

Live Longer,
Healthier,
Happier Lives

Bupa
بوبا



Annual Report
2018



**King Salman bin
Abdulaziz Al Saud**



Custodian of the
Two Holy Mosques

**HRH Mohammad bin
Salman Al Saud**



Crown Prince, First Deputy Prime
Minister and the Minister of Defense



Bupa Arabia Annual Report 2018

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Our Mission & Values

Our Mission

To be the healthcare leader in Saudi Arabia by taking care of the lives in our hands.



Passionate

- Full of energy and inspiration
- Love what we do and why we do it
- Love our customers



Authentic

- True to yourself
- Genuine and honest
- Say what we mean, mean what we say



Open

- Seek new ideas and other points of view
- Share freely
- Really listen and understand
- Embrace diversity



Caring

- Big-hearted and compassionate
- Treat people with respect and kindness
- Everyone and everything matters

Our Values



Accountable

- Always responsible
- Take ownership
- Make it happen



Courageous

- Be brave
- Dare to try
- Speak up



Extraordinary

- Go above and beyond
- Be the best you can dream to be
- Delivering outstanding results



Chairman Message

Eng. Loay Hisham Nazer
Chairman

Insurance Market and Economic Landscape

2018 proved to be another challenging year for the Saudi insurance sector as the industry's results struggled as we exited the tough economic and competitive environment of 2017. We estimate that Health insurance lives fell by about 1m, a fall of around 8%, due to the departure of over 1m expatriates from the insured market, and only partially compensated by an increase in insured Saudis. The Health written premium grew by SR1B, up 5%, due to the impact of the CCHI increased terms of benefit, effective 1 July 2018, and some medical inflation related price increases.

2018 was also a period of transition for all businesses, due to reduced subsidies, the introduction of VAT, and other levies, however we remain confident that the 2019 Saudi budget, in support of Vision 2030, will help with the expected government spending and new investments.

We also anticipate the competitive environment to improve further during 2019, as the pricing behaviour of competitors stabilises, and we anticipate that the regulatory enforcement of Saudis will gather momentum during the second half of 2019.

Bupa Arabia Performance

In another challenging trading environment, we again delivered robust financial results, an industry leading profit of SR0.5B. We also increased our share capital, by a further 50%, to SR1.2B, received the exceptional approval for our foreign ownership limit to be increased to 60%, in anticipation of our being included in the Emerging Markets Index, and continued to strengthen the balance sheet through robust and sound financial management.

2018 has been another year in which we have again succeeded in managing a variety of diverse challenges, further enhanced our brand and reputation, and continued to receive strong recognition related to 2018:

- Best Healthcare Insurance Service Provider Saudi Arabia (IFM, awarded in 2019)
- Ranked 1st in the 2016 Fiscal year Public disclosure and Transparency category of the Corporate Governance Index (CGI) ranking of the Alfaisal University (awarded in 2018)
- Best Investor Relations Insurance Company Saudi Arabia (BGO, awarded in 2019)

“

2018 has been another year in which we have again succeeded in managing a variety of diverse challenges”

As a result of our exceptional financial position we were, during 2018, able to settle 2017 fiscal year cash dividends of SR160m, SR2.00/share, and during 2019, will request the shareholders to approve 2018 fiscal year dividends of SR180m, SR1.50/share, a dividend pay-out ratio of 34%, versus the 32% of fiscal year 2017.

Sustainability and Corporate Social Responsibility

Our strategic and governance frameworks ensure that we successfully balance our short and longer term priorities and we understand that corporate responsibility and sustainability are essential requirements for our success.

During 2018 we re-launched our Bupa Arabia “Code of Conduct”, and rolled out a new “Speak-Up” platform, to ensure that our ethos and culture remains front of mind. We have also continued to enhance and embed stronger risk management practices across the business and, during 2019, we will aim to further empower the “first line of defence” in its risk management activities.

We also remain fully committed to being a responsible business, and to deliver on our purpose of helping people live longer, healthier, and happier lives, whilst placing the customer at the heart of everything we do. Our CSR program, providing free health insurance cover, and a variety of health related support activities, for all the orphans under the Ministry of Labour and Social Development, remains one of our key programs for our community.

On behalf of the Board of Directors, I would like to express my sincere appreciation to all our people, whether employees or Board/Board Committee representatives, for continuing to enable Bupa Arabia to deliver industry leading results.

I would also like to express my deepest appreciation for the continued support, commitment and contribution from all our stakeholders, be they shareholders, clients, partners, regulators and service providers.

By order of the Board
Eng. Loay Hisham Nazer
Chairman





CEO Message

Tal Hisham Nazer

Chief Executive Officer, and
Executive Board Member

Achievements

During what continued to be a challenging year, in terms of the economic environment, Bupa Arabia achieved very strong, market leading, results and amongst some of the key highlights, were;

- A record level of gross written premium, at SR8.6B,
- A record level of term deposits and investments, at SR6.3B, and an improved solvency position,
- A record cash and investments position versus our Technical Reserves, SR1.7B higher than the level of Technical Reserves,
- The maintenance of our loss ratio, at 83%,
- An increase in our Earnings before Taxes and Zakat, versus the prior year,
- The maintenance of our technical reserve ratios in line with prior years,
- A record level of collections performance, despite the cash constrained environment,
- A record level of investment income earnings,

We also continued to progress a number of other key initiatives:

- Our Strategic review,
- Our Third Party Administration (TPA) Services infrastructure and systems, following on from the ARAMCO contract win,
- The development and implementation of new systems to support efficiency and new regulatory requirements, such as to ensure operationally compliant with the new VAT processing requirements,
- Continued progress towards a “Risk Intelligent Organisation” through maturing our corporate governance and risk management infrastructure and capabilities, and raising the bar of Bupa Arabia’s internal control environment further.

Service and Proposition

We continued to build our service differentiation, as the leading provider of health insurance in Saudi Arabia, through our Tebtom healthcare services and our Rahatkom hospital delivery program, so as to support and advise all our members at their greatest time of need, and during 2019 we will continue to ensure our core focus is on ensuring that all our customers continue to receive the best possible service for all their medical care.



Our Service, Pricing, Customer Satisfaction, Digital Strategy, Governance and discipline, and our People/Talent will continue to remain core areas of focus for the business, and I am extremely confident that we will continue to provide the best value for money health insurance services in the Saudi Health Insurance sector”.

People

Bupa Arabia continues to strive to attract and retain talented, skilled and engaged employees that love working at Bupa Arabia because of our 'amazing culture', which we define and approach along five dimensions:

- We are leaders in all we do
- We have an innovative and caring culture
- We are loved by customers
- We have amazing talent
- We consistently act according to our values

During 2018 we continued to develop and progress our culture and engagement activities and introduced a number of employee development initiatives to support the attracting and retaining of market leading talent. We also progressed our Saudisation level to a record high of 75%, versus 2017 at 70%.

Outlook

During 2019 the Board will discuss and approve Bupa Arabia's updated Strategy and we continue to fine-tune our operational activities to deliver against it. Amongst a number of key strategic enablers is our Digital journey and, in support of which, we have created a separate dedicated "Digital Factory" function.

Our Service, Pricing, Customer Satisfaction, Digital Strategy, Governance and discipline, and our People/Talent will continue to remain core areas of focus for the business, and I am extremely confident that we will continue to provide the best value for money health insurance services in the Saudi Health Insurance sector".

We expect the 2019 fiscal year to remain challenging but with positivity returning to the economy and which should result in an improved 2019 result.

I would like to sincerely express my appreciation for all the dedicated people of Bupa Arabia without whom we would not be able to continue to achieve the strong results we do.

Tal Hisham Nazer

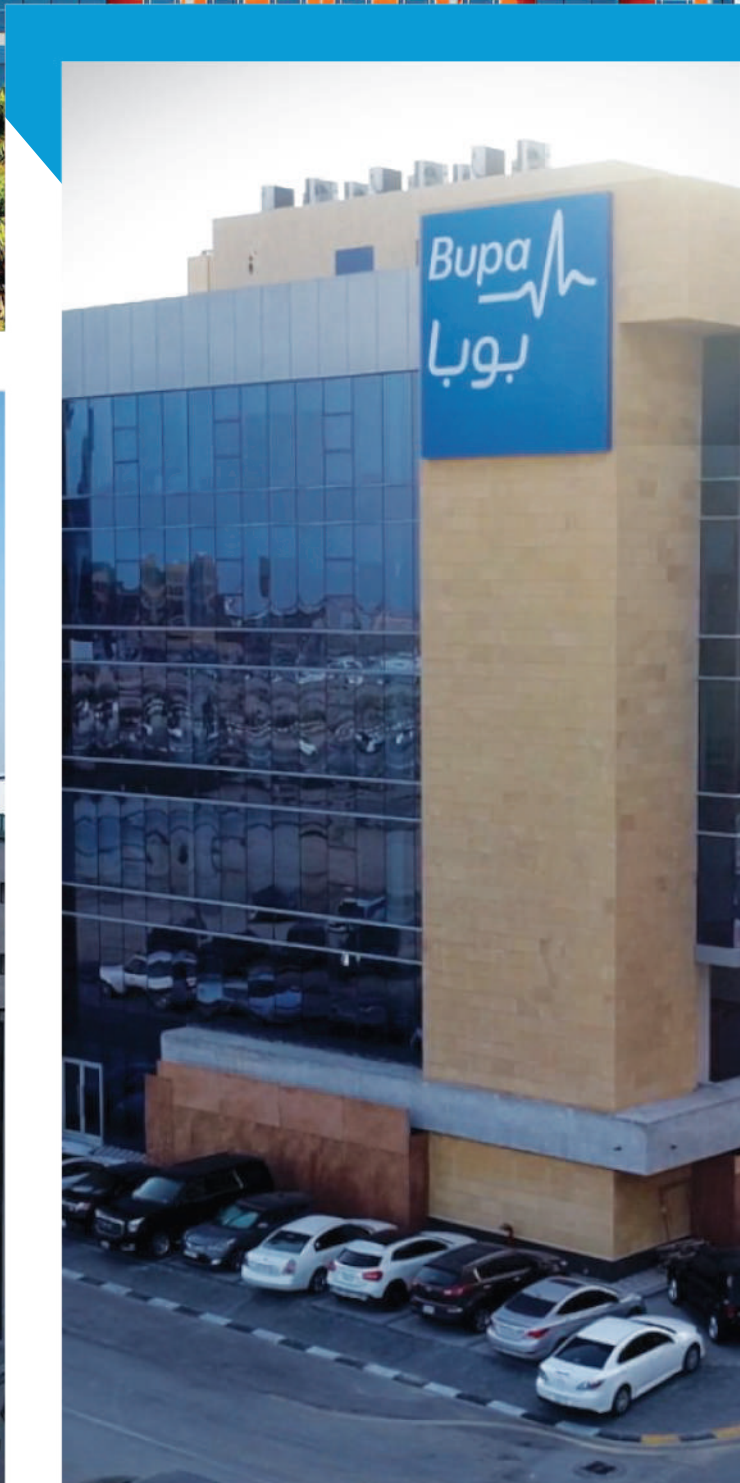
Chief Executive Officer, and Executive Board Member



Caring

Digital Factory







Our Board Members





1

Eng. Loay Hisham Nazer
Chairman

Eng. Loay Hisham Nazer is the founder and Chairman of the Nazer Group of Companies. Mr. Nazer started and continues to operate several companies in a variety of businesses including, health insurance, hospital procurement solutions, Dialysis Clinics, public relations, and asset management. He is also the Chairman of Bupa Arabia, since its incorporation in 2008, a publicly listed company on the Saudi stock exchange that specializes in health insurance, and which is the leading Saudi insurance company.

Mr. Nazer has a B.S. in Mechanical Engineering from the University of California in Los Angeles (UCLA, 1987) and received his Master's Degree in Business Administration (MBA) from the Anderson Graduate School of Management at UCLA (1989). In June 2005, Loay was awarded an Honorary Doctorate of Humane Letters from Goodwin College in Connecticut, USA.

In 2018 Eng. Loay was invited to join the Board of the Al-Ittihad Football Club and, during November 2018, was appointed as the Chairman of its Board.

Mr. Nazer is Chairman of the Makkah Cluster since 2016, which includes all the medical facilities in the city of Makkah that belong to the Ministry of Health, and is one of the five medical clusters in the Kingdom of Saudi Arabia.

He was also appointed by the Public Investment Fund as a Board Member at the National Unified Procurement Company for Medical Supplies "NUPCO" from 2016 until the end of 2018.

In 2013, Mr. Nazer was invited to join the Board of Visitors of the UCLA Anderson School of Management. Mr. Nazer was elected to serve as the Chairman of the International Board of Directors for the year 2006-2007 of the Young Presidents' Organization, a global non-profit organization of over 16,000 Chairmen and CEOs under the age of 50. He has made lasting impressions on the international organization with such profound contributions as "YPO Making a Difference".

Mr. Nazer also previously served two terms as a Board member of the Council for Cooperative Health Insurance (CCHI), the official regulatory body for health insurance in Saudi Arabia, having been appointed by the Saudi Council of Ministers, representing the private sector, and he was the leading negotiator with the various governmental institutions for the development of the insurance industry in the country.

Mr. Nazer was also previously: Chairman of the Saudi Arabian Judo Federation, elected by the Saudi Olympic General Assembly as a Board Member, and thereafter was also Vice-Chairman of the Saudi Olympic Committee.

Mr. Nazer was nominated and selected by the World Economic Forum as a member of the Young Global Leaders (YGL), "a community of extraordinary leaders under the age of 40." In 2010, he became a member of the first class of the Aspen Institute Leadership Fellows in the Middle East and was selected as one of UCLA Anderson's Business School "100 Inspirational Alumni" in the 75 year's history of the school.

Mr. Nazer has three children: Lana (1990), Hisham (1992) and Tan (1997). He enjoys golf, running, biking, basketball, soccer, and many other sports.



2

Mr. Tal Hisham Nazer
Board Member (Executive)

Mr. Tal Hisham Nazer has been a Board Member and the Chief Executive Officer of Bupa Arabia since 2008. Leading this top and fast growing specialized health care company to higher standards, his relationship circle has widened and strengthened in the insurance market in Saudi Arabia with regulators, healthcare providers and the insured.

Mr. Tal Nazer is a Board member on various companies and committees. He is the Vice Chairman of the Nazer Group and a Board member of Nawah Healthcare, and a member of SAMA's Insurance Executive Committee. Mr. Nazer is also a member of the Young Presidents Organization (YPO) and a member of Young Global Leaders (YGL). He joined Choate's Board in New York in 2014.

Mr. Tal Nazer holds an MBA from The Wharton School, Pennsylvania, USA (in Finance and Buyouts, completed in 2001) and a BA in Economics from the University of California at Los Angeles (completed in 1996).



3

Mr. Abdulhadi A. Shayif
Board Member-Independent

Mr. Abdulhadi A. Shayif has been an independent Board member, at Bupa Arabia, since March 2011 and he holds a Bachelor's degree in Economics from the American University of Beirut(1970)

Mr. Shayif was the Bupa Arabia Audit Committee Chairman for two full terms, from March 2011 to January 2017 and was appointed as the Risk Management Committee Chairman for the new term which commenced 22 January 2017.

Abdulhadi started his distinguished career with the National Commercial Bank and was later appointed as its General Manager and member of its Board of Directors and its Executive Committee.

In addition to Bupa Arabia, Abdulhadi A. Shayif also sits on a number of Boards within and outside the Kingdom of Saudi Arabia.

In Saudi Arabia, Abdulhadi A. Shayif serves as a Board member and the Chairman of various committees at a variety of companies including; the Alawwal Bank, Saudi Ground Services Co., Health Water Bottling Company(Riyadh), the Deutsche Securities Saudi Arabia and other. He received the Grand Cordon of the Order of Al-Istiqlal (Independence) from King Abdullah the Second of the Hashemite Kingdom of Jordan.



4

Mr. Zaid Algwaiz
Board Member-Independent

Mr. Zaid Algwaiz has been an Independent Board Member, and the Chairman of different Board Committees, of Bupa Arabia, since joining its Board at the start of the previous Board term, during June 2014. During 2016 he also became a member of the Bupa Arabia Nomination and Remuneration Committee.

For the new Board term, which commenced 22 January 2017, Mr. Algwaiz, was re-appointed as: an Independent Board Member, as the Investment Committee Chairman, until the end of 2017, and as a member of the Nomination and Remuneration Committee, being appointed its Chairman at the end of 2017.

Mr. Algwaiz has an Accounting degree from the King Saud University (1987).

During 2018 Zaid was appointed as; Independent Board Member, and Chairman of the Compensation, Nomination & Governance Committee, and member of the Executive Committee, of the National Commercial Bank (NCB).

He worked as Senior Accountant in the Planning and Finance Department of the King Faisal Hospital - Riyadh until 1990.

He joined the Saudi British Bank in 1990 and held various positions and responsibilities including; Senior Relationship Manager/Team Leader, Senior Manager Credit & Risk and was General Manager Corporate Banking until 2003 when he moved to HSBC Saudi Arabia Limited as Deputy Managing Director until 2007.

Mr. Algwaiz was a member of the Saudi British Bank's Nomination and Remuneration Committee (from 2016 until the first quarter of 2018).

Mr. Algwaiz is licensed Financial Consultant and is/has been an Independent Board / Committee Member at several Companies, including AlRajhi Steel Industries, Masic (AlSubaiei Investment Group) and Thakhir Company for Real Estate Investment. He previously also worked as an Independent Board Member at AlYusr Finance company and Saudi Hollandi Capital.



5

Dr. Adnan A. Soufi
Board Member-Independent

Dr. Adnan Soufi is an executive leader, a strategist, and a governance authority with academic credentials. He has served in both private and public sectors in different leadership positions as well as in academia.

Dr. Adnan joined the Bupa Arabia Board of Directors, for the new Board term, effective 22 January 2017, and is also the Audit Committee Chairman for this new term.

During 2018 Dr. Soufi was appointed as independent Board member of National Commercial Bank Capital and was also appointed as Chairman, Advisory Committee to the Capital Market Authority (CMA).

Dr. Soufi's role, prior to joining the Bupa Arabia Board, was as a Commissioner at the Board of the CMA, a Royal Decree appointment.

Prior to that, Dr. Soufi was CEO of SEDCO Holding (2010-2013), a leading family wealth management holding. He also served SEDCO as Managing Director of the Financial Investment Group, as well as in other capacities, for a period of 22 years in SEDCO.

Dr. Soufi has also served on several boards, including SEDCO Capital and the Arabian Cement Company.

Earlier in his career (1984-2005), Dr. Soufi held the position of Professor of Finance and International Business at King Abdulaziz University (KAU) in Jeddah, and later was the Dean of the Faculty of Economics and Administration. He was also a Senior Associate Member of Oxford University's (St. Antony's College) in 2005.



6

Mr. David Martin Fletcher
Vice-Chairman (Non-Executive)

Mr. David Fletcher joined the Bupa Arabia Board of Directors on 8 September 2014, is the Vice-Chairman, and was re-appointed for the new term which commenced 22 January 2017.

Mr. Fletcher is currently the Bupa Group Chief Risk Officer (since January 2017), and member of its Executive Team, after being the Managing Director of Bupa International Development Markets (IDM), is a UK citizen based in London, and in 1985 completed a BA Honours in Modern History from the University of Durham, in the United Kingdom (UK).

David joined Bupa, the international healthcare group, as Chief Internal Auditor in March 2014 and was Managing Director of Bupa IDM since September 2014. In this role he was responsible for existing Bupa businesses in Poland, India, China, Thailand and Hong Kong, and for expansion into new domestic markets, as well as for Saudi Arabia through being on the Board of Bupa Arabia.

He joined Bupa from Permata Bank in Indonesia, one of Indonesia's largest banks and an affiliate of Standard Chartered, where he was President Director/CEO for four and a half years. Prior to this he had an extensive banking career at Standard Chartered, where he served as Head of Group Internal Audit across the Standard Chartered Group, and was Chief Executive Officer of Standard Chartered Bank Bangladesh from 2002 to 2004.

David has extensive international experience in banking, having held various senior positions in Nigeria, China, Hong Kong, Singapore, Bangladesh, Indonesia, and London with Standard Chartered and Citibank.



7

Mr. Simeon Preston
Board Member (Non-Executive)

Mr. Simeon Preston joined the Bupa Arabia Board of Directors on 1 April 2018, to complete the current Board term, which commenced 22 January 2017, and which will end 30 June 2019.

Mr. Simeon Preston is the Chief Executive Officer for the Bupa International Markets Unit, based in London, England, the United Kingdom, and has an MBA from the INSEAD Business School, a Master of Science in Transportation Policy and Planning (University of Newcastle-Upon-Tyne, England), a Master of Science in Geographical Information Systems (University of Leicester, England) and a

Bachelor degree in Geography (London School of Economics, England).

Simeon joined Bupa, the international healthcare group, as Chief Executive Officer of the International Markets Unit, during October 2017, and in this role he is responsible for existing Bupa businesses in the Middle East, India, China, Turkey and Hong Kong, and for expansion into new international markets, as well as for Saudi Arabia through being on the Board of Bupa Arabia.

Until May 2017 he was AIA's Group Chief Operations Officer, a member of the Group Executive Committee responsible for technology, innovation, operations and transformation. Prior to joining AIA in 2010, he served as a senior partner in the financial services practice of global management consultants Bain & Company, where his twin specialisms were Asia insurance and organizational design. Simeon previously spent almost nine years with strategy consulting firm Marakon Associates in Europe, the US and Asia. He lived and worked in Asia for over 20 years before returning to the UK in 2017.



8

Mr. Martin Houston
Board Member (Non-Executive)

Mr. Martin Houston was appointed as Bupa Arabia Board member, effective 1 October 2018, is based in the USA, and is a non-executive director, appointed in January 2014, of the main Board of Bupa, the international healthcare group based in London, England, and which is the ultimate owner of the Bupa Arabia major shareholder BIOL. Martin also sits on the Bupa Nominations Committee and is the Chairman of the Bupa Remuneration Committee.

Mr. Houston is also the Vice-Chairman of Tellurian Incorporated, the Vice-Chairman of Hakluyt North America and, in March 2018, was appointed by Moelis and Company as the Chairman of its Global Energy Group.

Martin was previously employed by the BG Group plc, retiring after 32 years, in 2014, as Chief Operating Officer and a member of its Board. Between 2015 and 2018 Martin was the chairman of TPH International, a boutique investment bank based in Houston, Texas, USA.

Mr. Martin Houston has a Bachelor's degree in Geology, from the Newcastle University, England, UK, completed during 1979, and a Master's in Petroleum Geology, from the Imperial College London, England, UK, completed during 1983.





Bupa Group

Over 70 years of
healthcare and wellness

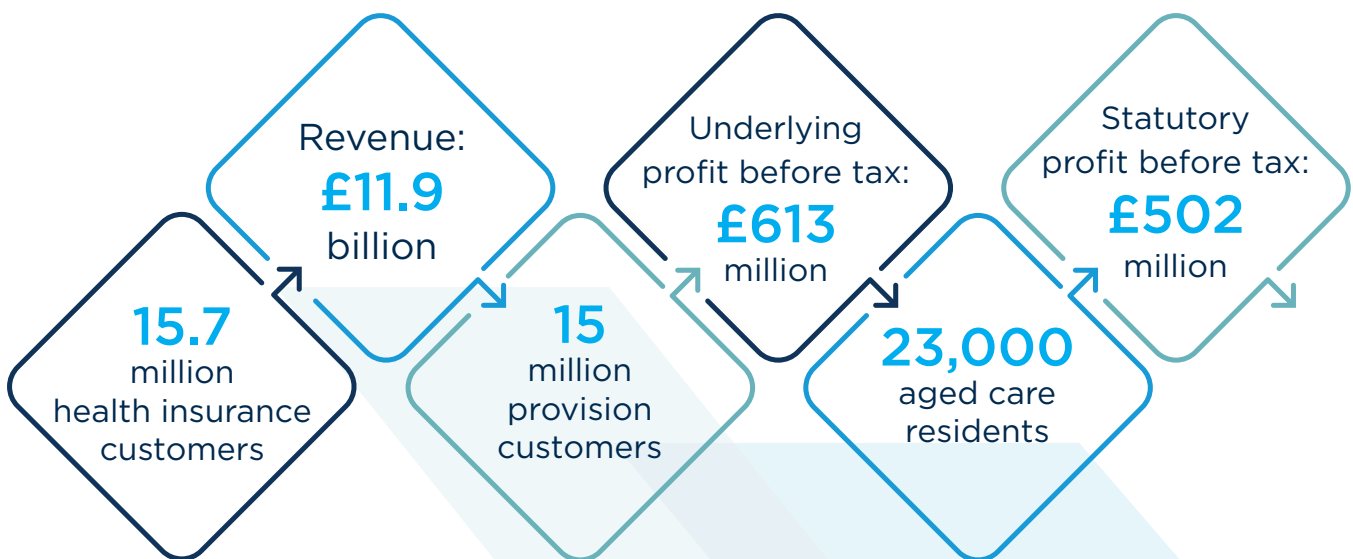
Bupa is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers.

We were established in 1947 when 17 British provident associations and other UK funding organisations such as hospital contributory schemes came together. Their aim was to enable people to fund high-quality healthcare. Today, we describe our purpose as helping people live 'longer, healthier, happier lives'.

Health insurance is the core of what we do with 15.7 million customers across the world. We also deliver certain health services where they complement our position in health insurance, giving us greater insight into how health systems work and enabling us to deliver excellent customer experiences. We are an international company, with strong local businesses. This ensures we adapt to and connect with local health systems and customer needs.

We directly employ around 80,000 people, principally in the UK, Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Turkey, the US, Brazil, the Middle East and Ireland. We also have associate businesses in Saudi Arabia and India.

Bupa Group in figures (2018)



Bupa Group

Strategic Framework

Our strategic framework guides our activity across the Group. Each business uses it to frame their agenda, focused on the three pillars and five priorities.

Our three pillars



Customers:

A true customer champion, providing outstanding experiences.



People: Our people love working at Bupa and making a difference for our customers.



Performance: Strong and sustainable performance with disciplined risk and capital management.

Our operating approach

Invest in strength and depth:

Prioritising existing businesses and geographies, with selective expansion into new markets and related business lines.



Win locally, enabled globally:

Meeting the individual and local needs of our customers, while leveraging broader capabilities to support these.



Be ever-focused on quality, efficiency, safety and compliance:

Recognising that we need to uphold the highest standards and enable healthcare that is affordable for customers.



Integrate corporate responsibility and sustainability:

An holistic agenda across customers, people, business ethics, community and environmental considerations.



Our five priorities



Putting our customers front and centre:

Delivering truly outstanding, personalised customer experiences, ensuring high-quality clinical outcomes and value for money.

Engaging and empowering our people to deliver:

Our people operate in an environment that enables and inspires them to make a real difference for customers, and are themselves healthier and happier.



Digital transformation and continuous improvement:

Making things easier, faster, more personalised and responsive for our customers, employees, providers and partners.

Maximising value through healthcare co-ordination:

A trusted co-ordinator and guide to healthcare services, delivering efficient, seamless experiences with positive health outcomes.



Expanding into related business lines:

Targeted expansion in services such as dental and digital which our customers want and which enhance our brand and deepen our connection with customers.

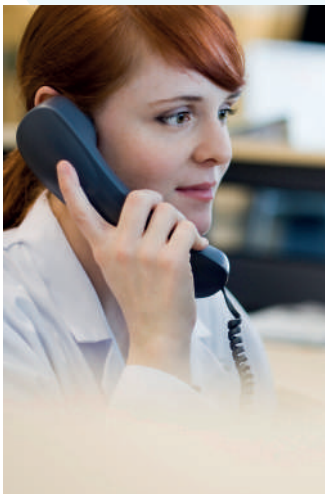
Our Values

Passionate Caring Open Authentic Accountable Courageous Extraordinary

Bupa Group

Around the World

Australia and New Zealand (5)



- Bupa Health Insurance
- Bupa Health Services
- Bupa Villages and Aged Care Australia and New Zealand

Europe & Latin America



- Sanitas Seguros
- Sanitas Hospitales and New Services
- Sanitas Dental
- Sanitas Mayores
- LUX MED (Poland)
- Bupa Chile

United Kingdom



- Bupa UK Insurance
- Bupa Dental Care
- Bupa Care Services
- Bupa Health Services

International Markets



- Bupa Global
- Bupa Care (Brazil)
- Acibadem Sigorta (Turkey)⁽¹⁾
- Bupa Arabia⁽²⁾
- Bupa Hong Kong
- Max Bupa (India)⁽²⁾
- Bupa China

(1) In January 2019, we completed the acquisition of Acibadem Sigorta

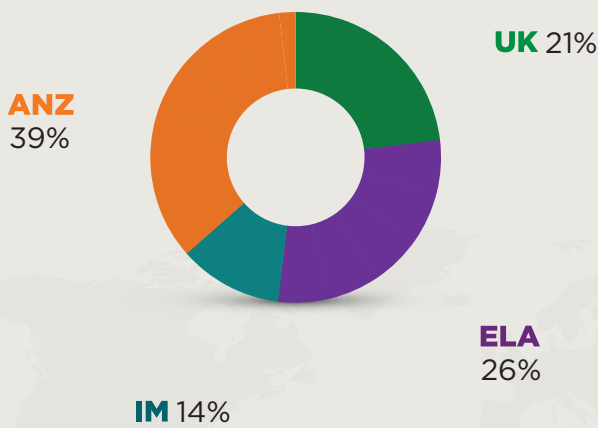
(2) Bupa Arabia and Max Bupa (India) are associate businesses

Bupa Group

2018 Market Unit Performance

2018 Market Unit performance

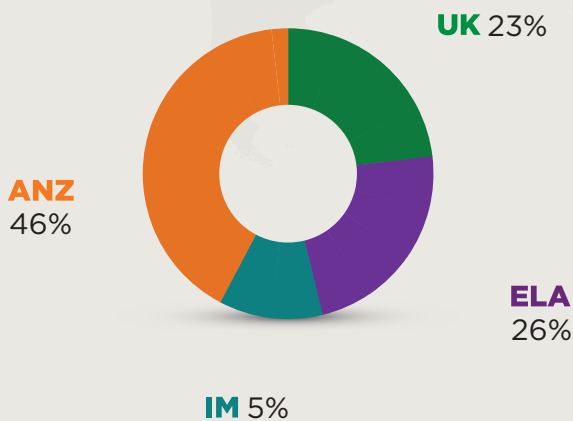
Group Revenue £11.9bn



Australia and New Zealand
 Revenue: £4,656m
 Underlying profit: £313m

Europe and Latin America
 Revenue: £3,041m
 Underlying profit: £182m

Group Underlying Profit £613m



UK
 Revenue: £2,537m
 Underlying profit: £156m

International Markets
 Revenue: £1,626m
 Underlying profit: £36m

Bupa Group Business Model

Bupa's purpose is helping people live longer, healthier, happier lives. With no shareholders, our customers are our focus. We reinvest profits into providing more and better healthcare for the benefit of current and future customers.

