

With you for better health



2019

Annual Report



Over the past three hundred years, and under all circumstances, our country has proven its ability to overcome all challenges with determination and to emerge from them victorious with the grace of God.

**The Custodian of the Two Holy Mosques,
King Salman bin Abdulaziz**



Bupa Arabia Annual Report 2019

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Our Mission

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

Our Values



Extraordinary

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



Courageous

- Be brave
- Dare to try
- Speak up



Caring

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



Accountable

- Always responsible
- Take ownership
- Make it happen



Authentic

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



Passionate

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



Open

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

Chairman's Message

Insurance Market and Economic Landscape

After a challenging 2018, we consider 2019 a year of stability for the insurance sector. The number of insured customers that started to decline in June 2017 and continued to decrease in 2018, started to pick up in January 2019.

This increase was driven by an initiative led by the Council of Cooperative Health Insurance (CCHI) to make health insurance mandatory for Saudis working in the private sector and their dependents starting from 2019 over a few years. After an increase of 2.8% in June 2019, the year closed on a level comparable to 2018 in terms of the numbers of insured customers.

Gross Written Premiums (GWP) increased by 21.5% supported by price increases for the new CCHI Table of Benefits in the first half of the year and by pricing up for normal medical inflation in the second half of the year, which we believe enhances the competitive landscape of the sector going forward.

Our Performance

2019 was a pivotal year in the history of Bupa Arabia with stellar performance on all fronts further cementing our position as the leading insurer in Saudi Arabia.

New all-time records were registered in both GWP (SR10.4B, 21.5% vs. '18) and profit (SR713m, +35.6% vs. '18).

This top performance and enhancement of our brand and reputation, have earned us strong recognition related to 2019:

- Most Valuable Insurance Company in Saudi (Forbes Middle East 2020)
- 7th Strongest Brand in Saudi Arabia (Brand Finance 2020 Ranking)
- Best Health Insurance Company (International Finance Magazine)

Sustainability and Corporate Social Responsibility

We remain committed as a board - and as a company - to our strategic and governance frameworks to ensure that we successfully balance our short term goals and longer term priorities and we understand that corporate social responsibility and sustainability are essential requirements for our success.

During 2019, we continued to further enhance our cyber security measures, business resilience and have embedded



stronger risk management practices across the business with more focus on the “first line of defence” in our risk management activities. Our business continuity plans have served us well as COVID-19 emerged at the end of 2019 and we were ready ensuring the safety of our people and the continuity of our business. We also appointed highly qualified individuals in the various Board and Board Committees with significant expertise in areas of audit, risk, and human resources, signifying our strong commitment to strong governance and oversight.

We are also proud of launching additional services to our customers such as telemedicine and home healthcare and educating the business community on the best practices to deal with COVID-19.

Our CSR program, providing free health insurance cover, and a variety of health related support activities, for all the orphans under the Ministry of Human Resources 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 Committee representatives, for continuing to enable Bupa Arabia to deliver record-breaking and 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



“

2019 was a pivotal year in the history of Bupa Arabia with stellar performance on all fronts further cementing our position as the leading insurer in Saudi Arabia.

”

CEO's Message

Achievements

In 2019, Bupa Arabia has demonstrated its best-ever performance and consequently delivered record-breaking results across most of its Key Performance Indicators (KPIs), namely:

- Gross written premium at **SR 10.4 billion (+21.5% vs '18)**
- Before zakat and income tax profit of **SR 713 million (+35.6% vs '18)**
- Term deposits and investments at **SR 6.9 billion** and improved solvency
- Cash and investments rate compared to technical reserves with **SR1.5 billion** more than technical reserves,
- Investment earnings of **SR235 million (+27.6% vs '18)**
- Record collections performance despite economic conditions and constraints,
- Increased market share to reach **27.6% (+3.1 points vs '18),**
- Saudization ratio of **77%**
- We also continued our progress on key organizational initiatives such as:
 - Launch of the digital sales platform to sell health insurance products to Small and Medium Enterprises, Saudi families, and domestic helpers,
 - Release of the all-new version mobile application for smart phones,

- A “Risk Intelligent Organisation” by maturing our corporate governance and risk management infrastructure and capabilities and further raising the bar of Bupa Arabia’s internal control environment.

Services and Competitive Advantages

We continue to invest in building our service differentiation and enhance our competitive advantage as a leading and trusted health insurance provider in Saudi Arabia, through our Tebtom healthcare services platform and our Rahatkom hospital delivery program, with the goal of improving customer experience and supporting them at their greatest time of need.

In 2020, we will significantly enhance the Tebtom and Rahatkom programs with an unmatched digital experience and Out-of-Hospital (OOH) innovation, namely telemedicine and home medicine, to ensure that our customers and their ensured dependents continue to receive the best healthcare services.



People

We 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 are innovative and caring
- We are loved by customers
- We have amazing talent
- We consistently act in-line with our values

In 2019, we continued to develop and enhance our culture and engagement activities. We thus introduced a number of employee development initiatives to attract and retain market-leading talent. We also increased our Saudization ratio to a record level of 77% versus 75% in 2018.

Outlook

2020, also known as the COVID-19 year, could be one of the toughest years in recent history for the global economy across all geographies and industries, possibly leading to a global recession of undetermined magnitude. However, in the insurance sector, especially car and health insurance, there seem to be short-term benefits resulting from restricted mobility and the customers' reluctance to visit service providers. When the lockdown is over, a significant surge is expected in visits and claims, mainly for elective treatments and postponed surgeries, as well as an inflation of medical service costs.

What's important for us during 2020 is to weather the storm by:

- Ensuring the safety of our people
- Ensuring the sustainability of our organization and continuity of our operations

- Accelerate and expand our digital transformation to maximize productivity,
- Offer innovative products and services to meet customers' needs.
- 2019 Insured Lives market closed with a nominal increase (0.8%), though Expat insured live market continued to decline.
- 2020 Insured Lives market has already seen a decline of 500K+ lives as of May end due to Corona. We expect the market to continue declining impacting Expat exodus and Saudi unemployment.

Since the emergence of COVID-19, we assembled a working team to develop, monitor, and document the actions that ensured our seamless transition to a work-from-home arrangement without impacting business. I am delighted to report that 98% of our workforce worked from home for long periods with no business interruption. Furthermore, we supported the business community by educating them on best practices to manage the situation.

Additionally, and as the most trusted health insurer and the market leader, we stepped up to COVID-19 challenges by inaugurating the SR1 billion+ donations to the health endowment fund created by the Ministry of Health by being the first private company to donate SR20 million. We also supported the 937 hotline of the Ministry of Health by putting our newly formed Corona Command Centre at their disposal.

