022	4,709,555	(27,935)	4,681,620
Premium written/(ceded) during the period	4,222,419	(27,476)	4,194,943
Premium earned during the period	(2,967,503)	22,303	(2,945,200)
	<u>5,964,471</u>	<u>(33,108)</u>	<u>5,931,363</u>
	<i>Year ended 31 December 2021 (Audited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2021	4,023,331	(20,108)	4,003,223
Premium written/(ceded) during the year	11,382,194	(86,082)	11,296,112
Premium earned during the year	(10,695,970)	78,255	(10,617,715)
	<u>4,709,555</u>	<u>(27,935)</u>	<u>4,681,620</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**9. TECHNICAL RESERVES (continued)**

**9.2 Net outstanding claims and reserves**

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

	<i>31 March 2022 (Unaudited) SAR'000</i>	<i>31 December 2021 (Audited) SAR'000</i>
Outstanding claims	<b>692,654</b>	601,168
Claims incurred but not reported	<b>1,877,665</b>	1,413,888
Premium deficiency reserve	<b>72,373</b>	74,602
Claims handling reserves	<b>25,535</b>	21,797
	<u><b>2,668,227</b></u>	<u>2,111,455</u>
Less:		
- Reinsurers' share of outstanding claims	<b>(6,670)</b>	(7,207)
- Reinsurers' share of claims incurred but not reported	<b>(8,618)</b>	(7,829)
	<u><b>(15,288)</b></u>	<u>(15,036)</u>
<b>Net outstanding claims and reserves</b>	<u><b>2,652,939</b></u>	<u>2,096,419</u>

**10. FIDUCIARY ASSETS**

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

In order to fulfil the commitment relating to this agreement, the Company receives funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the reporting date, are excluded from the interim statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 407 million as of 31 March 2022 (31 December 2021: SR 260 million).

**11. COMMITMENTS AND CONTINGENCIES**

The Company's commitments and contingencies are as follows:

- i) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as at 31 December 2021.
- ii) As of 31 March 2022 total Letters of Guarantee issued by banks amounted to SR 108 million (2021: SR 128 million).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

**b) Carrying amounts and fair value**

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

	<i>Fair value</i>			<i>Total</i>	<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>		
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<i>31 March 2022 (Unaudited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	-	2,779,286	-	2,779,286	2,779,286
- Available-for-sale investments	1,323,679	731,404	21,000	2,076,083	2,076,083
	<u>1,323,679</u>	<u>3,510,690</u>	<u>21,000</u>	<u>4,855,369</u>	<u>4,855,369</u>

	<i>Fair value</i>			<i>Total</i>	<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>		
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<i>31 December 2021 (Audited)</i>					
<b>Financial assets measured at fair value</b>					
- Investments held as FVSI	-	3,257,935	-	3,257,935	3,257,935
- Available for sale investments	1,421,562	670,903	22,123	2,114,588	2,114,588
	<u>1,421,562</u>	<u>3,928,838</u>	<u>22,123</u>	<u>5,372,523</u>	<u>5,372,523</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

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

### c) Measurement of fair value

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

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 March 2022 and 31 December 2021, as well as the significant unobservable inputs used.

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

## 13. OPERATING SEGMENTS

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

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

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

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**13. OPERATING SEGMENTS (continued)**

<i>As at 31 March 2022 (Unaudited)</i>					
<i>Operating segments</i>	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total Insurance operations</i>		
	<i>SAR'000</i>			<i>SAR'000</i>	<i>SAR'000</i>
<b>Assets</b>					
Premiums receivable – net	1,762,314	1,237,516	2,999,830	-	2,999,830
Reinsurers' share of unearned premiums	18,546	14,562	33,108	-	33,108
Reinsurers' share of outstanding claims	2,298	4,372	6,670	-	6,670
Reinsurers' share of claims incurred but not reported	2,959	5,659	8,618	-	8,618
Deferred policy acquisition costs	142,481	121,353	263,834	-	263,834
Unallocated assets			6,180,662	4,869,020	11,049,682
<b>Total assets</b>			<b>9,492,722</b>	<b>4,869,020</b>	<b>14,361,742</b>
<b>Liabilities</b>					
Unearned premiums	3,341,069	2,623,402	5,964,471	-	5,964,471
Outstanding claims	494,024	198,630	692,654	-	692,654
Claims incurred but not reported	1,345,839	531,826	1,877,665	-	1,877,665
Premium deficiency Reserve	40,540	31,833	72,373	-	72,373
Claims handling reserve	18,258	7,277	25,535	-	25,535
Unallocated liabilities			866,288	606,027	1,472,315
<b>Total liabilities</b>			<b>9,498,986</b>	<b>606,027</b>	<b>10,105,013</b>