How we create value

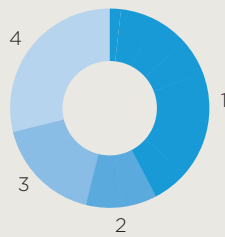


Health Insurance

Globally, health insurance revenue accounts for 73% of our business, with **15.7m¹ insurance customers**.

- We have domestic health insurance business in Australia, the UK, Spain, Chile, Saudi Arabia, India, Hong Kong and Brazil. From January 2019, we also have a domestic health insurance business in Turkey. In some countries, we also provide international health insurance travel insurance and dental insurance.
- In most of these countries we offer health insurance for corporate business and small and medium-sized enterprises, as well as for individuals.
- Our offer is different from country to country to adapt to local circumstances and regulations.

Earned premiums by key insurance business



1. Bupa Health Insurance (Australia) **44%**
2. Bupa UK Insurance **18%**
3. Sanitas Seguros (Spain) **13%**
4. Others **25%**

In Australia and New Zealand, insurance made up around 80% of the total market Unit revenue, around 60% in Europe and Latin America and in the UK; and 90% in International Markets.



Provision

Provision revenue account for 18% of our business. We directly provide healthcare to around **15m people in our health clinics, hospitals and dental centres**.

Clinics



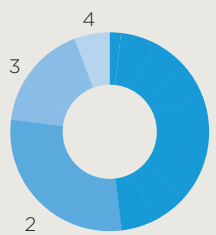
We operate over 350 health clinics in Spain, Chile, Poland, the UK, Brazil, Hong Kong, Australia and China.

Hospitals



We Also run hospitals in Spain, Chile, Poland and one in the UK.

Provision revenue by market units



1. Europe and Latin America **50%**
2. UK **28%**
3. Australia and New Zealand **15%**
4. International Market **7%**



Dental

Dental care an area of growth for us across provision and insurance.

We provide dental insurance in Australia, the UK, Spain, Chile and Brazil.

We have over 900 dental centres across the UK, Ireland, Australia, Spain, Chile, New Zealand, Poland, Brazil and Hong Kong.



Aged care

Residential aged care revenue accounts for 9% of our business with 23,000 residents.

In Australia and New Zealand, we look after 10,200 residents in 121 care homes. We also have over 30 retirement villages in New Zealand.

In the UK, we run 138 care homes and seven Richmond villages. We care for 6,800 residents.

In Spain, we look after around 6,000 residents in 46 homes and we operate five day care centres.

1. Excludes Acibadem Sigorta (Turkey)

Bupa Group

Business Model

we create value for



Customers

Our customers are our primary stakeholder, as we are a company without stakeholders.



People

As a service business everything we do for our customers is delivered through our people. They are critical to our success. We want them to love working at Bupa and make a difference for our customers.



Partners

We work with a wide range of partners including other health providers, brokers, distributors, and partners in our associate businesses and joint ventures.



Society

Alongside our stakeholders, we play an active role in our communities and take care of the environment. The Bupa Health Foundation in Australia supports Aboriginal and Torres Strait Islander communities to end rheumatic heart disease.

The resources we have to create value



Status and Purpose

A private company limited by guarantee without shareholders, with profits reinvested in the business



Financial Strength

A robust capital base, strong profitability and cash generation



Governance

We operate in regulated sectors with strong internal controls and risk management



Brand health

Our brand is known and trusted for quality experiences for customers

The values that guide us every day

Passionate Caring Open Authentic Accountable Courageous Extraordinary

Our Competitive Advantages



Tebtom Program Services



Bupa Doctor

Do you have a lot of healthcare questions?

- ✓ Female & male doctors available
- ✓ Access using toll free number
- ✓ Access to specialized doctors 24/7



Chronic Care

Frustrated with dealing with your chronic case?

- ✓ Chronic Medication Refill***
- ✓ Chronic Medication Delivery*
- ✓ Home-based Laboratory visits at home or office*



Maternity & Child Care

Are you getting the correct guidance for you and your baby?

- ✓ Assured privacy with female doctors
- ✓ Home-based child vaccinations*
- ✓ Healthcare advice and guidance pre & post natal



Specialized International Services

Do you want to get international medical advice?

- Telemedicine:***
- ✓ Live consultation with US based doctors
 - ✓ Communicating through app, live video chat, or by calling 9 2002 3009
 - ✓ Travel health coaching

International Second Medical Opinion:**

- ✓ Diagnosis from International doctors at world-renowned centers
- ✓ Approval based on pre-set medical criteria



Wellness Services

Struggling to lead a healthier lifestyle?

- ✓ Stress Management Support
- ✓ Smoking Cessation Guidance
- ✓ Weight Management

* For members with Network 5 and above & in specific cities.

** For non-emergency cases & for members with Network 5 and above.

*** For members with Network 5 and above.

Our Competitive Advantages

Rahatkom Program

More than an approvals office

- ✓ Over 70 Rahatkom offices across hospitals in the Kingdom
- ✓ Our doctors can provide an exceptional quality of care during admission
- ✓ Our doctors can follow up on your treatment after discharge
- ✓ Easier hospital experience



Our People



Our Football Tournament



Our 2018 Year End Celebration



Our Outdoor Area at the HQ



Our Football Tournament



Our Daycare



Our Ladies Colour Run



Our Gyms

Our CSR



Our CSR Free Health Insurance



Our CSR Health Lounges

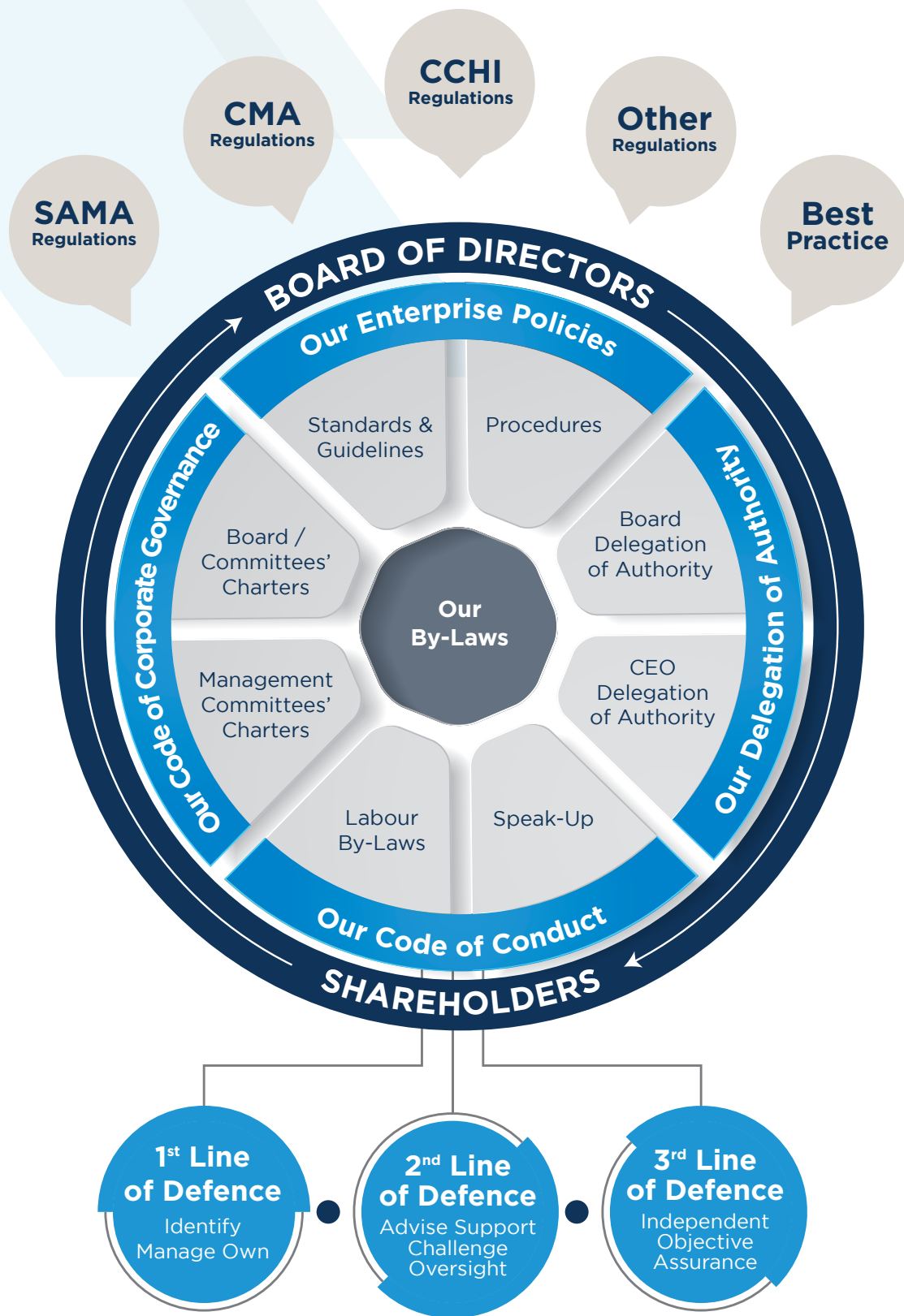


Our CSR Health Lounges



Our CSR Free Health Insurance

Our Governance Framework




Our Code of Conduct

Safeguarding Bupa Arabia's assets

 we work to high professional standards →

 we declare conflicts →


 we represent Bupa Arabia →

 we prohibit insider trading & stock tipping →

 we manage risk →

 we protect our intellectual property →

Thriving through regulatory excellence

 we play by the rules →

Adhering to competition laws

 we respect competition laws →


 we speak up →

Acting ethically & transparently with all our stakeholders

 we put our customers first →

 we act ethically →


 we keep information safe →


 we fight money laundering & terrorism financing →


 we know our suppliers →

Preserving our community and our environment

 we celebrate diversity →

 we stay safe and well →

 we are ready for anything →

 we take care of the planet →

Audit Committee Report

The Audit Committee oversees the Bupa Arabia for Cooperative Insurance Company's ("Bupa Arabia" or "the Company") financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for management assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited annual financial statements and the related schedules in the Annual Board Report with the Company's management.



The Committee is governed by a charter, which is available on the Company's website and which was most recently approved by the public shareholders in the General Assembly meeting of 22 November 2018. The Committee held seven (7) meetings during fiscal year 2018. The Committee is comprised solely of independent members, as required by the Corporate Governance rules and regulations of the Kingdom of Saudi Arabia.

The membership of the Audit Committee, together with the current term appointment dates, and attendance at the 2018 committee meetings is set forth below:

Members	Current Term Join date	Attendance during 2018
Dr. Adnan Soufi	22 January 2017	6 meetings attended out of 7 held (6/7)
David Hunt	22 January 2017	7 meetings attended out of 7 held (7/7)
Khalid Al-Soliman	22 January 2017	6 meetings attended out of 7 held (6/7)
Sulaiman Alhatlan	1 June 2018	4 meetings attended out of 4 held (4/4)
Overall Attendance		92%, 23 of 25 attendances completed

The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Company's management, the Company's control functions (Compliance, Internal Audit and Risk Management) and the Company's independent External Auditors. The Committee discussed with the

Company's control functions and the independent External Auditors the overall scope and plans for their respective reviews. The Committee meets with the control functions and the independent External Auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal control, including internal control over financial reporting and the overall quality of the Company's financial reporting.

The Audit Committee recognizes the importance of maintaining the independence of the Company's External Auditors, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Company's External Auditors and determines whether to re-engage the current External Auditors. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the External Auditors, their capabilities and their technical expertise and knowledge of the Company's operations and the insurance industry. Based on this evaluation, the Audit Committee recommended to the Board the retention of Ernst & Young (EY) and KPMG Al-Fozan & Partners (KPMG) as the Company's joint External Auditors for fiscal year 2018, which recommendation thereafter approved by the Board, and thereafter the shareholders in the General Assembly meeting of 31 May 2018. EY and KPMG have been the joint Independent Auditors for the Company since fiscal year 2016.

The members of the Audit Committee and the Board believe that, due to the EY and KPMG knowledge of the Company, and the industries in which the Company operates, it is in the best interest of Bupa Arabia, and its shareholders, to continue having EY and KPMG serve as the Company's Independent External Auditors. The Audit Committee has therefore recommended to the Board to recommend to the shareholders, at the Annual General Assembly Meeting, to ratify the appointment of the Independent External Auditors for the 2019 fiscal year.

The Committee reviewed and discussed with management, and the independent External Auditors, the Company's audited annual financial statements for the year ended 31 December 2018. Furthermore, the Committee reviewed the results of management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent External Auditor's audit of the internal control over financial reporting. The Committee discussed with management, and the independent External Auditors, the plans of management to remediate control deficiencies, if any, as deemed applicable.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited annual financial statements and related schedules, and management's assessment of the effectiveness of the Company's internal control over financial reporting be included in the 2018 Annual Report.

The Audit Committee confirms that it has, during 2018, completed its tasks and activities, in accordance with the powers afforded to it, as per the regulations and as reflected within its latest Audit Committee Charter. In fulfilling these tasks and activities, the Committee is able to express an opinion on the Company's internal control systems during 2018: As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point b), and the Companies Law Article 104, that the Company, and the Board, confirms the system of internal control is sound and acceptable in design and effectiveness. In line with Bupa Arabia's Executive Management commitment to pursue a continual governance improvement journey, an internal control roadmap has been developed to achieve the highest level of internal control assessment maturity ("Excellent") by the end of 2020.

The Committee carried out an assessment of its own performance in 2018 and, whilst overall the Committee members concluded that the Committee is performing effectively, the Committee agreed that to further enhance its effectiveness they needed to ensure they continued to develop their knowledge of business operations and how they were evolving which would involve further knowledge sessions and meetings with key relevant stakeholders.

Dr. Adnan Soufi, Audit Committee Chair
David Hunt, Audit Committee Member
Khalid Al-Soliman, Audit Committee Member
Sulaiman Alhatlan, Audit Committee Member

On behalf of the Audit Committee of Bupa Arabia for Cooperative Insurance Company,

Dr. Adnan Abdulfattah Soufi
Chairman of the Audit Committee
24 April 2019



Board Report



Board of Directors Report

For the period ended 31/12/2018:

The Board of Directors of Bupa Arabia for Cooperative Insurance Company (the Company, or Bupa Arabia) is pleased to present the Annual Board Report (ABR) covering the Company's financial results and achievements for the twelve-month period ended 31 December 2018.

This ABR must be read in conjunction with the Company's stock exchange announcements, and the Annual Report & Accounts (ARA), which ARA includes the Annual Financial Statements (AFS) and, where not repeated herein, so as to avoid repetition, the contents of this ABR shall be considered to include all Company announcements, the ARA, and all AFS contents, in fulfilment of the regulatory requirements of the ABR.

All Bupa Arabia stakeholders are additionally referred to the Bupa Arabia Website's Investor Relations section, for key information about the Company's results, governance, stock exchange announcements and General Assembly (GA) minutes.

This ABR includes the most important developments, financial results, operational activities, and outlook disclosures, in compliance with the rules and regulations of the Kingdom of Saudi Arabia (KSA, or the Kingdom, or Saudi Arabia) and for comparative purposes uses the twelve month periods ending 31/12/2018 and 31/12/2017.

1. Activities:

a) Main activities:

Bupa Arabia is a publicly listed Saudi joint stock company (listed 17/05/2008) registered in Saudi Arabia under Commercial Registration number 4030178881, issued 10/05/2008, specialising in cooperative health insurance activities and operating in accordance with the relevant rules of all the relevant regulatory bodies in the Kingdom.

The Company's first fiscal period commenced on the issuance of the ministerial declaration to establish the Company (issued on 01/05/2008), and ended on 31/12/2009, and these financial statements represent the tenth statutory financial statements of the Company.

b) Third Party Administration (TPA) activity:

As announced, on 01/01/2018, Bupa Arabia signed a TPA Services Agreement with Saudi Aramco which entails providing TPA services to Saudi Aramco employees, retirees, and their dependents, effective from 01/03/2018.

2. Business results and financial highlights:

In 2018 Bupa Arabia had a good trading year, in spite of the overall economic challenges, a shrinking health insurance market, and the insurance sector's overall lacklustre performance. Bupa Arabia increased its written premiums by 10.8% over 2017, due to healthy pricing and good growth in new business, and achieved a record written premium level of SR8.6b.

The 2018 investment income results represent another record year for Bupa Arabia, with a year on year growth of 16.6% achieved, driven mainly by an increased portfolio, an increase in Cash and Fixed Income yields, and further supported by a rising interest rate environment.

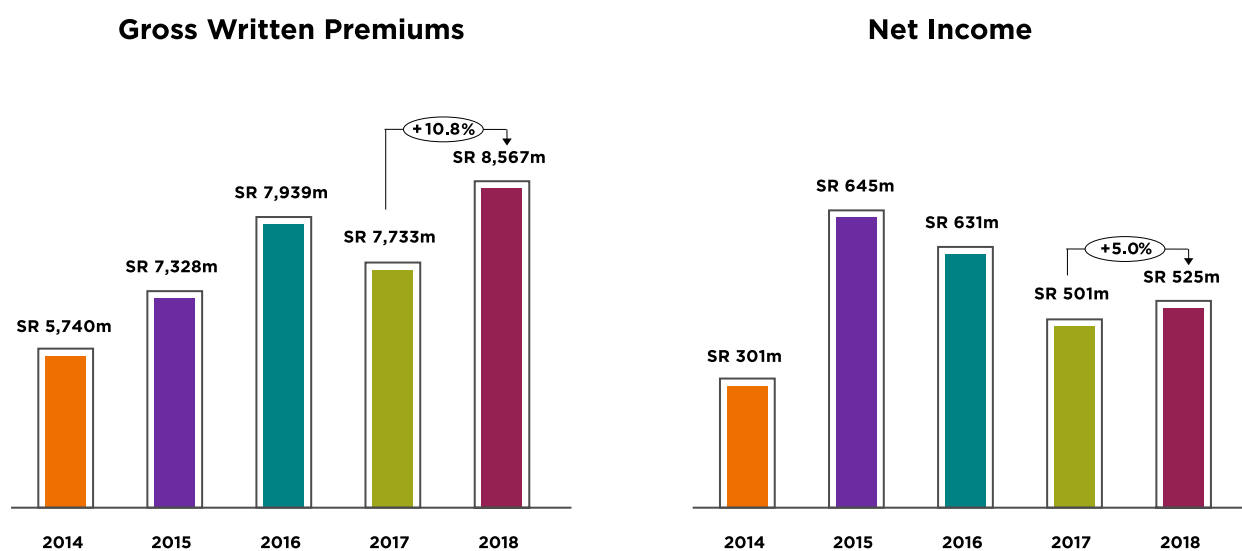
The 2018 year was also a record year for collections, in line with the record level of written premium, with a total of SR8.5b collected during the year. However, the BDP expense was higher in 2018, in part as a result of the economic situation and its impact on lapsed debt, but also due to the timing of the BDP versus the business growth, as well as an overall increase in the aging of the receivables.

During 2018 Bupa Arabia paid 2017 fiscal year dividends to its shareholders of SR160m (a pay-out ratio of 32%), versus the SR120m (a pay-out ratio of 19%) paid in 2017 for the 2016 fiscal year. The Company also distributed, during November 2018, bonus shares, one bonus share for every two shares held, thereby increasing the capital by SR0.4b to SR 1.2b, an increase of 50%.

2.1 Summary revenue and profit results:

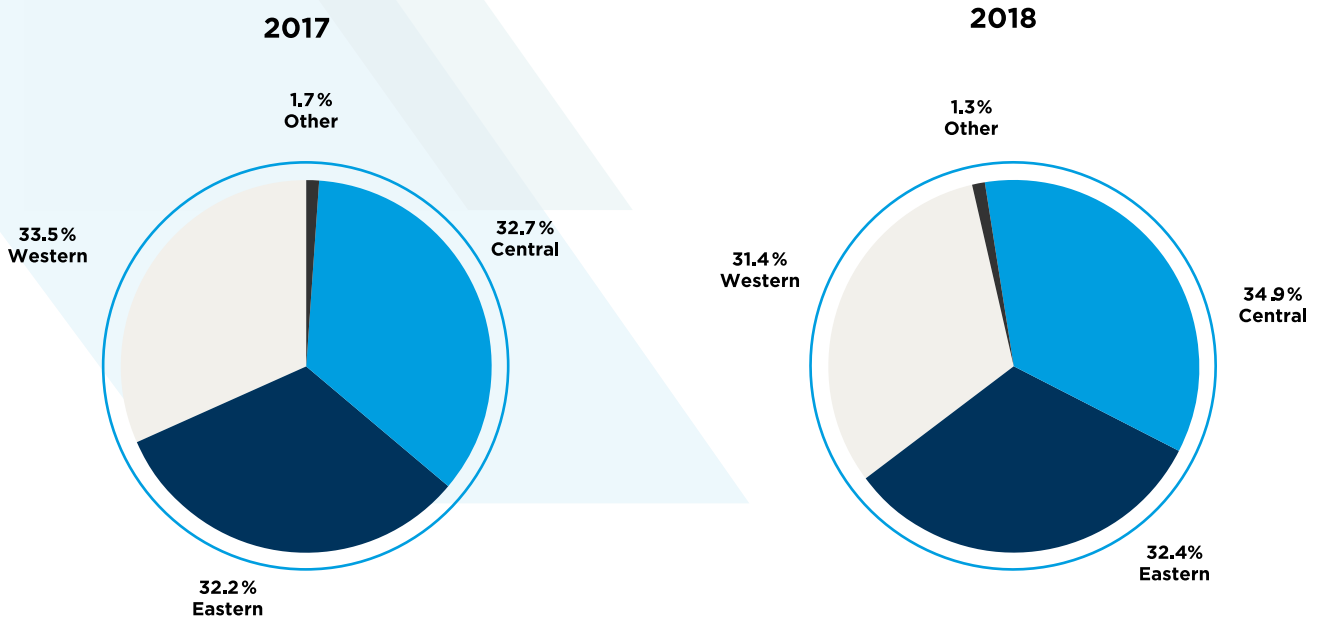
	2014 SR000s	2015 SR000s	2016 SR000s	2017 SR000s	2018 SR000s
Gross written premiums (GWP)	5,740,449	7,328,016	7,938,630	7,732,961	8,566,648
Net earned premiums (NEP)	4,595,075	6,739,398	7,667,316	7,672,314	8,150,242
Total revenue	4,637,358	6,758,649	7,797,710	7,830,146	8,348,460
Gross claims paid	3,289,128	5,007,697	5,944,793	6,428,617	6,708,524
Net claims incurred (NCI)	3,649,005	5,211,046	6,178,445	6,405,003	6,788,985
Total expenses	654,351	829,408	923,163	874,137	985,317
Surplus from insurance operations	327,269	731,176	653,949	503,919	487,272
Shareholders' net income	301,275	645,077	630,705	500,614	525,431
Loss Ratio	79.4%	77.3%	80.6%	83.5%	83.3%
Earnings Per Share ("EPS")	2.51	5.38	5.26	4.18	4.39

Bupa Arabia's net income grew by 5% compared to 2017, driven by higher net underwriting results, due to a combination of higher earned premiums and an improved loss ratio, at 83.3% versus the 83.5% of 2017. The growth in net income was further supported by an increase in investment income. The underwriting and investment income gains more than compensated the higher operating expenses (which in part driven by the associated variable costs of the increased written premium) and the increase in the Bad Debt Provision ("BDP") expense during the year. Versus 2017 Bupa Arabia's 2018 GWP was higher by SR0.8b, and Net Income grew by SR24m:



2.2 GWP Geographical mix:

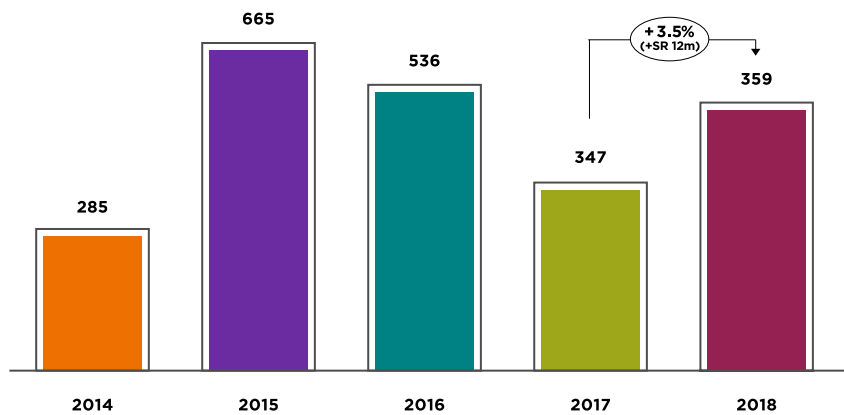
The 2018 geographical mix of GWP was similar to that of 2017, with the main change being a marginal mix change to the Central region from the Western region, with the Eastern and “Other” regions broadly in line:



2.3 Net underlying results:

The net underlying results reflect the insurance results income, by removing the BDP expense/income and the investment/other income. During 2018 Bupa Arabia achieved a growth of SR12m in underlying results mainly due to the improved net underwriting results:

Net Underlying Results



2.4 Summary balance sheets:

ASSETS	2014 SR000s	2015 SR000s	2016 SR000s	2017 SR000s	2018 SR000s
Cash and cash equivalents	1,846,850	798,862	225,830	229,884	290,413
Term deposits	1,257,757	3,547,529	4,045,310	3,945,383	4,715,281
Investments	644,546	624,928	1,258,420	1,721,690	1,621,491
Prepayments and other assets	72,561	95,046	148,991	170,528	202,985
Premiums receivable - gross	676,545	863,715	1,123,540	1,013,656	1,119,902
Allowance for doubtful premiums receivable	(77,858)	(114,266)	(142,997)	(142,674)	(169,231)
Premiums receivable - net	598,687	749,449	980,543	870,982	950,671
Reinsurer's share of unearned premium	39,733	900	1,356	5,146	6,320
Reinsurer's share of outstanding claims	13,432	3,012	1,720	1,030	3,014
Deferred policy acquisition costs (DAC)	56,601	78,415	72,281	71,076	118,323
Amount due from insurance operations	-	-	148,477	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000
Tangible and intangible assets (prev. Furniture, fittings and equipment)	60,667	77,167	90,945	133,497	138,516
Accrued Interest on statutory deposit	-	-	3,585	5,121	6,882
Statutory deposit	40,000	80,000	80,000	80,000	120,000
TOTAL ASSETS	4,728,834	6,153,308	7,155,458	7,332,337	8,271,896

Total assets increased by 12.8%, year on year, due mainly to:

- Cash and cash equivalents growth of 26.3% (higher GWP and strong collections),
- An increase in term deposits of SR0.8b, up 19.5% (due to additional placements),
- An increase in net premium receivable of 9.1% (higher GWP),
- Growth in DAC of SR47m (higher GWP).

LIABILITIES AND SURPLUS	2014 SR000s	2015 SR000s	2016 SR000s	2017 SR000s	2018 SR000s
Unearned premiums (UEP)	2,383,358	2,890,679	3,094,990	3,091,079	3,428,131
Outstanding claims provision (OCP)	812,530	1,054,369	1,321,622	1,341,536	1,472,681
Reinsurance balance payable	3,253	-	15,117	39,613	50,636
Accrued expenses and other liabilities	305,866	312,643	237,017	212,067	367,204
Obligation under Long-Term Incentive Plan (LTIP)	22,754	-	-	-	-
Amount due to shareholders' operations	-	-	148,477	-	-
Policyholders' share of surplus from insurance operations	81,181	154,299	169,884	138,581	139,755
Accrued Zakat and income tax	23,903	42,577	116,953	148,704	199,784
Accrued Interest on statutory deposit	-	-	-	5121	6,882
Amount due to related parties	44,490	32,201	24,344	33,586	41,095
Total liabilities	3,677,335	4,486,768	5,128,404	5,010,287	5,706,168
Total equity	1,051,499	1,666,540	2,027,054	2,322,050	2,565,728
Total liabilities and equity	4,728,834	6,153,308	7,155,458	7,332,337	8,271,896

Total liabilities increased by 13.9%, year on year, due mainly to:

- Unearned premium reserves increased by 10% (GWP higher by 11%),
- Outstanding claims reserves increased to SR1.5b, an increase of 10%, (GWP higher by 11%),
- Accrued expenses and other liabilities grew by 49% (mainly: the new VAT payable liability, levies payable, and higher commissions payable (levies and commissions mainly growth related)),
- Fair value reserves decreased by SR29m, driven by the rising interest rates environment in 2018.

3. Statutory payments and payable to regulatory bodies:

As part of the CMA disclosure requirements of Article 43, paragraph 21:

• 3.1 Table of payments and amounts payable to regulatory bodies:

Regulator: and Description	Paid		Paid Change	Payable		Payable Change
	2017 SR000s	2018 SR000s	2017 vs 2018 SR000s	2017 SR000s	2018 SR000s	2017 vs 2018 SR000s
GAZT : Zakat and Income Taxes	47,478	38,119	(9,359)	148,704	199,784	51,080
GAZT : Value Added Tax (VAT)	0	329,943	329,943	0	69,911	69,911
GAZT : Total	47,478	368,062	320,584	148,704	269,695	120,991
SAMA: Levies	38,547	42,252	3,705	5,549	6,130	581
CCHI: Levies and License Fees	77,094	84,504	7,410	11,098	12,260	1,162
TOTAL: Levies and license Fees	115,641	126,756	11,115	16,647	18,390	1,743
CMA/Tadawul: Service and License Fees	864	906	42	0	0	0
GOSI	25,208	30,083	4,875	2,412	2,654	242
Total	189,191	525,807	336,616	167,763	290,739	122,976

3.2 The General Authority of Zakat and Income Tax (GAZT):

The total paid during the year, for Zakat and Income Tax, was SR38.1m being SR12.1m for the 2017 GAZT return (SR8.2m for Zakat and SR3.9m for Income Tax), SR23.3m as 2018 advance tax, and SR2.7m for other payments. The SR2.7m other payments comprising SR0.5m Zakat and SR2.2m related to Contract Retention Release Letters.

The SR199.8m payable, for GAZT 2018 Zakat and Income Taxes, includes a SR49.5m provision for the 2018 GAZT return (SR8.9m Zakat and SR40.6m Income Tax), payable in 2018, and the remainder is predominantly additional contingent provisions for Zakat matters, for the year 2018, of SR35.6m, and prior years, which are under appeal. In addition to the amounts detailed and described, an additional amount of SR8.3m was paid during 2018 for withholding taxes and SR4.8m has been provided in the 2018 results' related to withholding tax payable in 2019 incurred in 2018.

During 2018 Saudi Arabia implemented VAT and Bupa Arabia settled SR329.9m to the GAZT for VAT payments, and had SR69.9m VAT payable at the end of the year.

• 3.3 The Saudi Arabian Monetary Authority (SAMA):

The increase in levies paid/payable to SAMA is due to 2018's higher written premiums. The SR42.3m levies paid comprised SR5.5m (2017 Q4) and SR36.8m (2018 Q1-Q3). The SR6.1m payable is the 2018 Q4 levies provision.