I would like to sincerely express my appreciation for all the dedicated women and men of Bupa Arabia without whom we would not have been able to achieve these stellar results in light of current challenges.

Tal Hisham Nazer
Chief Executive Officer,
and Executive Board Member



Our Board Members



Eng. Loay Hisham Nazer
Chairman

Eng. Loay Hisham Nazer is the founder and Chairman of the Nazer Group of Companies. Eng. Loay 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 and Board member, 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.

Eng. Loay 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, Eng. 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 was appointed as the Chairman of its Board, from November 2018 until June 2019.

Eng. Loay 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, Eng. Loay was invited to join the Board of Visitors of the UCLA Anderson

School of Management. Eng. Loay 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."

Eng. Loay 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.

Eng. Loay 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.

Eng. Loay 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.

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



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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 and Committee member for various companies. He is the Chairman of Najm for Insurance Services Company and Vice Chairman of the Nazer Group and a member of SAMA's Insurance Executive Committee. Mr. Nazer is also a member of CCHI's Private Health Insurance Strategic Committee, a member of the Young Presidents Organization (YPO), a member of Young Global Leaders (YGL), and a board member of the Financial Academy.

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).



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Mr. Zaid Algwaiz
Board Member - Independent

Mr Zaid Algwaiz has been a Bupa Arabia Independent Board Member since joining at the start of the 2014 Board term.

For the new Board term, which commenced 1 July 2019, Mr. Algwaiz, was re-appointed as an Independent Board Member, and joined the Audit Committee.

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

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.

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).

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 an Independent Board / Committee Member at several Companies, including Gulf International Bank Capital, Masic (AlSubaiei Investment Group) and Noon investment Company. He previously also worked as an Independent Board Member at AlYusr Finance company, Saudi Hollandi Capital, and Middle East Specialized Cables.



Ms. Huda M. Al-Ghoson
Board Member - Independent

Bupa Arabia Independent Board Member, since 01/07/2019, and Nomination & Remuneration Committee Chair, since 12/02/2020.

Ms. Huda Al-Ghoson was the Executive Director of Human Resources at Saudi Aramco and was the first woman to be named a permanent executive director in the company's history.

As the head of Human Resources (HR) she was responsible for all the Human Resource Management/Development programs in the company, including all HR and labour relations to more than 66,000 employees of 80 different nationalities.

Ms. Al-Ghoson holds an MBA from the American University of Washington, D.C., USA and a BA in English Literature from the King Saud University in Riyadh.

Huda has been on Forbes' list of the most powerful Arab women and received the 2014 Arab Women Awards for Business Woman of the Year in Saudi Arabia. She was also selected as the 2015 Business Woman of the Year at the Arabian Business Achievement Awards, and honored with the 2016 Women in Leadership Award from the Bilateral US-Arab Chamber of Commerce.

In 2017, she received the 17th Middle East Women Leaders Excellence Award, and the 2017 Gold Award for Excellence by the Arab's Women Council for Social Responsibility.

Huda is currently a member of the Board of the General Organization for Social Insurance (GOSI), Credit Suisse Saudi Arabia Bank, Institute of Public Administration, a member of the Saudi Telecommunications Company (STC) Nomination & Remuneration Committee. Huda is the Chairwoman of the Board of Trustees of the Arabian Society of Human Resources Management (ASHRM).



Dr. Abdulla Elyas
Board Member - Independent

Dr. Abdulla Elyas was appointed as Independent Board Member of Bupa Arabia, for the current term, which commenced effective 1 July 2019, and was subsequently also appointed as a member of its Risk Management Committee (RMC).

Dr. Abdulla Elyas is a co-founder of Careem, the technology company purchased by Uber in 2019, and current member of its executive leadership. Prior to joining Careem, Abdulla co-founded enwani, a cloud-based tech start-up in Saudi Arabia focused on the home delivery industry that was acquired by Careem in 2014.

He is passionate about building entrepreneurial ecosystems in the Middle East, focused on fast scaling businesses that leave significant impacts on society. And by providing further visibility to entrepreneurship in the region, developing talent and future entrepreneurs.

Dr. Abdulla serves as a board member, on a number of public and private companies, and has previously led management consulting engagements in Europe, the US, South East Asia and the Middle East.

Dr. Abdulla Elyas is a Saudi born and raised in Germany and graduated with an MSc in Computer Science and holds a PhD in Business Administration honoured with a Magna Cum Laude from RWTH Aachen.



6 Mr. David Martin Fletcher

Vice-Chairman (Non-Executive)

Representing the foreign shareholder:
Bupa Investments Overseas Limited
(BIOL)

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 1 July 2019.

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. Martin Houston

(Non-Executive)

Representing the foreign Shareholder:
Bupa Investments Overseas Limited
(BIOL)

Mr. Martin Houston was appointed as Bupa Arabia Board member, effective 1 October 2018, is based in the USA, and served as a non-executive director on the main Board of Bupa, the international health insurance and provision group based in London, UK, from January 2014 until 31 December 2019, and which is the ultimate owner of the Bupa Arabia major shareholder BIOL.

Mr. Houston was appointed as Chairman of the Board of the EnQuest Group, effective 1 October 2019. EnQuest is an independent production and development company with operations in the UK North Sea and Malaysia. EnQuest PLC trades on the London Stock Exchange and the NASDAQ OMX Stockholm.

Mr. Houston is also the Vice-Chairman of Tellurian Incorporated, a Senior Advisor to Hakluyt and the Chairman of Moelis and Company’s Global Energy Group. He is also a non-executive director of CC Energy, a private exploration and production company.

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 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.



8 Mrs Joy Linton

(Non-Executive)

Representing the foreign Shareholder:
Bupa Investments Overseas Limited
(BIOL)

Mrs. Joy Linton was appointed as Non-Executive Board Member of Bupa Arabia, and Executive Committee member, representing the foreign shareholder, Bupa Investments Overseas Limited (BIOL), effective 1 December 2019.

Mrs. Joy Linton is based in the UK and is an executive director, appointed during 2016, of the main Board of Bupa, the international health insurance and provision group based in London, United Kingdom, which owns the Bupa Arabia major shareholder BIOL.

Mrs. Linton has been with Bupa since 2011 and is also a Board member of BIOL, is the Chief Financial Officer of Bupa, and a member of its Executive Team. She is also a Non-Executive Director of Max Bupa, Bupa's associate health insurance business in India.

Mrs. Linton has over 30 years' experience in financial and strategic roles in Australia and the UK, and prior to joining Bupa was the CFO of National Foods, one of Australia's largest food and beverage companies.

Mrs. Linton has a Bachelor's degree in Commerce, from the University of Melbourne, Australia, in 1987, is a Fellow of the Financial Services Institute of Australasia, since 2004, and is a member of the Australian Institute of Company Directors, since 2010.





