

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2020**

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2020

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PricewaterhouseCoopers
5th floor, Jameel Square
P.O. Box 16415
Jeddah 21464
Kingdom of Saudi Arabia
License No. 25



Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
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 statement of financial position of Bupa Arabia for Cooperative Insurance Company (the "Company") as at 30 September 2020, and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes (collectively referred to as "the interim condensed financial statements").

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

Scope of review

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

Conclusion

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

for PricewaterhouseCoopers
Certified Public Accountants

Mufaddal A. Ali
Certified Public Accountant
License No. 447

for Ernst & Young & Co.
(Public Accountants)

Ahmed I. Reda
Certified Public Accountant
License No. 356

18 Rabi Al Awal 1442 H

Corresponding to 4 November 2020 G

Jeddah, Kingdom of Saudi Arabia



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

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	Notes	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
ASSETS			
Cash and cash equivalents	4	356,568	665,709
Premiums receivable – net	5	2,490,541	1,689,377
Reinsurers' share of unearned premiums	9.1	13,072	20,625
Reinsurers' share of outstanding claims	9.2	1,460	1,218
Reinsurers' share of claims incurred but not reported	9.2	6,673	3,972
Deferred policy acquisition costs		--	134,022
Investments	6	5,400,691	1,840,832
Prepaid expenses and other assets		282,494	276,643
Term deposits	7	3,238,379	5,063,976
Fixtures, Furniture and Right-of-use assets – net		208,681	169,441
Intangible assets – net		56,721	56,245
Deferred tax asset	15	34,761	30,216
Goodwill		98,000	98,000
Statutory deposit	8	120,000	120,000
Accrued income on statutory deposit	8	13,070	10,820
TOTAL ASSETS		12,321,111	10,181,096
LIABILITIES			
Accrued and other liabilities		637,918	448,687
Insurance operations' surplus payable		224,603	168,454
Reinsurers' balances payable		68,059	54,413
Unearned premiums	9.1	5,052,553	4,376,219
Outstanding claims	9.2	405,853	451,788
Claims incurred but not reported	9.2	1,300,473	1,157,428
Premium deficiency Reserve	9.2	291,155	--
Claims handling reserve	9.2	19,073	18,492
Due to related parties	14	85,853	78,848
Provision for employees' end-of-service benefits ("EOSBs")		108,279	96,341
Provision for zakat and income tax	15	312,828	274,709
Accrued income payable to SAMA	8	13,070	10,820
TOTAL LIABILITIES		8,519,717	7,136,199
EQUITY			
Share capital	16	1,200,000	1,200,000
Statutory reserve	17	727,871	727,871
Share based payments reserve		28,015	25,525
Shares held under employees share scheme		(48,779)	(57,538)
Retained earnings		1,754,359	1,128,973
Re-measurement reserve for employees' EOSBs		(10,473)	(10,473)
Investments fair value reserve – related to shareholders		131,304	18,035
TOTAL SHAREHOLDERS' EQUITY		3,782,297	3,032,393
Investments fair value reserve – related to policyholders		19,097	12,504
TOTAL EQUITY		3,801,394	3,044,897
TOTAL LIABILITIES AND EQUITY		12,321,111	10,181,096

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 STATEMENT OF INCOME (Unaudited)

For the three-month and nine-month periods ended 30 September 2020

Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020	2019	2020	2019
	SAR'000	SAR'000	SAR'000	SAR'000
REVENUES				
Gross premiums written	3,076,175	3,076,443	8,789,371	8,420,692
Reinsurance premiums ceded – Local	(1,135)	(2,683)	(3,405)	(7,773)
Reinsurance premiums ceded – International	(7,416)	(17,648)	(33,328)	(63,675)
Net premiums written	3,067,624	3,056,112	8,752,638	8,349,244
Changes in unearned premiums – net	(367,776)	(694,874)	(683,887)	(1,505,925)
Net premiums earned	2,699,848	2,361,238	8,068,751	6,843,319
UNDERWRITING COSTS & EXPENSES				
Gross claims paid	(1,984,777)	(1,820,441)	(5,920,645)	(5,603,733)
Reinsurers' share of claims paid	2,668	12,449	8,003	37,346
Net claims paid	(1,982,109)	(1,807,992)	(5,912,642)	(5,566,387)
Changes in outstanding claims	(161,121)	103,293	45,935	70,794
Changes in claims incurred but not reported	(33,231)	(156,239)	(143,045)	(59,422)
Changes in Premium deficiency Reserve	(5,502)	--	(291,155)	--
Changes in claims handling reserves	(143)	125	(581)	1,000
Reinsurance share of changes in outstanding claims	528	423	242	547
Reinsurance share of changes in claims incurred but not reported	1,296	(85)	2,701	(44)
Net claims incurred	(2,180,282)	(1,860,475)	(6,298,545)	(5,553,512)
Policy acquisition costs	(131,684)	(54,380)	(421,722)	(165,737)
Total underwriting costs & expenses	(2,311,966)	(1,914,855)	(6,720,267)	(5,719,249)
NET UNDERWRITING INCOME	387,882	446,383	1,348,484	1,124,070
Other operating (expenses)/ income				
Allowance for doubtful receivables	(41,955)	(17,429)	(46,433)	(90,480)
General and administrative expenses	(132,385)	(118,333)	(402,087)	(339,482)
Selling and marketing expenses	(91,553)	(89,240)	(277,513)	(264,300)
Investment income – net	56,951	60,051	168,047	178,594
Other income – net	6,452	4,546	20,461	15,546
Total other operating (expenses)/ income	(202,490)	(160,405)	(537,525)	(500,122)
Income before Surplus, Zakat & Income Tax	185,392	285,978	810,959	623,948
Income attributed to the insurance operations (transfer to surplus payable)	1	(15,324)	(25,574)	(72,177)
Income attributed to the shareholders before zakat and income tax	170,068	260,404	738,782	570,601
Zakat charge	15	(18,073)	(13,307)	(53,538)
Income tax charge	15	(12,377)	(20,514)	(57,985)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	139,618	226,583	627,259	488,142
Weighted average number of ordinary outstanding shares (in thousands)	119,446	119,594	119,413	119,595
Basic earnings per share (Expressed in SAR per Share)	19	1.17	1.89	5.25