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



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**13. OPERATING SEGMENTS (continued)**

<i>Operating segments</i>	<i>Three-month period ended 31 March 2022</i> <i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<b><u>REVENUES</u></b>			
Gross written premium	2,752,540	1,469,879	4,222,419
Reinsurance premiums ceded – Local	(967)	(516)	(1,483)
Reinsurance premiums ceded – International	(16,945)	(9,048)	(25,993)
<b>Net premiums written</b>	<b>2,734,628</b>	<b>1,460,315</b>	<b>4,194,943</b>
Changes in unearned premiums – net	(749,630)	(500,113)	(1,249,743)
<b>Net premiums earned</b>	<b>1,984,998</b>	<b>960,202</b>	<b>2,945,200</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>			
Gross claims paid	(1,411,654)	(616,480)	(2,028,134)
Reinsurers' share of claims paid	4,303	1,880	6,183
<b>Net claims paid</b>	<b>(1,407,351)</b>	<b>(614,600)</b>	<b>(2,021,951)</b>
Changes in outstanding claims	(68,779)	(22,707)	(91,486)
Changes in claims incurred but not reported	(345,303)	(118,474)	(463,777)
Changes in Premium deficiency Reserve	459	1,770	2,229
Changes in claims handling reserves	(2,837)	(901)	(3,738)
Reinsurance share of changes in outstanding claims	(262)	(275)	(537)
Reinsurance share of changes in claims incurred but not reported	336	453	789
<b>Net claims incurred</b>	<b>(1,823,737)</b>	<b>(754,734)</b>	<b>(2,578,471)</b>
Policy acquisition costs	(72,521)	(48,347)	(120,868)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,896,258)</b>	<b>(803,081)</b>	<b>(2,699,339)</b>
<b>NET UNDERWRITING INCOME</b>	<b>88,740</b>	<b>157,121</b>	<b>245,861</b>
<b><u>OTHER OPERATING INCOME/(EXPENSES)</u></b>			
Allowance for doubtful receivables			(31,346)
Unallocated income			96,615
Unallocated expenses			(165,676)
<b>TOTAL OTHER OPERATING INCOME/(EXPENSES)</b>			<b>(100,407)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>			<b>145,454</b>
Income attributed to insurance operations (transfer to surplus payable)			(7,501)
<b>Income attributed to the shareholders before zakat and income tax</b>			<b>137,953</b>
Zakat charge			(20,337)
Income tax charge			(23,548)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>94,068</b>
<b><u>Gross Written Premium details</u></b>			<b><u>Three-month period ended</u></b>
			<b><u>31 March 2022</u></b>
			<b><u>SAR'000</u></b>
Corporates			3,182,327
Medium Enterprises			752,811
Small Enterprises			250,975
Micro Enterprises			26,844
Individuals			9,462
<b>Total Gross Written Premium</b>			<b>4,222,419</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>Three-month period ended 31 March 2021</i>		
	<i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR '000</i>		
<b>REVENUES</b>			
Gross written premium	2,099,044	1,153,738	3,252,782
Reinsurance premiums ceded – Local	(811)	(446)	(1,257)
Reinsurance premiums ceded – International	(15,071)	(8,283)	(23,354)
Net premiums written	2,083,162	1,145,009	3,228,171
Changes in unearned premiums – net	(401,041)	(329,265)	(730,306)
Net premiums earned	1,682,121	815,744	2,497,865
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(1,572,308)	(620,533)	(2,192,841)
Reinsurers' share of claims paid	4,481	1,769	6,250
Net claims paid	(1,567,827)	(618,764)	(2,186,591)
Changes in outstanding claims	(49,242)	(17,810)	(67,052)
Changes in claims incurred but not reported	36,750	13,022	49,772
Changes in Premium deficiency Reserve	71,441	(10,649)	60,792
Changes in claims handling reserves	49	42	91
Reinsurance share of changes in outstanding claims	230	607	837
Reinsurance share of changes in claims incurred but not reported	329	314	643
Net claims incurred	(1,508,270)	(633,238)	(2,141,508)
Policy acquisition costs	(34,001)	(22,667)	(56,668)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(1,542,271)</b>	<b>(655,905)</b>	<b>(2,198,176)</b>
<b>NET UNDERWRITING INCOME</b>	<b>139,850</b>	<b>159,839</b>	<b>299,689</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Allowance for doubtful receivables			(17,018)
Unallocated income			70,227
Unallocated expenses			(162,990)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			<b>(109,781)</b>
<b>Income before Surplus, Zakat &amp; Income Tax</b>			<b>189,908</b>
Income attributed to insurance operations (transfer to surplus payable)			(14,489)
Income attributed to the shareholders before zakat and income tax			175,419
Zakat charge			(18,318)
Income tax charge			(17,198)
<b>NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			<b>139,903</b>
<b>Gross Written Premium details</b>			
			<i>Three-month period ended 31 March 2021</i>
			<i>SAR '000</i>
Corporates			2,389,210
Medium Enterprises			620,456
Small Enterprises			218,453
Micro Enterprises			20,031
Individuals			4,632
<b>Total Gross Written Premium</b>			<b>3,252,782</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**14. RELATED PARTIES TRANSACTIONS AND BALANCES**