Our Chief Executive Team



Mr. Ali Sheneamer
Chief Business Development Officer

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 2 years and in various marketing assignments at Procter & Gamble for 8 years.

Ali currently serves as a board member of Baazeem Trading Company (a publicly traded Saudi company) and Ahmed Mohamed Saleh Baeshen & Co. (a closed joint stock Saudi company) and he is 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.



Mr. Tariq Alamoudi
Chief Human Resources Officer

Prior to joining Bupa Arabia, Tariq handled a wide range of leading roles in the Human Resources Department on global and regional levels at Procter & Gamble. He led P&G in Saudi Arabia as the country's HR leader and spearheaded an overseas assignment at the company's headquarters in Switzerland.

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.



Mr. Atef Mufti
Chief Sales Officer

Atef began his career with Saudi British Bank (SABB) in 1995 and spent more than 12 years working in the banking industry. During his tenure, he held senior management roles in branch network, sales and customer services, which led him to assume Executive roles as the Deputy General Manager, Personal Financial Services overlooking all sales function (branch, direct sales, financial planning and Takaful sales) in KSA. He spent a couple of years as the Managing Director for Saudi Distribution Company (part of Saudi Research & Marketing Group) followed by two years as the Western Region General Manager for Bank Al Bilad. Prior to joining Bupa Arabia, Atef was the Chief Commercial Officer and a member of the Board of Directors of Panda Retail Co. for six years. In this important position, he overlooked all the commercial buying and supply chain of Panda business in KSA, UAE & Egypt.

Atef holds a Bachelor's degree in Marketing from King Fahad University of Petroleum and Minerals with a minor degree in Management.



Mr. Mohamed El Missaoui
Chief Operations Officer

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 Operating 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.



Mr. Nader Ashoor
Chief Financial Officer

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. Since 2018 Nader has been an independent Board member, and member of the Audit Committee, of Saudi Steel Pipes (SSP), a Saudi publicly listed company and leading manufacturer of pipes in the MENA 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.



Bupa Group

Over 70 years of healthcare and wellness

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.

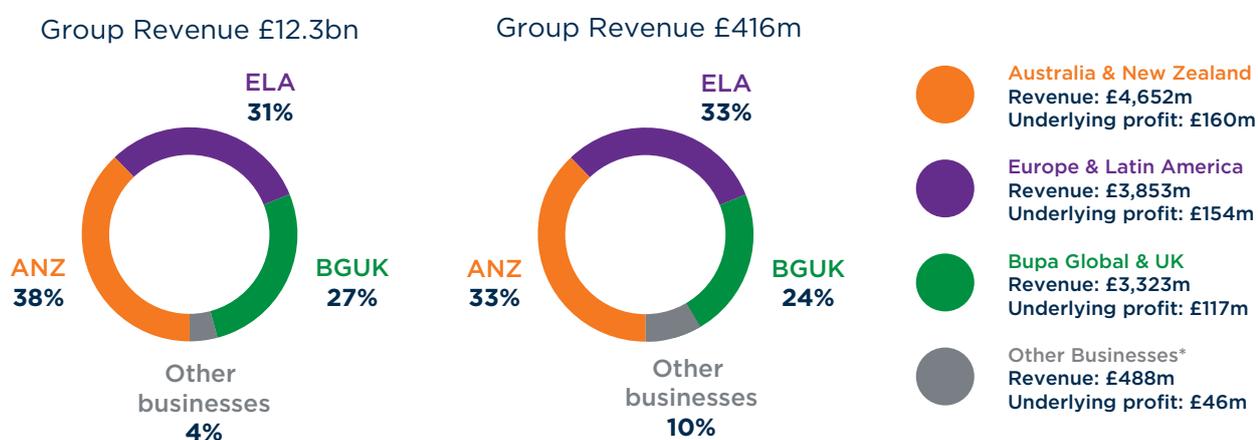
Health insurance accounts for the major part of our business with 17.5 million customers and contributes to 73% of revenue. We operate clinics, dental centres and hospitals in some markets, with 15.8 million customers.

We care for around 22,000 residents in our aged care businesses in the UK, Australia, New Zealand and Spain.

2019 in figures

- Revenue : £12.3 billion
- Underlying profit before tax : £416 million
- Statutory (loss)/profit before tax: £(78) million
- Net cash generated from operating activities: £697 million
- 17.5 million health insurance customers
- 15.8 million provision customers
- 22,000 aged care residents

2019 Market Units and performance



Market Unit and Other Businesses underlying profit percentages are derived from reportable segments (which excludes central expenses and interest margin)
 * Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included

¹ All figures are at constant exchange rates (CER) unless stated. We use CER to compare trading performance in a consistent manner to the prior year. We have restated 2018 results to 2019 average exchange rates.

² Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.

³ Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory (loss)/profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory (loss)/profit before taxation can be found in the notes to the condensed consolidated financial statements of Bupa Annual Report & Accounts.

Our Market Units

Australia and New Zealand

Our Australia and New Zealand Market Unit comprises a leading health insurer in Australia and a range of health services through our network of clinics, dental centres and optical stores. It also includes residential aged care services in Australia and New Zealand.

Australia:

Bupa Health Insurance
Bupa Health Services
Bupa Villages and Aged Care Australia

New Zealand:

Bupa Villages and Aged Care New Zealand

4m

Health insurance customers

1.2m

Healthcare provision customers

9,500

Aged care residents

Europe and Latin America

Our Europe and Latin America Market Unit comprises the below:

- Sanitas, our business in Spain, which includes health insurance, hospitals, clinics, dental centres and aged care services,
- Bupa Chile, a leading health insurer and provider,
- Care Plus, our health insurance business in Brazil,
- Bupa Mexico, our domestic insurance business in Mexico,
- LuxMed, our private healthcare business in Poland,
- Bupa Acibadem Sigorta, our health insurance business in Turkey, and
- Bupa Global Latin America, an International Private Medical Insurance (IPMI) business in Latin America.

The above collectively comprising:

3.8m

Health insurance customers

10.2m

Healthcare provision customers

6,100

Aged care residents

Bupa Global and UK

Our Bupa Global and UK Market Unit includes our UK domestic health insurance business, dental centres, aged care, clinics and a hospital. In addition, our IPMI business Bupa Global administers medical and travel insurance and medical assistance for individuals, small businesses and corporate customers.

2.8m

Health insurance customers

3.3m

Healthcare provision customers

6,500

Aged care residents

Other businesses:

Bupa Arabia:

Health insurer in Saudi Arabia, in which we have a 39.25% stake.

Max Bupa (India):

Health insurer in India, in which we have a 44.42% stake.