Chairman

19

1.17

1.89

5.25

4.08

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 STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the three-month and Nine-month periods ended 30 September 2020

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September</i>		<i>30 September</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>
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	139,618	226,583	627,259	488,142
Other comprehensive income				
<i>Items that will not be reclassified to the interim statement of income in subsequent periods</i>				
Re-measurement of employees EOSBs	--	--	--	--
Net changes in fair value of available-for-sale investments:				
- related to shareholders	62,391	3,633	113,269	28,599
- related to policyholders	5,103	4,781	6,593	22,400
	67,494	8,414	119,862	50,999
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	207,112	234,997	747,121	539,141


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

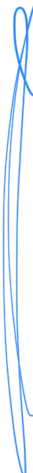
INTERIM STATEMENT OF CHANGES IN EQUITY
For nine-month period ended 30 September 2020

	Related to shareholders								
	Share capital SR'000	Statutory reserve SR'000	Share based payments reserve SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Re-measurement reserve of end-of-service benefits SR'000	Investments fair value reserve SR'000	Investments fair value reserve – related to policyholders SR'000	Total equity SR'000
Balance at 31 December 2019 (audited)	1,200,000	727,871	25,525	(57,538)	1,128,973	(10,473)	18,035	12,504	3,044,897
Total comprehensive income for the period									
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	627,259	--	--	--	627,259
Remeasurement of employees' EOSBs	--	--	--	--	--	--	--	--	--
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	--	--	--
Total comprehensive income for the period					627,259		113,269	6,593	119,862
Transfer to statutory reserves	--	--	--	--	--	--	--	--	--
Share based payment transactions	--	--	11,249	--	--	--	--	--	--
Delivery of shares under LTIP	--	--	(8,759)	8,759	--	--	--	--	11,249
Income tax refundable (to) / from non-Saudi shareholders	--	--	--	--	--	--	--	--	--
Balance At 30 September 2020 (unaudited)	1,200,000	727,871	28,015	(48,779)	1,754,359	(10,473)	131,304	19,097	3,801,394

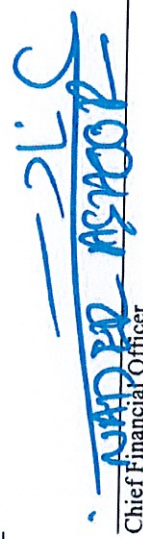
Chairman



Director and Chief Executive Officer



Chief Financial Officer



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

INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
For nine-month period ended 30 September 2020

	Related to shareholders									
	Share capital SAR'000	Share statutory reserve SAR'000	Share based payments reserve SAR'000	Shares held under employees share scheme SAR'000	Retained earnings SAR'000	Re-measurement reserve of end-of-service benefits SAR'000	Investments fair value reserve SAR'000	Total shareholders' equity SAR'000	Investments fair value reserve – related to policyholders SAR'000	Total equity SAR'000
2019										
Balance at 31 December 2018 (audited)	1,200,000	609,111	17,579	(32,662)	836,705	(8,922)	(21,942)	2,599,869	(8,589)	2,591,280
Impact of adopting IFRS 16 at 1 January 2019	--	--	--	--	(8,900)	--	--	(8,900)	--	(8,900)
Balance at 1 January 2019	<u>1,200,000</u>	<u>609,111</u>	<u>17,579</u>	<u>(32,662)</u>	<u>827,805</u>	<u>(8,922)</u>	<u>(21,942)</u>	<u>2,590,969</u>	<u>(8,589)</u>	<u>2,582,380</u>
Total comprehensive income for the period	--	--	--	--	488,142	--	--	488,142	--	488,142
Net income for the period attributed to shareholders after zakat and income tax	--	--	--	--	488,142	--	--	488,142	--	488,142
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	28,599	28,599	22,400	50,999
Total comprehensive income for the period	--	--	--	--	488,142	--	28,599	516,741	22,400	539,141
Share based payment transactions	--	--	8,614	--	--	--	--	8,614	--	8,614
Delivery of shares under LTIP	--	--	(7,867)	7,867	--	--	--	--	--	--
Purchase of shares under LTIP	--	--	--	(17,744)	--	--	--	--	--	--
Dividends paid	--	--	--	--	(180,000)	--	--	(17,744)	--	(17,744)
Income tax recovered from non-Saudi shareholders	--	--	--	--	(180,000)	--	--	(180,000)	--	(180,000)
Balance at 30 September 2019 (unaudited)	<u>1,200,000</u>	<u>609,111</u>	<u>18,326</u>	<u>(42,539)</u>	<u>1,142,078</u>	<u>(8,922)</u>	<u>6,657</u>	<u>2,924,711</u>	<u>13,811</u>	<u>2,938,522</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 STATEMENT OF CASH FLOWS (Unaudited)
 For nine-month period ended 30 September 2020