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the period ended</u>		<u>Receivable/(payable) balance as at</u>	
		<u>31 March 2022</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 March 2021</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 March 2022</u> <i>(Unaudited)</i> <i>SR'000</i>	<u>31 December 2021</u> <i>(Audited)</i> <i>SR'000</i>
Shareholders and others	Insurance premium written	26,261	153,617	204**	2,726**
Shareholders	Reinsurance Premium ceded	(20,060)	(18,324)	(25,126)*	(19,672)*
Shareholders and others	Claims paid	2,346	23,145	(255)***	(17,289)***
Shareholders	Medical costs charged by providers	3,290	17,269	(362)***	(19,696)***
Shareholders	Expenses charged to/from a related party - net	33	681	533*	1,024*
Shareholders	Tax equalisation - net	-	-	12,369*	12,369*
Shareholders	Board members fees	213	151	(213)*	(833)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	7,382	6,260	(33,993)*	(26,611)*

\* Amounts due to related parties amounted to SR **46,430 thousand** (2021: SR 33,723 thousand).

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

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

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

	<u>31 March 2022</u> <i>(Unaudited)</i> <i>SAR'000</i>	<u>31 March 2021</u> <i>(Unaudited)</i> <i>SAR'000</i>
Short-term benefits	6,884	7,115
Long-term benefits	3,946	4,862
	<u>10,830</u>	<u>11,977</u>

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

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**15. ZAKAT AND INCOME TAX**

Breakup of zakat and income tax charge for the three-month period ended 31 March 2022 and 2021 are as follows:

	<i>Three-months period ended 31 March 2022 (Unaudited) SAR'000</i>	<i>Three-months period ended 31 March 2021 (Unaudited) SAR'000</i>
Current zakat charge	<b>20,337</b>	18,318
Current tax charge	<b>21,724</b>	16,791
Deferred tax charge (note 15.a)	<b>1,824</b>	407
	<b>23,548</b>	17,198
	<b>43,885</b>	35,516

a) The reconciliation of deferred tax is as follows:

	<i>31 March 2022 (Unaudited) SAR'000</i>	<i>31 December 2021 (Audited) SAR'000</i>	<i>31 March 2021 (Unaudited) SAR'000</i>
Opening deferred tax asset	<b>39,735</b>	37,941	37,941
Deferred tax (charge) / income	<b>(1,824)</b>	1,794	(407)
	<b>37,911</b>	39,735	37,534

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

	<i>Zakat payable SAR'000</i>	<i>Income tax payable SAR'000</i>	<i>Total 31 March 2022 (Unaudited) SAR'000</i>	<i>Total 31 December 2021 (Audited) SAR'000</i>
Balance at beginning of the period/year	<b>202,819</b>	<b>33,790</b>	<b>236,609</b>	317,199
Provided during the period/year	<b>20,337</b>	<b>21,724</b>	<b>42,061</b>	106,925
Payments during the period/year	<b>-</b>	<b>(17,884)</b>	<b>(17,884)</b>	(187,514)
Balance at end of the period/year	<b>223,156</b>	<b>37,630</b>	<b>260,786</b>	236,610