Bupa Hong Kong:

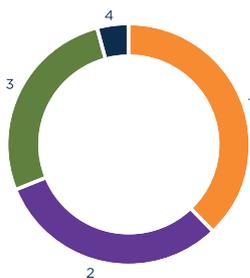
Health insurance and provision.

Bupa China:

Comprises our representative office in Beijing and an integrated medical centre in Guangzhou.

Revenue by Market Unit

- 1 Australia and New Zealand **38%**
- 2 Europe and Latin America **31%**
- 3 Bupa Global and UK **27%**
- 4 Other businesses **4%**



Bupa at a glance

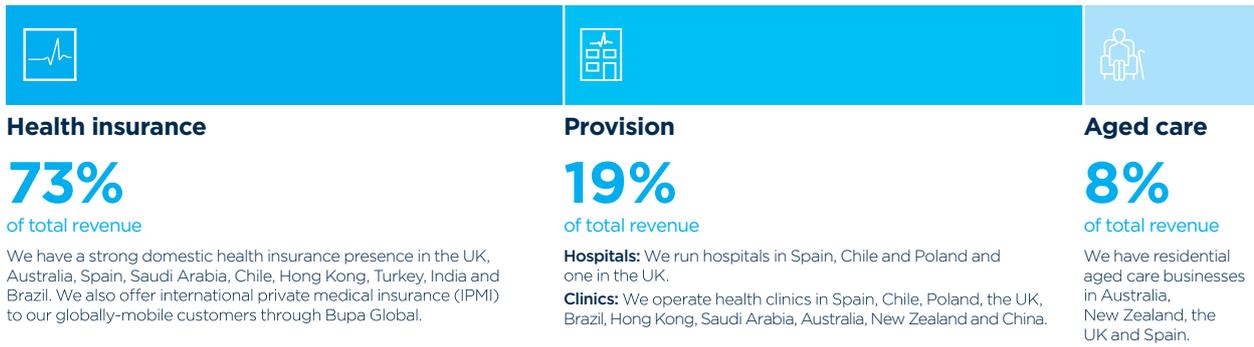
Overview

We are an international health insurer and provider. Over the past 70 years, our global footprint has grown from our origins in the UK to Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Turkey, the US, Brazil, the Middle East and Ireland. We have valuable partnerships with our associate businesses in Saudi Arabia and India.

We are organised as a matrix across Market Units, which lead our operations in the regions where we are present, Business Units (see right) and Global Functions, which provide support to our Market Units.

Each Market Unit and Global Function is structured to ensure effective governance and oversight, in line with local market conditions, healthcare systems, in-market regulations and customer needs.

Our business lines

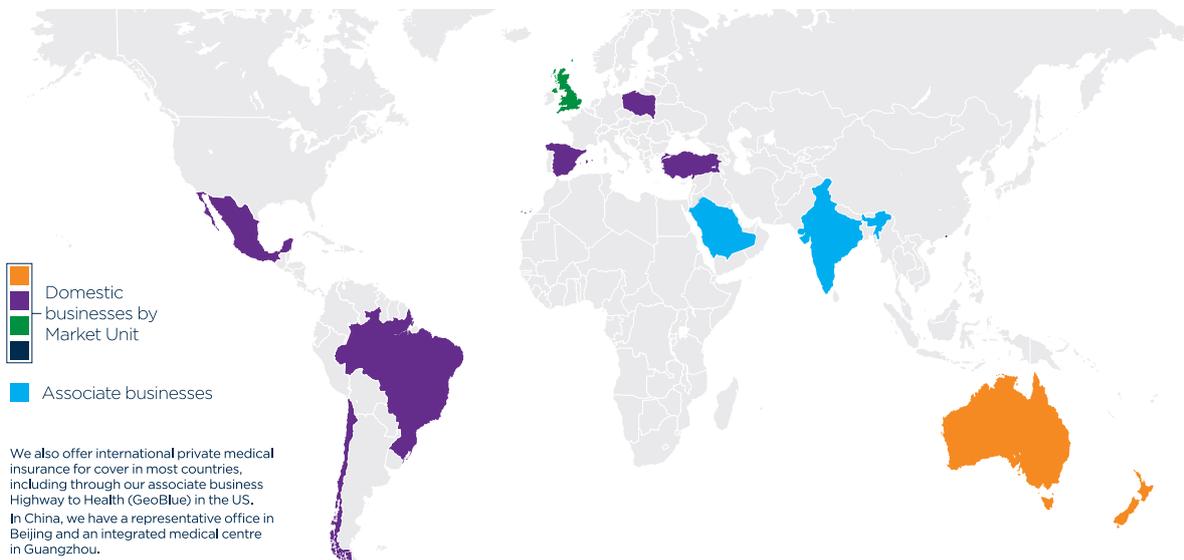


Dental

We have around 1,000 dental centres across the UK, Ireland, Australia, Spain, Chile, New Zealand, Poland, Brazil and Hong Kong. We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong, Brazil and through Bupa Global.

Our presence

We also offer international private medical insurance for cover in most countries, including through our associate business Highway to Health (GeoBlue) in the US. In China, we have a representative office in Beijing and an integrated medical centre in Guangzhou.



Bupa Group Business Model

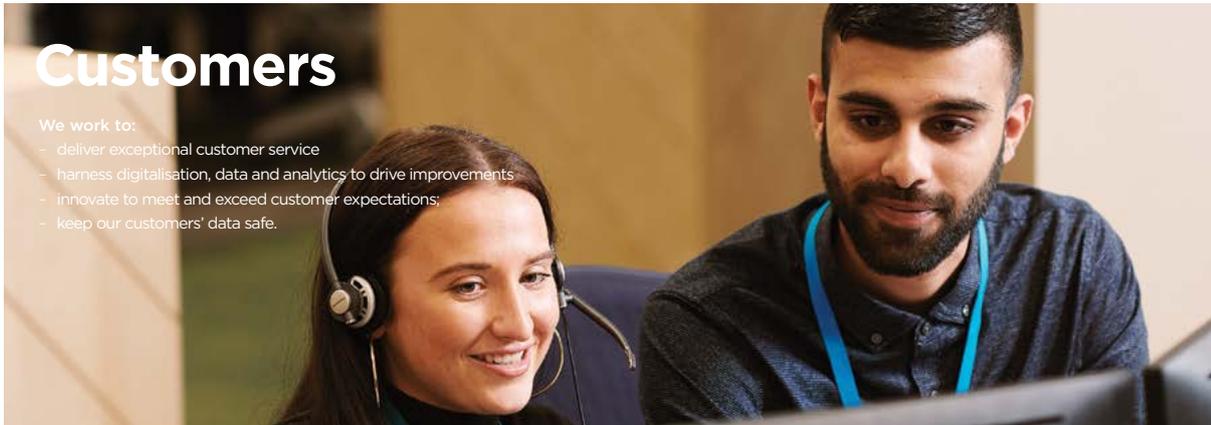
Our business model

We are an international health insurer and provider, with our businesses and operations tailored to local market conditions, healthcare systems, in-market regulations and customer needs. Everything we do is guided by our Strategic Framework and Five-Year Vision. By executing our strategy and delivering our vision, we will create value for our customers, people, partners and society.