• 3.4 The Council for Cooperative Health Insurance (CCHI):

The increase in levies and license fees paid/payable to CCHI is mainly due to 2018's higher written premiums. The SR84.5m paid comprised SR0.1m license fees (2017 SR50k), and SR84.4m for levies (SR11.0m for 2017 Q4 and SR73.4m for 2018 Q1-Q3). The SR12.3m payable is the 2018 Q4 levies provision.

• 3.5 The General Organization for Social Insurance (GOSI):

The increase in GOSI paid/payable was due to an increase in staff costs and the total paid to GOSI during the year was SR30.0m, comprising SR2.4m for 2017 and SR27.6m relating to 2018. The 2018 GOSI provision payable is SR2.7m.

• 3.6 Tadawul and the Capital Market Authority (CMA):

The SR906k paid to Tadawul comprised SR400k service fees, SR487k Annual Listing Fees (stock exchange related administrative services/public reporting regulatory requirements and activities), and SR19k as other service fees.

• 3.7 Regulatory penalties:

Penalties settled during the year included a payment to the Ministry of Labour for SR52k which mainly for a breach in terms of the Saudi labour law.

4. Maintenance of proper records and books of account:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point a), and as required by Saudi Arabian insurance regulations, the Company, and the Board, confirms that proper books of account have been maintained and that it maintains separate accounts for each of Insurance Operations and Shareholder Operations, within its accounting records, and can confirm that it has maintained proper accounting records during the financial year.

5. Unqualified opinion of the independent external auditors:

The joint independent external auditors' report contains an unqualified opinion that the financial statements, taken as a whole, present fairly in all material aspects the financial position of the company and that the financial statements comply with the requirements of the Regulations for Companies and the Company's By-Laws.

6. Dividends and the Company's policy for the distribution of profits:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 24, the Company's By-Laws state the following with respect to the calculation and distribution of profits:

- The exclusion of Zakat and Income Tax.
- That 20% of net profits are allocated to form a statutory reserve. The general assembly has the authority to cease this transfer once the statutory reserve is equivalent to the paid up capital of the company.
- Based on the Board's recommendation, the general assembly can also hold a particular percentage of the annual net profit to form a reserve and it may allocate it to purposes of its choosing.
- The balance shall be distributed as a first payment in the amount not less than 5% of paid-up capital to the shareholders.
- The remaining balance shall be distributed to the shareholders as a share in the profits or to be transferred to the retained profits account.
- The Board may issue a decision to distribute periodical profits to be deducted from annual profits as specified in paragraph 4 above in accordance with the relevant regulating rules issued by the concerned authorities.

In addition to that stated within the Company By-Laws, during 2017 the Company approved the following as additional Dividend Policy:

"In addition to the distribution of profits requirements as reflected within the Company By-Laws (Articles of Association) the Company Dividend Policy is as reflected below:

To distribute any excess cash as dividends to shareholders subject to:

- a) maintaining a solvency position in adherence to local laws and regulations at each quarter end, and,
- b) receiving the required regulatory and shareholder approvals for the dividend(s) wherever applicable, and,
- c) having accounted for the Company's requirements in meeting its Capital Management Policy and relevant Risk Management policies, which policies covering the business and investment requirements."

Dividend History - Last 5 Fiscal Years:	2013	2014*	2015*	2016	2017**
Description	SR000s	SR000s	SR000s	SR000s	SR000s
Retained Income (pre-Zakat & Inc. Taxes)	147,334	301,275	645,077	630,705	500,614
Dividend Amount	20,000	N/A	160,000	120,000	160,000
Pre-Zakat & Inc. Taxes Dividend Pay-out Ratio	13.6%	N/A	24.8%	19.0%	32.0%
Number of Shares in Issue	40,000	40,000	80,000	80,000	80,000**
Saudi Riyals Dividends per Share	0.50	N/A	2.00	1.50	2.00
% of Dividend/Year/Quarter Distributed	100% 2014Q2	N/A	100% 2016Q2	100% 2017Q2	100% 2018Q2

* SR400m of the 2014 retained earnings was used in 2015 to double Bupa Arabia's share capital to 80m shares, through issuing one bonus share for every share held.

** At the time of the Dividends issue there were 80m shares. Bonus shares were issued during November 2018, one bonus share for every two shares held, using SR400m of the 2017 retained earnings, to increase Bupa Arabia's share capital by a further fifty percent, resulting in 120m shares in issue as at 31/12/2018.

7. Key other functional activities during the year:

• 7.1 Our proposition and marketing:

During 2018 Bupa Arabia continued to strengthen its brand proposition, through our three key pillars, reinforcing what we stand for as the leading health insurance provider, and brand, in Saudi Arabia:

a) Life-touching Healthcare Services:

In our commitment to offer our members unique healthcare services that add real value to their lives, we created the Tebtom healthcare program to help all our members and their families feel taken care of by our team members. The Tebtom program provides tangible services to all our members and which go well beyond health insurance, such as the medication refill and home lab services for chronic patients, and also the home vaccination service for children. Our doctors are also available to facilitate, through authorised third parties where appropriate, quick and immediate answers, to questions about their personal, and their families', medical needs.

b) Exceptional Experiences at Hospitals:

We created the "Rahatkom" program, a significant enhancement of our previous "Point-of-Care (POC)" program. This involved physically transforming nearly 40 offices, led by almost 70 Bupa Arabia delegates, at top hospitals across the Kingdom. It makes members feel secure and well taken care of by guiding them, catering for their needs, and making their hospital visits easier, faster and less stressful (and even includes mobile hospital delegates to help our members where it matters the most).

c) Global Expertise and Reach:

Bupa's global network and reach enables us, as Bupa Arabia, to benefit from best practices and global medical guidelines from all around the world, and implement them in Saudi Arabia. Therefore, we continuously strive to combine our global expertise and capabilities with our in-depth local knowledge of our local customers' needs, all to ensure that we are able to offer all our members the very best in healthcare products and services.

• 7.2 Our corporate social responsibility (CSR):

Bupa Arabia continued its promise to help, change and support the lives of all orphans under the supervision of the Ministry of Labour and Social Development (MLSD). 2018 is the eighth successive year of providing free health insurance and medical cover to the orphans living in the orphanages under the MLSD, in 52 orphanages kingdom wide, across 16 cities.

During 2018 the orphans also visited both Al-Ittihad and Al-Hilal football clubs where they experienced "once-in-a-lifetime" opportunities to meet the players at the clubs' centres, experience match-days and receive player autographed club memorabilia.

We also continued our annual Ramadan donation initiative and we have now donated nearly 200,000 items since the initiative commenced, to charities registered under the Ministry, for distribution to disadvantaged families as part of the Ministry's Ramadan programs.

During 2018 we also donated over 1,000 IT hardware items to the non-profit foundation "Irtiqaa", which will refurbish the items and send them for installation at several charity foundations. We also provided space within our office canteen facilities for Nine Tenths (9/10ths), one of the Human Resource Development Fund (HRDF) Vision 2030 initiatives, that focuses on supporting Saudi Productive Families and small businesses, through Tojjar Booth, and these booths provide quality food to our employees, from Productive Families.

• 7.3 Our operations, customer service and total quality management (TQM):

We continue to invest in our service delivery by continuously enhancing our capabilities, systems and service proposition, and our operations unit continues to succeed as reflected below:

- Improved the Net Promoter Score (NPS) to a new record of 67% (versus the 2017 record high of 65%).
- Maintained Customer Satisfaction at the record high 90% level of the previous year.
- Strengthened the Health Care Operations (HCO) differentiation.
- Built new capabilities in claims processes through the Health Risk Management (HRM) initiative.
- Provided Total Quality Management (TQM) quality assurance.
- Enabled 'Lean management' to increase staff productivity, and to continue to expand the lean process design (we achieved the runner up award in the Lean Transformation Category of the inaugural Four Principles Kaizen Awards of 2018).
- A strong focus on claims costs resulting in better managing the medical inflation curve.
- Strengthened the service platform "Up Your Service Passion" focusing on cultural and service excellence activities.

• 7.4 Our technology:

In support of Bupa Arabia's business strategy the Information Technology (IT) team provided technological support to the Company and during 2018 continued to develop underlying core systems and technological capabilities whilst moving towards further enhanced systems and processes through future digitalisation. Some of the more significant completed, and planned future developments, are detailed below:

- Continued progress against the Digital Strategy agenda,
- Infrastructure modernization projects,
- TPA systems requirements,
- E-commerce platform,
- The Customer Relationship Management (CRM) system,
- Various in support of regulatory requirements including; VAT, CCHI new upload systems, and other, such as SAMA IT governance and Cyber security related.

• 7.5 Our people:

We strive to create a high performance based culture by empowering and engaging our employees and our aim is to attract and retain talented, well developed, and competitively compensated, employees that will better serve our clients to achieve sustainability, success and business growth and, during 2018, we implemented a range of initiatives that impacted the Company positively.

We maintained our Platinum status in Nitaqat (the Saudisation program of the Saudi Ministry of Labour) through a constant focus on the attraction and retention of top Saudi talent and which led to an increase in Saudisation (please refer section 8.7).

Bupa Arabia's Child Day-Care facility, for its employees' children, is a high quality operation supporting our staff and the younger members of the community, and we also continue to promote the development and employability of the Saudi youth, through the Bupa Arabia "Future Leaders Program", which has a number of well qualified "Management Associate Trainees" who are currently undergoing on-the-job training in Bupa Arabia and, during 2018, we accepted a further intake to the program. The ultimate aim of the program is to identify and develop high potential Saudi talent who have the potential to fill future Bupa Arabia leadership roles (enhancing our succession planning).

During 2018, as part of a Bupa Group global initiative, Bupa Arabia engaged with a world-renowned Employee Engagement service provider and conducted a comprehensive and anonymous Pulse survey with all our staff members, achieving a participation rate of 84% and an engagement score of 76%, which indicates that overall we are well positioned versus leading Employers' of Choice institutions across the globe. The results of this survey will form the foundation of our People Strategy, and Employee Engagement KPIs, for 2019.

• 7.6 Our Chief Executive Team (CET):

• Chief Executive Officer, (CEO) Tal Nazer (Saudi)

Mr. Tal Hisham Nazer has been a Board Member and the Chief Executive Officer of Bupa Arabia since 2008. Leading this top and fast growing specialized health care company to higher standards, his relationship circle has widened and strengthened in the insurance market in Saudi Arabia with regulators, healthcare providers and the insured.

Tal is a Board member on various companies and committees. He is the Vice Chairman of the Nazer Group and a Board member of Nawah Healthcare, and a member of SAMA's Insurance Executive Committee. Mr. Nazer is also a member of the Young Presidents Organization (YPO) and a member of Young Global Leaders (YGL).

He joined Choate's Board in New York in 2014.

Mr. Tal Nazer holds an MBA from The Wharton School, Pennsylvania, USA (in Finance and Buyouts, completed in 2001) and a BA in Economics from the University of California at Los Angeles (completed in 1996).

• Chief Financial Officer, (CFO) Nader Ashoor (Saudi)

Mr. Nader Ashoor joined Bupa Arabia in November 2016, as Chief Financial Officer, after spending over 14 years with Saudi Aramco, where he had taken on various professional, supervisory and leadership roles, including the role of Director, IPO Design, and then Director, Finance readiness-IPO. In addition to his regular duties, Nader also served as Investment Committee Member of the Saudi Aramco Entrepreneurship Ventures Company. During 2018 Nader was appointed as independent Board member, and member of the Audit Committee, and member of the Strategy Committee, of Saudi Steel Pipes (SSP), a Saudi publicly listed company and leading manufacturer of pipes in the MENA region, and was also appointed as Board member of Diaverum, Saudi Arabia, the largest private renal care service provider in the region. Nader holds an MBA degree with distinction in leadership from IMD International in Lausanne, Switzerland, as well as a Bachelor's degree in Accounting (first class honors) from KFUPM. He also holds the CMA and CIA certifications and has successfully completed the rigorous CPA examination requirements. Nader has also received multiple coveted awards, including the Academic Excellence Award from the Governor of the Eastern Province, the IMA's Distinguished Performance Award and the IIA's William S. Smith Certificate of Honor Award.

- **Chief Business Development Officer, (CBDO) Ali Sheneamer (Saudi)**

Mr. Ali Mohammed Sheneamer has over 20 years' collective experience in marketing, sales and general management of which 5 years in Saudi health insurance, having joined in 2013 as Chief Commercial Officer. Ali has served, before joining Bupa Arabia, as the Deputy Governor and Chief Operating Officer of SAGIA for five years. Prior to this Ali was employed as group marketing head at the National Commercial Bank for two years and in various marketing assignments at Procter & Gamble for eight years. Ali currently serves as a board member of Baazeem Trading Company (a publicly traded Saudi secondary market company) and as a member of the SAMA health insurance sub-committee. Ali holds a Bachelor's degree in science (computer engineering) from King Abdulaziz University, Saudi Arabia.

- **Chief Human Resources Officer, (CHRO) Tariq Alamoudi, (Saudi)**

Mr. Tariq Alamoudi joined during 2017 and prior to that was responsible for a variety of HR leadership roles at global and regional levels at Procter & Gamble (P&G). Tariq was the P&G Saudi Arabia leader and also led the HR/Organizational development for the Global Development Organization (GDO), on assignment at P&G headquarters in Switzerland, which had a worldwide reach. Prior to that, he held key roles at Tetra Pak in business development, KPMG in People Consulting and AIESEC (Australia) in leadership development. Tariq established his own executive HR consultancy, providing executive leadership hiring and assessment services to major companies in Saudi. Tariq holds an MBA degree in Strategy and HRM from Griffith Business School and a Bachelor's degree in Marketing Management from Griffith University, Australia. He has completed executive programs in leadership, strategy and innovation from IMD, Switzerland.

- **Chief Risk Officer, (CRO) Ali Fawzi Hamdan**

Mr. Ali Hamdan joined Bupa Arabia in January 2016, as a CRO, bringing more than 15+ years of risk management and advisory experience, which capitalizes on multifaceted industry knowledge and significant exposure in leading multicultural teams. Prior to joining Bupa Arabia, Ali was the Middle East, North Africa and Turkey Chief Audit Executive for General Electric for almost four years. Ali also spent three years with Dubai Holding as the Head of Risk Management and Internal Audit for its subsidiary Sama Dubai, based out of Dubai, UAE. Prior to that, Ali worked for Deloitte and Andersen in the Enterprise Risk Services and Assurance & Business Advisory Services, respectively. Ali holds an Executive MBA degree (2015) from London Business School and a Bachelor's degree in Business Administration (2001) from the American University of Beirut in Lebanon. Ali also holds the CIA and CCSA certifications.

- **Chief Sales Officer, (CSO) Atef Mufti (Saudi)**

Mr. Atef Mufti joined during 2017 and prior to that was the Chief Commercial Officer and a member of the Board of Directors, of Panda Retail Co. for six years and in which role he was responsible for all the commercial buying and supply chain of Panda's business in KSA, the UAE and Egypt. Atef began his career with Saudi British Bank (SABB) in 1995 and spent more than 12 years working in the banking industry and, during which tenure, he held senior management roles in branch network, sales and customer services. He thereafter assumed Executive roles as the Deputy General Manager, Personal Financial Services, responsible for all sales functions (branch, direct sales, financial planning and Takaful sales) in KSA. He was Managing Director for the Saudi Distribution Company (part of the Saudi Research & Marketing Group) followed by two years as the Western Region General Manager for Bank Al Bilad. Atef holds a Bachelor's degree in Marketing from the King Fahad University of Petroleum and Minerals with a minor degree in Management.

- **Chief Operations Officer, (COO) Mohamed El Missaoui**

Mr. Mohamed El Missaoui joined Bupa Arabia in 2011 as the Director - Total Quality Management and spearheaded the design and the implementation of the Bupa Arabia Service Excellence Framework, leading the implementation of a number of innovations in the Operations and Healthcare services areas. Since 2013, as Director of Operations, Mohamed was in charge of the service operations areas related to customer service, mega accounts, membership fulfilment and quality, and during 2018 was promoted to the role of Chief Operations Officer.

Prior to joining Bupa Arabia, Mohamed was with Unilever MENA and led a variety of different MENA assignments related to the Supply Chain, ranging from Distribution, Logistics, and Customer service, to industrial engineering and quality. Mohamed has a collective more than 18 years' experience in the insurance, banking and FMCG sectors and prior to Unilever worked for two major North African banks.

Mohamed holds electro-mechanical engineering and MBA Finance degrees.

8. Bupa Arabia's significant plans, decisions and developments during the year:

Certain elements of Bupa Arabia's significant plans, decisions and developments, during 2018, are detailed within this section whilst others are described throughout this ABR.

• 8.1 Our Strategy review:

Bupa Arabia's strategic vision is aligned with the Kingdom's 2030 Vision for healthcare:

"Bupa Arabia is the greatest healthcare company in the Arab world. It is designed to deliver on its purpose. When it touches you, whether you are an employee, a customer or a community member, you live a longer, healthier, happier life. We have written history."

At the heart of this vision is for Bupa Arabia to keep building its status as a healthcare partner to millions of people in Saudi Arabia. We aim to provide health insurance that leads the market in unlocking wider access to affordable, high-quality healthcare. As the largest health insurance company in the Kingdom, Bupa Arabia provides:

- Global expertise and reach, being part of the largest healthcare network in the world outside of the US and with over 70 years of experience.
- A drive to shift the healthcare industry to a patient-centric, outcomes-focussed paradigm. We provide life-touching healthcare services with our Tebtom program and care when needed most, in hospitals, with our Rahatkom program.
- Partnerships with government and other stakeholders in Saudi society to tackle the most pressing healthcare needs, subject to the legal and regulatory environments.

At Bupa Arabia, we believe in the "service profit chain" and know that extraordinary business performance cannot be delivered without a healthy and highly engaged workforce; hence we strive to attract and retain talented, skilled and engaged employees who love working at Bupa Arabia because of our 'amazing culture', which we define on five dimensions:

- We are leaders in all we do,
- We have an innovative and caring culture,
- We are loved by customers,
- We have amazing talent,
- We consistently act according to our values.

We will continue to enhance the sustainability of the Company's governance and oversight through our three lines of defence model and by improving Bupa Arabia as a Risk Intelligent Organization, via our Board/Board Committees oversight and our; Company Secretariat, Cyber Security and Technology Risk (including business continuity management), Risk Management, and Legal Affairs and Corporate Governance departments.

During 2018 we commenced a strategy refresh and this will be presented to the Board for approval during 2019. We aim to continue on our impressive trajectory during 2019, with a key pillar being to improve margins through more robust targeted pricing and in addition our top strategic priorities are to continue to:

- Strengthen our distribution,
- Better serve our members and clients,
- Strive for regulatory excellence,
- Build our people talent, capability and capacity, to deliver on our future,
- Expand our service offering,
- Remain committed to working with all the Saudi health authorities and regulators to identify and address the biggest health challenges facing Saudi society,
- Enhance our technological capability, including Digital, through our established "Digital Factory".

• 8.2 Our Third Party Administration (TPA) Services:

During 2018 Bupa Arabia successfully implemented its TPA related services for ARAMCO and continued to progress a number of activities in support of fulfilling the regulatory and client requirements for TPA Services during 2018 and future years.

• 8.3 Our Corporate social responsibility (CSR):

The continuous and ongoing development of our CSR programs remains a core element of our strategy and we will continue to explore opportunities of enhancing our community activities in all our areas of operation (refer section 7.2 for our CSR related activities and achievements).

• 8.4 Our Corporate governance and risk intelligence:

Building and maintaining a risk intelligent organisation is of the highest strategic priority for Bupa Arabia as we understand that having “great brakes” is just as important as a “powerful engine”.

We continue to invest in our corporate governance, including the continuous embracing of the “Three Lines of Defence” (3LoD) model and the ongoing recruitment and development of appropriate capabilities to ensure a world class governance environment with world class controls.

During 2018 we capitalised on our 2017 Risk and Governance developments, through the further enhancement of the control function capabilities (talent and tools), by successfully filling all vacancies and also significantly improving the Risk function Saudisation level (refer section 13, for the Corporate governance developments during the year).

• 8.5 Our Business continuity management (BCM):

During 2018, Bupa Arabia continued to invest in the development and implementation of systems and procedures to support a high quality BCM, Crisis Management and Cyber Security capability, in compliance with regulatory requirements as well as leading industry and sector practices.

In order to sustain our activities in such a manner that protects the Company’s strategic position and reputation, we completed a significant project aimed at implementing technologies, processes and procedures to enable the appropriate recovery of key operations in line with targeted restoration schedules and to reduce the impact on clients for any other loss due to potentially sustained operational outages.

This included the activation of an integrated crisis management/incident response structure encompassing plans required to respond to a disruptive incident, and including:

- Emergency Response Plans
- Crisis Management Plan
- Business Continuity Plans
- IT Disaster Recovery Plan

During 2018 we enhanced our Business Continuity Management policy and further, as required by SAMA regulations, completed new Cyber Security assessments and continued to develop our Cyber Security Framework roadmap to ensure we implement best practice Cyber Security governance in accordance with the Saudi regulations.

Multiple IT Disaster Recovery Plan tests were conducted with some of the identified gaps closed and others scheduled for closure during 2019. Additionally, during 2019, we will continue to progress our systems and processes and implement annual training plans to ensure all relevant stakeholders are aware of their respective roles and responsibilities relating to the BCM Program.

During early 2018, in support of enhancing our second line of defence, and as required by the SAMA Cyber Security Framework, the Cyber Security and Technology Risk capability was enhanced through our appointment of a Chief Information Security Officer (CISO).

• 8.6 Our Shariah compliance:

Bupa Arabia maintained its Shariah compliance and, on 17/05/2018 announced the receipt, on 16/05/2018, of the approval of the Shariah Review Bureau (SRB) for its Shariah status per the 2017 annual Shariah Audit Report (reference BPA-204-05-01-05-18) on the following functions:

- Separation of accounts (shareholder and policyholder)
- Compliance of shareholder and policyholder investments with Shariah Guidelines,

The Company continues to develop its policies and evaluate its contracts in support of achieving overall Shariah compliance in the future.

• 8.7 Our development of Saudis and Saudisation:

We continue to prioritise the recruitment, development, retention, and enhancement of the careers of Saudi nationals, and to increase our Saudisation levels, and during 2018 we were successful in increasing the Saudisation level to circa 75%, versus 2017 at circa 72%. We are also an equal opportunity employer and very proud of our gender diversity across our workforce.

• 8.8 Our shareholders and our disclosure of information to all stakeholders:

Bupa Arabia is committed to treating all its shareholders consistently and fairly and keeping them informed of all relevant key developments, whether through either Tadawul announcements or the Company's website.

During the year the composition of Bupa Arabia's major shareholders changed due to the purchase by Bupa Investments Overseas Limited (BIOL) of an additional 5.0% shareholding in Bupa Arabia, from the Nazer Group's Modern Computer Programs Company Limited (4.91%) and ASAS Healthcare Company (0.09%), effective on, and as announced on Tadawul on, 07/08/2018. As at 31/12/2018 the major shareholders were as per the below:

Description	Shares	Shares %
Bupa Investments Overseas Limited (BIOL)	47,100,000	39.25%
Nazer Group control through the below two legal entity companies:	15,706,552	13.09%
Nazer Group Holding Company Limited (Nazer)	10,800,000	9.00%
Modern Computer Programs Company Limited (MCPC)	4,906,552	4.09%
Major Shareholders	62,806,552	52.34%
Public Shareholders	57,193,448	47.66%
Total	120,000,000	100.00%

The Company policy on information disclosure to its stakeholders is to ensure that it provides all information required to be disclosed in terms of all Saudi regulations, including both financial and non-financial information, accurately, promptly, consistently and without discrimination, in a clear, correct and non-misleading manner, so as to ensure that all shareholders, and other stakeholders, are able to obtain a comprehensive view of the Company's position, so as to be able to exercise their rights to the fullest extent.

In support of this commitment the Company has implemented a process of fully bilingual stock exchange announcements and Company website content to ensure that all shareholders/investors, and other stakeholders, are equally and fully informed of the Company's financial information, governance and other performance.

9. Bupa Arabia outlook, future prospects, risks and developments:

• 9.1 Competition and market dynamics:

The Company's objective is to provide the best access to the highest appropriate quality and cost effective care for its members. In doing so, it also seeks to make a sustainable return such that it may invest in the future while retaining a solvent position to ensure that member liabilities are never at risk of default.

In 2018 the economic situation continued to be challenging and we estimate that the Saudi market for health insurance GWP likely grew only due to the second half growth of premiums as a result of the CCHI added benefits from 1st July 2018. There was a continued reduction of many foreign workers (mostly blue collar), and expatriate dependents, whilst the insured Saudi population grew by around 13%, mostly in preparation for the enforcement led by the CCHI and which set to start during 2019. Price increases were achieved, predominantly due to the additional regulatory benefits, and in part some slight easing of the prior years' competitive pressures.

During 2019 we anticipate a continued difficult business environment for the majority of our clients, while affordability will continue to be a challenge, with many clients looking for extended payment terms, and/or lower network coverage, although we expect competitive pricing pressures to ease and the economy to start to recover.

A regulatory enforcement of the currently uninsured Saudi population may drive an increase in market size, as it is estimated that the enforcement will potentially bring as many as 2.3 million Saudis to the insured market. We expect the expatriate numbers to generally stabilize in 2019 with 300-400k to leave the market.

Containing medical inflation remains a key focus and will continue to be challenging in 2019 due to the continued capacity restraints of existing provision, coupled with rising medical health provider costs. We will continue to invest in our Health Risk Management (HRM) to help detect and reduce fraud, abuse, as well as to continue to manage our network providers to manage medical inflation, whilst still presenting networks of the highest quality and coverage to our members.

At the end of 2018 Bupa Arabia estimates it has a total Saudi insurance market share of +/-25%, versus the +/- 22% of 2017, and we will look to continue to provide the best services, and differentiated products, whilst we are also proud of the extraordinary customer satisfaction levels we have continued to achieve in 2018.

• 9.2 Key Risks:

Part of the Bupa Arabia Risk Management System is the Risk Management Cycle, a continuous process that ensures a detailed understanding of our risk profile. Bupa Arabia has identified the top risks that may impact its ability to achieve its strategic objectives and annual operating plans, in a manner consistent with legal, regulatory and client expectations. Many of these risks remain systematic and inherent to the entire market place and/or industry, making them unpredictable and impossible to completely avoid:

- Economic slowdown continuation with only a gradual recovery - which might lead to market shrinkage and higher unemployment.
- Medical inflation risk - that there continues to be insufficient provision capacity to cope with the increasing healthcare demands of the Kingdom and which results in material increases in medical inflation.
- Regulatory enforcement risk - the risk that the anticipated CCHI regulatory enforcement on the insurable Saudi population does not materialize as planned.
- Key competitors upgrading their internal capabilities and engaging in aggressive pricing - which might lead to intensified competition in the coming three years.
- Strong competition for top talent - which might lead to increases in staff costs and challenges to fill key roles.
- Strategic and operational risks associated with new proposed initiatives of the different Saudi Arabia regulators, and which may increase operational costs.
- Increased and unexpected cyber threats - which might lead to information security breaches and/or business disruption, potentially causing financial losses and reputational damage.
- Credit Risk - the risk that collections of receivables are adversely impacted leading to a higher than anticipated BDP expense,
- Interest Rate Risk - the risk of facing a decrease in the value of our investments due to increases in the US\$ benchmark interest rates.

Although it is challenging to mitigate such “non-diversifiable” risks, we are deploying hybrid risk management strategies to reduce residual risks to business tolerable levels. The focus is relentlessly on aligning key stakeholders in delivering the right client outcomes in the here and now, whilst ensuring that financial and brand strength is upheld, so that Bupa Arabia can continue to deliver on its purpose for the foreseeable future.



10-11 Board and Board Committees:

In support of the Company achieving its strategic aims the Board constitutes Board Committees, so as to support it in the execution of its responsibilities. The following sections contain information relating to the Board/Board Committees', and the more significant activities during the year.

Board and Committees' Membership, and summary analysis, as at 31/12/2018:

Board/Board Committee Members at 31/12/18	Board of Directors	Audit Committee (AC)	Executive Committee (EC)	Investment Committee (IC)	Nomination and Remuneration Committee (NRC)	Risk Management Committee (RMC)
Chairmen:	Eng. Loay Nazer	Dr. Adnan Soufi*	Eng. Loay Nazer	Aamer Alireza	Zaid Algwaiz*	Abdulhadi Shayif*
Vice-Chairman:	David Fletcher					
Independent* Members	Abdulhadi Shayif*	Khalid Al-Soliman*		Zaid Algwaiz*	May Al-Hoshan*	
	Zaid Algwaiz*	David Hunt*		Khalid Alkattaf*		
	Dr. Adnan Soufi*	Sulaiman Alkahtani*				
Non-Executive Members	Simeon Preston		David Fletcher	Niall Dooner	Claire Semple	Paul Davis
	Martin Houston		Simeon Preston			Rami Makarem
Executive Member	Tal Nazer (CEO)		Tal Nazer			Tal Nazer
Members:	Eight (8)	Four (4)	Four (4)	Four (4)	Three (3)	Four (4)
Secretary:	Mark Sutcliffe	Ali Hamdan (CRO)	Mark Sutcliffe	Mark Sutcliffe	Mark Sutcliffe	Mark Sutcliffe
Secretary Reports to	Board Chairman	AC Chairman	EC Chairman	IC Chairman	NRC Chairman	RMC Chairman
2018 No. Meetings	Six (6)	Seven (7)	Five (5)	Five (5)	Three (3)	Four (4)
2018 Avg. Attendance	89.6% (97.9% by proxy)	92.0%	90.0%	80.0%	100.0%	93.8%
2017 No. Meetings	Eight (8)	Seven (7)	Five (5)	Four (4)	Four (4)	Four (4)
Independence %	38%	100%	0%	50%	67%	25%
Saudi %	63%	75%	50%	75%	67%	50%
Female %	0%	0%	0%	0%	67%	0%

During the first quarter of 2019 Mr. Osamah Shaker, independent non-Board member, joined the IC in place of Mr. Khaled Al-Kattaf, effective 01/01/2019, and was thereafter appointed IC Chairman, effective 01/02/2019, in place of Mr. Aamer Ali Reza. Effective 01/02/2019 therefore the IC comprises three members with the Independence and Saudi percentages both at 67%.