	<i>Notes</i> <i>Nine-month period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>
	<i>SAR'000</i>	<i>SAR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributed to shareholders before zakat and income tax	738,782	570,601
<u>Adjustments for non-cash items:</u>		
Net income attributed to insurance operations	72,177	53,347
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets	23,448	23,153
Amortization of intangible assets	11,851	13,109
Gain on disposal of Fixtures and Furniture	--	(1)
Provision for LTIP	11,249	8,614
Allowance for doubtful receivables provision	46,433	90,480
Unrealized (gains) on investments held as FVSI	(60)	(8,361)
Realized (gains) on investments	(9,598)	(7,598)
Provision for employees EOSBs	15,756	13,161
Finance cost	4,171	4,006
	<u>914,209</u>	<u>760,511</u>
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	(847,597)	(1,444,087)
Reinsurers' share of unearned premiums	7,553	(5,346)
Reinsurers' share of outstanding claims	(242)	(548)
Reinsurers' share of claims incurred but not reported	(2,701)	44
Deferred policy acquisition costs	134,022	(22,006)
Prepaid expenses and other assets	(5,851)	(68,246)
Accrued and other liabilities	143,549	28,560
Reinsurers' balances payable	13,646	41,821
Unearned premiums	676,334	1,511,271
Outstanding claims	(45,935)	(70,794)
Claims incurred but not reported	143,045	59,422
Premium deficiency Reserve	291,155	--
Claims handling reserve	581	(1,000)
Due to related parties	5,132	14,367
Employees' EOSBs paid	(3,817)	(4,922)
Surplus paid to policyholders	(16,028)	(27,105)
Zakat and income tax paid	(77,949)	(48,552)
Net cash generated from operating activities	<u>1,329,106</u>	<u>723,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement in term deposits	7 (669,350)	(2,062,489)
Proceeds from maturity of term deposits	7 2,494,947	2,861,867
Additions to investments	6 (8,531,608)	(2,171,015)
Disposals of investments	5,101,268	1,879,371
Additions to Fixtures, Furniture and Right-of-use assets	(8,443)	(11,591)
Disposal of Fixtures, Furniture and Right-of-use assets	--	101
Intangible assets acquired	(12,327)	(13,130)
Purchase of shares under LTIP	--	(17,744)
Net cash (used in) / generated from investing activities	<u>(1,625,513)</u>	<u>465,370</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liability paid	(12,734)	(24,580)
Dividends paid	--	(180,000)
Net cash used in financing activities	<u>(12,734)</u>	<u>(195,461)</u>
Net change in cash and cash equivalents	(309,141)	993,299
Cash and cash equivalents at the beginning of the period	665,709	290,413
Cash and cash equivalents at the end of the period	<u>356,568</u>	<u>1,283,712</u>
Non-cash transactions		
Unrealized gains on available-for-sale investments	(119,862)	(50,999)
Transfer to Fixtures, Furniture and Right-of-use assets from WIP	5,706	--
Transfer from WIP to intangible assets	5,524	--
Increase in lease liabilities	54,245	112,096
Increase in Right-of-use assets	(54,245)	(103,196)
Income tax (reimbursed) recovered from non-Saudi shareholders	1,873	9,119

Chairman

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 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 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 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 2019. 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. 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 September 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
 - and a risk adjustment for non-financial risk;
- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
 - the liability for remaining coverage, which of consists of the FCF related to future services and the CSM of the group at that date; and
 - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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, 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. 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 September 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 2022. 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 assessed 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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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 of 30 September 2020, the Company has total financial assets and insurance related assets amounting to SR 8,995 million and SR 3,320 million, (2019: SR 7,571 million and SR 2,610 million) respectively. Financial assets mainly represent investments held to maturity which consist of cash and cash equivalents, term deposits and designated sukuk amounting to SR 3,724 million (2019: SR 5,511 million), Investments held at fair value through statement of income as at 30 September 2020 amounting to SR 3,170 million (2019: SR 270 million) and investments held as available for sale investments amounting to SR 2,100 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 IFRS 9 implementation.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following:

	<i>30 September 2020 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SAR'000</i>		
Bank balances	<u>254,329</u>	<u>102,239</u>	<u>356,568</u>
	<u>254,329</u>	<u>102,239</u>	<u>356,568</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 Nine-month period ended 30 September 2020, the insurance operations transferred cash of SR 334.6 million to the shareholders' operations (31 December 2019: SR 99 million).

5. PREMIUMS RECEIVABLE - NET

Receivable amounts are due from the following:

	<i>30 September 2020 (Unaudited) SAR'000</i>	<i>31 December 2019 (Audited) SAR'000</i>
Policyholders	1,994,436	1,287,810
Brokers	726,254	598,754
Related parties (note 14)	10,371	--
	<u>2,731,061</u>	<u>1,886,564</u>
Provision for doubtful receivables	<u>(240,520)</u>	<u>(197,187)</u>
Premiums receivable – net	<u>2,490,541</u>	<u>1,689,377</u>

6. INVESTMENTS

Investments are classified as follows:

	<i>30 September 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	2,182,649	986,269	3,168,918	161,548	107,968	269,516
Available-for-sale	629,434	1,471,089	2,100,523	564,003	876,063	1,440,066
Held to maturity	--	131,250	131,250	--	131,250	131,250
	<u>2,812,083</u>	<u>2,588,608</u>	<u>5,400,691</u>	<u>725,551</u>	<u>1,115,281</u>	<u>1,840,832</u>

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

At 30 September 2020

6. INVESTMENTS (continued)

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

	<i>30 September 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	18,025	--	55,079	--	73,104
Funds	2,157,005	7,619	908,334	22,856	3,095,814
	<u>2,175,030</u>	<u>7,619</u>	<u>963,413</u>	<u>22,856</u>	<u>3,168,918</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	--
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 consist of the following:

	<i>30 September 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	355,090	237,324	889,608	144,089	1,626,111
Funds	--	37,020	115,429	5,079	157,528
Equities	--	--	203,783	5,625	209,408
Investments in discretionary portfolios	--	--	107,476	--	107,476
	<u>355,090</u>	<u>274,344</u>	<u>1,316,296</u>	<u>154,793</u>	<u>2,100,523</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
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>

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2020

6. INVESTMENTS (continued)

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

	<i>30 September 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>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>
	<i>Domestic</i>	<i>International</i>	<i>Domestic</i>	<i>International</i>	
	<i>SR'000</i>				
Sukuks	--	--	131,250	--	131,250
	--	--	131,250	--	131,250

The movements in the investments balance are as follows:

	<i>30 September 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	5,832,879	2,698,729	8,531,608
Disposed during the period	(3,752,664)	(1,339,006)	(5,091,670)
Unrealized gain during the period, net	6,317	113,604	119,921
	2,812,083	2,588,608	5,400,691

	<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	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
	725,551	1,115,281	1,840,832

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2020

7. TERM DEPOSITS

Term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structure with a small allocation in Mudaraba structure. They are mostly denominated in Saudi Arabian Riyals and have an original maturity ranging from more than three months to more than one year and yield financial income at rates ranging from 2% to 4.3% per annum (2019: 2.15% to 4.3% per annum). The movement in term deposits during the period ended 30 September 2020 is as follows:

	<i>30 September 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	3,347,965	1,716,011	5,063,976
Matured during the period	(1,654,054)	(840,893)	(2,494,947)
Placed during the period	369,350	300,000	669,350
	2,063,261	1,175,118	3,238,379
	<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>Nine-month period ended 30 September 2020 (Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SAR'000</i>		
Balance at 1 January 2020	4,376,219	(20,625)	4,355,594
Premium written/(ceded) during the period	8,789,371	(36,733)	8,752,638
Premium earned during the period	(8,113,037)	44,286	(8,068,751)
	5,052,553	(13,072)	5,039,481
	<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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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9. TECHNICAL RESERVES (continued)