What we do

<p>Health insurance</p> 	<p>We are primarily a health insurer. Health insurance accounts for 73% of our total revenue with 17.5m insurance customers worldwide.</p> <p>We provide:</p> <ul style="list-style-type: none"> - Our main business is health insurance for corporate customers, small and medium-sized enterprises (SMEs) and for individual customers. - International Private Medical Insurance (IPMI) through our Bupa Global businesses, for customers wanting access to quality healthcare, wherever and whenever they need it. - Dental insurance and travel insurance in selected countries. - Additional health funding products, such as subscriptions and cash plans. - We also deliver third-party administration services in selected markets. 	<p>We aim to have leading market positions in health insurance and believe our focus on health ensures that we are well positioned to meet our customers' needs</p> <p>Our IPMI business, Bupa Global, gives customers access to a global network of quality facilities and professionals.</p>
<p>Health provision</p> 	<p>We are also a health provider. Health provision accounts for 19% of our total revenue, comprising 370 health clinics, 20 hospitals and around 1,000 dental centres, serving around 15.8m people globally.</p> <p>We provide:</p> <ul style="list-style-type: none"> - Health clinics: Services include health assessments, GP services, fertility services and physiotherapy. We also have outpatient and speciality clinics. - Hospitals: We run hospitals in some of the countries we operate in. 	<p>We provide services to complement our insurance businesses to create a seamless experience for our customers</p>
<p>Dental provision and insurance</p> 	<p>We offer dental services across our health insurance and provision businesses. Dental is a key area for growth for Bupa, giving us a retail presence to bring us closer to our customers.</p> <p>We provide:</p> <ul style="list-style-type: none"> - A wide network of around 1,000 dental centres across a number of countries. - Dental insurance and funding products in most of our markets. 	<p>We operate a network of quality practices and professionals in a number of countries. Each practice offers a tailored, personalised service, in line with local needs. We aim to develop global standards and knowledge sharing between our dental businesses around the world.</p>
	<p>Residential aged care accounts for 8% of our total revenue, caring for around 22,000 residents.</p> <p>We provide:</p> <ul style="list-style-type: none"> - Aged care services in Australia, New Zealand, the UK and Spain 	<p>Our aged care portfolio comprises care homes, retirement villages and day care centres.</p>

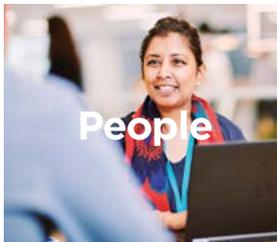
Who we create value for



Customers

We work to:

- deliver exceptional customer service
- harness digitalisation, data and analytics to drive improvements
- innovate to meet and exceed customer expectations
- keep our customers' data safe.



People

We work to:

- promote a positive, inclusive working environment
- create opportunities for people to grow and develop
- enable people to manage their health and wellbeing.



Society

We work to:

- make a difference through volunteering, community partnerships and contributions
- take care of the environment and address climate change and its health impacts



Partners

We work to:

- create shared value for our partners including health providers, brokers and distributors

Resources



Status and purpose

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



Risk Management

A culture of strong risk management



Financial strength

A robust capital base and strong financial position



Brand Health

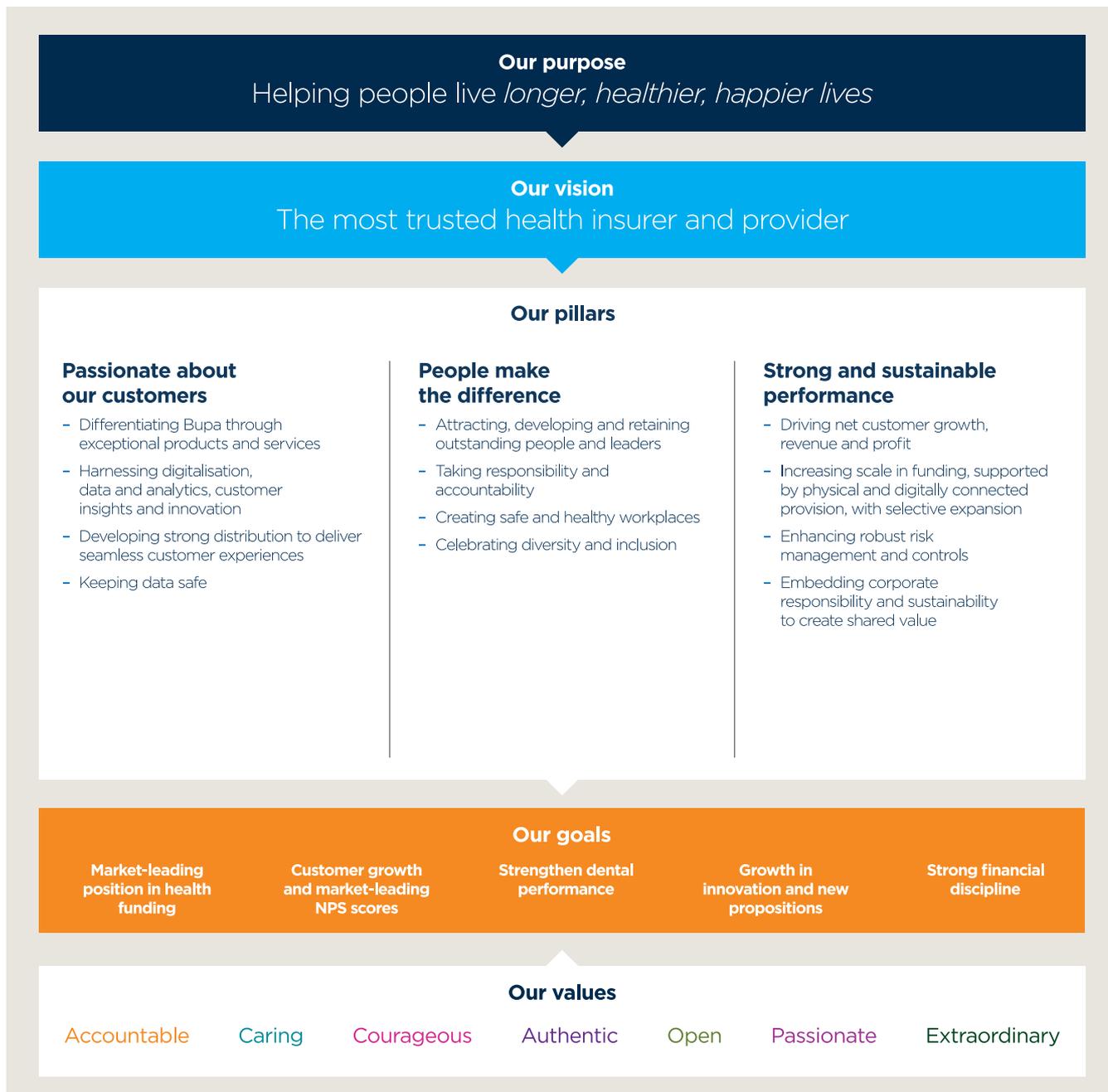
Our brand is known and trusted for quality and health expertise

Our Five-Year Vision and Strategic Framework

In September 2019, we developed our Five-Year Vision for Bupa and refreshed our Strategic Framework. Our Five-Year Vision encapsulates our strategic choices, by business lines and geographical presence. These are the participation choices we are making to deliver our vision of being the most trusted health insurer and provider.