**Status of assessments**

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

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

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## 16. SHARE CAPITAL

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

	<i>31 March 2022</i>		<i>31 December 2021</i>	
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<i>Holding</i>		<i>Holding</i>	
	<i>percentage</i>	<i>SR'000</i>	<i>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%</b>	<b>1,200,000</b>	100%	1,200,000

## 17. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company carry out this transfer on an annual basis at 31 December. As at 31 March 2022, SR 992.2 million (31 December 2021: SR 992.2 million) had been set aside as a statutory reserve, representing 82.6% (31 December 2021: 82.6%) of the paid-up share capital.

## 18. CAPITAL MANAGEMENT

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

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

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

## 19. EARNINGS PER SHARE

The basic and diluted earnings per share has been calculated by dividing net income after zakat and income tax for the period by the weighted average number of ordinary shares issued and outstanding at the period end. Weighted average number of ordinary share outstanding at the period end are the ordinary shares issued adjusted for share held under employees share scheme as at 31 March 2022.

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**20. SUPPLEMENTARY INFORMATION**

**Interim financial position**

	<i>31 March 2022 (Unaudited)</i>			<i>31 December 2021 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	839,268	51,744	891,012	930,691	30,067	960,758
Premiums receivables – net	2,999,830	-	2,999,830	1,761,300	-	1,761,300
Reinsurers' share of unearned premiums	33,108	-	33,108	27,935	-	27,935
Reinsurers' share of outstanding claims	6,670	-	6,670	7,207	-	7,207
Reinsurers' share of claims Incurred but not reported	8,618	-	8,618	7,829	-	7,829
Deferred policy acquisition costs	263,834	-	263,834	201,042	-	201,042
Investments	1,993,402	3,193,217	5,186,619	2,599,429	3,104,344	5,703,773
Prepaid expenses and other assets	83,183	33,171	116,354	99,998	13,256	113,254
Term deposits	3,264,809	1,078,845	4,343,654	2,007,922	1,085,798	3,093,720
Fixtures, furniture – net	-	66,766	66,766	-	69,771	69,771
Right-of-use assets – net	-	108,931	108,931	-	112,616	112,616
Intangible assets – net	-	65,245	65,245	-	67,277	67,277
Deferred tax asset	-	37,911	37,911	-	39,735	39,735
Goodwill	-	98,000	98,000	-	98,000	98,000
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Accrued income on statutory deposit	-	15,190	15,190	-	14,885	14,885
<b>TOTAL ASSETS</b>	<b>9,492,722</b>	<b>4,869,020</b>	<b>14,361,742</b>	<b>7,643,353</b>	<b>4,755,749</b>	<b>12,399,102</b>

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**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim financial position (continued)**

	<i>31 March 2022 (Unaudited)</i>			<i>31 December 2021 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>LIABILITIES</u></b>						
Accrued and other liabilities	639,395	7,611	647,006	597,911	6,863	604,774
Lease Liability	-	120,423	120,423	-	125,333	125,333
Insurance operations' surplus payable	194,080	-	194,080	190,060	-	190,060
Reinsurers' balances payable	32,813	-	32,813	25,397	-	25,397
Unearned premiums	5,964,471	-	5,964,471	4,709,555	-	4,709,555
Outstanding claims	692,654	-	692,654	601,168	-	601,168
Claims incurred but not reported	1,877,665	-	1,877,665	1,413,888	-	1,413,888
Premium deficiency Reserve	72,373	-	72,373	74,602	-	74,602
Claims handling reserve	25,535	-	25,535	21,797	-	21,797
Due to related parties	-	46,430	46,430	-	33,723	33,723
Provision for end-of-service benefits (EOSB)	-	155,587	155,587	-	152,286	152,286
Provision for zakat and income tax	-	260,786	260,786	-	236,610	236,610
Accrued income payable to SAMA	-	15,190	15,190	-	14,885	14,885
<b>TOTAL LIABILITIES</b>	<b>9,498,986</b>	<b>606,027</b>	<b>10,105,013</b>	<b>7,634,378</b>	<b>569,700</b>	<b>8,204,078</b>
<b><u>EQUITY</u></b>						
Share capital	-	1,200,000	1,200,000	-	1,200,000	1,200,000
Statutory reserve	-	992,210	992,210	-	992,210	992,210
Share based payments reserve	-	37,452	37,452	-	43,500	43,500
Shares held under employees share scheme	-	(62,973)	(62,973)	-	(53,356)	(53,356)
Retained earnings	-	1,884,768	1,884,768	-	1,790,700	1,790,700
Re-measurement reserve for employees' EOSB	-	(23,638)	(23,638)	-	(23,638)	(23,638)
Investments fair value reserve	(6,264)	235,174	228,910	8,975	236,633	245,608
<b>TOTAL EQUITY</b>	<b>(6,264)</b>	<b>4,262,993</b>	<b>4,256,729</b>	<b>8,975</b>	<b>4,186,049</b>	<b>4,195,024</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b>9,492,722</b>	<b>4,869,020</b>	<b>14,361,742</b>	<b>7,643,353</b>	<b>4,755,749</b>	<b>12,399,102</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of income**