Current (fourth) Board Term, effective 22/01/2018 to 30/06/2019, roles, term number, representing:

Membership Role	Board Member name	Nationality	Term Number	For the current term representing:
Independent*	Mr. Abdulhadi Ali Saif Shayif*	Saudi	3 rd	Not applicable
	Mr. Zaid Abdulrahman Algwaiz*	Saudi	2 nd	Not applicable
	Dr. Adnan Abdulfattah Soufi*	Saudi	1 st	Not applicable
	Eng. Loay Hisham Nazer	Saudi	4 th	Nazer
Non-Executive	Mr. David Martin Fletcher	British	2 nd	BIOL
	Mr. Simon Preston	British	1 st	BIOL
	Mr. Martin Joseph Houston	British	1 st	BIOL
Executive	Mr. Tal Hisham Nazer	Saudi	4 th	Not applicable

The Board/Board Committees, approve matters through both circulation and formal meetings and, where items are approved through circulation, they are further approved through ratification approval in the formal meeting which follows the by circulation approval.

Board member summary changes during the year:

Outgoing and date	Incoming and date	Representing
Mr. Martin Potkins (31/03/2018)	Mr. Simeon Preston (01/04/2018)	BIOL
Mr. Aamer Ali Reza (30/09/2018)	Not Applicable	Nazer
Not Applicable	Mr. Martin Houston (01/10/2018)	BIOL

Board Committee member summary changes during the year:

Outgoing and date	Incoming and date	Committee
Mr. Martin Potkins (31/03/2018)	Mr. Simeon Preston (01/04/2018)	EC
Not Applicable	Mr. Sulaiman Alkahtani (01/06/2018)	AC
Mr. Aamer Ali Reza (30/11/2018)	Ms. Claire Semple (01/12/2018)	NRC

Next (fifth) Board Term, effective 01/07/2019 to 30/06/2022:

In adherence to regulations the Company will present Board and Audit Committee members to the public shareholders for approval, by accumulative voting, at the GA in the second quarter of 2019. The Company has announced, on Tadawul on 18/11/2018, the start of the Board Nomination Period and will evaluate all applicants in accordance with the GA approved Nomination and Appointment Policy and Procedure, and in accordance with Saudi Arabia regulations, through the NRC and the Board.

10 Board of Directors:

• 10.1 Board purpose and meetings:

Board Purpose

The purpose of the Board is to set strategy and deliver value to all shareholders and stakeholders, in compliance with the regulations and laws of the Kingdom in an ethical and transparent manner. The Board is responsible for the Company's values, mission and long-term vision and for providing strategic direction and guidance for the Company's operations, including the ultimate responsibility of ensuring the Company follows exemplary corporate governance and ethics and for the provision of a robust system of internal controls and procedures to be in place to fulfil compliance of the Company, in both content and timeliness, with all the requirements of all the applicable laws and regulations of the jurisdictions in which it operates.

The Board is responsible for establishing Board Committees, as required by regulations, to support the Board in achieving its responsibilities, and to support the Executive Management. The Board is responsible for establishing and approving matters it deems significant enough to be reserved for only the Board's decision and for those matters which it delegates to the relevant Board Committees (both as specified within the Board approved Schedule of Matters Reserved for the Board (SMRB) and the Board Delegated Authorities Framework (BDAF)).

• 10.2 (a) Board member experience, qualifications, and membership in other Saudi joint-stock companies:

Eng. Loay Hisham Nazer (Board Chairman)	More significant qualifications	Board Membership in other Saudi PLCs
Chairman and Board member of Bupa Arabia since inception in 2008. Founder and Chairman of the Nazer Group and Board member of various Nazer companies. Current Chairman of Al-Ittihad football club, former Vice-Chairman of the Saudi Olympic Committee and previously a CCHI Board member.	MBA, Anderson Graduate School of Management, UCLA, USA (1989), B.Sc. Mechanical Engineering, UCLA, USA (1987)	Not applicable
David Fletcher (Vice-Chairman)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Board member since 2014. Currently Bupa, the London, UK based, international healthcare group, Group Chief Risk Officer (since 01/01/2017) and member of its Executive Team after being MD of Bupa International Development Markets, since 2014, and having joined Bupa as Chief Internal Auditor. Prior to that was President Director/CEO, for 4 1/2 years, of Permata Bank, Indonesia, an affiliate of Standard Chartered, after an extensive banking career at Standard Chartered. Has extensive international experience in banking, having held various senior positions with Standard Chartered and Citibank, and including Head of Audit and CEO roles.	B.A. Honours Modern History, Durham University, UK (1985).	Not applicable

Tal Hisham Nazer (Executive Member) (CEO)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia CEO/Board member since inception in 2008. Refer CEO profile in section 7.6 and below for other more significant roles.	Bachelor Economics, UCLA, USA (1996) and MBA Finance and Buyouts, Wharton, USA (2001)	Not applicable
Abdulhadi Shayif (Independent)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Independent Board member, since 2011, Audit Committee (AC) Chairman, from 2011 to 2017, Risk Management Committee (RMC) Chairman from 22/01/2017. Board member and Chairman of various committees at the Alawwal Bank, SGS, and Deutsche Securities. Previously Chairman of the FWU International advisory Board, Munich, Germany. Previously GM and Board member of NCB.	Bachelor Economics, American University of Beirut, Lebanon (1970).	Alawwal Bank, Saudi Ground Services Co. (SGS)
Zaid Algwaiz (Independent)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Independent Board member since 2014 and Investment Committee (IC) Chairman from 2014 until 30/12/2017. Joined the Nomination and Remuneration Committee (NRC) during 2016 and became its Chairman on 31/12/2017 whilst still currently also a member of the IC. During 2018 was appointed as Independent Board member, and Chairman of the Compensation, Nomination & Governance Committee, and member of the Executive Committee, of NCB. Spent many years in the banking sector and was Deputy Managing Director of HSBC Saudi Arabia. A Board and Committee member for a variety of Companies.	Bachelor Accounting, King Saud University, KSA (1987).	National Commercial Bank (NCB).
Dr. Adnan Soufi (Independent)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Independent Board member, and Audit Committee Chairman, since 2016. Appointed as Independent Board member of National Commercial Bank Capital (NCBC) during 2018. During 2018 was also appointed as Chairman, Advisory Committee to the CMA and was previously a Board Member of the (CMA) (2014-2016), a Royal Decree appointment. Adjunct Professor of Leadership, Strategy and Governance at the King Abdulaziz University (2013 to present), Executive leadership experience at SEDCO Holding (1991-2013 including as CEO (2010-13)) and at the King Abdulaziz University (1979-2006, including as Dean of the Faculty of Economics 1995-98).	PH.D. Business Admin. George Washington University, Washington D.C., USA, (1984), MBA, Seattle University, USA (1979), and Bachelor, Electrical Engineering, Seattle University, USA (1977).	Not applicable

<p>Simeon Preston (from 01/04/2018) (Non-Executive)</p>	<p>More significant qualifications</p>	<p>Board Membership in other Saudi PLCs</p>
<p>Bupa Arabia Board and Executive Committee Member since 2018. The Chief Executive Officer of the International Markets division of Bupa, the London, UK based, international healthcare group, since October 2017. Simeon was previously with the AIA Group for seven years in roles which included Group Chief Operations Officer and prior to that was its Group Chief Strategy Officer.</p>	<p>BSc. Geography, London School of Economics (1991), MSc. Geographical Information Systems, Leicester University (1992), MSc. Transportation Policy & Planning, Newcastle University (1993), all the prior in the UK. MBA, INSEAD, France (1999).</p>	<p>Not applicable</p>
<p>Martin Houston (from 01/10/2018) (Non-Executive)</p>	<p>More significant qualifications</p>	<p>Board Membership in other Saudi PLCs</p>
<p>Bupa Arabia Board Member since 1 October 2018 and has served as a non-executive director on the main Board of Bupa, the London, UK based, international healthcare group, since January 2014. Martin also sits on the Bupa Nominations Committee and is the Chairman of its Remuneration Committee. Martin was previously employed by the BG Group plc, and its predecessor companies, retiring after 32 years in February 2014 as its Chief Operating Officer and as a member of its Board.</p>	<p>Bachelor of Geology, Newcastle University, UK (1979). Master of Science, Petroleum Geology, Imperial College, London, UK (1983).</p>	<p>Not applicable</p>
<p>Martin Potkins (until 31/03/2018) (Non-Executive)</p>	<p>More significant qualifications</p>	<p>Board Membership in other Saudi PLCs</p>
<p>Bupa Arabia Board member since 2016. Bupa Group Corporate Controller, since 2015, after having spent many years in a variety of Senior Finance roles at reputable Finance and Insurance Companies, such as Friends Life, Resolution Operations LLP, where he was Group Financial Controller, Prudential plc, as Head of Financial Control, and prior to that spent six years with Aviva plc working in both the UK General Insurance business (as Finance Control Director) and the UK Life and Pensions business (as Deputy Finance Director).</p>	<p>Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) (FCA). Bachelor of Science (Joint Honours) Computer Science & Mathematics, University Of Manchester, UK (1982).</p>	<p>Not applicable</p>
<p>Aamer Ali Reza (until 30/09/2018) (Non-Executive)</p>	<p>More significant qualifications</p>	<p>Board Membership in other Saudi PLCs</p>
<p>Bupa Arabia Independent Board member since inception in 2008 until completion of the third Board term on 21/01/2017. A Bupa Arabia Board member representing Nazer for the fourth term and also the current Chairman of the Bupa Arabia IC, since 31/12/2017. Was previously NRC member and NRC Chairman, until 30/12/2017).</p>	<p>Bachelor of Economics and Political Science, Pitzer College, California, USA (1994). Advanced Management Program at Harvard University (2016)</p>	<p>Board member of Saudi Industrial Services Company (SISCO), from 2014 to still current.</p>

10.2 (b) The Board members' other significant role details, at 31/12/2018, are as follows:

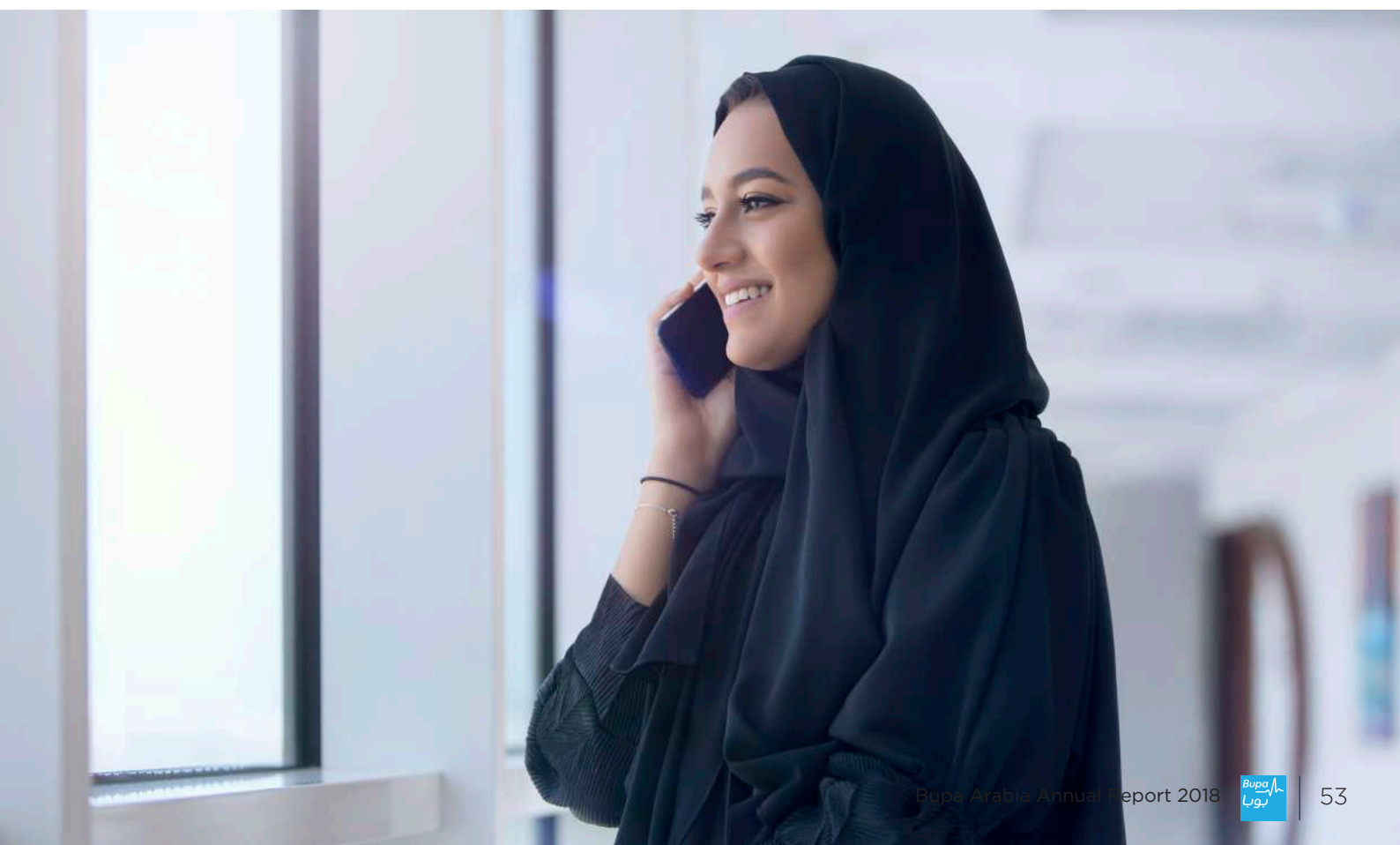
Eng. Loay Hisham Nazer (Board Chairman)	Period
Board member/representative in a variety of Nazer businesses of which the most current and relevant are:	
1. Nazer Group Holding Company (Chairman)	1. 1990 - Current
2. Modern Computer Program Co. Ltd (MCPC) (Chairman)	2. 1990 - Current
3. ASAS Healthcare Company (Chairman)	3. 1997 - Current
4. Arabian Medical Marketing (Nawah Healthcare) Company (Chairman)	4. 1995 - Current
5. International Medical Clinics Company (Partner)	5. 2013 - Current
6. Nazer Dialysis and Advanced Healthcare Services Co. Ltd (Partner)	6. 2009 - Current
7. Loay Hisham Nazer Company Ltd. (Chairman)	7. 2011 - Current
8. Arab Conference Organizing Co. (ARC) (former Chairman and Board member - Nazer sold its stake during 2018)	8. 2005 - 2018
9. Board Member of Diaverum Arabia Company (previously Chairman until May 2018)	9. 2010 - Current
Bupa/Nazer JVs:	
10. Bupa Middle East Holdings Two WLL (Board Member)	10. 2009 - Current
11. Nazer Bupa for Medical Equipment Company (NBME) (Chairman)	11. 2015 - Current
Other more relevant:	
12. Chairman of the Al-Ittihad Football Club, since 26/11/2018	12. 2018 - Current
13. Chairman of the Makkah Cluster Advisory Board (since 2017), previously the Advisory Council of the King Abdullah Medical City in Makkah (since 2016).	13. 2016 - Current
14. Ex-National Unified Procurement Co. for Medical Supplies (NUPCO).	14. 2016 - 2018
15. Ex-Chairman of the Saudi Arabian Judo Federation.	15. 2013 - 2016
16. Ex-Vice-Chairman of the Saudi Olympic Committee	16. 2016 - 2017
17. Ex-CCHI Board member	17. 2007 - 2013

David Fletcher (Board Vice-Chairman)	Period
Board and Committee member of a variety of Bupa businesses of which the most current and relevant are:	Various
1. Bupa International Markets Limited	1. 2015 - Current
2. Bupa Middle East Holdings Two WLL (Bupa/Nazer JV)	2. 2015 - Current
3. Max Bupa Health Insurance Company Limited	3. 2014 - Current
Prior to Bupa more relevant more recent Board role:	
4. Ex-President Director/CEO, Bank Permata Indonesia	4. 2009 - 2014



Tal Hisham Nazer (Executive Member) (CEO)	Period
Board member/representative in a variety of Nazer businesses of which the most current and relevant are:	
1. Nazer Group Holding Company (Board member)	1. 2004 - Current
2. Modern Computer Program Co. Ltd (MCPC) (Board member)	2. 2008 - Current
3. ASAS Healthcare Company (Board member)	3. 2013 - Current
4. Arabian Medical Marketing (Nawah Healthcare) Company (Board member)	4. 2010 - Current
5. Ex-Nazer Dialysis and Advanced Healthcare Services Co. Ltd (Board member)	5. 2014 - 2017
6. Quick Solutions for Trading Company (Board member)	6. 2005 - Current
7. Tal Hisham Nazer Company Limited (General Manager)	7. 2011 - Current
8. Arab Conference Organizing Co. (ARC) (former Board member - Nazer sold its stake during 2018)	8. 2005 - 2018
Bupa/Nazer JVs:	
9. Bupa Middle East Holdings Two WLL (Board Member)	9. 2009 - Current
10. Nazer Bupa for Medical Equipment Company (NBME) (Board member)	10. 2015 - Current
Other more relevant:	
11. Committee Member of the SAMA Insurance Companies General Committee	11. 2015 - Current
12. Ex-Board member of the Human Resources Development Fund (HRDF)	12. 2013 - 2016
13. Board member of Choate Rosemary Hall, New York	13. 2014 - Current

Abdulhadi Shayif (Independent)	Period
1. AlAwwal Bank:	1. 2008 - Current
• Independent Board member	
• Executive Committee member	
• Nomination and Remuneration Committee Chairman	
2. Saudi Ground Services:	2. 2015 - Current
• Independent Board member	
• Audit Committee member	
3. Health Water Bottling Co. (Riyadh), Board member and Audit Committee Chairman	3. 2016 - Current
4. AlMajdouie Group (Dammam) Board member	4. 2006 - Current
5. Ex-Board member of the AlAttieH Group (Jeddah)	5. 2007 - 2018
6. Deutsche Securities Saudi Arabia (Riyadh), Board Chairman	6. 2011 - Current
7. Nama Cargo (part of Nesma Group), Board Chairman	7. 2015 - Current



Zaid Algwaiz (Independent)	Period
1. Independent Board Member, and Chairman of the Compensation, Nomination & Governance Committee, and member of the Executive Committee, of NCB	1. 2018 - Current
2. Ex-Independent Board member, and Chairman of the Audit Committee, of Mohammed Abdulaziz Al-Rajhi and Sons Investment Company	2. 2018 - 2018
3. Ex-Independent Board member, and Chairman of the Audit Committee, of Wilaya Investment Company	3. 2018 - 2018
4. Ex-Independent Board member, and Audit Committee member, of Al-Rahji Steel Industries	4. 2014 - 2018
5. Ex-Member of the Saudi British Bank (SABB) Nomination & Remuneration Committee	5. 2016 - 2018
6. Chairman of the Risk and Assets & Liability Committee of Mohammed Ibrahim AlSubaie & Sons Investment Company (MASIC)	6. 2014 - Current
7. Audit Committee member of Thakher Real Estate Development Company	7. 2016 - Current
8. Ex-Independent Board member of Al-Yusr Leasing and Finance (closed joint stock company)	8. 2015 - 2016
9. Ex-Independent Board Member and Chairman of the Audit Committee in AlAwwal Capital (formerly, Saudi Hollandi Capital), 100% Subsidiary of AlAwwal Bank	9. 2010 - 2016
10. Ex-Independent Board member of Middle East Specialised Cables Company (Saudi PLC)	10. 2009 - 2015
11. Ex-Independent Board member of HSBC Saudi Arabia Mutual Funds Board	11. 2008 - 2015
12. Ex-Independent Board member of the Gulf Finance Company, Saudi Arabia.	12. 2012 - 2015

Dr. Adnan Soufi (Independent)	Period
1. Chairman, Advisory Committee to the CMA	1. 2018 - Current
2. Founder and Managing Partner of DAS Partners, Jeddah	2. 2016 - Current, (prev. 2013-2014)
3. Ex-Member of the Board of Trustees, University of Business and Technology (UBT), Jeddah	3. 2013 - 2014
4. Ex-Member of Board advisors to UCLA Centre for Middle East Development.	4. 2011 - 2014
5. Ex-Investment Committee Member, King Abdulaziz University Endowment.	5. 2013 - 2014
6. Ex-OECD MENA Investor Council Member	6. 2013 - 2014
7. Ex-Board Member of Arabian Cement	7. 2012 - 2014

Simeon Preston (Non-Executive) (Since 01/04/2018)	Period
Board and Committee member of a variety of Bupa businesses of which the most current and relevant are:	Various
1. Bupa International Markets Limited	1. 2018 - Current
2. Bupa Middle East Holdings Two WLL (Bupa/Nazer JV)	2. 2018 - Current
3. Max Bupa Health Insurance Company Limited	3. 2018 - Current
4. Bupa (Asia) Limited	4. 2018 - Current
5. Bupa International Limited	5. 2018 - Current

Martin Houston (Non-Executive) (Since 01/10/2018)	Period
1. Non-executive Board member on the British United Provident Association (Bupa) Limited main board (since January 2014)	1. 2014 - Current
2. Executive Vice-Chairman of Tellurian Investments Incorporated	2. 2016 - Current
3. Vice-Chairman of Hakluyt North America	3. 2017 - Current
4. Appointed by Moelis and Company as the Chairman of its Global Energy Group (since March 2018)	4. 2018 - Current
5. Non-executive Board member of CC Energy Development Limited	5. 2014 - Current
Other:	
<ul style="list-style-type: none"> • Fellow of the Geological Society of London • Member of the Development Committee of the Royal Opera House of London • Member of the advisory board of the Global Energy Policy unit at Columbia University's School of International and Public Affairs, New York 	

The Board approves the Board Chairman, Board Vice-Chairman, CEO and Company Board Secretary for each term, subject to regulatory approval where applicable, and for the fourth term all were re-appointments of the third term.

The Board also appoints the Board Committee Secretaries for each new term, based on the recommendation of the NRC, where required and applicable, and for the new term appointed the CRO as AC Secretary (please refer profile in 7.6), the CHRO as NRC Secretary, and the Director - Company Secretariat as the Company Board Secretary and the Secretary for all the other Board Committees. During 2018 the Director - Company Secretariat was also appointed as the NRC Secretary, please refer to the profile below:

Director - Company Secretariat, and Company Board Secretary, Mark Sutcliffe

Mr. Mark Sutcliffe has a collective 30+ years' experience in a variety of Senior Finance and Governance roles in a variety of internationally renowned, or listed, companies, including the most recent, more than 18 years, in Saudi Health insurance, having joined the Bupa business in Saudi Arabia, during 2000. Amongst his significant experience at Bupa Arabia, Mr. Sutcliffe has managed all the financial statements and regulatory reporting related of the business, as well as all the Company Secretariat related, as Company Board Secretary and Secretary of the majority of the various Board Committees, since its inception. Mr. Sutcliffe has tertiary qualifications from the Nelson Mandela Metropolitan University (NMMU), Port Elizabeth, South Africa, in the form of a Diploma Cost & Management Accounting (1988), achieved with an Academic Merit Award, and a Higher Diploma in Management (1990), for which he achieved both Academic Colours, and the Best Student Prize award. He also completed a Company Secretary course via the George Washington University (achieved with distinction).



• 10.3 Board/Board Committee and Executive remuneration policies, benefits and emoluments of board/board committee members and senior executives:

The policies for the remuneration of Board/Board Committee/CET members were most recently updated and approved by the 30/11/2017 GA meeting:

- Board Member Remuneration Policy.
- Board Committee Member Remuneration Policy.
- Chief Executive Team Remuneration Policy.

During 2019 Bupa Arabia will conduct a new Board and Board Committee Member Remuneration benchmarking exercise to ensure that the above remuneration policies are competitive. Board/Board Committee members are remunerated per these policies, as aligned with the Company By-Laws and all relevant KSA regulations, and Bupa Arabia's policy is not to pay any attendance fees for any meetings but to settle customary related costs on a reimbursement of actual costs basis, and to settle the remuneration fees quarterly in arrears. Please refer to the 2018 AFS, note 24b, and below:

Board Member Name	Other Role	Representing	2018	2017	2018 Change
Mr. Abdulhadi A.S. Shayif*	RMC Chairman	Not Applicable	375	375	0
Mr. Zaid Algwaiz*	NRC Chairman	Not Applicable	375	375	0
Dr. Adnan A. Soufi*	AC Chairman	Not Applicable	375	375	0
Total Independent* Board Members			1125	1125	0
Eng. Loay H. Nazer	Board Chairman	Nazer	500	500	0
Mr. David Fletcher #	Board V-Chairman	BIOL	300	300	0
Mr. Simeon Preston # (from 01/04/18G)	EC Member	BIOL	225	0	225
Mr. Martin Houston (from 01/10/18G)	None	BIOL	50	0	50
Mr. Aamer Alireza (until 30/09/18)	IC Chairman	Nazer	281	375	(-94)
Mr. Martin Potkins # (until 31/03/18G)	EC Member	BIOL	75	300	(-225)
Total Non-Executive Board Members			1431	1475	-44
Mr. Tal Nazer	CEO	Not Applicable	300	300	0
Total Executive Board Members			300	300	0
Total Board Member Remuneration			2856	2900	-44

* The Board/Board Committee remuneration fees for BIOL Bupa Arabia board member representatives who are employees of Bupa are received by the Bupa legal entity BIOL and not by the individual persons in their personal capacity (refer sections 10, 11 and 18).

Other than the above annual remuneration amounts, and the reimbursement of actual expenses, Bupa Arabia Board members do not receive any other benefits from Bupa Arabia.

Please refer to the 2018 AFS, note 24a, and the table below, for the salaries, emoluments, allowances and bonuses, expensed/or provided for within the 2017/2018 results, by/for, the board members and the senior management:

Description	Executive Board Member (CEO) (Board Remuneration)	Independent and Non-Executive Board Members	Senior Management (including CEO and CFO)			
	2018 SR000s	2018 SR000s	2018 SR000s	2017 SR000s	2018 (Change)	
Salaries and emoluments	300	2556	17728	16888	840	5.0%
Board Allowances	0	0	N/A	N/A	N/A	
Bonuses & LTIP	N/A	0	14040	14178	-138	
EOS	N/A	0	978	879	99	
2018	300	2556	32746	31945	801	2.5%
2017	300	2600	31945			
2018 (Change) SR000s	0	-44	801			

The annual bonus and LTIP remuneration entitlements, of the Company's Senior Management, are based on a combination of Company results performance measures, and individual performance measures, both having to be achieved.



• 10.4 Description of the Bupa Arabia equities of the board members and their immediate family members:

The Bupa Arabia equities held by the Bupa Arabia Board members, and their immediate family members, are as detailed below as at 31/12/2018:

Interest of the Company's Board members and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries

Name of Board Member	Opening 31/12/2017		Closing 31/12/2018		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Abdulhadi Shayif	201,000	-	301,500	-	100,500	50%
Mr. Zaid Algwaiz	2,000	-	3,000	-	1000	50%
Dr. Adnan Soufi	-	-	-	-	-	-
Eng. Loay Hisham Nazer	2,000	-	3,000	-	1000	50%
Mr. David Fletcher	-	-	-	-	-	-
Mr. Simeon Preston	N/A	N/A	-	-	-	-
Mr. Martin Houston	N/A	N/A	-	-	-	-
Mr. Tal Hisham Nazer [^]	1,000	-	58,479	-	57,479	5748%

* The shares reflected for Mr. Tal Nazer are the same shares per the Board members' equities table in section 10.5.



• 10.5 Description of the Bupa Arabia equities of the senior management executives and their immediate family:

The Bupa Arabia equities held by the senior management executives, and senior/key management as per the SAMA definition, which the Company interprets as the CET members, Director - Company Secretariat/Company Board Secretary and leaders of the control functions (Legal and Corporate Governance, Legal Counsel, Risk Management, Compliance and Internal Audit Departments), and their immediate family members, in their personal capacity, are as detailed below:

Interest of the Company's Senior Executives, Senior Managers, and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries:

Name of Executive/Senior Manager	Opening		Closing		Change	
	31/12/2017		31/12/2018			
	No of shares	Debt Instrum.	No of shares	Debt Instrum.	In shares	%
Mr. Tal Hisham Nazer^ (CEO)	1,000	-	58,479	-	57,479	5,748%
Mr. Nader Ashoor (CFO)	-	-	-	-	-	-
Mr. Ali Sheneamer (CBDO)	4,106	-	11,628	-	7,522	183%
Mr. Tariq Alamoudi (CHRO)	-	-	-	-	-	-
Mr. Ali Fawzi Hamdan (CRO)	-	-	-	-	-	-
Mr. Atef Mufti (CSO)	-	-	-	-	-	-
Mr. Mohamed El Missaoui (COO)	-	-	-	-	-	-
Mr. Mark Lance Sutcliffe (Co. Board Sec.)	8,614	-	16,860	-	8,246	96%
Mr. Nasser AlQawas (Legal Counsel)	-	-	-	-	-	-
Mr. Ahmed Jaber (Risk)	-	-	-	-	-	-
Mr. Ali Jazzar (Compliance)	-	-	-	-	-	-
Mr. Assem Hammam (Internal Audit)	-	-	-	-	-	-

* The shares reflected for Mr. Tal Nazer are the same shares per the Board members' equities table in 10.4.

• 10.6 Description of any interest in a class of voting shares held by other persons:

As required in terms of the CMA disclosure requirements of Article 90, paragraph 25, other than the equities and interests of the Board members, senior executives/managers, and their respective immediate family members, as detailed within sections 10.4 and 10.5, Bupa Arabia is not aware of any other interest in a class of voting shares held by persons that have notified Bupa Arabia of their holdings pursuant to Article 45 of these rules.

• 10.7 Board meeting attendances:

As required in terms of the CMA disclosure requirements of Article 90, paragraph 31:

Board member name	Board 1 22/01	Board 2 20/03	Board 3 24/04	Board 4 31/05	Board 5 30/07	Board 6 21/11	Overall
Eng. Loay Hisham Nazer	N	Y	Y	Y	Y	Y	83%
Mr. David Martin Fletcher	Y	N	Y	Y	N	Y	67%
Mr. Tal Hisham Nazer	Y	Y	Y	Y	Y	Y	100%
Mr. Abdulhadi A.S. Shayif	Y	Y	Y	Y	Y	Y	100%
Mr. Zaid A. Algwaiz	Y	Y	Y	Y	Y	Y	100%
Dr. Adnan A. Soufi	Y	Y	Y	Y	Y	Y	100%
Mr. Simeon Preston	N/A	N/A	Y	Y	Y	Y	100%
Mr. Aamer A. Ali Reza	N	Y	Y	Y	N	N/A	60%
Mr. Martin Potkins	Y	Y	N/A	N/A	N/A	N/A	100%
Mr Martin Houston	N/A	N/A	N/A	N/A	N/A	Y	100%
Total % Attendance	75%	88%	100%	100%	75%	100%	90%

• 10.8 Major board approvals/resolutions:

Amongst the major Board resolutions/approvals during the year were the following:

- The quarterly IFS, for fourth quarter 2017, and 2018 first to third quarters, the 2017 AFS and ABR, and the conflicts of interests, and related party transactions contained therein, per the AC recommendation, after receiving SAMA approval, and subject to the public shareholders' approval in the GA, where applicable,
- The appointments of Board and Board Committee members, and changes in Secretaries, as per the NRC recommendation,
- The approvals of all the GAs related, in accordance with the relevant required committee recommendations,
- Any approvals as required in terms of the Schedule of Matters Reserved for the Board (SMRB),
- The 2019 AOP, as per EC recommendation.