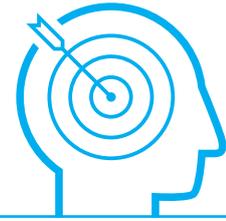
The Strategic Framework articulates our global priorities across our three pillars – customer, people and performance, including clear goals and measures to achieve our vision of being the most trusted health insurer and provider.



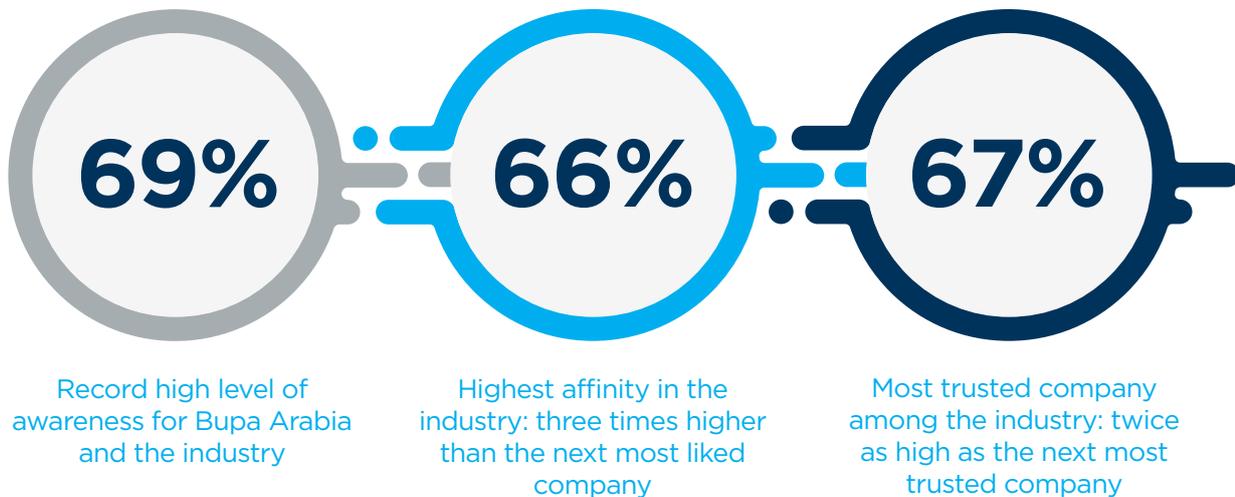


**Bupa
Arabia**

Our Brand perception and equity



We have launched six brand building online campaigns along with on-ground activations, both in public and in client premises, which have increased brand awareness among clients, members and the public, and led to receive multiple awards and recognitions.



Values we were associated with:

- Healthcare specialist
- International expertise
- Best health insurance company
- Digital Advancement



Awards and recognitions:



1. Most valuable insurance company according by Forbes Middle East 2020
2. Most strong brand in Saudi according by Brand Finance 2020 Ranking
3. Best Health Insurance Company 2019 & 2020 by International Finance Magazine
4. Global Business Outlook Awards 2020:
 - Best Healthcare Insurance Service Provider - Saudi Arabia 2020
 - Best Digital Innovation in Insurance Sector - Saudi Arabia 2020
5. Middle East's top 100 companies in 2020 ranking at #66 in the Middle East Forbes magazine.

Our Competitive Advantage

The care you deserve



Global Expertise and reach



We are proud to be part of the largest healthcare network in the world outside the U.S. with more than 70 years of experience. We have utilized our global network and reach to extract global best practices within the healthcare insurance guidelines and implement them in Saudi Arabia providing our customers with unique services such as internal medical consultations and state of the art digital solutions in addition to our Tebtom and Rahatkom programs.



Tebtom Program



Our Tebtom healthcare program, a real sign of our commitment to offer our members unique healthcare services that add value to their lives, helps our members and their families feel taken care of by our doctors providing quick and immediate answers to questions and guidance about their families' medical concerns.



Bupa Doctor

answering all your medical questions 24/7



Specialized International Services

diagnosis from International doctors at world-renowned centres



Chronic Care

offering a peace of mind for our chronic disease patients with medical refills and delivery and home-based laboratory visits



Wellness Services

offering tips and support for a healthier lifestyle



Maternity & Child Care

providing prenatal and postnatal support to mothers through guidance and at-home vaccinations

In 2019, serviced 680,000 cases with an NPS score of 92.3%. This was driven commercially through two major campaigns highlighting our tangible services through an emotional experience, along with monthly communications, to increase awareness among potential clients, our members and the public.



Rahatkom Program

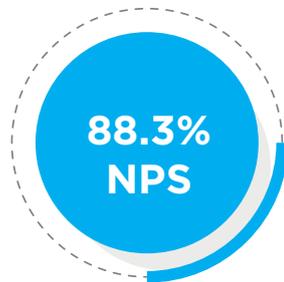


Available in major hospitals throughout the Kingdom, Rahatkom Program aims to support our members when and where it matters the most, and places Bupa Arabia delegates in top hospitals to greet our members and makes them feel secure and well taken care of by guiding them, catering to their needs and requests, and making their hospital visits easier and less stressful.

More than an approvals office

- ✓ Customer Care Representatives answer questions, facilitate pre-auth approval and more
- ✓ Our doctors check up on inpatients members to make sure they are taken care; this is what we call a Clinical Excellence admission
- ✓ Our doctors ensure Continuity of Care by following up with our members after they've been discharges

Supported by online promotions and on-ground activations, our Rahatkom delegates served 512,000 patients across 30 offices with an NPS score of 88.3%.



Customer Feedback



Our People



We continue to put our people first and 2019 was no exception. In 2019, we managed to successfully achieve and exceed all our goals that serve our HR functional purpose of attracting, growing, engaging and retaining the best talent in the industry. With that, we enabled our business to achieve breakthrough financial results in 2019.