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>2022</i>			<i>2021</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR '000</i>	<i>SAR '000</i>	<i>SAR '000</i>	<i>SAR '000</i>	<i>SAR '000</i>	<i>SAR '000</i>	
<b><u>REVENUES</u></b>						
Gross premiums written	4,222,419	-	4,222,419	3,252,782	-	3,252,782
Reinsurance premiums ceded – Local	(1,483)	-	(1,483)	(1,257)	-	(1,257)
Reinsurance premiums ceded – International	(25,993)	-	(25,993)	(23,354)	-	(23,354)
<b>Net premiums written</b>	<b>4,194,943</b>	<b>-</b>	<b>4,194,943</b>	<b>3,228,171</b>	<b>-</b>	<b>3,228,171</b>
Changes in unearned premiums – net	(1,249,743)	-	(1,249,743)	(730,306)	-	(730,306)
<b>Net premiums earned</b>	<b>2,945,200</b>	<b>-</b>	<b>2,945,200</b>	<b>2,497,865</b>	<b>-</b>	<b>2,497,865</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>						
Gross claims paid	(2,028,134)	-	(2,028,134)	(2,192,841)	-	(2,192,841)
Reinsurers' share of claims paid	6,183	-	6,183	6,250	-	6,250
<b>Net claims paid</b>	<b>(2,021,951)</b>	<b>-</b>	<b>(2,021,951)</b>	<b>(2,186,591)</b>	<b>-</b>	<b>(2,186,591)</b>
Changes in outstanding claims	(91,486)	-	(91,486)	(67,052)	-	(67,052)
Changes in claims incurred but not reported	(463,777)	-	(463,777)	49,772	-	49,772
Changes in Premium deficiency Reserve	2,229	-	2,229	60,792	-	60,792
Changes in claims handling reserves	(3,738)	-	(3,738)	91	-	91
Reinsurance share of changes in outstanding claims	(537)	-	(537)	837	-	837
Reinsurance share of changes in claims incurred but not reported	789	-	789	643	-	643
<b>Net claims incurred</b>	<b>(2,578,471)</b>	<b>-</b>	<b>(2,578,471)</b>	<b>(2,141,508)</b>	<b>-</b>	<b>(2,141,508)</b>
Policy acquisition costs	(120,868)	-	(120,868)	(56,668)	-	(56,668)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(2,699,339)</b>	<b>-</b>	<b>(2,699,339)</b>	<b>(2,198,176)</b>	<b>-</b>	<b>(2,198,176)</b>
<b>NET UNDERWRITING INCOME</b>	<b>245,861</b>	<b>-</b>	<b>245,861</b>	<b>299,689</b>	<b>-</b>	<b>299,689</b>