9.2 Net outstanding claims and reserves

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

	<i>30 September 2020 (Unaudited) SAR'000</i>	<i>31 December 2019 (Audited) SAR'000</i>
Outstanding claims	405,853	451,788
Claims incurred but not reported	1,300,473	1,157,428
Premium deficiency Reserve	291,155	--
Claims handling reserves	<u>19,073</u>	<u>18,492</u>
	<u>2,016,554</u>	<u>1,627,708</u>
Less:		
- Reinsurers' share of outstanding claims	(1,460)	(1,218)
- Reinsurers' share of claims incurred but not reported	<u>(6,673)</u>	<u>(3,972)</u>
	<u>(8,133)</u>	<u>(5,190)</u>
Net outstanding claims and reserves	<u>2,008,421</u>	<u>1,622,518</u>

10. FIDUCIARY ASSETS

During 2018, after obtaining 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 this 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 statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 179.3 million as of 30 September 2020 (31 December 2019: SR 272.9 million).

11. COMMITMENTS AND CONTINGENCIES

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

	<i>30 September 2020 (Unaudited) SAR'000</i>	<i>31 December 2019 (Audited) SAR'000</i>
Letters of guarantee	<u>22,251</u>	<u>34,818</u>
Total	<u>22,251</u>	<u>34,818</u>

i) As of 30 September 2020, total Letters of Guarantee issued by banks on behalf of the Company amounted to SR 125.5 million (2019: 134.8 million), of which SR 22.3 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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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>30 September 2020 (Unaudited)</i>					
Financial assets measured at fair value					
- Investments held as FVSI	--	3,168,918	--	3,168,918	3,168,918
- Available-for-sale investments	1,303,848	791,050	5,625	2,100,523	2,100,523
	1,303,848	3,959,968	5,625	5,269,441	5,269,441
<i>31 December 2019 (Audited)</i>					
Financial assets measured at fair value					
- 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
	884,089	825,493	--	1,709,582	1,709,582

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 30 September 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 sukus 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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13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>At 30 September 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>
Assets					
Premiums receivable – net	1,463,122	1,027,419	2,490,541	--	2,490,541
Reinsurers' share of unearned premiums	8,511	4,561	13,072	--	13,072
Reinsurers' share of outstanding claims	570	890	1,460	--	1,460
Reinsurers' share of claims incurred but not reported	2,239	4,434	6,673	--	6,673
Unallocated assets			5,364,997	4,444,368	9,809,365
Total assets			7,876,743	4,444,368	12,321,111
Liabilities					
Unearned premiums	3,289,415	1,763,138	5,052,553	--	5,052,553
Outstanding claims	289,010	116,843	405,853	--	405,853
Claims incurred but not reported	925,121	375,352	1,300,473	--	1,300,473
Premium deficiency Reserve	207,171	83,984	291,155	--	291,155
Claims handling reserve	13,575	5,498	19,073	--	19,073
Unallocated liabilities			788,539	662,071	1,450,610
Total liabilities			7,857,646	662,071	8,519,717

<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>
ASSETS					
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
Total assets			6,592,096	3,589,000	10,181,096
LIABILITIES					
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
Total liabilities			6,579,592	556,607	7,136,199

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Three-month period ended 30 September 2020</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
REVENUES			
Gross written premium	2,388,634	687,541	3,076,175
Reinsurance premiums ceded – Local	(836)	(299)	(1,135)
Reinsurance premiums ceded – International	(5,805)	(1,611)	(7,416)
Net premiums written	2,381,993	685,631	3,067,624
Changes in unearned premiums – net	(552,145)	184,369	(367,776)
Net premiums earned	1,829,848	870,000	2,699,848
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,401,097)	(583,680)	(1,984,777)
Reinsurers' share of claims paid	1,884	784	2,668
Net claims paid	(1,399,213)	(582,896)	(1,982,109)
Changes in outstanding claims	(115,778)	(45,343)	(161,121)
Changes in claims incurred but not reported	(21,079)	(12,152)	(33,231)
Changes in Premium deficiency Reserve	(4,571)	(931)	(5,502)
Changes in claims handling reserves	(123)	(20)	(143)
Reinsurance share of changes in outstanding claims	196	332	528
Reinsurance share of changes in claims incurred but not reported	52	1,244	1,296
Net claims incurred	(1,540,516)	(639,766)	(2,180,282)
Policy acquisition costs	(79,010)	(52,674)	(131,684)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,619,526)	(692,440)	(2,311,966)
NET UNDERWRITING INCOME	210,322	177,560	387,882
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(41,955)
Unallocated income			63,403
Unallocated expenses			(223,938)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(202,490)
Income before Surplus, Zakat & Income Tax			185,392
Income attributed to insurance operations (transfer to surplus payable)			(15,324)
Income attributed to the shareholders before zakat and income tax			170,068
Zakat charge			(18,073)
Income tax charge			(12,377)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			139,618
Gross Written Premium details			
			<i>Three-month period ended</i>
			<i>30 September 2020</i>
			<i>SAR'000</i>
Corporates			2,567,320
Medium Enterprises			342,281
Small Enterprises			149,610
Micro Enterprises			13,645
Individuals			3,319
Total Gross Written Premium			3,076,175