Attracting Saudi and diverse talents:

We successfully attracted talent, known for customer centricity and flawless execution, from different sectors. In 2019, we achieved the following:

1. Attracted more Saudi talent to the organization across all functions. With 203 new hires, where 81% were Saudis, we increased our Saudization percentage to more than 77%. Which subsequently lead to the Ministry of Human Resources and Social Development to invite us to:
 - Join “Al-Safwaa” program as part of the few companies who showcased consistency in attracting Saudi talent
 - Become a permanent member in the Saudization of insurance sector jobs committee



2. Improved our female presence in the workforce to 33%
3. Attracted 24 honor students to join us from top global and local universities

Growing our talent:

As an organization that thrives to grow the best talent in the industry, we:

1. Facilitated more than 120 training sessions, with average of 14 training hours per employee to develop technical and behavioral skills.
2. Partnered with Duke Education and McKinsey to manage leadership development programs for our executives.
3. Invested in the younger generation, as part of our long-term commitment of building our succession pipeline. We have successfully graduated 14 future leaders to managerial roles across our different functions.
4. Promoted more than 100 employees, while being able to fill 73% of our leadership positions for Senior Managers and above.
5. Identifying and developing talent annually: in 2017, we had 21% available successors to our leadership roles, in 2019 we almost tripled to reach 76% available successors to all our leadership roles.



Retain our talent:

As part of our efforts to retain the best talent, we:

1. Revamped bonus scheme to align with new organizational objectives
2. Enhanced commission scheme to ensure higher performance
3. Continued to provide our people with a room for advancement through internal mobility, by announcing all career opportunities internally. We managed to successfully process 180 internal cross functional transfers
4. Developed targeted rewards interventions for different functions and locations

All this resulted in decreasing our year to year turnover by 50% to be between the financial sector average, which is 8% to 12% based on internal consulting firms

Build an engaging culture:

We have gone above and beyond and taken huge steps in making Bupa Arabia a place that people love working for. We listened to its people through pulse surveys with 13 engagement drivers to measure, we conducted more than 50 workshops to understand the results, and we developed 10 organization wide initiatives to strengthen our employee engagement leading to the below:

1. Bupa Arabia's HR team was selected the best engagement team among all Bupa markets and business units.

2. 77% of our workforce feel highly engaged.
3. 10 out of 13 engagement drivers increased compared to 2018 that focuses on managers capabilities and culture (Facilities projects, engaging leaders training, year-end event pictures, day-care)
4. One point closer to global employers of choice such as Coca-Cola & Delta.



Pulse Survey Comments

"I'm so optimistic and energetic about the future of Bupa Arabia as I feel very valuable to the company and part of their success"

"I really believe that what makes Bupa great is the people that work here. Hearing from different people and their experiences working at big companies in Saudi, I believe that the majority of Bupa's people live by certain principles and values."

Our CSR

Corporate Social Responsibility



We are very proud and humbled to announce that Bupa Arabia has won the Global Business Outlook Magazine Award for “Best CSR Insurance Company” in 2019. This is a testament of our ongoing CSR efforts & programs which are dedicated to our local community.

Our Flagship CSR program has started in 2011. Where we granted free health insurance coverage to orphans living in foster homes, managed by the Ministry of Human Resources & Social Development. Since then, the number of orphans has increased to reach 2,600 orphans. In order for us to continue helping and changing the lives of our orphans, we have successfully enrolled divorced & widowed orphans who returned back to foster homes along with their children to our program.

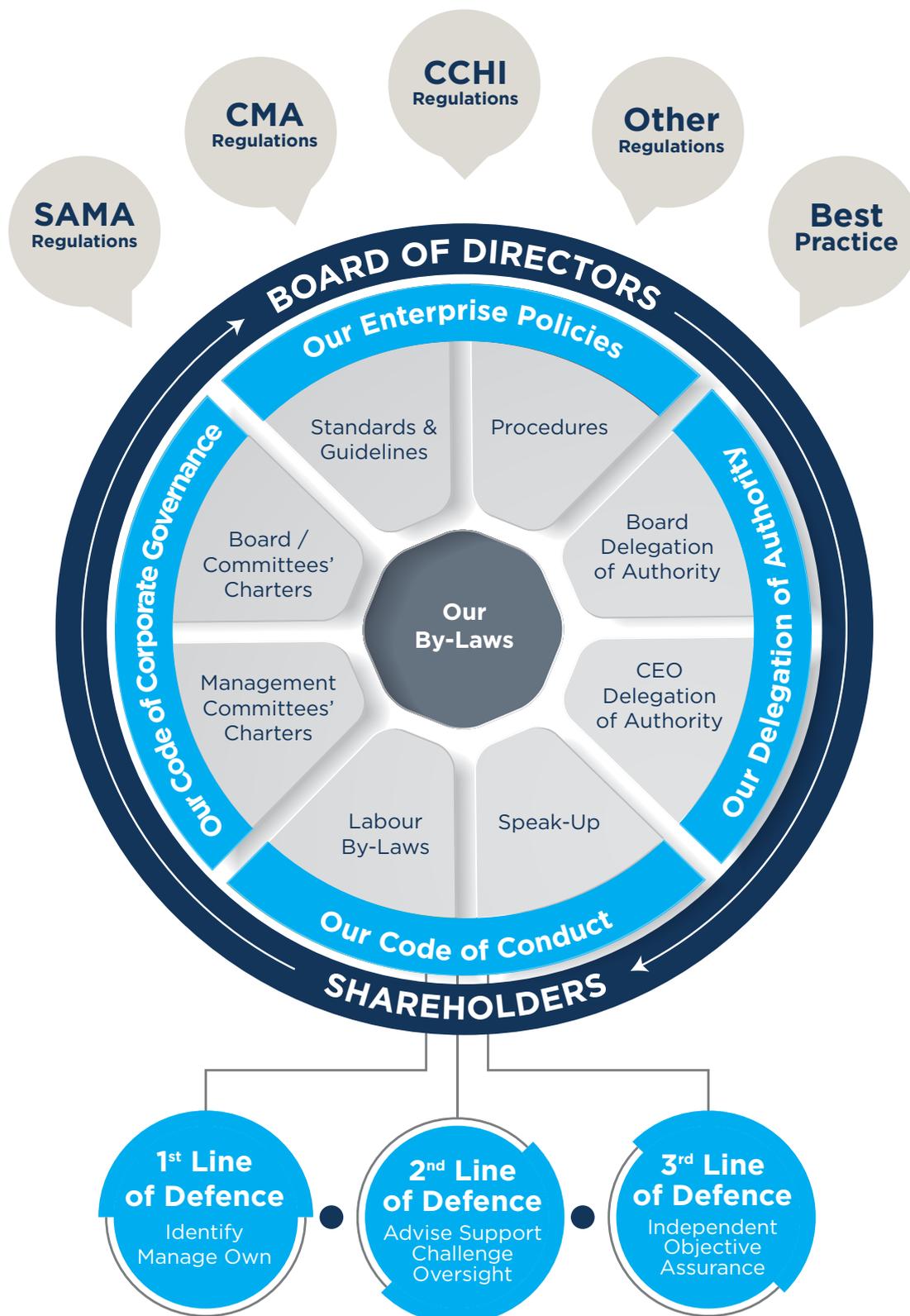
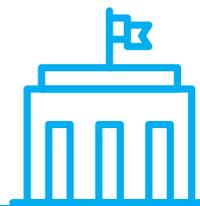
We strive to ensure that our special members receive VIP treatment and exceptional approvals, as well as annual coaching session on Tebtom services and annual medical check-ups at their homes.