Please refer to the sections 10.9, 10.10, 12, 2018 AFS note 24, and the GA meeting minutes of the Tadawul announcements for further details of the related party transactions and conflicts of interests. Where any Board/Board Committee member has any conflict of interest the matter is addressed through the voting of the Board/Board Committee member(s) excluding the Board/Board Committee member(s) which have the related party conflict and/or conflict of interest.

• 10.9 Related party transactions:

The Company has related party transactions due mainly to the ownership, by Bupa and Nazer, in a few of the companies Bupa Arabia deals with. Additionally, due to some of the Bupa Arabia independent Board members' roles with other companies. Further details are reflected within the AFS, and the GA minutes, which can also be found on the Company's website for further information, both historic and expected future. In any instance where any Board member was conflicted, whether personally or via related party relationship, the conflicted Board member did not vote.

Legal Entity	Related Party	Description	Period	2018	2017	Incr/ -Decr
Bupa Global	Bupa	Reinsurance Premium Ceded (Bupa International Saudi Arabia Plan)	12 months	14,939	9,252	5,687
Al-Ittihad Sports and FC	Eng. Loay Nazer	Marketing expenses - net (GWP less Expenses)	Nov-Dec '18	521	0	521
My Clinic International Medical Company	Nazer	Nurse service fees	Oct-Dec '18	33	0	33
NCB Capital	Dr. Adnan Soufi	Service Fees & Bank Charges	Jul-Dec '18	482	0	482
Various	Various	Other expenses charged - net	2018	892	0	892

My Clinic International Medical Company	Nazer	'17 receivable from Nazer Medical Clinics to Bupa Arabia was Microsoft Dynamics licence recharged	2017	0	284	-284
Bupa Investments Overseas Limited (BIOL)	Bupa	Tax Equalisation - net	12 months	9,120	0	9,120
Bupa Investments Overseas Limited (BIOL)	Bupa	Board and Committee Member remuneration	12 months	858	800	58
Bupa Middle East Holdings Two W.L.L.	Bupa and Nazer	Trade mark fees	12 months	20,542	19,321	1,221
Shariah Review Bureau (SRB)	Mr. Abdulhadi Shayif	Shariyah consulting services	Jan-Oct '17	0	119	-119
Total Listed Transactions				47,387	29,776	17,611

• 10.10 Related party transactions relating to insurance contracts:

Details of health insurance contracts' associated with Bupa Arabia's Board members are reflected below:

Bupa Arabia Board Members' Personal/Family Health Insurance with Bupa Arabia					Gross Written Premium (GWP)			
Ref.	Board Member Name	Contract Description / Explanation	Period	Saudi Riyals	2018	2017	2018 Change	2018 % Change
1.	Mr. Abdulhadi Shayif	Family and Personal Employees Health Insurance	01/01 - 31/12	SR 000s	55	67	(12)	-18%
2.	Mr. Zaid Algwaiz	Personal Family Health Insurance + NCB insurance cover	24/06 - 23/06	SR 000s	14	28	(14)	-50%
3.	Dr. Adnan Soufi	SEDCO - Saudi Economic Develop Holding. Co. Ltd.	14/04 - 13/04	SR millions	3	3	(0)	-1%
4.	Eng. Loay H. Nazer	Nazer Group Related Contracts (multiple contracts)	Various	SR millions	9	8	1	8%
5.	Mr. Aamer Alireza	Xenel Group Related Contracts (multiple contracts)	Various	SR millions	50	53	(3)	-5%
6.	Mr. Tal Nazer	Bupa Arabia Employees Health Insurance Scheme	01/07 - 30/06	SR millions	18	16	2	12%
	Mr. David Fletcher	Not insured through Bupa Arabia	N/A	N/A	N/A	N/A	N/A	N/A
	Mr. Simeon Preston	Not insured through Bupa Arabia	N/A	N/A	N/A	N/A	N/A	N/A
	Mr. Martin Houston	Not insured through Bupa Arabia	N/A	N/A	N/A	N/A	N/A	N/A
1.	Mr. Abdulhadi Shayif	Settles family and personal employees' health insurance cover amounts directly to Bupa Arabia						
2.	Mr. Zaid Algwaiz	Previously settled personal/family health insurance cover amounts directly to Bupa Arabia until covered by NCB (not with Bupa) after joining NCB's Board May-18						
3.	Dr. Adnan Soufi	Settles personal family health insurance cover amounts directly to SEDCO in line with the SEDCO scheme for its former executives						
4.	Eng. Loay H. Nazer	Health cover for self and family is as an employee of the Nazer Group and the Nazer Group settles to Bupa Arabia directly						
5.	Mr. Aamer Alireza	Health cover for self and family is as an employee of the Xenel Group and the Xenel Group settles to Bupa Arabia directly						
6.	Mr. Tal Nazer	Health cover for self and family is as an employee member of the Bupa Arabia Health Insurance scheme and reflected within the staff costs						
Bupa Arabia Board Members' Other Related Party Health Insurance with Bupa Arabia					Gross Written Premium (GWP)			
Ref.	Board Member Name	Contract Description / Explanation	Period	Saudi Riyals	2018	2017	2018 Change	2018 % Change
	Mr. Abdulhadi Shayif	Health Water Bottling Company (Mr. Shayif a Board Member)	30/06 - 29/06	SR millions	4	4	0	13%
	Mr. Abdulhadi Shayif	Saudi Ground Services (Mr. Shayif a Board Member)	01/07 - 30/06	SR millions	38	0	38	N/A
	Mr. Zaid Algwaiz	Rahji Steel Company (Mr. Algwaiz a former Board Member)	24/06 - 23/06	SR millions	7	7	1	8%
	Eng. Loay H. Nazer	Al-Ittihad FC (Eng. Loay Nazer is Chairman since 26/11/18)	10/08 - 09/08	SR 000s	299	0	299	NA
	Mr. David Fletcher Mr. Simeon Preston	During 2018 there were 16 contracts (2017 : 28 contracts) which Bupa (England UK) had an interest in	Various	SR millions	4	4	-1	-15%
	Dr. Adnan Soufi	NCBC Management & Admin Fees (Dr. Adnan is a Board Member)	Various	SR 000s	482	0	482	N/A
	Eng. Loay H. Nazer	Al-Ittihad FC Sponsorship (Eng. Loay Nazer is Chairman)	Various	SR 000s	521	0	521	N/A

Any health insurance cover which Bupa Arabia provides to any Bupa Arabia Board member, and/or if applicable his company/ family members, or with whom he may be associated or have an interest, is done strictly on an arm's length basis, with no preferential treatment in any form, and in accordance with the Company's pricing and loss ratio targets per the Company's Underwriting Policy/Manual. This is in full adherence to each of the SAMA medical pricing regulations, and the CCHI medical insurance product regulations.

Where contracts are new and started during the current period, for example Saudi Ground Services (SGS) and Al-Ittihad FC, the GWP reflected is not the full insurance contract premium but pro-rated from effective date of the creation of the related party transaction relationship, SGS (July 2018) and Al-Ittihad FC (November 2018).

• 10.11 Assessment of the Board/Board Committees and the members' performance:

The Company routinely assesses the performance of the Board/Board Committees, and the respective members, on an ongoing basis, through the closed Board sessions, through the NRC, and via the Company Secretariat with the Committee Chairmen, in liaison with the NRC.

During 2018 the Company approved the routine more formal assessment process of a three-year cycle in which the first two year's assessments will be on an internal, anonymous self-assessment, basis and the third year through an independent external party. During 2018 Bupa Arabia completed the first such internal assessment, using an internationally reputable specialised consultant, and their software, and the results of which were presented to the NRC and the Board with some areas for improvement and development identified.

11 Board Committees:

The Board Committee remuneration fees, excluding Board member remuneration, are reflected below:

Committee Member	Member	2018	2017	2018 Change in
(Non-Board Member)	Name	Remuneration	Remuneration	Remuneration
Audit Committee (AC)	Mr. David Hunt*	125	125	0
	Mr. Khalid Al-Soliman*	125	125	0
	Mr. Suliman Al-Hatlan* (since 01/06/18)	73	0	73
	AC Sub-Total	323	250	73
Investment Committee (IC)	Mr. Khaled Al-Khattaf*	100	100	0
	Mr. Niall Dooner #	100	100	0
	Mr. Aamer Alireza (Non-Board since 01/10/18)	38	0	38
	IC Sub-Total	238	200	38
Nomination & Remuneration Committee (NRC)	Ms. May Al-Hoshan*	100	100	0
	Ms. Claire Semple # (since 01/12/18)	8	0	8
	NRC Sub-Total	108	100	8
Risk Management Committee (RMC)	Mr. Rami Makaram	100	100	0
	Mr. Paul John Davis #	100	100	0
	RMC Sub-Total	200	200	0
Total Committee Members' (Non-Board Member) Remuneration Fees		869	750	119

As the EC members are also Board members there are no separate EC fees paid or payable. Mr. Aamer Ali Reza's remuneration is for remuneration as non-board member IC Chairman, and NRC member, for the fourth quarter of the year. # The BIOL representatives whom Bupa employees do not personally receive the remuneration, which is received by the legal entity BIOL.

• 11.1 Audit Committee (AC):

AC Purpose

The principal role of the AC is to monitor the integrity of the Company's financial statements, in accordance with the relevant financial reporting standards, compliance with laws and regulations, to review and, where appropriate, make recommendations to the Board on internal financial controls, Compliance, Internal Audit and to review the External Audit process and External Auditors performance. The Committee shall also have oversight, through the Company's RMC, for ensuring that the Company's risk management processes are adequate and effective, particularly with regard to the impact on the Company's financial reporting and its code of business conduct. A further lead role responsibility of the AC is the monitoring of the effectiveness, performance and objectivity of the Compliance function and the Internal Audit function, through the Compliance and Internal Audit functions reporting directly to the AC Chairman.

The 2018 AC meeting attendances are reflected below, the seventh meeting was with the Board.

AC member name	Relevant experience and qualifications	AC1 18/1	AC2 7/3	AC3 19/4	AC4 31/7	AC5 23/10	AC6 19/11	AC7 20/11	%
Dr. Adnan Soufi (Saudi)	Refer Board section 10.2	Y	Y	N	Y	Y	Y	Y	86%
Mr. David Hunt (British)	B.Sc. Banking & Finance, Loughborough University of Technology, UK (1987). 30 years banking and insurance experience, more recently as CEO of Gulf Finance (KSA and UAE), 25 years' experience with the HSBC Banking Group, including as MD for SABB Takaful (2007-2011).	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Khalid Ali-Soliman (Saudi)	B.Sc. Accounting, King Saud University, (1986) and CPA (1994). Variety of senior NCB roles including, Senior Fin. Controller (2004-2014), Head of the Accounting Dept. (2001-2003), and Head of Finance (1997-2000).	Y	Y	Y	N	Y	Y	Y	86%
Mr. Sulaiman Alhatlan (Saudi) (Since 01/06/18)	M.Sc. Degree in Accountancy, San Diego State University, USA, (1998), and Bachelor's Degree in Accounting, King Saud University, (1994).	N/A	N/A	N/A	Y	Y	Y	Y	100%
Total Overall % AC Member Attendance		100%	100%	67%	75%	100%	100%	100%	92%

• 11.2 Executive Committee (EC):

EC Purpose

The purpose of the EC is to support the Board with the management of the business through the review, and monitoring, of all aspects of the operational performance of the Company on a routine basis to ensure that there are no barriers to achieving the strategy and objectives set. It recommends to the Board the annual income targets, and proposed dividends, accounting for solvency requirements, and also reviews and approves, as required per the SMRB, certain aspects of a commercial nature, including its Charter. It also supports the Board and the business in ensuring that the Company is compliant with regulatory requirements.

During 2018 the EC approved:

- The pricing and loss ratio of contracts of the scale/pricing where required to be approved or EC recommended in terms of the SMRB/EC Charter,
- The updated Company website framework for the Investor Relations section, per the Company Board Secretary recommendation.

EC member name	EC 1 22/1	EC 2 20/3	EC 3 24/4	EC 4 31/5	EC 5 20/11	Overall
Eng. Loay Hisham Nazer	N	Y	Y	Y	Y	80%
Mr. David Martin Fletcher	Y	N	Y	Y	Y	80%
Mr. Tal Hisham Nazer	Y	Y	Y	Y	Y	100%
Mr. Simeon Preston (Since 01/04/2018)	N/A	N/A	Y	Y	Y	100%
Mr. Martin Potkins (Until 31/03/2018)	Y	Y	N/A	N/A	N/A	100%
Overall Total %	75%	75%	100%	100%	100%	90%

• 11.3 Investment Committee (IC):

IC Purpose

The purpose of the IC is to assist the business in developing its investment policy and to thereafter supervise its adherence to it. To manage the company's investments to achieve the best return for the business, within the given risk parameter as approved by the Board, taking into account liquidity requirements and solvency constraints. The IC will also monitor investment performance and act as the liaison between third party investment managers and Bupa Arabia to ensure investments are in line with its IPS, SAMA's regulations and are fully Shariah compliant. Among other duties, the IC also provides investment advice to the Company and the Board and will approve institutions to be used for significant investment placements.

IC member	Relevant experience and qualifications	IC 1 13/02	IC 2 28/03	IC 3 10/05	IC 4 30/7	IC 5 19/11	Overall
Mr. Aamer Ali Reza (Saudi)	Refer Board section 10.2	N	Y	Y	N	Y	60%
Mr. Zaid Al-gwaiz (Saudi)	Refer Board section 10.2	Y	Y	Y	Y	Y	100%
Mr. Khaled Al-Khattaf (Saudi)	Over 20 year's investment/banking experience, more recently Nomura CEO & MD, since 2010, and Gulf Investment Corp. (GIC) Chairman, since 2008. M.Sc. Finance (1996), and M.Sc. Accounting (1995) (both University of Colorado), B. Art Accounting King Saud University (1989), and CPA 1998.	Y	Y	N	N	Y	60%
Mr. Niall Dooner (Irish)	Head of Asset Management for the Bupa Group (2015), prior to that Portfolio Management Expert for the European Central Bank and Senior Investment Dealer for the Central Bank of Ireland. B.Sc. Financial and Actuarial Mathematics (2007) from Dublin City University and Fellow of the UK's Institute and Faculty of Actuaries (2011).	Y	Y	Y	Y	Y	100%
Overall Total %		75%	100%	75%	50%	100%	80%

• 11.4 Nomination and Remuneration Committee (NRC):

NRC Purpose

- To effectively manage Board, and Board Committee, member appointments, in accordance with both regulations and the approved policies and procedures, through recommendation to the Board, or regulators, where required, including ensuring the independence of the independent members, the absence of any conflict of interest, and that there are no reasons, versus the regulatory requirements, preventing the proposed membership(s), of Board, and Board Committee, members, prior to submission to SAMA by the Company.
- To evaluate the structure and composition of the Board, and the Board Committees, and recommend changes to the Board.
- To annually review the requirements of suitable skills for membership of the Board, and Board Committees, and reflect updates of the same within the Nomination and Appointment Policy and Procedure, for the approval of the public shareholders.
- To develop clear policies regarding the compensation and remuneration of the Board, and Board Committee, members, following industry/market benchmarking, and to recommend them to the Board,
- To recommend the Company's Long-Term Incentive Plan (LTIP) to the Board,
- To recommend the Company's Chief Executive Team Remuneration Policy, and Employee Remuneration Policy, to the Board.
- To review and approve the remuneration, and incentive payments (short term incentives/bonuses and Long-Term Incentive Plan (LTIP)) of the CEO, CET and the Company.
- To recommend succession plans for the Board and the Board Committees, to the Board.
- To establish and monitor succession plans for the CEO and the CET.
- To annually assess/evaluate the performance of the Board, Committees, and their respective members.

At 31/12/2018 the NRC comprised a majority of independent members, having as Chairman an independent person not the Chairman of the Board, and the 2018 meeting details are reflected below:

		NRC1 13/2	NRC2 10/5	NRC3 19/11	Total
Mr. Zaid Algwaiz (Saudi)	Refer Board section 10.2	Y	Y	Y	100%
Mr. Aamer Ali Reza (until 30/11/2018) (Saudi)	Refer Board section 10.2	Y	Y	Y	100%
Ms. May Al-Hoshan (Saudi)	During August 2018 was appointed as Chief Human Resources Officer of Saudi Fransi Bank, having previously been Alawwal Bank's General Manager Human Resources (2014 to June 2018), MD - Head of Human Capital Management, NCB Capital (2007-2014), Master's in Engineering (Knowledge Management) at the George Washington University, Bachelor Science, B.Admin. (Organizational Behaviour), at the Boston University.	Y	Y	Y	100%
Ms. Claire Semple (British) (from 01/12/2018)	Bupa International Markets People Director since May 2018, having previously been People Director at Bupa Asia (2016-2018) and Leadership & Talent Director at Bupa International Markets (2015-2016). Prior to that a variety of HR and Organisational Development roles at various international companies including Telecom New Zealand and Diageo. Holds an MSc. Organisation & People Development, Salford University, UK (2004), a graduate Diploma from the Institute of Personnel & Development, UK (1996) and a BA (Hons) English Literature, University of Lancaster, UK (1992).	N/A	N/A	N/A	N/A
Overall Total %		100%	100%	100%	100%

• 11.5 Risk Management Committee (RMC):

The main purpose of the RMC is to assist the Board in its risk management strategy and oversight of risk across Bupa Arabia. This includes overseeing the current risk exposures and risk strategy, development of the overall risk appetite and tolerance, monitoring the effectiveness of the risk management framework including risk policies, process and controls, and the promotion of a risk aware culture throughout Bupa Arabia. The Committee is also committed to excellence in risk management and enhancing Bupa Arabia by:

- Being sighted on risk and engaging risk management to deliver sustainable performance
- Owning the whole of Bupa Arabia's risk profile and acting on risk themes holistically
- Recognizing emerging risks and proposing risk appetite changes to the Board, as needed
- Defining and owning Bupa Arabia's risk culture and the mechanisms for installing this
- Recommending policies for the approval of the Board, in terms of its Charter
- Oversight of the implementation of Corporate Governance, per the CMA Corporate Governance Regulations articles 94 and 95.



The 2018 RMC meeting attendances are reflected below, the third meeting was with the Board.

RMC member name	Relevant experience and qualifications	RMC1 25/4	RMC2 16/10	RMC3 21/11	RMC4 19/12	Overall %
Mr. Abdulhadi Shayif (Member and Chairman since 22/1/2017) (Saudi)	Refer Board Section 10.2	Y	Y	Y	Y	100%
Mr. Paul Davis (British)	Bupa Arabia Board member since 2016. Over 25 years' experience in legal, risk and compliance roles, Bupa's Group Risk Director Governance and Assurance since 2015, previously with Grant Thornton, as Associate Director. Extensive international experience having held a number of senior management positions in India, the Middle East and Asia during 13-year career with Standard Chartered Bank.	Y	Y	N	Y	75%
Mr. Tal Nazer (Saudi)	Refer Board Section 10.2 and CET Section 7.6	Y	Y	Y	Y	100%
Mr. Rami Makarem (Lebanese) (Committee member and Non-Board member)	Nazer COO since 2013 and the CFO of a UAE holding Co the 5 years prior to that. MBA London Business School, Post Graduate Diploma in Financial Strategy, Said Business School, Oxford University, UK, completed CPA and CMA exams (USA), and B.Sc. Business Admin., Lebanon.	Y	Y	Y	Y	100%
Overall %		100%	100%	75%	100%	94%

12 General Assembly (GA) meetings:

In 2018 we held two Extraordinary GA Meetings (EGM) and we include the highlights of our key stock exchange announcements, and the summary of the GA resolutions approved. Shareholders are referred to our Tadawul announcements, our 2018 AFS, and our Company Website's Investor Relations Governance section, as we feel they contain sufficiently full information to enable Shareholders to be fully informed to make their decisions:

12-1 EGM resolutions approved on 31/05/2018 (results announced on 03/06/2018):

- (1): The Annual Board Report for the year ended 31/12/2017.
- (2): The External Auditors Report for the year ended 31/12/2017.
- (3): The Annual Financial Statements for the year ended 31/12/2017.
- (4): The selection of the external auditors, and their fees (Ernst & Young and KPMG Al-Fozan & Partners)
- (5): The dividend distribution of SR2.00/share, SR160m, representing 20% of the paid up capital at the time.
- (6): The remuneration paid to the Board members, at SR2,900K, for the year ended 31/12/2017.
- (7): The absolving of the Board of Directors of their responsibility for the year ended 31/12/2017.
- (8): The purchase of LTIP shares, to a maximum value of SR11,059k, to a maximum of 150k shares.
- (9): The appointment of Mr. Simeon Preston, as BIOL Board member representative.
- (10): The delegation of authority to the Board to approve an interim dividend.
- (11-29): The ratification of related party transactions, business and contracts, for the prior and future years.

12-2 EGM resolutions approved on 22/11/2018 (results announced on 25/11/2018):

- (1): The Capital increase of SR400m, from SR800m to SR1,200m, through bonus shares.
- (2): The appointment of Mr. Martin Houston, as Board member representing the foreign shareholder.
- (3): The appointment of Mr. Sulaiman Alkhatani, as Audit Committee member.
- (4-7): The updates of the Company's Company By-Laws.
- (8-14): The updates of the Company's Code of Corporate Governance, including the Board Charter, Schedule of Matters Reserved for the Board (SMRB), and all the Charters of all the Board Committees.

- (15): The related party transactions related to Eng. Loay H. Nazer, Mr. Tal Nazer, and My Clinic
 (16): The related party transactions related to Mr. Abdulhadi Shayif and Saudi Ground Services (SGS)
 (17): The related party transactions related to Dr. Adnan Soufi and National Commercial Bank Capital (NCBC)

As required in terms of the CMA disclosure requirement of Article 90, paragraph 5, the Company, and the Board, confirms that it follows a procedure of ensuring all its Board, and Executive Management, members are aware of the shareholders' suggestions and remarks, on the Company and its performance, by circulating the GA minutes with the Board materials.

12-3 GA meetings attendance by the Board Members:

Board member name	EGM 1 31/05/2018	EGM 2 22/11/2018	Overall
Eng. Loay Hisham Nazer	Y	Y	100%
Mr. David Martin Fletcher	Y	Y	100%
Mr. Tal Hisham Nazer	Y	Y	100%
Mr. Abdulhadi Ali Saif Shayif	N	Y	50%
Mr. Zaid Abdulrahman Algwaiz	Y	N	50%
Dr. Adnan Abdulfattah Soufi	Y	Y	100%
Mr. Simeon Preston	Y	N	50%
Mr. Martin Houston	N/A	N	0%
Mr. Aamer Abdullah Ali Reza	Y	N/A	100%
Mr. Martin Potkins	N/A	N/A	N/A
Overall Board Member % GA Attendances	88%	63%	75%

13 Bupa Arabia Corporate Governance and Risk Management:

- Corporate Governance and Bupa Arabia Commitment:

Bupa Arabia is fully committed, through all levels of the Company hierarchy, including its Board and its Board Committees, to the implementation of world class corporate governance standards and to implementing, and thereafter adhering to, the Corporate Governance regulations of all Saudi regulators. Bupa Arabia will develop and implement corporate governance structures, frameworks, codes, policies, procedures and standards to support its achievement of best practices and adherence to the regulations and will maintain these up to date and aligned with regulatory requirements. This will ensure Bupa Arabia succeeds in fulfilling the five key elements of Corporate Governance:

- Strong commitment to Corporate Governance
- Strong commitment to world class Board practices
- Appropriate control environments and processes
- Strong regime of disclosure and transparency
- Protection of all Shareholders' rights, including minority shareholders.

Bupa Arabia is also committed to the implementation of international best practice standards for the prevention of bribery and corruption, fraud, financial crimes and is committed to preventing anti-competitive practices. During 2018 Bupa Arabia further developed its Code of Conduct, and supported it through a significant 2018 promotional launch of our enhanced "Speak-Up"/Whistleblowing platform and associated policy/procedures.

Bupa Arabia is committed to maintaining its formal Corporate Governance Framework (CGF), including its Code of Corporate Governance (CCG), in alignment with international best practice, and in adherence to the regulators' Corporate Governance regulations, and updated all these key documents again for the public shareholders' approval in the GA meeting of November 2018.

During 2018 the Company continued to invest and enhance its corporate governance through:

- The appointment of new resources to support improved controls and also new regulatory requirements; Chief Information Security Officer and Senior Manager – Risk Based Supervisory.
- A continued focus on the development of the Company's Policies and Procedures, including the update of the Company's Enterprise Policy Framework.
- The strengthening and reinforcement of the second and third lines of defence (in accordance with the adopted Three Lines of Defence model in Bupa Arabia).

Bupa Arabia ranked 1st in Saudi Arabia in the Corporate Governance Index (CGI) rankings, for Public Disclosure & Transparency, and was also the no 1 ranked insurance company (for the second successive year), in the overall CGI rankings list, ranked 9th of all Saudi listed companies, and in the top 10 overall rankings for the second successive year since the awards began, at the AlFaisal University's second Annual Corporate Governance Conference, for strong Corporate Governance practices during 2016 (a 2018 award).

Control Functions:

In support of ensuring robust practices of legal affairs and corporate governance, internal control, and risk management, and in order to adhere to the relevant Saudi Arabia regulatory requirements of insurance companies, the Company, in addition to its Company Secretariat function, has established the below detailed control functions. In addition to any other regulatory or supervisory requirements the principal role, duties and responsibilities of these control functions include, but are not limited to:

The Legal Affairs and Corporate Governance Department (LACGD):

The LACGD is responsible for the frameworks, codes, policies and procedures governing the management of the relationships, and the associated information sharing to and from, the Company's Management, Shareholders and other stakeholders, including its regulators and its employees, in accordance with all the laws and the relevant regulations.

The LACGD reports to the CRO and is responsible for ensuring the Company's compliance and adherence with the laws and relevant regulations. The LACGD also manages the Company's relationships with the Capital Market Authority (CMA) and stock exchange (Tadawul). During 2018 it was led by the Director - Legal Affairs and Corporate Governance, and Company Legal Counsel, and whose profile is below:

Director - Legal Affairs and Corporate Governance, and Company Legal Counsel, Nasser Al-Qawas

Mr. Nasser Al-Qawas joined Bupa Arabia during 2016 and has over 25 years of substantial legal, compliance, corporate governance and board secretariat experience. Throughout his career he has managed to build a solid acumen in driving organizations to act with the highest level of integrity, and compliance with the local and international prevailing laws, in the different regions where they operate, in addition to administering efficient and transparent legal processes and documentation. During his 20-year tenure at NCB, he was responsible for a variety of different roles and responsibilities, including Legal Advisor, Head of the Legal Execution Section, Manager of Legal Advisory & Research, General Board Secretary, and the Group Chief Compliance Officer. Mr. Al-Qawas holds a Master, and a Bachelor, of Law degree (from the King Abdulaziz University, Saudi Arabia), a diploma in Regulation, Compliance & Anti-Money Laundering (from the University of Reading, England) and Executive Certificates from INSEAD.

The Risk Management Department (RMD):

The RMD is responsible for the overall Risk Management process across Bupa Arabia, coordinating the development of the Risk Management Policy and related frameworks, for monitoring the risk database/register and for reporting on material risks and action plans.

The RMD reports directly to the CRO, with access to the RMC and the structure entails: Enterprise Risk Management, Fraud Risk, Operational Risk Management and Risk Operations, Health & Safety, Management of Insurable Risks, and Risk Analytics.

During 2018 we appointed a Senior Manager - Risk Based Supervisory, in support of enhancing our Risk Management practices and in support of fulfilling the SAMA Risk Based Supervisory Framework and its associated regulations.

The RMD is led by the Head of Risk Management and whose profile is reflected below:

Head - Risk Management Department, Ahmed Jaber

Mr. Ahmed Jaber joined Bupa Arabia during 2016, holds a Bachelor Degree in Engineering from the King Fahad University of Petroleum and Minerals, and has 15 years of experience in engineering, risk, credit control, operational risk, fraud prevention and investigations, and internal audit. Prior to joining Bupa Arabia, Mr. Jaber was Head of Investigations and Fraud Prevention at the National Commercial Bank (NCB) and also previously; Head of Operational Risk Management and Acting Head of Retail Banking Audit. He also has an International Diploma in Risk Management (American Academy of Financial Management), an Executive Certificate from the London Business School and other certifications (Certified Fraud Examiner, Certified Risk Analyst, Certified Operational Risk Manager, Project & Contract Risk Specialist and Certified Compliance Officer).

Cyber Security & Technology Risk Department (CSTRD):

The CSTRD is a second line of defence and is responsible for the overall Cyber Security and Technology Risk monitoring processes across Bupa Arabia, coordinating the development of the related Policy and frameworks, and for assessing and monitoring the IT, Cyber Security and Technology risks and for reporting on the associated material risks and mitigation plans.

The CSTRD is responsible for the alignment of the Company with the SAMA Cyber Security Framework and for ensuring the Company's BCM and Crisis Management processes are fit for purpose.

The CSTRD reports directly to the CRO, with access to the AC and RMC as required and its structure covers Cyber Security, Information Systems Resilience & Technology Risk and BCM.

The CSTRD is led by the Head – Cyber Security & Technology and whose profile is reflected below:

Head – Cyber Security & Technology Risk Department, Mohamed Elerian:

Mr. Elerian joined Bupa Arabia during the first quarter of 2017, bringing more than 19 years' experience in information technology/security, software development life cycle, ERP implementation, web and applications solutions, data mining, global shared business services, and business process outsourcing. Prior to joining Bupa Arabia, Mr. Elerian was Security IT leader for the North Africa region at General Electric (GE), where he spent six years. Before GE he was the Middle East & Africa Senior Information Systems Manager at Parsons and prior to that was the Middle East IT Manager at Johnson & Johnson (Medical). Mr. Elerian holds an applied Accounting diploma from the American University of Cairo in Egypt, and a Bachelor's degree in Accounting and Business Administration from Ain Shams University in Egypt. He also possesses Certificates in: Lean Six Sigma, Change Acceleration Process, Cognos 8, Business Intelligence Oracle Discoverer Administration and AS Discoverers, and also Kofax Training.

Pricing and actuarial:

The pricing and actuarial capabilities of the Company are essential control functions to ensure the accuracy of the Company's pricing and the claims reserving, in accordance with both international best practice and the Saudi regulations, and these roles report into the Finance function, headed by the CFO. These pricing and actuarial capabilities are currently lead by:

Director - Commercial Finance, Jamil Dakkak

Mr. Jamil Dakkak has more than 10 years' finance experience and joined Bupa Arabia in the first quarter of 2017, as Head - SME Pricing, before being appointed as Acting Director – Commercial Finance. Prior to joining Bupa Jamil was the Assistant Vice President at SEDCO Capital and amongst his responsibilities included portfolio management and investment analysis as well as conducting valuations on publicly listed companies, and on IPO stocks, in the MENA region. Prior to that, Mr. Dakkak was a Manager at Price Waterhouse Coopers where he was involved in financial modelling & analysis, valuation, feasibility studies & market research, business plans, and financial due diligence for companies in different sectors. Mr. Dakkak is a CFA holder and holds a bachelor's degree in Systems Engineering followed by an MBA from KFUPM and Masters in Finance from the University of Tampa, Florida.