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Three-month period ended 30 September 2019</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
REVENUES			
Gross written premium	2,395,160	681,283	3,076,443
Reinsurance premiums ceded – Local	(2,513)	(170)	(2,683)
Reinsurance premiums ceded – International	(16,534)	(1,114)	(17,648)
Net premiums written	2,376,113	679,999	3,056,112
Changes in unearned premiums – net	(827,168)	132,294	(694,874)
Net premiums earned	1,548,945	812,293	2,361,238
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,210,381)	(610,060)	(1,820,441)
Reinsurers' share of claims paid	8,276	4,173	12,449
Net claims paid	(1,202,105)	(605,887)	(1,807,992)
Changes in outstanding claims	47,381	55,912	103,293
Changes in claims incurred but not reported	(125,425)	(30,814)	(156,239)
Changes in claims handling reserves	(520)	645	125
Reinsurance share of changes in outstanding claims	(20)	443	423
Reinsurance share of changes in claims incurred but not reported	(1,232)	1,147	(85)
Net claims incurred	(1,281,921)	(578,554)	(1,860,475)
Policy acquisition costs	(32,628)	(21,752)	(54,380)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,314,549)	(600,306)	(1,914,855)
NET UNDERWRITING INCOME	234,396	211,987	446,383
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(17,429)
Unallocated income			64,597
Unallocated expenses			(207,573)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(160,405)
Income before Surplus, Zakat & Income Tax			285,978
Income attributed to insurance operations (transfer to surplus payable)			(25,574)
Income attributed to the shareholders before zakat and income tax			260,404
Zakat charge			(13,307)
Income tax charge			(20,514)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			226,583
Gross Written Premium details			<i>Three-month period ended 30 September 2019</i>
			<i>SAR'000</i>
Corporates			2,580,080
Medium Enterprises			340,721
Small Enterprises			142,101
Micro Enterprises			11,859
Individuals			1,682
Total Gross Written Premium			3,076,443

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Nine-month period ended 30 September 2020</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR'000</i>		
<u>REVENUES</u>			
Gross written premium	6,061,797	2,727,574	8,789,371
Reinsurance premiums ceded – Local	(2,298)	(1,107)	(3,405)
Reinsurance premiums ceded – International	(22,489)	(10,839)	(33,328)
Net premiums written	6,037,010	2,715,628	8,752,638
Changes in unearned premiums – net	(574,336)	(109,551)	(683,887)
Net premiums earned	5,462,674	2,606,077	8,068,751
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(4,220,249)	(1,700,396)	(5,920,645)
Reinsurers' share of claims paid	5,707	2,296	8,003
Net claims paid	(4,214,542)	(1,698,100)	(5,912,642)
Changes in outstanding claims	38,531	7,404	45,935
Changes in claims incurred but not reported	(79,259)	(63,786)	(143,045)
Changes in Premium deficiency Reserve	(207,171)	(83,984)	(291,155)
Changes in claims handling reserves	(115)	(466)	(581)
Reinsurance share of changes in outstanding claims	44	198	242
Reinsurance share of changes in claims incurred but not reported	1,026	1,675	2,701
Net claims incurred	(4,461,486)	(1,837,059)	(6,298,545)
Policy acquisition costs	(253,033)	(168,689)	(421,722)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,714,519)	(2,005,748)	(6,720,267)
NET UNDERWRITING INCOME	748,155	600,329	1,348,484
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
Allowance for doubtful receivables			(46,433)
Unallocated income			188,508
Unallocated expenses			(679,600)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(537,525)
<u>Income before Surplus, Zakat & Income Tax</u>			810,959
Income attributed to insurance operations (transfer to surplus payable)			(72,177)
Income attributed to the shareholders before zakat and income tax			738,782
Zakat charge			(53,538)
Income tax charge			(57,985)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			627,259
<u>Gross Written Premium details</u>			<u>Nine-month period ended 30 September 2020</u>
			<u>SAR'000</u>
Corporates			6,802,682
Medium Enterprises			1,413,640
Small Enterprises			517,785
Micro Enterprises			44,311
Individuals			10,953
Total Gross Written Premium			8,789,371

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>Nine-month period ended 30 September 2019</i> <i>(Unaudited)</i>		
	<i>Major customers</i>	<i>Non-Major customers</i>	<i>Total</i>
	<i>SAR '000</i>		
<u>REVENUES</u>			
Gross written premium	5,650,104	2,770,588	8,420,692
Reinsurance premiums ceded – Local	(6,020)	(1,753)	(7,773)
Reinsurance premiums ceded – International	(49,319)	(14,356)	(63,675)
Net premiums written	5,594,765	2,754,479	8,349,244
Changes in unearned premiums – net	(1,139,934)	(365,991)	(1,505,925)
Net premiums earned	4,454,831	2,388,488	6,843,319
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(3,774,138)	(1,829,595)	(5,603,733)
Reinsurers' share of claims paid	25,150	12,196	37,346
Net claims paid	(3,748,988)	(1,817,399)	(5,566,387)
Changes in outstanding claims	26,582	44,212	70,794
Changes in claims incurred but not reported	(63,462)	4,040	(59,422)
Changes in claims handling reserves	40	960	1,000
Reinsurance share of changes in outstanding claims	94	453	547
Reinsurance share of changes in claims incurred but not reported	(1,195)	1,151	(44)
Net claims incurred	(3,786,929)	(1,766,583)	(5,553,512)
Policy acquisition costs	(99,442)	(66,295)	(165,737)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	<u>(3,886,371)</u>	<u>(1,832,878)</u>	<u>(5,719,249)</u>
NET UNDERWRITING INCOME	568,460	555,610	1,124,070
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
Allowance for doubtful receivables			(90,480)
Unallocated income			194,140
Unallocated expenses			(603,782)
<u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u>			<u>(500,122)</u>
<u>Income before Surplus, Zakat & Income Tax</u>			623,948
Income attributed to insurance operations (transfer to surplus payable)			(53,347)
Income attributed to the shareholders before zakat and income tax			570,601
Zakat charge			(37,458)
Income tax charge			(45,001)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			488,142
<u>Gross Written Premium details</u>			
		<i>Nine-month period ended 30 September 2019</i>	
		<i>SAR '000</i>	
Corporates		6,406,586	
Medium Enterprises		1,440,768	
Small Enterprises		522,888	
Micro Enterprises		42,035	
Individuals		8,415	
Total Gross Written Premium		8,420,692	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 September 2020</u> <i>(Unaudited)</i> SR'000	<u>30 September 2019</u> <i>(Unaudited)</i> SR'000	<u>30 September 2020</u> <i>(Unaudited)</i> SR'000	<u>31 December 2019</u> <i>(Audited)</i> SR'000
Shareholders	Insurance premium written	381,021	258,033	10,371**	(285)**
Shareholders	Reinsurance Premium ceded	(23,112)	19,436	(64,040)*	(55,319)*
Shareholders	Claims paid	153,555	88,923	(15,704)***	(14,010)***
Shareholders	Medical costs charged by providers	86,563	52,116	(9,443)***	(9,824)***
Shareholders	Expenses charged to/from a related party - net	579	338	972*	779*
Shareholders	Tax equalisation - net	(1,873)	6,131	(1,873)*	--
Shareholders	Board members fees	703	575	(703)*	(700)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	20,209	17,242	(20,209)*	(23,608)*