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

At 31 March 2022

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of income (continued)**

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

	2022			2021		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<b><u>OTHER OPERATING INCOME/(EXPENSES)</u></b>						
Allowance for doubtful receivables	(31,346)	-	(31,346)	(17,018)	-	(17,018)
General and administrative expenses	(136,646)	(1,811)	(138,457)	(129,449)	(2,573)	(132,022)
Selling and marketing expenses	(27,219)	-	(27,219)	(30,968)	-	(30,968)
Investment income – net	25,628	56,230	81,858	23,635	36,241	59,876
Other income – net	(1,273)	16,030	14,757	(1,000)	11,351	10,351
<b>TOTAL OTHER OPERATING INCOME/(EXPENSES)</b>	<b>(170,856)</b>	<b>70,449</b>	<b>(100,407)</b>	<b>(154,800)</b>	<b>45,019</b>	<b>(109,781)</b>
<b><u>Income before Surplus, Zakat &amp; Income Tax</u></b>	<b>75,005</b>	<b>70,449</b>	<b>145,454</b>	<b>144,889</b>	<b>45,019</b>	<b>189,908</b>
Transfer of surplus to shareholders	(67,504)	67,504	-	(130,400)	130,400	-
<b><u>NET RESULTS FROM OPERATIONS</u></b>	<b>7,501</b>	<b>137,953</b>	<b>145,454</b>	<b>14,489</b>	<b>175,419</b>	<b>189,908</b>
Zakat charge	-	(20,337)	(20,337)	-	(18,318)	(18,318)
Income tax charge	-	(23,548)	(23,548)	-	(17,198)	(17,198)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	<b>7,501</b>	<b>94,068</b>	<b>101,569</b>	<b>14,489</b>	<b>139,903</b>	<b>154,392</b>
<b>Weighted average number of ordinary outstanding shares (in thousands)</b>		<b>119,497</b>			<b>119,452</b>	
<b>Basic and diluted earnings per share (Expressed in SAR per share)</b>		<b>0.79</b>			<b>1.17</b>	

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of comprehensive income**

	<i>Three month period ended 31 March (Unaudited)</i>					
	<i>2022</i>			<i>2021</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Net income attributed after zakat and income tax	7,501	94,068	101,569	14,489	139,903	154,392
<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	(15,239)	(1,459)	(16,698)	(3,733)	13,552	9,819
<b><u>TOTAL COMPREHENSIVE INCOME</u></b>	<b>(7,738)</b>	<b>92,609</b>	<b>84,871</b>	<b>10,756</b>	<b>153,455</b>	<b>164,211</b>
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			(7,501)			(14,489)
<b><u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u></b>			<b>77,370</b>			<b>149,722</b>

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

At 31 March 2022

**20. SUPPLEMENTARY INFORMATION (continued)**

**Interim statement of cash flows**

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>2022</i>			<i>2021</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income attributed to the shareholders before zakat and income tax	-	137,953	137,953	-	175,419	175,419
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	7,501	-	7,501	14,489	-	14,489
Depreciation of fixtures, and furniture	4,015	-	4,015	3,715	-	3,715
Amortization of Right-of-use assets	3,685	-	3,685	4,065	-	4,065
Amortization of intangible assets	2,972	-	2,972	3,430	-	3,430
Provision for employees share scheme	-	5,575	5,575	-	4,949	4,949
Allowance for doubtful receivables	31,346	-	31,346	17,018	-	17,018
Commission income on term deposits	(12,165)	(6,292)	(18,457)	(10,576)	(7,866)	(18,442)
Unrealized loss / (gains) on investments held as FVIS	150	251	401	(381)	362	(19)
Realized gains on investments	(2,845)	(27,183)	(30,028)	(2,220)	(725)	(2,945)
Provision for end-of-service benefits	-	4,909	4,909	-	4,498	4,498
Finance cost	-	1,273	1,273	-	1,828	1,828
	<b>34,659</b>	<b>116,486</b>	<b>151,145</b>	<b>29,540</b>	<b>178,465</b>	<b>208,005</b>
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(1,269,876)	-	(1,269,876)	(674,850)	-	(674,850)
Reinsurers' share of unearned premiums	(5,173)	-	(5,173)	(6,397)	-	(6,397)
Reinsurers' share of outstanding claims	537	-	537	(837)	-	(837)
Reinsurers' share of claims incurred but not reported	(789)	-	(789)	(643)	-	(643)
Deferred policy acquisition costs	(62,792)	-	(62,792)	(116,626)	-	(116,626)
Prepaid expenses and other assets	16,815	(19,915)	(3,100)	4,839	(16,096)	(11,257)
Accrued and other liabilities	41,483	749	42,232	(1,505)	5,466	3,961
Reinsurers' balances payable	7,416	-	7,416	6,288	-	6,288
Unearned premiums	1,254,916	-	1,254,916	736,703	-	736,703
Outstanding claims	91,486	-	91,486	67,052	-	67,052
Claims incurred but not reported	463,777	-	463,777	(49,772)	-	(49,772)
Premium deficiency reserve	(2,229)	-	(2,229)	(60,792)	-	(60,792)
Claims handling reserve	3,738	-	3,738	(91)	-	(91)
Due to related parties	-	12,707	12,707	-	(51,661)	(51,661)
	<b>573,968</b>	<b>110,027</b>	<b>683,995</b>	<b>(67,091)</b>	<b>116,174</b>	<b>49,083</b>
Due to shareholders' operations	174,615	(174,615)	-	(117,623)	117,623	-
End-of-service benefits paid	-	(1,608)	(1,608)	-	(2,222)	(2,222)
Surplus paid to policyholders	(3,481)	-	(3,481)	(14,218)	-	(14,218)
Zakat and income tax paid	-	(17,885)	(17,885)	-	(111,444)	(111,444)
<b>Net cash generated from / (used in) operating activities</b>	<b>745,102</b>	<b>(84,081)</b>	<b>661,021</b>	<b>(198,932)</b>	<b>120,131</b>	<b>(78,801)</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