Director – Actuarial and Financial Analysis, Chadi Saba

Mr. Chadi Saba has more than 14 years' experience in health insurance. He joined Bupa Arabia in 2009 holding several management positions in Pricing and Commercial Finance and amongst his responsibilities included product development, setting the pricing strategy, benefit control and claims reserving. He was appointed as Director – Actuarial and Financial Analysis during 2018. Prior to that, Mr. Saba held the position of Actuarial Analyst at GlobeMed where he was involved in rate adequacy studies, underwriting performance reviews, actuarial modelling and reinsurance arrangements. Mr. Saba holds a bachelor's degree in Actuarial Science and Insurance from Notre Dame University and Masters in Financial Economics from the American University of Beirut.

Independent Functions:

In line with best practice corporate governance, and as a key part of the Bupa Arabia 3LoD model, the Company has independent functions which report directly to the AC, with dotted line reporting to the CEO for day-to-day administration related, and both functions have full access to the Board, and also Board Committees, where required. The Compliance Department forms part of the Company's 2nd line of defence and the Internal Audit Department is a 3rd line of defence.

The Compliance Department (COD):

The COD is considered as an essential factor for Bupa Arabia's success and market leading position in health insurance in the Kingdom of Saudi Arabia, due to the critical role it plays in effectively managing compliance risks, integrating a strong Compliance culture into daily business activities and strategic planning of Bupa Arabia, maintaining Bupa Arabia's reputation, and protecting Bupa Arabia's Stakeholders.

The COD reports directly to the AC and its structure, roles and responsibilities are authorised by the AC. The COD is constituted of three units; Regulatory Compliance, Compliance Inspection and Financial Crime, and is led by the Head – Compliance, whose profile is detailed below:

Head – Compliance Department, Ali Jazzar

Mr. Jazzar joined Bupa Arabia during the third quarter of 2017, bringing more than 15 years' experience of mainly compliance and corporate governance, and in his previous role to Bupa Arabia he was the SAMA Relations and Monitoring Manager for the National Commercial Bank (NCB) for almost three years. Mr. Jazzar's previous experience also covered Company Secretariat, Shareholders and Investors Relations, Regulatory Investigations, Compliance Monitoring, and Regulatory Relations and Monitoring and throughout his career he has managed to build an effective and robust relationship with the Saudi regulators, engaging with them as they establish regulations, and assuring compliance with such regulations to maintain his employer's reputation for integrity and regulatory compliance. Majoring in Computer Information Technology at Marymount University in Virginia, USA. Mr. Jazzar is a Certified Compliance Officer (CCO) by SAMA, Henley Business School and the American Academy of Financial Management.

The Internal Audit Department (IAD):

The IAD is an independent and objective assurance and consulting activity that is guided by the philosophy of Bupa Arabia's governance and systems of internal controls.

The primary role of IAD is to help Bupa Arabia's Board, and AC, protect the assets, reputation and sustainability of the organization. Internal Audit will achieve this through assessing whether key significant risks are identified and appropriately reported to the Board and the AC, assessing whether they are adequately controlled and by assisting Executive Management to improve the effectiveness of governance, risk management and internal controls.

In its capacity of "third line of defence" it assists Bupa Arabia in accomplishing its purpose of "longer, healthier, happier lives" by bringing a systemic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

The IAD reports directly to the AC and its structure, roles and responsibilities are authorised by the AC and it contains talented audit professionals experienced in Financial, Operational, Compliance and IT audits. The function is led by the Head of Internal Audit whose profile is detailed below:

Head - Internal Audit Department (IAD), Assem Hammam

Mr. Hammam joined Bupa Arabia during the third quarter of 2017, bringing more than 10 years' of experience in Internal Audit, covering value-addition through assurance and consultation services in the financial and operations sectors. Throughout his career, he built a solid acumen in driving organizations to act with the highest level of integrity, risk understanding and management, compliance with internal and external laws and regulations and reporting processes, as well as the implementation and administration of efficient, and transparent, Internal Audit processes and documentation. Prior to joining Bupa Arabia, Mr. Hammam was the Internal Audit Manager/ Acting Head of Internal Audit of the SEDCO Group and, during which 10-year tenure, he held a variety of roles and responsibilities, which including: External Assurance, Laws & Regulations Compliance Inspections, Fraud Investigations, Internal Assurance, Controls Measurement, Reporting Restructuring, Benchmarking and Committee Secretary. Mr. Hammam holds a bachelor degree in Accounting from the King Fahad University of Petroleum and Minerals and various certificates in Internal Assurance.

14 - 22 Additional disclosures (in accordance with laws and regulations):

The following sections contain additional disclosures in accordance with the laws and regulations of Saudi Arabia, including the SAMA Insurance Corporate Governance Regulations, and the CMA Corporate Governance regulations.

14. Other disclosures and information in accordance with laws and regulations:

• 14.1 Provision of corporate governance:

Bupa Arabia is committed to, and is in full compliance with, the full adherence to the provisions of the SAMA Insurance Corporate Governance Regulations, point number 20 'Corporate Governance' and in Compliance with the overall requirements of these SAMA regulations, as well as with that of the requirements of the Company's Code of Corporate Governance. The Company is also in compliance with the CMA Corporate Governance Regulations with the following minor exception:

Article Number	Article section and narrative	Reason for non-compliance
90/93 - Board Report disclosures	93 a) 4) b): Disclosure of the five Senior Executives who have received the highest remuneration from the Company.	The CMA has deferred the adherence to these specific articles of the CMA regulations to 2020.

There are a number of voluntary requirements within the CMA regulations which Bupa Arabia has decided to either adapt, as for example our inclusion last year within the RMC scope the corporate governance related, or adopt in the future, either when required to as mandatory, or earlier if considered appropriate and best practice to do so.

In terms of the CMA Corporate Governance regulation article number 89, regarding policies that regulate the relationship with stakeholders to protect their respective rights, Bupa Arabia's policies were approved by the Board during 2014 and will continue to be enhanced during 2019 to ensure a stronger alignment with regulations and latest international best practice.

• 14.2 Tadawul shareholder database requests:

As required in terms of the CMA disclosure requirements of Article 90, paragraph 32, during 2018 Bupa Arabia made nine requests of Tadawul for its shareholder database for a variety of reasons and which including:

- For the purpose of the GA Meetings,
- For Financial results reporting/disclosure purposes,
- For the identification of specific high volume, bulk, Bupa Arabia shares purchases, where applicable,
- So as to monitor the composition of the Company's shareholders, both international and local.

The above all being for the purpose of ensuring fulfilment of regulatory requirements and to continue to develop a better understanding of the composition of our Shareholders so as to be able to better understand and serve our Shareholders' needs.

15. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 90, paragraphs 22 and 23, the Company, and the Board, confirms Bupa Arabia has no subsidiaries and therefore no issued shares, nor any debt instruments, for any subsidiary.

16. No borrowings or loans:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 27, the Company, and the Board, confirms that it has no borrowings or loans outstanding at the end of the current twelve month period and nor has it been required to make any payments against borrowings or loans during this twelve month period.

17. Declarations relating to debt instruments, options, warrants and rights:

As required in terms of the CMA disclosure requirements of Article 90, paragraphs 28, 29 and 30, the Company, and the Board, confirms the below declarations:

- That it has not issued, nor granted, any convertible debt instruments, options, warrants or similar rights during the financial year and accordingly has not received any consideration for the same,
- That it has not converted, nor issued, nor granted, any subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights during the financial year,
- That it has not redeemed, purchased or cancelled any redeemable debt instruments during the financial year. The Company has no such securities outstanding so the value of the same is nil.

18. Declarations relating to waiver of salary, compensation and rights to dividends:

As required in terms of the CMA disclosure requirements of Article 90, paragraphs 35 and 36, the Company, and the Board, confirms the below declarations:

- That there have been no instances of any arrangements or agreements under which any director or senior executive of the Company has waived any salary or compensation, other than that the Board, and Board Committee, member remuneration fees for the Bupa employee representatives who are Bupa Arabia Board, or Board Committee, members are received by the legal entity BIOL, and not by the individual persons in their personal capacity (please refer to sections 10.3 and 11).
- That there have been no instances of any arrangements or agreements under which any shareholder of the Company has waived any rights to any dividends.

19. Long term incentive plan (LTIP):

As required in terms of the CMA disclosure requirement of Article 90, paragraph 38: during 2015 the Company launched a new and enhanced LTIP scheme, on an equity shares basis only, effective 1 January 2015G, and during May 2017G obtained the GA meeting approval for this LTIP Scheme. The company secures advance GA approval for the annual purchase of the LTIP shares for each LTIP cycle (refer section 12.1) and, at the end of the current fiscal period holds 458,434 LTIP shares, value SR33m, on behalf of the LTIP participants. For more detail please refer to the AFS: "Statement of changes in shareholders' equity" and note 29 "Share Based Payments".

20. Internal control system and effectiveness:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point b), the Company, the Audit Committee, and the Board, confirms the system of internal control is sound and acceptable in design and effectiveness. In line with Bupa Arabia's commitment to an ongoing governance improvement journey, an internal control roadmap has been developed to achieve the highest level of internal control assessment maturity ("Excellent") by the end of 2020.

21. Continuation as a going concern:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point c), the Company, and the Board, confirms there are no significant doubts about the Company's ability to continue as a going concern.

22. External auditors:

The joint external auditors, as approved per the EGM (refer section 12), for the fiscal year ended 31/12/2018, were Ernst & Young and KPMG Al-Fozan & Partners, as was the case for the 2017 fiscal period.

23. Independent external actuary:

Manar Sigma Financial Consulting were the external actuary for 2018, as was the case for 2017.

Conclusion:

The Board would like to thank all customers for demonstrating continued extremely high levels of loyalty, and all investors, for contributing to the Company's success and leadership within the Saudi Arabian health insurance market. The Board would also like to express its sincere appreciation and gratitude to the Company's management and employees for their dedication, strong leadership and efforts throughout the reporting period.



Financial Statements



Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as at 31 December 2018, and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as modified by the Saudi Arabian Monetary Authority (“SAMA”) for the accounting of zakat and income tax.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

Key audit matter	How our audit addressed the key audit matter
<p>Provisions for outstanding claims</p> <p>The provision for outstanding claims includes the balances related to reported but not settled claims, incurred but not reported claims and other reserves. The process of determining the provision for outstanding claims and its related cost arising from insurance contracts is inherently complex, requiring judgement and actuarial expertise. Accordingly, this complexity arises from calculating the actuarial best estimate and the margin over best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p> <p>The Company calculates its own estimate of the provision using standardised reserving methodology for comparing against the provision calculated by the independent actuary, and considers the impact of any significant differences.</p> <p>Due to the estimation uncertainty and subjectivity involved in the assessment of provisions for outstanding claims, we have considered this as a key audit matter.</p> <p>Please refer to notes 3(xx) for the accounting policy adopted by the Company and note 2d(i) for the significant accounting judgements, estimates and assumptions involved in the initial recognition and subsequent measurement of claims. Also, refer note 13 for movement in outstanding claims.</p>	<p>Our audit procedures included the following:</p> <p>We inspected the claims reserving reports and evaluated the design and implementation of key controls over the provisioning process, including controls over completeness and accuracy of the data used for the provisions calculations. This data provides evidence over trends for outstanding claims and its related costs at the reporting date and drives the assumptions for claims in current and preceding financial years. These assumptions include historical claims experience, claims cost inflation and medical trends.</p> <p>We engaged our own actuarial specialists to evaluate and review the assumptions on current and future events used by the Company, as set out in the claims reserving reports, as well as comparing them to expectations based on the Company’s historical experience, current trends and analysis. We have also reviewed the actuarial reserve report issued by the independent actuary.</p> <p>We evaluated the appropriateness of sensitivities applied by the management towards assumptions affecting the adequacy of outstanding claims at the year end.</p> <p>We also assessed the adequacy of the financial statements disclosures with respect to outstanding claims.</p>

Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

Independent Auditors' Report

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (Continued)

Other Information

Management is responsible for the other information. Other information comprises the information included in the Company's 2018 annual report but does not include financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Companies' Law, the Company's By-laws and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

Independent Auditors' Report

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for Ernst & Young & Co.
(Certified Public Accountants)

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



Jeddah, Kingdom of Saudi Arabia
5 Rajab 1440
Corresponding 12 March 2019



Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 SR'000	2017 SR'000
ASSETS			
Cash and cash equivalents	5	290,413	229,884
Premiums receivable - net	6	950,671	870,982
Reinsurers' share of unearned premiums	13.2	6,320	5,146
Reinsurers' share of outstanding claims	13.1	336	360
Reinsurers' share of claims incurred but not reported	13.1	2,678	670
Deferred policy acquisition costs	14	118,323	71,076
Investments	7	1,621,491	1,721,690
Prepaid expenses and other assets	8	202,985	170,528
Term deposits	9	4,715,281	3,945,383
Fixtures, furniture and equipment - net	10	81,243	93,617
Intangible assets - net	11	57,273	39,880
Goodwill	4	98,000	98,000
Statutory deposit	12	120,000	80,000
Accrued income on statutory deposit	12	6,882	5,121
TOTAL ASSETS		8,271,896	7,332,337
LIABILITIES			
Accrued and other liabilities	18	285,809	145,598
Insurance operations' surplus payable	20	139,755	138,581
Reinsurers' balances payable	25	50,636	39,613
Unearned premiums	13.2	3,428,131	3,091,079
Outstanding claims	13.1	555,158	450,249
Claims incurred but not reported	13.1	898,123	871,998
Claims handling reserve	13.1	19,400	19,289
Due to related parties	24	41,095	33,586
Provision for end-of-service benefits	21	81,395	66,469
Provision for zakat and income tax	26	199,784	148,704
Accrued income payable to SAMA	12	6,882	5,121
TOTAL LIABILITIES		5,706,168	5,010,287
EQUITY			
Share capital	27	1,200,000	800,000
Statutory reserve	28	609,111	504,025
Share based-payments	29	17,579	17,220
Shares held under employees share scheme	29	(32,662)	(28,915)
Retained earnings		811,153	1,030,887
Re-measurement reserve of defined benefit obligation	21	(8,922)	--
Investments fair value reserve - related to shareholders		(21,942)	(1,880)
TOTAL SHAREHOLDERS' EQUITY		2,574,317	2,321,337
Investments fair value reserve - related to policyholders		(8,589)	713
TOTAL EQUITY		2,565,728	2,322,050
TOTAL LIABILITIES AND EQUITY		8,271,896	7,332,337

The accompanying notes 1 to 39 form an integral part of these financial statements.

Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
REVENUES			
Gross premiums written	13.2	8,566,648	7,732,961
Reinsurance premiums ceded – Local		(9,838)	(5,592)
Reinsurance premiums ceded – International		(70,690)	(62,756)
Net premiums written		8,486,120	7,664,613
Changes in unearned premiums		(337,052)	3,911
Changes in reinsurance share of unearned premiums		1,174	3,790
Net premiums earned	13.2	8,150,242	7,672,314
UNDERWRITING COSTS & EXPENSES			
Gross claims paid		(6,708,524)	(6,428,617)
Reinsurers' share of claims paid		48,700	44,218
Net claims paid		(6,659,824)	(6,384,399)
Changes in outstanding claims		(104,909)	(112,700)
Changes in claims incurred but not reported		(26,125)	92,786
Changes in claims handling reserves		(111)	--
Reinsurance share of changes in outstanding claims		(24)	(242)
Reinsurance share of changes in claims incurred but not reported		2,008	(448)
Net claims incurred		(6,788,985)	(6,405,003)
Policy acquisition costs		(197,371)	(182,066)
TOTAL UNDERWRITING COSTS & EXPENSES		(6,986,356)	(6,587,069)
NET UNDERWRITING RESULTS		1,163,886	1,085,245
OTHER OPERATING (EXPENSES)/INCOME			
Allowance for doubtful receivables		(32,256)	(3,718)
General and administrative expenses	31	(433,686)	(380,127)
Selling and marketing expenses	32	(322,004)	(308,226)
Investment income, net	33	184,150	158,241
Other income/(loss), net		14,068	(409)
TOTAL OTHER OPERATING (EXPENSES)/INCOME		(589,728)	(534,239)
NET INCOME FOR THE YEAR		574,158	551,006
Net income attributed to insurance operations	1	(48,727)	(50,392)
Net income attributed to shareholders		525,431	500,614
Weighted average number of ordinary outstanding shares (in thousands)		119,614	119,674
Basic earnings per share (Expressed in SR per Share)	35	4.39	4.18

The accompanying notes 1 to 39 form an integral part of these financial statements.

Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 SR'000	2017 SR'000
Net income attributed to the shareholders	525,431	500,614
Other comprehensive income		
Items that will not be reclassified to statement of income in subsequent years		
Actuarial losses on defined benefit obligation	(8,922)	--
Items that are or may be reclassified to statement of income in subsequent years		
Net movement in fair value of available-for-sale investments:		
related to shareholders	(20,062)	(1,880)
related to policyholders	(9,302)	713
	(29,364)	(1,167)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	487,145	499,447

The accompanying notes 1 to 31 form an integral part of these financial statements.

Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Related to shareholders

	Share capital	Statutory reserve	Share based-payments	Shares held under employees share scheme	Retained earnings	Remeasurement reserve of defined benefit obligation	Investments fair value reserve	Total shareholders' equity	Investments fair value reserve - related to policyholders	Total equity
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
2018	800,000	504,025	17,220	(28,915)	1,030,887	--	(1,880)	2,321,337	713	2,322,050
Balance at 1 January 2018										
Total comprehensive income for the year										
Net income for the year attributed to shareholders	--	--	--	--	525,431	--	--	525,431	--	525,431
Actuarial losses on defined benefit obligation	--	--	--	--	--	(8,922)	--	(8,922)	--	(8,922)
Changes in fair value of available-for-sale investments	--	--	--	--	--	--	(20,062)	(20,062)	(9,302)	(29,364)
Total comprehensive income for the year										
Transfer to statutory reserves	--	105,086	--	--	(105,086)	--	--	--	--	--
Share based payment transactions	--	--	8,106	--	--	--	--	8,106	--	8,106
Delivery of shares under LTIP	--	--	(7,747)	7,747	--	--	--	--	--	--
Purchase of shares under LTIP	--	--	--	(11,494)	--	--	--	(11,494)	--	(11,494)
Issue of bonus shares (note 27)	400,000	--	--	--	(400,000)	--	--	--	--	--
Dividends paid (note 34)	--	--	--	--	(160,000)	--	--	(160,000)	--	(160,000)
Zakat and income tax charge	--	--	--	--	(89,199)	--	--	(89,199)	--	(89,199)
Income tax recovered from non-Saudi shareholders	--	--	--	--	9,120	--	--	9,120	--	9,120
Balance at 31 December 2018	1,200,000	609,111	17,579	(32,662)	811,153	(8,922)	(21,942)	2,574,317	(8,589)	2,565,728

Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Related to shareholders									
	Share capital	Statutory reserve	Share based-payments	Shares held under employees share scheme	Retained earnings	Investments fair value reserve	Total shareholders' equity	Investments fair value reserve - related to policyholders	Total equity	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
2017										
Balance at 1 January 2017	800,000	403,902	16,931	(23,404)	829,625	--	2,027,054	--	--	2,027,054
Total comprehensive income for the year										
Net income for the year attributed to shareholders	--	--	--	--	500,614	--	500,614	--	--	500,614
Changes in fair value of available-for-sale investments	--	--	--	--	--	(1,880)	(1,880)	713	--	(1,167)
Total comprehensive income for the year	--	--	--	--	500,614	(1,880)	498,734	713	--	499,447
Transfer to statutory reserves	--	100,123	--	--	(100,123)	--	--	--	--	--
Share based payment transactions	--	--	5,837	--	--	--	5,837	--	--	5,837
Delivery of shares under LTIP	--	--	(5,548)	5,548	--	--	--	--	--	--
Purchase of shares under LTIP	--	--	--	(11,059)	--	--	(11,059)	--	--	(11,059)
Dividends paid (note 34)	--	--	--	--	(120,000)	--	(120,000)	--	--	(120,000)
Zakat and income tax charge	--	--	--	--	(79,229)	--	(79,229)	--	--	(79,229)
Balance at 31 December 2017	800,000	504,025	17,220	(28,915)	1,030,887	(1,880)	2,321,337	713	--	2,322,050

The accompanying notes 1 to 39 form an integral part of these financial statements.

Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders		525,431	500,614
Adjustments for non-cash items:			
Net income attributed to the insurance operations	20	48,727	50,392
Depreciation of fixtures, furniture and equipment		13,499	11,078
Amortization of intangible assets		8,072	5,749
Share based-payments expense		8,106	5,837
Allowance for doubtful receivables		32,256	3,718
Unrealized gains on investments held as FVSI		(6,966)	(12,296)
Realized gains on investments		(10,202)	(11,816)
Provision for end-of-service benefits		16,226	12,673
Loss on disposal of fixture, furniture and equipment		272	433
Changes in operating assets and liabilities:			
Premiums receivable		(111,945)	105,843
Reinsurers' share of unearned premiums		(1,174)	(3,790)
Reinsurers' share of outstanding claims		24	242
Reinsurers' share of claims Incurred but not reported		(2,008)	448
Deferred policy acquisition costs		(47,247)	1,205
Prepaid expenses and other assets		(32,457)	(21,537)
Accrued and other liabilities		140,211	(28,518)
Reinsurers' balances payable		11,023	24,496
Unearned premiums		337,052	(3,911)
Outstanding claims		104,909	112,700
Claims incurred but not reported		26,125	(92,786)
Claims handling reserve		111	--
Due to related parties		7,509	9,242
		1,067,554	670,016
End-of-service benefits paid		(10,222)	(5,520)
Surplus paid to policyholders	20	(47,553)	(81,695)
Zakat and income tax paid		(38,119)	(47,478)
Net cash generated from operating activities		971,660	535,323

The accompanying notes 1 to 39 form an integral part of these financial statements.

Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2018

CASH FLOWS FROM INVESTING ACTIVITIES

Placement in term deposits	9	(5,324,758)	(3,945,383)
Proceeds from maturity of term deposits	9	4,554,860	4,045,310
Additions to investments	7	(1,828,024)	(2,421,572)
Disposals of investments		1,916,027	1,981,247
Additions to fixtures, furniture and equipment		(5,820)	(31,557)
Proceeds from disposal of fixture, furniture and equipment		7	8
Intangible assets acquired		(21,049)	(28,263)
Increase in statutory deposit		(40,000)	--
Purchase of shares under LTIP - net		(11,494)	(11,059)
Net cash used in investing activities		(760,251)	(411,269)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid	34	(160,000)	(120,000)
Income tax recovered from non-Saudi shareholders		9,120	--
Net cash used in financing activities		(150,880)	(120,000)

Net change in cash and cash equivalents		60,529	4,054
Cash and cash equivalents at beginning of the year		229,884	225,830
Cash and cash equivalents at end of the year		290,413	229,884

Non-cash transactions

Unrealised losses on available for sale investments		(29,364)	(1,167)
Zakat and income tax debited to retained earnings		89,199	79,229
Actuarial loss on defined benefit obligation		(8,922)	--
Transfer of fixtures, furniture and equipment to intangible assets		4,416	--

The accompanying notes 1 to 39 form an integral part of these financial statements.

Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

Notes to The Financial Statements

At 31 December 2018

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

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

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

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 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) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by SAMA for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA Circular”), the zakat and income tax are to be accrued on a quarterly basis through equity under retained earnings.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investments held at fair value through statement of income (FVSI), available for sale investments and measurement reserve of defined benefit obligation. The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: available-for-sale investments, fixtures, furniture and equipment, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service benefits and accrued income payable to SAMA. All other financial statement line items would generally be classified as current unless, stated otherwise.

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. The Company’s financial statements until 31 December 2017, presented separately the statement of financial position, statements of income, comprehensive income and cash flows of insurance and shareholders’ operations.

During the current year, SAMA issued illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of insurance operations are combined with those of shareholders’ operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders’ operations are uniform for like transactions and events in similar circumstances.

In preparing these financial statements comparative amounts are also combined to conform to the current year presentation in line with SAMA requirements, which has no impact on the previously reported net profit and retained earnings. However, note 37 to these financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of insurance and shareholders operations, separately.

Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

Notes to The Financial Statements

At 31 December 2018

(b) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is the Company's functional currency. All financial information presented in SR has been rounded off to the nearest thousand except where otherwise indicated.

(c) Fiscal year

The Company follows a fiscal year ending on 31 December.

(d) Critical accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the accounting judgments and estimates that are critical in the preparation of these financial statements:

i) The ultimate liability arising from claims made under insurance contracts

Judgment by management is required in the estimation of amounts due to medical providers and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income for that year. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

A range of methods such as the Chain Ladder Method, the Bornhuetter-Ferguson Method and the Expected Loss Ratio Method are used by the actuaries to determine these provisions. Also the Actuaries have used a segmentation approach which includes analyzing the costs per member per year for the medical line of business. Underlying these methods are also a number of explicit or implicit assumptions relating to the expected settlement amount and the settlement patterns of the claims.

Estimation of premium deficiency for medical insurance is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the company's actuarial team, and also the independent actuary, consider the claims and premiums relationship which is expected to apply on month to month basis, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

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ii) Impairment of receivables

A provision for impairment of receivables and reinsurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iii) Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of income over the period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income.

iv) Useful lives of fixtures, furniture and equipment

The Company's management determines the estimated useful lives of its fixtures, furniture and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews residual values and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

v) Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

vi) Impairment of available-for-sale investments

The Company exercises judgment to consider impairment on the available for sale investments at each reporting date. This includes determination of a significant or prolonged decline in the fair value of equity securities below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share prices. In addition, the Company considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational & financing cash flows.

The Company considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, which is recognized in the statement of income as impairment charge on investments. Prolonged decline represents a decline below cost that persists for 1 year or longer irrespective of the amount and is recognised in the statement of income accordingly as an impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the statement of income. The Company reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

vii) Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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viii) Impairment of Goodwill

Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amount is the greater of its value in use or fair value less cost to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except for adoption of the amendments to existing standards and IFRS 15 as discussed 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 2018 and accordingly adopted by the Company, as applicable:

Standard / Amendments	Description
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 15	Revenue from Contracts with Customers (refer below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within the IFRS. IFRS 15 does not apply to “revenue from insurance contracts”. However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts).

The Company’s management has assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

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b) Standards issued but not yet effective

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

IFRS 9 - Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, introduces an expected credit loss (ECL) impairment model which replaces the incurred loss model of IAS 39, and new hedge accounting requirements under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through statement of income whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income;
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39;
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company has assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of IFRS 9 adoption the Company's financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of the IFRS 9 adoption.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company is now assessing the impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

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IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The Company has decided not to early adopt this new standard.

The Company is currently in the phase of assessing the impact of the above standards.

The significant accounting policies used in preparing these financial statements are set out below:

i) Financial instruments - initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, premiums receivable, reinsurance share of outstanding claims, reinsurance share of incurred but not reported claims, investments, term deposits, statutory deposit and other receivables. Financial liabilities consist of insurance operations surplus payable, reinsurance balances payable, outstanding claims, claims incurred but not reported, claims handling reserve, amounts due to related parties, provision for end-of-service benefits, zakat and income tax and certain other liabilities.

Date of recognition

Regular way sale and purchase of financial instruments is recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the market place.

Measurement of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortised cost except for FVSI and AFS investments which are carried at fair value.

ii) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition.

iii) Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for uncollectible amount is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Bad debts are written off as incurred. Subsequent recoveries of amounts previously written off are credited in the statement of income.

iv) Policy acquisition costs

Commission to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred. The deferred acquisition costs are subsequently amortised over the terms of the insurance contract as premiums are earned and reported in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

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v) Investments

(a) Financial assets at fair value through statement of income

Investments are classified as at fair value through statement of income if they are classified as held-for-trading or are designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of income as incurred. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income.

(b) Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities where fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognized through the statement of comprehensive income until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to statement of income for the period and are disclosed as gains/(losses) on non-trading investments.

v) Term deposits

Term deposits, with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment in value.

vi) Fixtures, furniture and equipment

Furniture, fixtures and equipment are initially recorded in the statement of financial position at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Leasehold Improvements (civil, construction work and fixtures)	15 years or lease term
Furniture, fixtures and office equipment	5 to 20
Computer	2.5 to 7
Motor vehicles	4

Residual values, useful lives and the methods of depreciation are reviewed and adjusted as appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of income on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of income.

Expenditure for repairs and maintenance is charged to the statement of income. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Gain / loss on sale of fixtures, furniture and equipment is included in statement of income.

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vii) Intangible assets

Separately acquired intangible assets (softwares) are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	3 to 7

viii) Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

ix) Liability adequacy test

At each reporting date the Company assesses annually whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income and an unexpired risk provision is created.

x) Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

xi) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

xii) Employee-end-of-service benefits

Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as it falls due. Re-measurement (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income.

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xiii) Share based payment

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is date at which the entity and an employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity as a reserve for a share based payment, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In cases where an award is forfeited (i.e. when the vesting conditions relating to an award are not satisfied), the Company reverses the expense relating to such awards previously recognized in the statement of income.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

xiv) Shares held under employee share scheme

The Company purchases shares held under employee share scheme to hedge itself against adverse changes in fair value of its shares between the grant date and the date on which these shares are transferred to employees. When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as shares held under employee share scheme and are presented in the statement of changes in equity.

xv) Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the statement of income. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

- (a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (b) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

xvi) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

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The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of income.

For assets, excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

xvii) De-recognition

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

xviii) Revenue recognition

Premiums earned

The Company only issues short-term insurance contracts for providing health care services ('medical insurance') in Saudi Arabia. Premiums are taken to income over the terms of the policies to which they relate on a pro-rata basis based on 365th method. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the statement of income.

Investment and commission income

Investment income or loss comprises of unrealised and realised gains and losses on investments. Commission income on term deposits is recognised using the effective interest method in the statement of income.

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xix) Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

xx) Claims

Claims, comprising amounts payable to medical providers and other third parties are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at each reporting date.