* Amounts due to related parties amounted to SR 85,853 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 September is as follows:

	<u>30 September 2020</u> <i>(Unaudited)</i> SAR'000	<u>30 September 2019</u> <i>(Unaudited)</i> SAR'000
Short-term benefits	18,400	18,614
Long-term benefits	7,685	10,068
	<u>26,085</u>	<u>28,682</u>

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

15. ZAKAT AND INCOME TAX

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

	<i>Nine-month period ended 30 September 2020 (Unaudited)</i>	<i>Nine-month period ended 30 September 2019 (Unaudited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Current zakat charge	53,538	37,458
Current tax charge	62,530	53,431
Deferred tax income (note 15.a)	(4,545)	(8,430)
	57,985	45,001
	111,523	82,459

a) The reconciliation of deferred tax is as follows:

	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Opening deferred tax asset	30,216	25,552	25,552
Deferred tax (charge) / income	4,545	4,664	8,430
	34,761	30,216	33,982

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

	<i>Zakat payable</i>	<i>Income tax payable</i>	<i>Total 30 September 2020 (Unaudited)</i>	<i>Total 31 December 2019 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Balance at beginning of the period/year	232,444	42,265	274,709	199,784
Provided during the period/year	53,538	62,530	116,068	123,520
Payments during the period/year	(11,294)	(66,655)	(77,949)	(48,595)
Balance at end of the period/year	274,688	38,140	312,828	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 2019 with the General Authority of Zakat and Tax (the "GAZT"). 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.

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 zakat obligation which have been already settled upon the submission of the annual declarations. The Company has filed appeals against all assessments raised with the GAZT and General Secretariat of Tax Committees (the "GSTC"). for years 2008 through 2016 and the year 2018.

The Company recently received the GAZT's assessments for additional zakat, corporate income tax and withholding tax for the year 2017 and is in the process of filing an appeal with GAZT.

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.

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16. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company was SAR 1,200 million at 30 September 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 September 2020</i>		<i>31 December 2019</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	52.3%	628,066	52.3%	628,066
General Public	47.7%	571,934	47.7%	571,934
	100.0%	1,200,000	100.0%	1,200,000

17. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company carry out this transfer on an annual basis at 31 December. As at 30 September 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.

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At 30 September 2020

20. SUPPLEMENTARY INFORMATION

Interim financial position

	<i>30 September 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>
<u>ASSETS</u>						
Cash and cash equivalents	254,329	102,239	356,568	446,942	218,767	665,709
Premiums receivables – net	2,490,541	--	2,490,541	1,689,377	--	1,689,377
Reinsurers' share of unearned premiums	13,072	--	13,072	20,625	--	20,625
Reinsurers' share of outstanding claims	1,460	--	1,460	1,218	--	1,218
Reinsurers' share of claims Incurred but not reported	6,673	--	6,673	3,972	--	3,972
Deferred policy acquisition costs	--	--	--	134,022	--	134,022
Investments	2,812,083	2,588,608	5,400,691	725,551	1,115,281	1,840,832
Prepaid expenses and other assets	235,324	47,170	282,494	222,424	54,219	276,643
Term deposits	2,063,261	1,175,118	3,238,379	3,347,965	1,716,011	5,063,976
Fixtures, Furniture and Right-of-use assets – net	--	208,681	208,681	--	169,441	169,441
Intangible assets – net	--	56,721	56,721	--	56,245	56,245
Deferred tax asset	--	34,761	34,761	--	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	--	13,070	13,070	--	10,820	10,820
TOTAL ASSETS	7,876,743	4,444,368	12,321,111	6,592,096	3,589,000	10,181,096

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

20. SUPPLEMENTARY INFORMATION (continued)

Interim financial position (continued)

	<i>30 September 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>
<u>LIABILITIES</u>						
Accrued and other liabilities	495,877	142,041	637,918	352,798	95,889	448,687
Insurance operations' surplus payable	224,603	--	224,603	168,454	--	168,454
Reinsurers' balances payable	68,059	--	68,059	54,413	--	54,413
Unearned premiums	5,052,553	--	5,052,553	4,376,219	--	4,376,219
Outstanding claims	405,853	--	405,853	451,788	--	451,788
Claims incurred but not reported	1,300,473	--	1,300,473	1,157,428	--	1,157,428
Premium deficiency Reserve	291,155	--	291,155	--	--	--
Claims handling reserve	19,073	--	19,073	18,492	--	18,492
Due to related parties	--	85,853	85,853	--	78,848	78,848
Provision for employees' end-of-service benefits ("EOSBs")	--	108,279	108,279	--	96,341	96,341
Provision for zakat and income tax	--	312,828	312,828	--	274,709	274,709
Accrued income payable to SAMA	--	13,070	13,070	--	10,820	10,820
TOTAL LIABILITIES	7,857,646	662,071	8,519,717	6,579,592	556,607	7,136,199
<u>EQUITY</u>						
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 reserve	--	28,015	28,015	--	25,525	25,525
Shares held under employees share scheme	--	(48,779)	(48,779)	--	(57,538)	(57,538)
Retained earnings	--	1,754,359	1,754,359	--	1,128,973	1,128,973
Re-measurement reserve for employees' EOSBs	--	(10,473)	(10,473)	--	(10,473)	(10,473)
Investments fair value reserve	19,097	131,304	150,401	12,504	18,035	30,539
TOTAL EQUITY	19,097	3,782,297	3,801,394	12,504	3,032,393	3,044,897
<u>TOTAL LIABILITIES AND EQUITY</u>	7,876,743	4,444,368	12,321,111	6,592,096	3,589,000	10,181,096