**20. SUPPLEMENTARY INFORMATION (continued)**

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

	<i>Three-month period ended 31 March (Unaudited)</i>					
	<i>2022</i>			<i>2021</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in term deposits	(1,250,250)	(200,000)	(1,450,250)	(385,000)	(100,000)	(485,000)
Proceeds from maturity of term deposits	5,528	213,245	218,773	668,555	18,442	686,997
Additions to investments	(1,902,318)	(1,703,744)	(3,606,062)	(3,348,359)	(2,298,360)	(5,646,719)
Disposals of investments	2,310,515	1,825,630	4,136,145	3,175,062	1,941,619	5,116,681
Additions to Fixtures, Furniture	-	(1,010)	(1,010)	-	(7,111)	(7,111)
Intangible assets acquired	-	(940)	(940)	-	(7,291)	(7,291)
<b>Net cash (used in) / generated from investing activities</b>	<b>(836,525)</b>	<b>133,181</b>	<b>(703,344)</b>	<b>110,258</b>	<b>(452,701)</b>	<b>(342,443)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>						
Purchase of shares held under employees share scheme	-	(21,240)	(21,240)	-	-	-
Lease liability paid	-	(6,183)	(6,183)	-	(7,106)	(7,106)
<b>Net cash used in financing activity</b>	<b>-</b>	<b>(27,423)</b>	<b>(27,423)</b>	<b>-</b>	<b>(7,106)</b>	<b>(7,106)</b>
Net change in cash and cash equivalents	(91,423)	21,677	(69,746)	(88,674)	(339,676)	(428,350)
Cash and cash equivalents at the beginning of the period	930,691	30,067	960,758	195,232	438,019	633,251
<b>Cash and cash equivalents at the end of the period</b>	<b>839,268</b>	<b>51,744</b>	<b>891,012</b>	<b>106,558</b>	<b>98,343</b>	<b>204,901</b>

**21. COMPARATIVE FIGURES**

Certain comparative figures have been restated and regrouped to conform with the current period's presentation in these interim condensed financial statements. These restatements have no impact on the net income for the three month period ended 31 March 2021 and retained earnings for the same period.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2022

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

### *a. Impact of Government Providers*

The Council of Health Insurance (“CHI”) issued Circular 895, dated 17/12/2020, regarding the enforcement of Article 11 of the Cooperative Health Insurance Law, requesting medical insurance companies, effective 1/1/2021, to include all accredited government healthcare providers in their medical network while complying with the approved financial compensation structure. The circular is expected to have a material impact on future medical claims considering the mandated prices and protocols regulating the relationship between government health facilities and insurance companies. Given the many uncertainties surrounding the actual rollout and application of Circular 895, management continues monitoring the situation closely, while reassessing and updating its estimates and judgments on a regular basis.

### *b. COVID-19 Expenses*

CHI issued Circular 965, dated 14/3/2022, stating that insurance companies will be covering all expenses resulting from suspected and confirmed cases with COVID-19. The coverage will include all policies currently in force which results in deficiency in Unearned Premium Reserve (“UPR”) and hence the company will hold a Premium Deficiency Reserve (“PDR”) balance of SR 72.3M. The PDR calculation follows SAMA Circular 173 dated 16/01/2019, which requires insurance companies to hold a PDR in case the relevant UPR is insufficient to cover related projected claims and expenses.

## **23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors, on 26 Ramadan 1443 H corresponding to 27 April 2022 G.