The Company estimates its claims based on previous experience. In addition, a provision based on the management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at each reporting date. Any difference between the provisions at the statement of financial position date & settlements and provisions for the following year is included in the underwriting account for that year.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

xxi) Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

xxii) Reinsurance contracts held

In order to minimise financial exposure from large claims, the Company enters into reinsurance agreements with internationally reputable reinsurers. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contracts. These amounts, if any, are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid, the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / (to) reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

xxiii) Expenses

Selling and marketing expenses are those which specifically relate to salesmen, sales promotion, advertisements, regulatory levies, trade mark fees and fulfillment costs. All other expenses are classified as general and administration expenses.

xxiv) Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); and
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

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xxv) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

xxvi) Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate at the reporting date. All differences are taken to the statement of income.

xxvii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

xxviii) Cash dividend to shareholders

The Company recognises a liability to make cash distributions to shareholders of the Company when the distribution is authorised and is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and SAMA. A corresponding amount is recognised directly in equity.

xxix) Zakat and income tax

Under Saudi Arabian Zakat and Income Tax laws, zakat and income tax are the liabilities of the Saudi and foreign shareholders, respectively. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the zakat regulations. Income tax is computed on the foreign shareholders' share of net income for the year. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders. Income tax charged to retained earnings, in excess to the proportion of the Saudi Shareholders' zakat per share, is recovered from the foreign shareholders and credited to retained earnings.

No adjustments are made in the financial statements to account for the effect of deferred income taxes since zakat and income tax are the liabilities of the shareholders in the Kingdom of Saudi Arabia.

xxx) Statutory reserve

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

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4. GOODWILL

On 31 December 2008, the Company entered into an agreement with Bupa Middle East Limited E.C. (the "Seller"), a related party, pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009. The acquisition transaction was approved by SAMA and resulted in goodwill of SR 98 million. The entire amount was paid in the previous years, to the Seller, after obtaining the required regulatory approvals.

In accordance with the requirements of International Financial Reporting Standards, the Company's management annually carry out an annual impairment test in respect of the above mentioned goodwill. Management conducted the impairment exercise for the year ended 31 December 2018. The recoverable amount of operations has been determined based on value in use. The two key assumptions used in the test are the discount rate and estimated future cash flows from the business as follows:

- An average discount rate of 12% was used to discount future cash flows.
- EBTIDA growth rate of 11.6% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.
- A change in discount rate by 300 basis point with other variables held constant would not result in impairment of goodwill.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2018		Total SR'000
	Insurance operations	Shareholders' operations	
Bank balances	272,527	17,886	290,413

	2017		Total SR'000
	Insurance operations	Shareholders' operations	
Bank balances	110,384	119,500	229,884

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the year ended 31 December 2018, the insurance operations transferred cash of SR 99 million to shareholders' operations (31 December 2017: SR 420.5 million).

6. PREMIUMS RECEIVABLE - NET

Receivables comprise of amounts due from the following:

	2018 SR'000	2017 SR'000
Policyholders	755,292	732,557
Brokers	364,610	280,873
Related parties (note 24)	--	226
	1,119,902	1,013,656
Provision for doubtful receivables	(169,231)	(142,674)
Premiums receivable - net	950,671	870,982

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Movement in provision for doubtful debts during the year was as follows:

	2018	2017
	SR'000	SR'000
Balance at the beginning of the year	142,674	142,997
Provision made during the year	32,256	3,718
Utilised during the year	(5,699)	(4,041)
Balance at end of the year	169,231	142,674

The gross amount of impaired receivables amounted to SR 482,706 thousand (31 December 2017: SR 402,333 thousand). The aging analysis of premiums receivable - net arising from insurance contracts is as follows:

	2018					Total
	Neither past due nor impaired	Past due but not impaired		Past due and impaired		
		Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	
						SR'000
Policyholders	319,248	95,923	100,946	84,753	22,391	623,261
Brokers	170,727	51,298	61,279	39,732	4,374	327,410
	489,975	147,221	162,225	124,485	26,765	950,671

	2017					Total
	Neither past due nor im- paired	Past due but not impaired		Past due and impaired		
		Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	
						SR'000
Policyholders	354,485	102,409	92,056	55,889	14,544	619,383
Brokers	119,640	34,563	56,367	37,508	3,295	251,373
Related parties	226	--	--	--	--	226
	474,351	136,972	148,423	93,397	17,839	870,982

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Unimpaired receivables are estimated, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest customers account for 6.4% (31 December 2017: 10.4%) of the premiums receivable as at 31 December 2018.

7. INVESTMENTS

Investments are classified as follows:

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						SR'000
Held as FVSI	249,284	131,110	380,394	411,441	495,966	907,407
Available-for-sale	560,891	680,206	1,241,097	409,335	404,948	814,283
	810,175	811,316	1,621,491	820,776	900,914	1,721,690

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

	2018				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
					SR'000
Sukuks	32,025	--	95,079	--	127,104
Funds	217,259	--	36,031	--	253,290
	249,284	--	131,110	--	380,394

	2017				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
					SR'000
Sukuks	32,025	--	95,079	--	127,104
Funds	379,416	--	299,987	--	679,403
Investments in discretionary portfolios	--	--	100,900	--	100,900
	411,441	--	495,966	--	907,407

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

	2018				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
					SR'000
Sukuks	241,784	281,828	280,697	186,924	991,233
Funds	--	37,279	109,247	10,536	157,062
Investments in discretionary portfolios	--	--	92,802	--	92,802
	241,784	319,107	482,746	197,460	1,241,097

	2017				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
					SR'000
Sukuks	152,862	218,972	243,690	145,037	760,561
Funds	--	37,501	--	16,221	53,722
	152,862	256,473	243,690	161,258	814,283

The movements in the investments balance are as follows:

	2018		
	Insurance operations	Shareholders' operations	Total
			SR'000
Balance at the beginning of the year	820,776	900,914	1,721,690
Purchases during the year	1,033,480	794,544	1,828,024
Disposals during the year	(1,040,322)	(865,503)	(1,905,825)
Unrealised losses during the year, net	(3,759)	(18,639)	(22,398)
	810,175	811,316	1,621,491

	2017		
	Insurance operations	Shareholders' operations	Total
			SR'000
Balance at the beginning of the year	544,090	714,330	1,258,420
Purchases during the year	958,724	1,462,848	2,421,572
Disposals during the year	(687,758)	(1,281,673)	(1,969,431)
Unrealised gains during the year, net	5,720	5,409	11,129
	820,776	900,914	1,721,690

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8. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						SR'000
Prepayments	51,251	--	51,251	37,993	--	37,993
Accrued income	45,949	34,119	80,068	60,466	12,993	73,459
Restricted deposits	26,346	--	26,346	32,683	--	32,683
Other receivables	45,320	--	45,320	26,393	--	26,393
	168,866	34,119	202,985	157,535	12,993	170,528

9. TERM DEPOSITS

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, have an original maturity of more than three months, and yield financial income at rates ranging from 2.27% to 4.00% per annum (2017: 2.15% to 4.10% per annum). The movements in term deposits during the year ended 31 December 2018 and year ended 31 December 2017, respectively are as follows:

	2018		
	Insurance operations	Shareholders' operations	Total
			SR'000
Balance at beginning of the year	2,912,577	1,032,806	3,945,383
Matured during the year	(3,724,883)	(829,977)	(4,554,860)
Placed during the year	3,846,049	1,478,709	5,324,758
	3,033,743	1,681,538	4,715,281

	2017		
	Insurance operations	Shareholders' operations	Total
			SR'000
Balance at beginning of the year	3,057,816	987,494	4,045,310
Matured during the year	(3,057,816)	(987,494)	(4,045,310)
Placed during the year	2,912,577	1,032,806	3,945,383
	2,912,577	1,032,806	3,945,383

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10. FIXTURES, FURNITURE AND EQUIPMENT

	Office, furniture, and fixtures	Computer equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
	SR'000					
Cost:						
At 1 January 2017	73,362	36,357	212	--	26,659	136,590
Additions during the year	1,648	1,274	--	--	28,635	31,557
Disposals during the year	(573)	--	--	--	--	(573)
Transferred during the year	1,340	30	--	--	(1,370)	--
At 1 January 2018	75,777	37,661	212	--	53,924	167,574
Additions during the year	1,161	1,469	--	56	3,134	5,820
Disposal during the year	(1,020)	(2,182)	(212)	--	--	(3,414)
Transferred during the year	9,442	1,601	--	38,515	(53,974)	(4,416)
At 31 December 2018	85,360	38,549	--	38,571	3,084	165,564
Accumulated depreciation:						
At 1 January 2017	37,669	25,130	212	--	--	63,011
Charge for the year	6,477	4,601	--	--	--	11,078
Disposals during the year	(132)	--	--	--	--	(132)
At 1 January 2018	44,014	29,731	212	--	--	73,957
Charge for the year	6,474	5,309	--	1,716	--	13,499
Disposal during the year	(749)	(2,174)	(212)	--	--	(3,135)
At 31 December 2018	49,739	32,866	--	1,716	--	84,321
Net book value:						
At 31 December 2018	35,621	5,683	--	36,855	3,084	81,243
At 31 December 2017	31,763	7,930	--	--	53,924	93,617

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11. INTANGIBLE ASSETS

	Software	Capital work in progress*	Total
	SR'000		
Cost:			
At 1 January 2017	57,571	8,969	66,540
Additions during the year	8,651	19,612	28,263
Disposals/transfers during the year	10,289	(10,289)	--
At 1 January 2018	76,511	18,292	94,803
Additions during the year	6,072	14,977	21,049
Disposal during the year	(238)	--	(238)
Transfers during the year	1,102	3,314	4,416
At 31 December 2018	83,447	36,583	120,030
Accumulated amortization:			
At 1 January 2017	49,174	--	49,174
Charge for the year	5,749	--	5,749
At 1 January 2018	54,923	--	54,923
Charge for the year	8,072	--	8,072
Disposal during the year	(238)	--	(238)
At 31 December 2018	62,757	--	62,757
Net book value:			
At 31 December 2018	20,690	36,583	57,273
At 31 December 2017	21,588	18,292	39,880

*The capital work in progress relates to software under development.

12. 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 (2017: SR 80 million), in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 6.9 million (2017: SR 5.1 million) and this deposit cannot be withdrawn without approval from SAMA.

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13. TECHNICAL RESERVES

13.1 Net outstanding claims and reserves

	2018 SR'000	2017 SR'000
Claims outstanding reserves	555,158	450,249
Claims incurred but not reported	898,123	871,998
Claims handling reserve	19,400	19,289
	1,472,681	1,341,536
Less:		
Reinsurers' share of outstanding claims	(336)	(360)
Reinsurers' share of claims incurred but not reported	(2,678)	(670)
	(3,014)	(1,030)
Net outstanding claims reserve	1,469,667	1,340,506

13.2 Movement in unearned premiums

Movements in unearned premiums are as follows:

	2018		
	Gross	Reinsurance	Net SR'000
Balance at beginning of the year	3,091,079	(5,146)	3,085,933
Premium written/(ceded) during the year	8,566,648	(80,528)	8,486,120
Premium earned during the year	(8,229,596)	79,354	(8,150,242)
	3,428,131	(6,320)	3,421,811

	2017		
	Gross	Reinsurance	Net SR'000
Balance at beginning of the year	3,094,990	(1,356)	3,093,634
Premium written/(ceded) during the year	7,732,961	(68,348)	7,664,613
Premium earned during the year	(7,736,872)	64,558	(7,672,314)
	3,091,079	(5,146)	3,085,933

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14. DEFERRED POLICY ACQUISITION COSTS

	2018	2017
	SR'000	SR'000
Balance at beginning of the year	71,076	72,281
Paid and accrued during the year	226,842	150,436
Amortisation for the year	(179,595)	(151,641)
	118,323	71,076

15. CLAIMS DEVELOPMENT TABLE

The following table reflects the estimated ultimate claim cost, including claims notified and incurred but not reported for each successive treatment year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier treatment years. In order to maintain adequate reserves, the Company transfers much of this release to the current treatment year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Treatment year – gross outstanding claims	2015	2016	2017	2018	Total
	SR '000				
Estimate of ultimate claims cost:					
At the end of treatment year	5,399,170	6,319,929	6,577,919	6,949,081	
One year later	5,275,355	6,210,269	6,572,947	--	
Two years later	5,275,980	6,212,870	--	--	
Three years later	5,271,081	--	--	--	
Current estimate of ultimate claims	5,271,081	6,212,870	6,572,947	6,949,081	25,005,979
Ultimate payments to date	(5,270,587)	(6,209,074)	(6,527,788)	(5,545,249)	(23,552,698)
Liability recognised in the statement of financial position	494	3,796	45,159	1,403,832	1,453,281
Claims handling provision					19,400
Balance at 31 December					1,472,681

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Treatment year -
net outstanding claims

						SR '000
Estimate of ultimate claims cost:						
At the end of treatment year	5,348,275	6,318,209	6,576,889	6,946,067		
One year later	5,275,355	6,210,269	6,572,947	--		
Two years later	5,275,980	6,212,870	--	--		
Three years later	5,271,081	--	--	--		
Current estimate of ultimate claims	5,271,081	6,212,870	6,572,947	6,946,067	25,002,965	
Ultimate payments to date	(5,270,587)	(6,209,074)	(6,527,788)	(5,545,249)	(23,552,698)	
Liability recognised in the statement of financial position	494	3,796	45,159	1,400,818	1,450,267	
Claims handling provision					19,400	
Balance at 31 December						1,469,667

16. FIDUCIARY ASSETS

During the year ended 31 December 2018, after having SAMA's approval, the Company entered into a Third Party Administration agreement (TPA) with a customer under which the Company facilitates healthcare services to the employees of the customer 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 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 reporting date are offset in the statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 194.8 million as of 31 December 2018 (2017: nil).

17. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	2018	2017
	SR'000	SR'000
Letters of guarantee	26,346	32,682
Operating commitments	150,363	169,764
	176,709	202,446

- 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 from 31 December 2017.
- ii) As of 31 December 2018, total Letters of Guarantee issued by banks amounted to SR 94.7 million, of which SR 26.37 million (2017: SR 32.68 million) are issued against restricted deposits with banks and have been recorded under prepayments and other assets.

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18. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities comprise of the following:

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						SR'000
Accrued expenses	130,075	4,784	134,859	79,390	7,614	87,004
VAT payable	69,911	--	69,911	--	--	--
Advances from policy-holders	48,567	--	48,567	36,004	--	36,004
Other liabilities	32,472	--	32,472	22,590	--	22,590
	281,025	4,784	285,809	137,984	7,614	145,598

19. TRADE MARK FEES

During 2010, the Company entered into an agreement with a related party for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trade mark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year, as trade-mark fees. Accordingly, a sum of SR 20.5 million (2017: SR 19.3 million) payable to a related party has been accrued for during the year (see notes 24 and 32).

20. INSURANCE OPERATIONS' SURPLUS PAYABLE

	2018	2017
	SR'000	SR'000
Balance at beginning of the year	138,581	169,884
Income attributable to insurance operations during the year	48,727	50,392
Surplus paid to policyholders during the year	(47,553)	(81,695)
Net surplus payable to policyholders	139,755	138,581

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21. EMPLOYEE END OF SERVICE BENEFITS

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

21.1 Movement of defined benefit obligation

	2018	2017
	SR'000	SR'000
Balance at the beginning of the year	66,469	59,316
Charge to the statement of income during the year	16,226	15,150
Charge to the statement of other comprehensive income during the year	8,922	--
Benefits paid during the year	(10,222)	(7,997)
Balance at the end of the year	81,395	66,469

21.2 Reconciliation of present value of defined benefit obligation

	2018	2017
	SR'000	SR'000
Balance at the beginning of the year	66,469	59,316
Current service costs	13,103	12,405
Financial costs	3,123	2,745
Actuarial loss	8,922	--
Benefits paid during the year	(10,222)	(7,997)
Balance at the end of the year	81,395	66,469

21.3 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined benefit obligation liability:

	2018
Valuation discount rate	4.60%
Expected rate of increase in salary level across different age bands	6.50%

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The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	2018 SR'000
Valuation discount rate	
- Increase by 5%	(2,149)
- Decrease by 5%	2,263
Expected rate of increase in salary level across different age bands	
- Increase by 1%	195
- Decrease by 1%	(195)
Mortality rate	
- Increase by 50%	(8)
- Decrease by 50%	8
Employee turnover	
- Increase by 20%	(1,367)
- Decrease by 20%	1,498

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.21 years.

22. 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, 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.

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	Fair value				Carrying value SR'000
	Level 1	Level 2	Level 3	Total	
2018					
Financial assets measured at fair value					
- Investments held as FVSI	16,021	364,373	--	380,394	380,394
Available-for-sale investments	842,262	398,835	--	1,241,097	1,241,097
	858,283	763,208	--	1,621,491	1,621,491

	Fair value				Carrying value SR'000
	Level 1	Level 2	Level 3	Total	
2017					
Financial assets measured at fair value					
- Investments held as FVSI	106,290	801,117	--	907,407	907,407
Available-for-sale investments	453,157	361,126	--	814,283	814,283
	559,447	1,162,243	--	1,721,690	1,721,690

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 December 2018 and 31 December 2017, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Floating rate sukuk 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

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23. 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.

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 & 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:

Operating segments	As at 31 December 2018				
	Insurance operations			Shareholders' operations	Total
	Major customers	Non-major customers	Total - Insurance operations		
					SR'000
Assets					
Premiums receivable - net	558,492	392,179	950,671	--	950,671
Reinsurers' share of unearned premiums	2,465	3,855	6,320	--	6,320
Reinsurers' share of outstanding claims	306	30	336	--	336
Reinsurers' share of claims incurred but not reported	2,437	241	2,678	--	2,678
Deferred policy acquisition costs	72,177	46,146	118,323	--	118,323
Unallocated assets			4,285,311	2,908,257	7,193,568
Total assets			5,363,639	2,908,257	8,271,896
Liabilities					
Unearned premiums	2,091,160	1,336,971	3,428,131	--	3,428,131
Outstanding claims	355,301	199,857	555,158	--	555,158
Claims incurred but not reported	574,799	323,324	898,123	--	898,123
Claims handling reserve	12,416	6,984	19,400	--	19,400
Unallocated liabilities			471,416	333,940	805,356
Total liabilities			5,372,228	333,940	5,706,168

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As at 31 December 2017

Operating segments	Insurance operations			Shareholders' operations	Total
	Major customers	Non-major customers	Total - Insurance operations		
					SR'000
ASSETS					
Premium receivable - net	511,677	359,305	870,982	--	870,982
Reinsurers' share of unearned premiums	--	5,146	5,146	--	5,146
Reinsurers' share of outstanding claims	327	33	360	--	360
Reinsurers' share of claims incurred but not reported	609	61	670	--	670
Deferred policy acquisition costs	41,223	29,853	71,076	--	71,076
Unallocated assets	--	--	4,001,272	2,382,831	6,384,103
Total assets			4,949,506	2,382,831	7,332,337
LIABILITIES					
Unearned premiums	1,890,131	1,200,948	3,091,079	--	3,091,079
Outstanding claims	296,183	154,066	450,249	--	450,249
Claims incurred but not reported	550,055	321,943	871,998	--	871,998
Claims handling reserve	12,345	6,944	19,289	--	19,289
Unallocated liabilities	--	--	316,178	261,494	577,672
Total liabilities			4,748,793	261,494	5,010,287

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			2018
Operating segments	Major customers	Non-major customers	Total
			SR'000
REVENUES			
Gross premiums written	5,454,933	3,111,715	8,566,648
Reinsurance premiums ceded - Local	(5,991)	(3,847)	(9,838)
Reinsurance premiums ceded - International	(43,051)	(27,639)	(70,690)
Net premiums written	5,405,891	3,080,229	8,486,120
Changes in unearned premiums	(201,029)	(136,023)	(337,052)
Changes in reinsurance share of unearned premiums	2,465	(1,291)	1,174
Net premiums earned	5,207,327	2,942,915	8,150,242
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(4,337,336)	(2,371,188)	(6,708,524)
Reinsurers' share of claims paid	30,194	18,506	48,700
Net claims paid	(4,307,142)	(2,352,682)	(6,659,824)
Changes in outstanding claims	(59,118)	(45,791)	(104,909)
Changes in claims incurred but not reported	(24,744)	(1,381)	(26,125)
Changes in claims handling reserves	(71)	(40)	(111)
Reinsurance share of changes in outstanding claims	(21)	(3)	(24)
Reinsurance share of changes in claims incurred but not reported	1,828	180	2,008
Net claims incurred	(4,389,268)	(2,399,717)	(6,788,985)
Policy acquisition costs	(131,711)	(65,660)	(197,371)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,520,979)	(2,465,377)	(6,986,356)
NET UNDERWRITING RESULTS	686,348	477,538	1,163,886
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(32,256)
Unallocated income			198,218
Unallocated expenses			(755,690)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(589,728)
NET INCOME FOR THE YEAR			574,158
Net income attributed to insurance operations			(48,727)
Net income attributed to the shareholders			525,431

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Operating segments	2017		Total SR'000
	Major customers	Non-major customers	
REVENUES			
Gross premiums written	4,727,398	3,005,563	7,732,961
Reinsurance premiums ceded - Local	(3,549)	(2,043)	(5,592)
Reinsurance premiums ceded - International	(39,832)	(22,924)	(62,756)
Net premiums written	4,684,017	2,980,596	7,664,613
Changes in unearned premiums	5,656	(1,745)	3,911
Changes in reinsurance share of unearned premiums	5,481	(1,691)	3,790
Net premiums earned	4,695,154	2,977,160	7,672,314
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(4,123,230)	(2,305,387)	(6,428,617)
Reinsurers' share of claims paid	28,300	15,918	44,218
Net claims paid	(4,094,930)	(2,289,469)	(6,384,399)
Changes in outstanding claims	(72,129)	(40,571)	(112,700)
Changes in claims incurred but not reported	59,384	33,402	92,786
Reinsurance share of changes in outstanding claims	(155)	(87)	(242)
Reinsurance share of changes in claims incurred but not reported	(287)	(161)	(448)
Net claims incurred	(4,108,117)	(2,296,886)	(6,405,003)
Policy acquisition costs	(111,060)	(71,006)	(182,066)
TOTAL UNDERWRITING COSTS AND EXPENSES	(4,219,177)	(2,367,892)	(6,587,069)
NET UNDERWRITING RESULTS	475,977	609,268	1,085,245
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(3,718)
Unallocated income			157,832
Unallocated expenses			(688,353)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(534,239)
NET INCOME FOR THE YEAR			551,006
Net income attributed to insurance operations			(50,392)
Net income attributed to the shareholders			500,614

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24. 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 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 year and their related balances:

Related party	Nature of transaction	Amount of transactions		Receivable/(payable) balance as at	
		2018 SR'000	2017 SR'000	2018 SR'000	2017 SR'000
Shareholders	Insurance premium written	70,343	29,884	(498)**	226**
Shareholders	Reinsurance Premium ceded	14,939	9,252	(23,242)*	(11,476)*
Shareholders	Claims paid	38,910	13,994	(2,784)**	(1,113)**
Shareholders	Medical costs charged by providers	38,817	1,237	(110)**	(138)**
Shareholders	Expenses charged to/from a related party _ net	1,927	284	(41)*	(820)*
Shareholders	Tax equalisation – net	9,120	--	2,988*	(1,169)*
Shareholders	Board and committee member remuneration fees	858	800	(258)*	(800)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	20,542	19,321	(20,542)*	(19,321)*
Board member (related party)	Shariah review services	--	119	--	--

* Amounts due to related parties amounted to SR 41,095 thousand (2017: SR 33,586 thousand).

** Amounts included in premium receivables.

*** Amounts are included in the outstanding claims.

a. Compensation to key management personnel:

	2018 SAR'000	2017 SAR'000
Salaries and allowances (note (a) below)	17,728	16,888
Incentives (note (b) below)	14,040	14,178
End of Service	978	879
	32,746	31,945

a) Includes the members' direct salary related expenses, other than the incentives' and EOS expenses.

b) Includes the costs of the bonuses and the long term incentive plan.

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b. Board of Directors' remuneration and related expenses

	2018	2017
	SAR'000	SAR'000
Board of Directors' remuneration (note (a) below)	2,856	2,900
Board attendance fees (note (b) below)	-	(96)
Other board and sub-committees' expenses (note (c) below)	823	740
	3,679	3,544

- a) Board of Directors' remuneration is paid in accordance with the By-Laws of the Company, and the Board Member Remuneration Policy as approved by the public shareholders.
- b) Per the shareholder approved Board and Board Committee Member Remuneration policies no Board or Board Committee attendance fee allowances are paid/payable by the Company so in 2018 attendance fees are nil and the 2016 attendance fees accrued were not paid but were reversed during 2017.
- c) Other board and sub-committee expenses includes the fees of the non-Board members for attending the Board Committee meetings, in accordance with the Board Committee Member Remuneration Policy, as approved by the public shareholders, and also include other related Board/Board Committee meeting expenses incurred.

25. REINSURERS' BALANCE PAYABLE

Reinsurance payable represents amounts payable to reinsurers of SR 50.6 million (2017: SR 39.6 million), for the excess of loss (XOL) reinsurance contract.

26. ZAKAT AND INCOME TAX

a) Zakat

The Zakat payable by the Company has been calculated in accordance with Zakat regulations in Saudi Arabia. The Zakat provision for the year is based on the following:

	2018	2017
	SR'000	SR'000
Share capital	486,000	526,000
Opening retained earnings, reserve and surplus	835,259	747,924
Opening provisions	127,054	133,021
Adjusted net income	356,563	232,016
Fixtures, furniture, equipment and goodwill	(141,588)	(59,431)
Investments	(3,849,589)	(3,781,987)
Others	(72,900)	(117,035)
Adjusted income attributable to Saudi shareholders and the general public (refer (*) below)	(2,259,201)	(2,319,492)

*As disclosed in note 27, during the current year, the shareholding attributable to Saudi shareholders and the general public has changed from 65.75% to 60.75%. Adjusted income has been computed on a pro-rata basis taking into consideration before and after shareholding change.

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The differences between the financial and the "Zakatable" results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

The Zakat charge relating to the Saudi shareholders consists of:

	2018	2017
	SR'000	SR'000
Provision for zakat @ 2.5%	8,914	8,822
Adjustment for assessment of zakat	35,610	39,240
Adjustment for previous years	4,124	--
	48,648	48,062

The movements in the Zakat provision during the year were as follows:

	2018	2017
	SR'000	SR'000
Balance at beginning of the year	144,326	108,942
Charge for the year	48,648	48,062
Payment made during the year	(8,679)	(12,678)
	184,295	144,326

b) Income Tax

	2018	2017
	SR'000	SR'000
Charge for the year	40,551	31,167

The movement in the income tax provision during the year was as follows:

	2018	2017
	SR'000	SR'000
Balance at beginning of the year	4,378	8,011
Charge for the year	40,551	31,167
Payment made during the year	(29,440)	(34,800)
	15,489	4,378

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c) Provision for zakat and income tax

	2018	2017
	SR'000	SR'000
Zakat payable (note (a) above)	184,295	144,326
Income tax payable (note (b) above)	15,489	4,378
	199,784	148,704

d) Status of assessment

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2017 with the General Authority of Zakat and Tax (the "GAZT").

In prior years, the Company has received assessments for the fiscal periods 2008 through 2010 raising additional demands aggregating to SR 9 million, principally on account of disallowance of FVSI investments and statutory deposits from the zakat base. The Company has filed appeals against these assessments with the GAZT. Further, 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.

The Company has recently received final assessments for the fiscal years 2013 through 2016 of additional zakat, corporate income tax and withholding tax as well as delay fine on the assessed additional corporate income tax and withholding tax. The differences have mainly arisen due to disallowance of investments and statutory deposits from the zakat base as well as not taking into consideration the tax and zakat already settled along with the tax / zakat declarations for the respective years. The Company has filed appeals against these assessments with the GAZT.

The Company is also awaiting GAZT's decision on additional submissions of 2014 relating to the treatment of the statutory deposit and the cooperative distribution for the fiscal periods 2008 through 2013.

27. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company was SR 1,200 million at 31 December 2018 (31 December 2017: SR 800 million) consisting of 120 million shares (31 December 2017: 80 million shares) of SR 10 each.

On 7 August 2018, after receiving the required approvals, Bupa Investments Overseas Limited purchased 5% shareholding in the Company from the Nazer Group, 0.09% from ASAS Health Care Company Limited, and 4.91% from Modern Computer Programs Company Limited. Bupa Investments Overseas Limited, as at 31 December 2018 owns 39.25% (2017: 34.25%) and Nazer Group owns 13.09% (2017: 18.09%).

During the year, there has been 50% increase in the share capital of the Company by way of issuance of bonus shares. The increase in share capital was funded from the retained earnings account by transferring an amount of SR 400 million which resulted in an increase in authorized, issued and paid up share capital to SR 1,200 million from SR 800 million. The number of issued shares have increased from Eighty Million (80,000,000) to One Hundred Twenty Million (120,000,000) shares. The Company received all required approvals from the authorities and the shareholders approved this capital increase, as well as the related changes in the By-laws of the Company, in the Extraordinary General Assembly meeting held on 22 November 2018. The new bonus shares capital was issued by Tadawul on 25 November 2018 and the update of the Company's By-Laws completed during January 2019. The final formalities relating to update the Commercial Registration of the Company will be completed during the first quarter of 2019.

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The shareholding structure of the Company as at 31 December 2018, was reflected as below:

	2018		2017	
	Holding Percentage	SR'000	Holding Percentage	SR'000
Major shareholders	52.3%	628,066	52.3%	418,710
General Public	47.7%	571,934	47.7%	381,290
	100.0%	1,200,000	100.0%	800,000

28. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company makes this transfer on an annual basis at 31 December. As at 31 December 2018, SR 609.1 million (31 December 2017: SR 504.02 million) had been set aside as a statutory reserve, representing 51% (31 December 2017: 63%) of the paid-up share capital.

29. SHARE-BASED PAYMENTS

The Company offers a Long-Term Incentive Plan (LTIP) to certain eligible employees and the purpose of the scheme is to incentivise the senior management team to achieve the Company's long-term goals and to attract and retain top performers. The plan provides focus on both current and future performance and enables the participants to share in the Company's success, and is measured based on net profit growth and profit margin. The plan vests over a period of a three years performance cycle. The Company's actual performance is assessed at the end of each year during the vesting period.

The LTIP scheme is an entirely equity-settled share based scheme under which the approved participants will receive Bupa Arabia shares after the completion of each three year performance period, the achievement of the performance measures, the achievement of the participant's conditions, and the completion of the required approvals. The LTIP scheme is supervised by the Nomination and Remuneration Committee (N&RC) after being approved by the Board of Directors.

The cost of the plan is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the plan ('the vesting date'). The expense, recognised for the plan at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

The total LTIP expense recognised for employees' services received is charged to the statement of income with a corresponding increase in the statement of changes in equity, as per the requirements of IFRS 2 'Share Based Payments'. Any dividend distributions on the award shares during the vesting period are accumulated and transferred to the participants upon vesting.

The Company has a practice to reflect the grant date as the date of completion of the total LTIP shares purchases for the relevant cycle each year and to retain the LTIP shares with an investment broker, currently NCB Capital.