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

At 30 September 2020

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>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>	
<u>REVENUES</u>												
Gross premiums written	3,076,175	--	3,076,175	3,076,443	--	3,076,443	8,789,371	--	8,789,371	8,420,692	--	8,420,692
Reinsurance premiums ceded - Local	(1,135)	--	(1,135)	(2,683)	--	(2,683)	(3,405)	--	(3,405)	(7,773)	--	(7,773)
Reinsurance premiums ceded – International	(7,416)	--	(7,416)	(17,648)	--	(17,648)	(33,328)	--	(33,328)	(63,675)	--	(63,675)
Net premiums written	3,067,624	--	3,067,624	3,056,112	--	3,056,112	8,752,638	--	8,752,638	8,349,244	--	8,349,244
Changes in unearned premiums, net	(367,776)	--	(367,776)	(694,874)	--	(694,874)	(683,887)	--	(683,887)	(1,505,925)	--	(1,505,925)
Net premiums earned	2,699,848	--	2,699,848	2,361,238	--	2,361,238	8,068,751	--	8,068,751	6,843,319	--	6,843,319
<u>UNDERWRITING COSTS AND EXPENSES</u>												
Gross claims paid	(1,984,777)	--	(1,984,777)	(1,820,441)	--	(1,820,441)	(5,920,645)	--	(5,920,645)	(5,603,733)	--	(5,603,733)
Reinsurers' share of claims paid	2,668	--	2,668	12,449	--	12,449	8,003	--	8,003	37,346	--	37,346
Net claims paid	(1,982,109)	--	(1,982,109)	(1,807,992)	--	(1,807,992)	(5,912,642)	--	(5,912,642)	(5,566,387)	--	(5,566,387)
Changes in outstanding claims	(161,121)	--	(161,121)	103,293	--	103,293	45,935	--	45,935	70,794	--	70,794
Changes in claims incurred but not reported	(33,231)	--	(33,231)	(156,239)	--	(156,239)	(143,045)	--	(143,045)	(59,422)	--	(59,422)
Changes in Premium deficiency Reserve	(5,502)	--	(5,502)	125	--	125	(291,155)	--	(291,155)	1,000	--	1,000
Changes in claims handling reserves	(143)	--	(143)	--	--	--	(581)	--	(581)	--	--	--
Reinsurance share of changes in outstanding claims	528	--	528	423	--	423	242	--	242	547	--	547
Reinsurance share of changes in claims incurred but not reported	1,296	--	1,296	(85)	--	(85)	2,701	--	2,701	(44)	--	(44)
Net claims incurred	(2,180,282)	--	(2,180,282)	(1,860,475)	--	(1,860,475)	(6,298,545)	--	(6,298,545)	(5,553,512)	--	(5,553,512)
Policy acquisition costs	(131,684)	--	(131,684)	(54,380)	--	(54,380)	(421,722)	--	(421,722)	(165,737)	--	(165,737)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,311,966)	--	(2,311,966)	(1,914,855)	--	(1,914,855)	(6,720,267)	--	(6,720,267)	(5,719,249)	--	(5,719,249)
NET UNDERWRITING INCOME	387,882	--	387,882	446,383	--	446,383	1,348,484	--	1,348,484	1,124,070	--	1,124,070

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

At 30 September 2020

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income (continued)

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>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>	
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>												
Allowance for doubtful receivables	(41,955)	--	(41,955)	(17,429)	--	(17,429)	(46,433)	--	(46,433)	(90,480)	--	(90,480)
General and administrative expenses	(130,155)	(2,230)	(132,385)	(115,989)	(2,344)	(118,333)	(393,818)	(8,269)	(402,087)	(332,550)	(6,932)	(339,482)
Selling and marketing expenses	(91,553)	--	(91,553)	(89,240)	--	(89,240)	(277,513)	--	(277,513)	(264,300)	--	(264,300)
Investment income – net	30,496	26,455	56,951	33,307	26,744	60,051	93,740	74,307	168,047	100,680	77,914	178,594
Other income – net	(1,473)	7,925	6,452	(1,294)	5,840	4,546	(2,689)	23,150	20,461	(3,953)	19,499	15,546
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(234,640)	32,150	(202,490)	(190,645)	30,240	(160,405)	(626,713)	89,188	(537,525)	(590,603)	90,481	(500,122)
<u>Income before Surplus, Zakat & Income Tax</u>	153,242	32,150	185,392	255,738	30,240	285,978	721,771	89,188	810,959	533,467	90,481	623,948
Transfer of surplus to shareholders	(137,918)	137,918	--	(230,164)	230,164	--	(649,594)	649,594	--	(480,120)	480,120	--
<u>NET RESULTS FROM OPERATIONS</u>	15,324	170,068	185,392	25,574	260,404	285,978	72,177	738,782	810,959	53,347	570,601	623,948
Zakat charge	--	(18,073)	(18,073)	--	(13,307)	(13,307)	--	(53,538)	(53,538)	--	(37,458)	(37,458)
Income tax charge	--	(12,377)	(12,377)	--	(20,514)	(20,514)	--	(57,985)	(57,985)	--	(45,001)	(45,001)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	15,324	139,618	154,942	25,574	226,583	252,157	72,177	627,259	699,436	53,347	488,142	541,489
Weighted average number of ordinary outstanding shares (in thousands)		119,446			119,594			119,413			119,595	
Basic earnings per share (Expressed in SAR per share)		1.17			1.89			5.25			4.08	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of comprehensive income

	<i>Three-month period ended 30 September (Unaudited)</i>						<i>Nine-month period ended 30 September (Unaudited)</i>					
	<i>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 to the shareholders after zakat and income tax	15,324	139,618	154,942	25,574	226,583	252,157	72,177	627,259	699,436	53,347	488,142	541,489
Other comprehensive (loss) /income												
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>												
- Net change in fair value of available-for-sale investments	5,103	62,391	67,494	4,781	3,633	8,414	6,593	113,269	119,862	22,400	28,599	50,999
<u>TOTAL COMPREHENSIVE INCOME/(LOSS)</u>	20,427	202,009	222,436	30,355	230,216	260,571	78,770	740,528	819,298	75,747	516,741	592,488
Reconciliation:												
Less: Net income attributable to insurance operations transferred to surplus payable			(15,324)			(25,574)			(72,177)			(53,347)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>			207,112			234,997			747,121			539,141