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The LTIP transaction details are provided below:

Month/Period	Number of shares purchased / (delivered/disposed) - net	The grant date fair value of the shares	Amount 31 December 2018 SR'000
July 2015	32,110	277	8,901
November 2015	18,993	221	4,200
December 2015*	51,103	-	--
March 2016	92,669	115	10,693
March 2016	(2,814)	139	(390)
March 2017	(34,346)	139	(4,761)
March 2017	(6,825)	115	(788)
June 2017	96,491	115	11,060
March 2018	(10,210)	139	(1,415)
May 2018	(37,986)	111	(4,200)
June 2018**	(15,378)	139	(2,132)
September 2018***	121,816	94	11,494
November 2018****	152,811	-	--
Total	458,434		32,662

* During December 2015, the Company issued Bonus shares, one per each issued share, and as a result received an additional 51,103 LTIP shares.

** The 2015-2017 LTIP Scheme's shares have been fully delivered to all entitled executives following the approval of the Board Nomination and Remuneration Committee.

*** The LTIP Scheme shares purchase value for the 2018-2020 cycle was formally approved by the shareholders in the General Assembly meeting of 31 May 2018 and these LTIP shares purchases were partially completed on 12 June 2018, at an average purchase price per share of SR 97, and the remaining required LTIP shares purchases for this cycle were completed on 4 September 2018, at an average purchase price per share of SR 90,

**** During November 2018, the Company issued Bonus shares, one for every two issued share, and as a result received an additional 152,811 LTIP shares.

30. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the shareholders. 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. Total capital amounted to SR 2,598,322 thousand (31 December 2017: SR 2,333,032).

In the opinion of the Board of Directors, the Company has fully complied with the regulatory capital requirements during the reported financial year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

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31. GENERAL AND ADMINISTRATIVE EXPENSES

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						SR'000
Employees' costs	328,907	--	328,907	267,899	--	267,899
Rents and maintenance costs	32,590	--	32,590	31,374	--	31,374
Travelling expenses	8,092	--	8,092	8,937	--	8,937
Depreciation and amortization	21,571	--	21,571	16,827	--	16,827
Communication expenses	6,858	--	6,858	8,934	--	8,934
Board expenses	--	3,990	3,990	--	3,544	3,544
Others	25,309	6,369	31,678	35,103	7,509	42,612
	423,327	10,359	433,686	369,074	11,053	380,127

32. SELLING AND MARKETING EXPENSES

	2018	2017
	SR'000	SR'000
Employees' costs	108,733	117,274
Marketing expenses	33,450	26,530
Fulfilment costs	11,235	10,472
Statutory levies	119,066	110,565
Trade mark fee (see note 19)	20,542	19,321
Others	28,978	24,064
	322,004	308,226

33. INVESTMENT INCOME, NET

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						SR'000
Commission income	92,315	74,667	166,982	91,102	43,027	134,129
Realised gains on investment, net	2,516	7,686	10,202	3,559	8,257	11,816
Unrealised gains on FVSI investments, net	5,543	1,423	6,966	5,007	7,289	12,296
	100,374	83,776	184,150	99,668	58,573	158,241

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34. DIVIDENDS

On 17 April 2018, the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2017, of SR 2 per share totaling SR 160 million to its shareholders (2016: SR120 million). This dividend proposal was presented and approved by the shareholders in the Extraordinary General Assembly meeting, held on 31 May 2018, and accordingly, the dividend payment was completed on 11 June 2018.

35. EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing net income for the year by the weighted average number of ordinary shares issued and outstanding at year end. Diluted earnings per share is not applicable to the Company.

The earnings per share for the previous year, of SR 4.18 per share, has been calculated based on the weighted average number of shares in issue after the 2018 capital increase, to 120,000,000 (one hundred and twenty million) shares, as was approved during the Extraordinary General Assembly meeting of the shareholders during the year, and the prior year earnings per share adjustment has been made in accordance with the relevant International Accounting Standards.

36. RISK MANAGEMENT

a) Insurance risk

The Company provides short-term health insurance contracts in Saudi Arabia. Accordingly, the main insurance Risk within the Company is the claims reserve risk resulting from fluctuations in the estimated ultimate claims. The Company seeks to manage this through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Company also have an external actuary to perform quarterly independent reviews of the reserves adequacy.

The Company has a reinsurance arrangement to reduce its exposure through transfer of risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis.

i) The ultimate liability arising from claims made under insurance contracts

Claims reserves which are key components of the Company's ultimate liability are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR") and claims handling provisions. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, medical inflation, members' behaviour, seasonality and other factors.

The Company has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates. The Company continually review the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with financial statements to validate reserve adequacy.

ii) Concentration of insurance risk

The insurance risk exposure related to policyholders is mainly concentrated in Saudi Arabia. However, through its underwriting strategy, the Company ensures that the portfolio is well diversified and not concentrated within few large clients. Its business is proportionally spread across all regions in the Saudi Arabia, and the Company targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level (diverse medical providers, different deductibles, annual limits and sub-limits).

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iii) Process used to decide on assumptions

The pricing team follows the Company's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

Assumptions used in determining claims reserves are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Company may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the outstanding claims which are received but not yet settled with the providers. For the case of outstanding claims, the Company uses payment information of settled batches with providers to estimate the expected settlement amounts of recently submitted batches, while it uses mainly pre-authorization data to estimate IBNR. The Company seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information from both claims received and pre-authorization data.

The premium liabilities have been determined as such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve, if applicable and required as per the result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies. The expected future liability is determined using the Company's loss ratio adjusted for seasonality and portfolio mix for the remaining unearned period. The details of estimation of the outstanding claims and premium deficiency reserves are given under Notes 2(d)(i).

iv) Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

An assumed 5% change in the claim ratio, net of reinsurance, would impact net underwriting income as follows:

	2018	2017
	SR'000	SR'000
Impact of change in claim ratio by 5%	± 407,512	± 383,616

b) Reinsurance risk

The Company has a reinsurance arrangement to reduce its exposure through transfer of insurance risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis. Such arrangement protects the Company from large claims with a reasonable ceded premium given the stable underwriting performance and the size of the insurance portfolio.

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The Reinsurers are selected based on the following criteria:

- All reinsurers should meet SAMA's minimum acceptable rating of BBB (S&P Rating).
- The reinsurers' panel and the agreement should be reviewed and approved by the Company's Board of Directors.

Reinsurance ceded business does not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

c) Market risk

Market risk refers to the potential impact of various market dynamics on the fair value or the expected cash flows of financial instruments. The Company adopts asset allocation guidelines and diversification limits on asset classes, geographies, currencies and securities to ensure that market risk is contained and kept to minimal levels.

The Board of Directors sets the overall risk appetite to a prudent level that does not impact the Company's operating results. The management prepares monthly and quarterly reports, highlighting deployment activities and exposure limits to ensure that appropriate monitoring and compliance with the approved guidelines. Management performs continuous assessment of developments in relevant markets to ensure that market risk is monitored and mitigated at the asset class and securities levels.

Market risk comprises three types: interest rate risk, price risk and currency risk.

i) Interest rate risk

Interest rate risk is the potential change in the fair value of financial instruments and expected cash flows as a result of changes in interest rates. Management constantly monitors developments in global and local interest rates and accordingly allocates the durations of its term deposits and sukuk investments.

Investments in term deposits and sukuk instruments have various maturities in order to maximize investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest bearing securities as at 31 December are as follows:

	2018				Total
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	
					SR'000
Term deposits	1,203,010	1,885,784	1,476,487	150,000	4,715,281
Investments in Sukuk	2,000	50,774	260,223	805,340	1,118,337
	1,205,010	1,936,558	1,736,710	955,340	5,833,618

	2017				Total
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	
					SR'000
Term deposits	797,521	2,171,247	776,615	200,000	3,945,383
Investments in Sukuk	--	37,580	168,695	681,390	887,665
	797,521	2,208,827	945,310	881,390	4,833,048

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ii) Price risk

Price risk is the potential change in the fair value of financial instruments as a result of instrument-specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of investments which are exposed to market price risk is SR 1,621 million (2017: SR 1,721 million). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimize the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments on Company's profit would be as follows:

	Fair value change	Effect on Company's profit SR'000
2018	± 10%	± 38,042
2017	± 10%	± 90,741

The above sensitivity analysis is only on FVIS investments which directly impact the Company's profit.

iii) Currency risk

Currency risk is the potential fluctuation of the value of a financial instrument due to changes in foreign exchange rates. All Company's transactions are in Saudi Arabian Riyals and US Dollar. Given the peg of Saudi Arabian Riyals and US Dollars, foreign exchange risk is minimal.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing term deposits and investments with reputable financial institutions. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated A or above).

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The following table shows the maximum exposure to credit risk by class of financial asset:

	2018	2017
	SR'000	SR'000
Cash and cash equivalents	290,413	229,884
Premiums receivable - net	950,671	870,982
Reinsurers' share of outstanding claims	336	360
Reinsurers' share of claims incurred but not reported	2,678	670
Investments	1,621,491	1,721,690
Other receivables	151,734	132,535
Term deposits	4,715,281	3,945,383
Statutory deposit	120,000	80,000
Accrued income on statutory deposit	6,882	5,121
	7,859,486	6,986,625

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AAA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	Investment grade	2018		Total
		Non-investment grade		
		Not impaired	Impaired	
				SR'000
Cash and cash equivalents	290,413	--	--	290,413
Premiums receivable - net	--	637,196	313,475	950,671
Reinsurer's share of outstanding claims	336	--	--	336
Reinsurers' share of claims Incurred but not reported	2,678	--	--	2,678
Investments	1,621,491	--	--	1,621,491
Other receivables	149,506	--	--	149,506
Term deposits	4,715,281	--	--	4,715,281
Statutory deposit	120,000	--	--	120,000
Accrued income on statutory deposit	6,882	--	--	6,882
	6,906,587	637,196	313,475	7,857,258

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	2017			Total
	Investment grade	Non-investment grade		
		Not impaired	Impaired	
				SR'000
Cash and cash equivalents	229,884	--	--	229,884
Premiums receivable - net	--	611,323	259,659	870,982
Reinsurer's share of outstanding claims	360	--	--	360
Reinsurers' share of claims Incurred but not reported	670	--	--	670
Investments	1,721,690	--	--	1,721,690
Other receivables	130,063	--	--	130,063
Term deposits	3,945,383	--	--	3,945,383
Statutory deposit	80,000	--	--	80,000
Accrued income on statutory deposit	5,121	--	--	5,121
	6,113,171	611,323	259,659	6,984,153

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its operational or financial obligations when they are due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2018		
	Up to one year	More than one year	Total
Accrued and other liabilities	204,414	81,395	285,809
Reinsurers' balances payable	50,636	--	50,636
Outstanding claims	555,158	--	555,158
Claims incurred but not reported	898,123	--	898,123
Claims handling reserve	19,400	--	19,400
Due to related parties	41,095	--	41,095
Provision for end-of-service benefits	7,871	73,524	81,395
Zakat and income tax	2,403	197,381	199,784
Accrued income payable to SAMA	--	6,882	6,882
	1,779,100	359,182	2,138,282

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	2017		Total
	Up to one year	More than one year	
			SR'000
Accrued and other liabilities	79,129	66,469	145,598
Reinsurers' balances payable	39,613	--	39,613
Outstanding claims	450,249	--	450,249
Claims incurred but not reported	871,998	--	871,998
Claims handling reserve	19,289	--	19,289
Due to related parties	33,586	--	33,586
Provision for end-of-service benefits	10,222	56,247	66,469
Zakat and income tax	10,841	137,863	148,704
Accrued income payable to SAMA	--	5,121	5,121
	1,514,927	265,700	1,780,627

i) Liquidity profile

All assets excluding investments, fixtures, furniture and equipment, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit, are expected to be recovered or settled after one year. Term deposits amounting to SR 3,142 Million (31 December 2017: SR 3,006 Million) mature within one year and the remaining balance have maturities greater than one year.

None of the financial liabilities on the statement of financial position are based on discounted cash flows, with exception of defined benefit obligation and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the financial liabilities of the Company.

f) Operation risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from factors other than credit, market and liquidity risks such as those arising from regulatory requirements. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address those risks;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

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37. SUPPLEMENTARY INFORMATION

Statement of Financial Position

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
ASSETS						
Cash and cash equivalents	272,527	17,886	290,413	110,384	119,500	229,884
Premiums receivables - net	950,671	--	950,671	870,982	--	870,982
Reinsurers' share of unearned premiums	6,320	--	6,320	5,146	--	5,146
Reinsurers' share of outstanding claims	336	--	336	360	--	360
Reinsurers' share of claims Incurred but not reported	2,678	--	2,678	670	--	670
Deferred policy acquisition costs	118,323	--	118,323	71,076	--	71,076
Investments	810,175	811,316	1,621,491	820,776	900,914	1,721,690
Prepaid expenses and other assets	168,866	34,119	202,985	157,535	12,993	170,528
Due from insurance operations	--	--	--	--	200,000	200,000
Term deposits	3,033,743	1,681,538	4,715,281	2,912,577	1,032,806	3,945,383
Fixtures, furniture and equipment - net	--	81,243	81,243	--	93,617	93,617
Intangible assets - net	--	57,273	57,273	--	39,880	39,880
Goodwill	--	98,000	98,000	--	98,000	98,000
Statutory deposit	--	120,000	120,000	--	80,000	80,000
Accrued income on statutory deposit	--	6,882	6,882	--	5,121	5,121
	5,363,639	2,908,257	8,271,896	4,949,506	2,582,831	7,532,337
Less: Inter-operation elimination	--	--	--	--	(200,000)	(200,000)
TOTAL ASSETS	5,363,639	2,908,257	8,271,896	4,949,506	2,382,831	7,332,337

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	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
LIABILITIES						
Accrued and other liabilities	281,025	4,784	285,809	137,984	7,614	145,598
Insurance operations' surplus payable	139,755	--	139,755	138,581	--	138,581
Reinsurers' balances payable	50,636	--	50,636	39,613	--	39,613
Unearned premiums	3,428,131	--	3,428,131	3,091,079	--	3,091,079
Outstanding claims	555,158	--	555,158	450,249	--	450,249
Claims incurred but not reported	898,123	--	898,123	871,998	--	871,998
Claims handling reserve	19,400	--	19,400	19,289	--	19,289
Due to related parties	--	41,095	41,095	--	33,586	33,586
Due to shareholders' operations	--	--	--	200,000	--	200,000
Provision for end-of-service benefits	--	81,395	81,395	--	66,469	66,469
Zakat and income tax	--	199,784	199,784	--	148,704	148,704
Accrued income payable to SAMA	--	6,882	6,882	--	5,121	5,121
	5,372,228	333,940	5,706,168	4,948,793	261,494	5,210,287
Less: Inter-operation elimination	--	--	--	(200,000)	--	(200,000)
TOTAL LIABILITIES	5,372,228	333,940	5,706,168	4,748,793	261,494	5,010,287
EQUITY						
Share capital	--	1,200,000	1,200,000	--	800,000	800,000
Statutory reserve	--	609,111	609,111	--	504,025	504,025
Share based payments	--	17,579	17,579	--	17,220	17,220
Shares held under employees share scheme	--	(32,662)	(32,662)	--	(28,915)	(28,915)
Retained earnings	--	811,153	811,153	--	1,030,887	1,030,887
Remeasurement reserve of defined benefit obligation	--	(8,922)	(8,922)	--	--	--
Investments fair value reserve	(8,589)	(21,942)	(30,531)	713	(1,880)	(1,167)
TOTAL EQUITY	(8,589)	2,574,317	2,565,728	713	2,321,337	2,322,050
TOTAL LIABILITIES AND EQUITY	5,363,639	2,908,257	8,271,896	4,749,506	2,582,831	7,332,337

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Statement of Income

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES						
Gross premiums written	8,566,648	--	8,566,648	7,732,961	--	7,732,961
Reinsurance premiums ceded - Local	(9,838)	--	(9,838)	(5,592)	--	(5,592)
Reinsurance premiums ceded - International	(70,690)	--	(70,690)	(62,756)	--	(62,756)
Net premiums written	8,486,120	--	8,486,120	7,664,613	--	7,664,613
Changes in unearned premiums	(337,052)	--	(337,052)	3,911	--	3,911
Changes in reinsurance share of unearned premiums	1,174	--	1,174	3,790	--	3,790
Net premiums earned	8,150,242	--	8,150,242	7,672,314	--	7,672,314
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(6,708,524)	--	(6,708,524)	(6,428,617)	--	(6,428,617)
Reinsurers' share of claims paid	48,700	--	48,700	44,218	--	44,218
Net claims paid	(6,659,824)	--	(6,659,824)	(6,384,399)	--	(6,384,399)
Changes in outstanding claims	(104,909)	--	(104,909)	(112,700)	--	(112,700)
Changes in claims incurred but not reported	(26,125)	--	(26,125)	92,786	--	92,786
Changes in claims handling reserves	(111)	--	(111)	--	--	--
Reinsurance share of changes in outstanding claims	(24)	--	(24)	(242)	--	(242)
Reinsurance share of changes in claims incurred but not reported	2,008	--	2,008	(448)	--	(448)
Net claims incurred	(6,788,985)	--	(6,788,985)	(6,405,003)	--	(6,405,003)
Policy acquisition costs	(197,371)	--	(197,371)	(182,066)	--	(182,066)
TOTAL UNDERWRITING COSTS AND EXPENSES	(6,986,356)	--	(6,986,356)	(6,587,069)	--	(6,587,069)
NET UNDERWRITING RESULTS	1,163,886	--	1,163,886	1,085,245	--	1,085,245

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	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful receivables	(32,256)	--	(32,256)	(3,718)	--	(3,718)
General and administrative expenses	(423,327)	(10,359)	(433,686)	(369,074)	(11,053)	(380,127)
Selling and marketing expenses	(322,004)	--	(322,004)	(308,226)	--	(308,226)
Investment income, net	100,374	83,776	184,150	99,668	58,573	158,241
Other income/(loss), net	599	13,469	14,068	24	(433)	(409)
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(676,614)	86,886	(589,728)	(581,326)	47,087	(534,239)
NET INCOME FOR THE YEAR	487,272	86,886	574,158	503,919	47,087	551,006
Transfer of surplus to shareholders	(438,545)	438,545	--	(453,527)	453,527	--
NET RESULTS FROM OPERATIONS	48,727	525,431	574,158	50,392	500,614	551,006
Weighted average number of ordinary outstanding shares (in thousands)		119,614			119,674	
Basic earnings per share (Expressed in SR per share)		4.39			4.18	

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Statement of Comprehensive Income

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Net result from operations	48,727	525,431	574,158	50,392	500,614	551,006
Other comprehensive (loss) /income						
Items that will not be reclassified to statements of income in subsequent years						
Actuarial losses on defined benefit obligation	--	(8,922)	(8,922)	--	--	--
Items that are or may be reclassified to statement of income in subsequent years						
Net movement in fair value of available-for-sale investments	(9,302)	(20,062)	(29,364)	713	(1,880)	(1,167)
TOTAL COMPREHENSIVE INCOME	39,425	496,447	535,872	51,105	498,734	549,839
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			(48,727)			(50,392)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			487,145			499,447

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Statement of Cash flows

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders	--	525,431	525,431	--	500,614	500,614
Adjustments for non-cash items:						
Net income attributed to the insurance operations	48,727	--	48,727	50,392	--	50,392
Depreciation of fixtures, furniture and equipment	13,499	--	13,499	11,078	--	11,078
Amortization of intangible assets	8,072	--	8,072	5,749	--	5,749
Share based-payments expense	--	8,106	8,106	--	5,837	5,837
Allowance of doubtful receivables	32,256	--	32,256	3,718	--	3,718
Unrealised gains on investments held as FVSI	(5,543)	(1,423)	(6,966)	(5,007)	(7,289)	(12,296)
Realized gains on investments	(2,516)	(7,686)	(10,202)	(3,559)	(8,257)	(11,816)
Provision for end-of-service benefits	--	16,226	16,226	--	12,673	12,673
Loss on disposal of fixture, furniture and equipment	--	272	272	--	433	433
Changes in operating assets and liabilities:						
Premiums receivable	(111,945)	--	(111,945)	105,843	--	105,843
Reinsurers' share of unearned premiums	(1,174)	--	(1,174)	(3,790)	--	(3,790)
Reinsurers' share of outstanding claims	24	--	24	242	--	242
Reinsurers' share of claims incurred but not reported	(2,008)	--	(2,008)	448	--	448
Deferred policy acquisition costs	(47,247)	--	(47,247)	1,205	--	1,205
Prepaid expenses and other assets	(11,331)	(21,126)	(32,457)	(25,989)	4,452	(21,537)
Accrued and other liabilities	143,041	(2,830)	140,211	(33,308)	4,790	(28,518)
Reinsurers' balances payable	11,023	--	11,023	24,496	--	24,496
Unearned premiums	337,052	--	337,052	(3,911)	--	(3,911)
Outstanding claims	104,909	--	104,909	112,700	--	112,700
Claims incurred but not reported	26,125	--	26,125	(92,786)	--	(92,786)
Claims handling reserve	111	--	111	--	--	--
Due to related parties	--	7,509	7,509	--	9,242	9,242
Due to shareholders' operations	(221,571)	221,571	--	34,696	(34,696)	--
	321,504	746,050	1,067,554	182,217	487,799	670,016
End-of-service benefits paid	--	(10,222)	(10,222)	--	(5,520)	(5,520)
Surplus paid to policyholders	(47,553)	--	(47,553)	(81,695)	--	(81,695)
Zakat and income tax paid	--	(38,119)	(38,119)	--	(47,478)	(47,478)
Net cash generated from operating activities	273,951	697,709	971,660	100,522	434,801	535,323

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	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	(3,846,049)	(1,478,709)	(5,324,758)	(2,912,577)	(1,032,806)	(3,945,383)
Proceeds from maturity of term deposits	3,724,883	829,977	4,554,860	3,057,816	987,494	4,045,310
Additions to investments	(1,033,480)	(794,544)	(1,828,024)	(958,724)	(1,462,848)	(2,421,572)
Disposals of investments	1,042,838	873,189	1,916,027	691,317	1,289,930	1,981,247
Additions to fixtures, furniture and equipment	--	(5,820)	(5,820)	--	(31,557)	(31,557)
Disposal of furniture, furniture and equipment	--	7	7	--	8	8
Intangible assets acquired	--	(21,049)	(21,049)	--	(28,263)	(28,263)
Increase in statutory deposit	--	(40,000)	(40,000)	--	--	--
Purchase of shares under LTIP - net	--	(11,494)	(11,494)	--	(11,059)	(11,059)
Net cash used in investing activities	(111,808)	(648,443)	(760,251)	(122,168)	(289,101)	(411,269)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	--	(160,000)	(160,000)	--	(120,000)	(120,000)
Income tax recovered from non-Saudi shareholders'	--	9,120	9,120	--	--	--
Net cash used in financing activities	--	(150,880)	(150,880)	--	(120,000)	(120,000)
Net change in cash and cash equivalents	162,143	(101,614)	60,529	(21,646)	25,700	4,054
Cash and cash equivalents at beginning of the year	110,384	119,500	229,884	132,030	93,800	225,830
Cash and cash equivalents at end of the year	272,527	17,886	290,413	110,384	119,500	229,884

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38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and regrouped to conform with the current year's presentation as disclosed in note 2 to these financial statements.

The amounts "due to/from" shareholders and insurance operations which were previously reported separately in the respective statement of financial position, are now eliminated. In addition the 90/10 split of the surplus from insurance operations between shareholders and insurance operations are presented separately in the supplementary information (refer to note 37 above).

39. APPROVAL OF THE FINANCIAL STATEMENTS

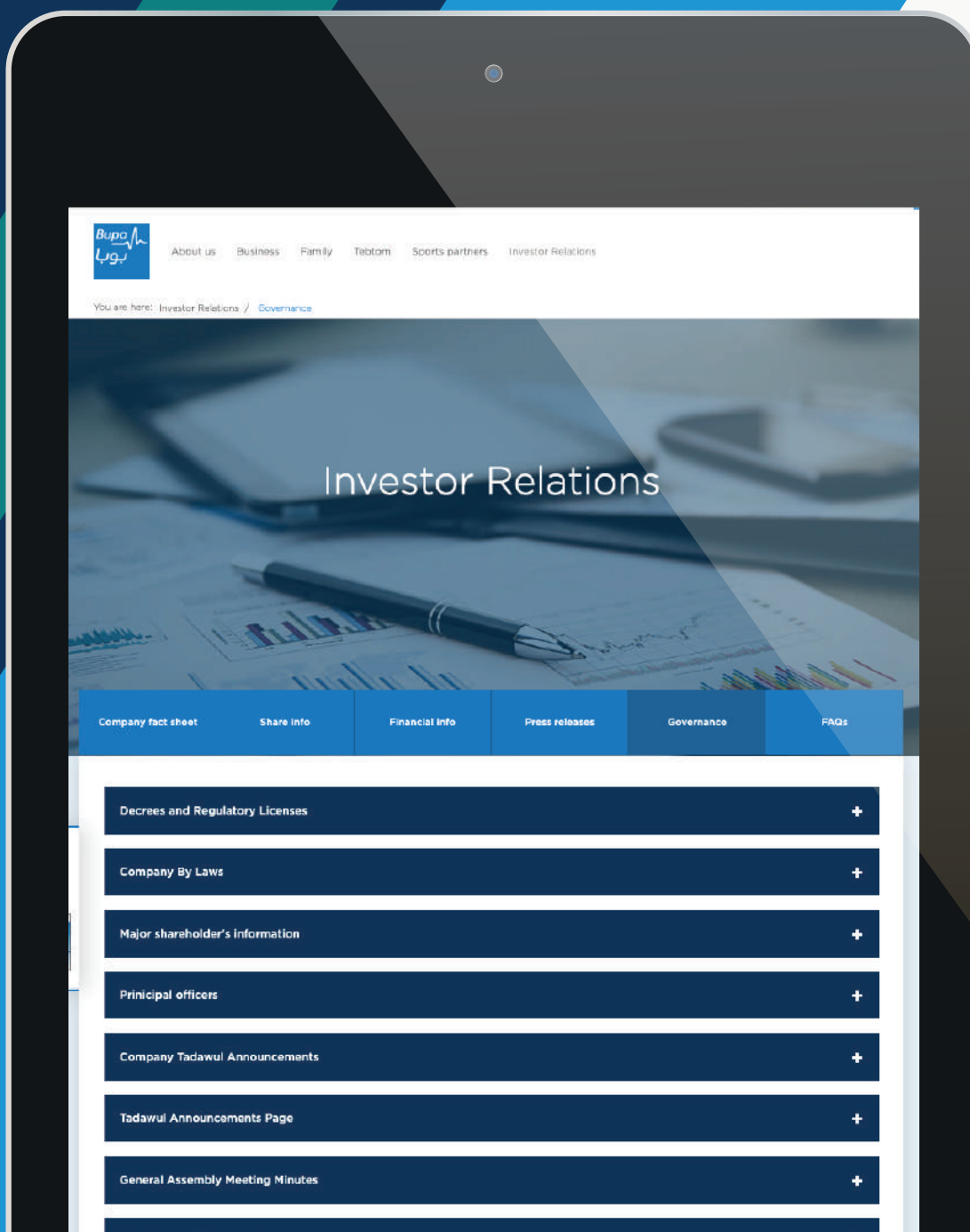
The financial statements have been approved by the Board of Directors, on 5 Rajab 1440H corresponding to 12 March 2019.



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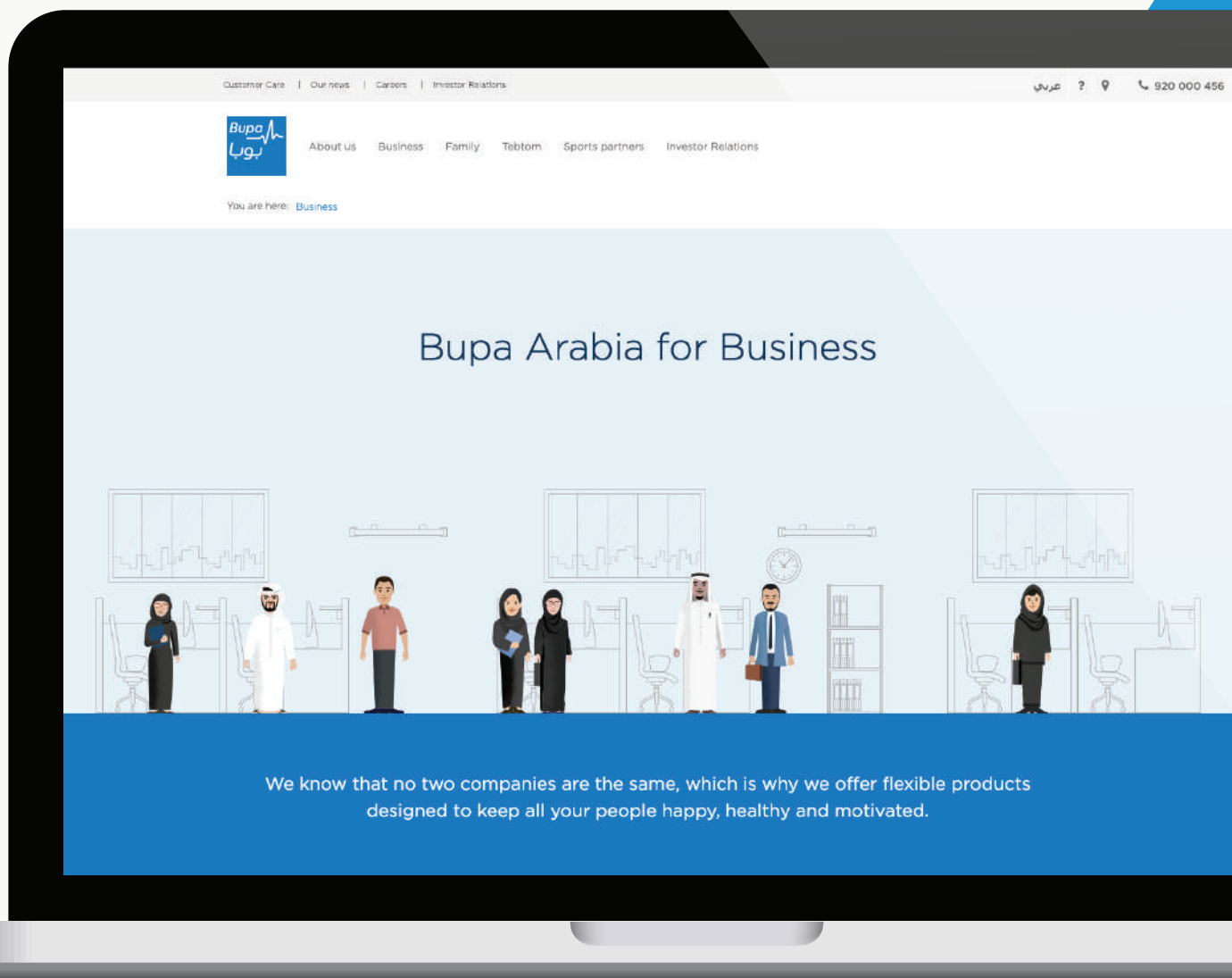
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