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

At 30 September 2020

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows

	<i>Nine-month period ended 30 September (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>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders before zakat and income tax	--	738,782	738,782	--	570,601	570,601
<u>Adjustments for non-cash items:</u>						
Net income attributed to the insurance operations	72,177	--	72,177	53,347	--	53,347
Depreciation and amortization of Fixtures, Furniture and Right-of-use assets	23,448	--	23,448	23,153	--	23,153
Amortization of intangible assets	11,851	--	11,851	13,109	--	13,109
Gain on disposal of Fixtures and Furniture	--	--	-	--	(1)	(1)
Provision for LTIP	--	11,249	11,249	--	8,614	8,614
Allowance of doubtful receivables provision	46,433	--	46,433	90,480	--	90,480
Unrealized (gains) on investments held as FVSI	276	(336)	(60)	(7,509)	(852)	(8,361)
Realized (gains) on investments	(8,968)	(630)	(9,598)	(5,375)	(2,223)	(7,598)
Provision for employees EOSBs	--	15,756	15,756	--	13,161	13,161
Finance cost	--	4,171	4,171	--	4,006	4,006
	145,217	768,992	914,209	167,205	593,306	760,511
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(847,597)	--	(847,597)	(1,444,087)	--	(1,444,087)
Reinsurers' share of unearned premiums	7,553	--	7,553	(5,346)	--	(5,346)
Reinsurers' share of outstanding claims	(242)	--	(242)	(548)	--	(548)
Reinsurers' share of claims incurred but not reported	(2,701)	--	(2,701)	44	--	44
Deferred policy acquisition costs	134,022	-	134,022	(22,006)	--	(22,006)
Prepaid expenses and other assets	(12,900)	7,049	(5,851)	(54,350)	(13,896)	(68,246)
Accrued and other liabilities	107,780	35,769	143,549	28,718	(158)	28,560
Reinsurers' balances payable	13,646	--	13,646	41,821	--	41,821
Unearned premiums	676,334	--	676,334	1,511,271	--	1,511,271
Outstanding claims	(45,935)	--	(45,935)	(70,794)	--	(70,794)
Claims incurred but not reported	143,045	--	143,045	59,422	--	59,422
Premium deficiency Reserve	291,155	--	291,155			
Claims handling reserve	581	--	581	(1,000)	--	(1,000)
Due to related parties	--	5,132	5,132	--	14,367	14,367
Due to shareholders' operations	--	--	--	(36,262)	36,262	--
Increase in lease liabilities	--	--	--	--	--	--
Employees' EOSBs paid	--	(3,817)	(3,817)	--	(4,922)	(4,922)
Surplus paid to policyholders	(16,028)	--	(16,028)	(27,105)	--	(27,105)
Zakat and income tax paid	--	(77,949)	(77,949)	--	(48,552)	(48,552)
Net cash generated from operating activities	593,930	735,176	1,329,106	146,983	576,407	723,390

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

20. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows (continued)

	<i>Nine-month period ended 30 September (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>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	(369,350)	(300,000)	(669,350)	(1,301,565)	(760,924)	(2,062,489)
Proceeds from maturity of term deposits	1,654,054	840,893	2,494,947	1,813,921	1,047,946	2,861,867
Additions in investments	(5,832,879)	(2,698,729)	(8,531,608)	(929,365)	(1,241,650)	(2,171,015)
Disposals of investments	3,761,632	1,339,636	5,101,268	915,900	963,471	1,879,371
Additions to Fixtures, Furniture and Right-of-use assets	--	(8,443)	(8,443)	--	(11,591)	(11,591)
Disposal of Fixtures, Furniture and Right-of-use assets	--	--	--	--	101	101
Intangible assets acquired	--	(12,327)	(12,327)	--	(13,130)	(13,130)
Purchase of shares under LTIP	--	--	--	--	(17,744)	(17,744)
Net cash (used in) / generated from investing activities	(786,543)	(838,970)	(1,625,513)	498,891	(33,521)	465,370
CASH FLOWS FROM FINANCING ACTIVITIES						
Lease liability paid	--	(12,734)	(12,734)	--	(24,580)	(24,580)
Dividends paid	--	--	--	--	(180,000)	(180,000)
Income tax recovered from non-Saudi shareholders	--	--	--	--	9,119	9,119
Net cash used in financing activities	--	(12,734)	(12,734)	--	(195,461)	(195,461)
Net change in cash and cash equivalents	(192,613)	(116,528)	(309,141)	645,874	347,425	993,299
Cash and cash equivalents at the beginning of the period	446,942	218,767	665,709	272,527	17,886	290,413
Cash and cash equivalents at the end of the period	254,329	102,239	356,568	918,401	365,311	1,283,712

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2020

21. IMPACT OF COVID-19

As many world economies grapple with a new coronavirus (“COVID-19”) surge, Bupa Arabia continues to monitor the situation closely and refresh its business continuity and risk management plans to ensure its readiness to sustain current service levels and operational activities under different scenarios while preserving the safety and health of its employees.

COVID-19 is having a profound impact on many facets of the health insurance sector, including medical claim patterns as explained below. As the exact impact on the Company is unknown at this stage, given the many uncertainties surrounding the duration and severity of the pandemic, management will continue to reassess and update its estimates and judgments on a regular basis. Actual outcomes may differ from those projected.

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

Premium Deficiency Reserve

With Saudi Arabia easing COVID-19 lockdown and curfew measures towards the end of second quarter of 2020, demand for healthcare services gradually recovered after witnessing a substantial drop earlier in the year. This resulted in a noticeable increase in incurred claims from June through September, with current levels exceeding those that existed pre-Covid. The Company expects this pattern to persist over the next few months as more untreated and deferred medical conditions find their way through the provider network. The propensity of a particular type of claim to be deferred depends on the nature of the medical condition and the types of diagnostic investigations and treatments associated with it.

SAMA’s circular 173, dated 16/01/2019, requires insurance companies to hold a Premium Deficiency Reserve (“PDR”) in case the relevant Unearned Premium Reserve (“UPR”) is insufficient to cover related projected claims and expenses. When a premium deficiency exists, the amount of the deficiency must first be offset against any Deferred Acquisition Costs (“DAC”). Any remaining deficiency not absorbed by DAC is accrued for as a separate premium deficiency reserve. To adequately meet the future insurance liabilities of the unexpired risk after considering the expected surge in deferred claims, the Company recognized a PDR of SR 291 million, for the nine-month period ended 30 September 2020 (2019: Nil).

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 10 Rabi Al Awal 1442 H corresponding to 27 October 2020 G.