Our CSR initiatives didn't only stop here, we also have:

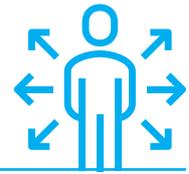
1. Hosted a Health Lounge which included these services: Blood Pressure & Sugar, Dental Check, Vision Check, BMI, General Practitioner for 299 of our orphans
2. Held in our 4 regional offices blood donation drive which have resulted with 109 pints of blood
3. Partnered with Nine Tenth (9/10ths), one of HRDFs vision 2030 initiatives that focuses on supporting Saudi Productive Families and small business in selling their home made food to our people
4. Celebrated national day with focusing on Our Productive People “Our Employees”; colleagues who sell goods from their homes to sell their food/ goodies to each other
5. Successfully donated 49 furniture items to a non-profit foundation



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

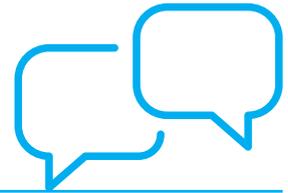
 we celebrate diversity →

 we stay safe and well →

 we are ready for anything →

 we take care of the planet →

Our Whistleblowing Policy



We are committed to maintaining the culture of governance and ethical behavior in the workplace. We, as a company and employees, comply by the provisions of all rules and regulations, along with the professional standards in Bupa Arabia. In order to achieve this, we encourage sharing employees' concerns through the channels specified for this purpose, if an employee has any doubt regarding the appropriate behavior; we expect them to take the right action through the available channels and report their concern. We want Bupa Arabia to become a place where our employees are encouraged to share their concerns in case of any problem related to wrong or unsuitable behaviour in the workplace.



2019 Annual Audit Committee Report



The Audit Committee is governed by its Charter, which was most recently approved by the public shareholders in the 2019 fourth quarter General Assembly meeting. The Committee held seven (7) meetings during fiscal year 2019.

During 2019 the fourth Audit Committee term ended, on 30 June 2019, and the fifth term commenced, on 1 July 2019, resulting in a change in membership during the year. The appointment of the new term Audit Committee membership was approved during the 2019 second quarter General Assembly and the 2019 membership, and attendance, was as reflected below:

Member Names	Role and Join or End date	Attendance during 2019
Mr. David Hunt	Chairman, from 01/07/19	7 meetings attended out of 7 held (100%)
Mr. Sulaiman Alhatlan	Member (full year)	6 meetings attended out of 7 held (86%)
Mr. Zaid Algwaiz	Member, from 01/07/19	4 meetings attended out of 4 held (100%)
Mr. Walid Shukri	Member, from 01/07/19	4 meetings attended out of 4 held (100%)
Dr. Adnan Soufi	Chairman, until 30/06/19	3 meetings attended out of 3 held (100%)
Mr. David Hunt	Member (full year)	As above
Mr. Sulaiman Alhatlan	Member (full year)	As above
Mr. Khalid Al-Soliman	Member, until 30/06/19	2 meetings attended out of 3 held (67%)
Overall Attendance:	26 of 28 attendances completed (93%)	

The Committee meetings are designed to facilitate and encourage communication among the Committee, the Company's management, the Company's risk functions, the Company's control functions (Compliance and Internal Audit) and the Company's independent External Auditors. The Committee discussed and confirms with the Company's control functions and the independent External Auditors the overall scope and plans for their respective reviews.

The Audit Committee recognizes the importance of maintaining the independence of the Company's External Auditors, both in actual fact as well as in appearance. Each year the Committee evaluates the qualifications, performance and independence of the 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 2019, which recommendation was thereafter approved by the Board, and thereafter the shareholders in the General Assembly meeting. EY and KPMG have been the joint Independent External Auditors for the Company since fiscal year 2016.

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 2019. 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 Audit Committee recommended to the Board of Directors, and the Board thereafter 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 2019 Annual Report.

The Audit Committee confirms that it has, during 2019, 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 that the Company's internal control framework is acceptable, and improving, in design and effectiveness. The Audit Committee believes that the Company's internal control framework needs to further develop some of its components in line with Bupa Arabia's executive management commitment to continuous improvement.

Accordingly, the Audit Committee can give reasonable assurance of the company's internal control system, as no confirmation of the effectiveness of any internal control and audit system can be given to the degree of absolute assurance.

Mr. David Hunt, Audit Committee Chairman
Mr. Sulaiman Alhatlan, Audit Committee Member
Mr. Zaid Algwaiz, Audit Committee Member
Mr. Walid Shukri, Audit Committee Member

20 May 2020





Board Report

Board of Directors Report

For the period ended 31/12/2019:

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 31/12/2019.

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 31/12/2019 and 31/12/2018.

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 eleventh 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:

2019 was a record trading year for Bupa Arabia. Despite the continuing economic challenges, and stagnant health insurance market, Bupa Arabia increased its written premiums by 21.5% over 2018. This was a true milestone as represents the first time Bupa Arabia has written premiums in excess of SR10b.

2019 also saw a growth in shareholder's income before zakat and income tax of 35.6%, to SR713m. This was achieved through higher reported net underwriting results, due mainly to a combination of improved earned premiums and margins. Net income was also higher in 2019, as a result of higher investment income, despite an increase in operating expenses during the year.

2019 was also a record year for investment income, reporting a growth rate of 27.6%, primarily as a result of a larger investment portfolio, which was supported by growth in cash flows from operations.

Despite the growth in business in 2019, the Company effectively managed to contain the bad debt provision during the year, while achieving record premium collections in excess of SR9.6b.

Bupa Arabia distributed fiscal year 2018 dividends to its shareholders of SR180m in 2019, compared to SR160m in 2018 (+13%), for the fiscal year of 2017, while reporting a healthy solvency position throughout the year. Please refer to section 6 for the Company Dividend Policy and Dividend History.

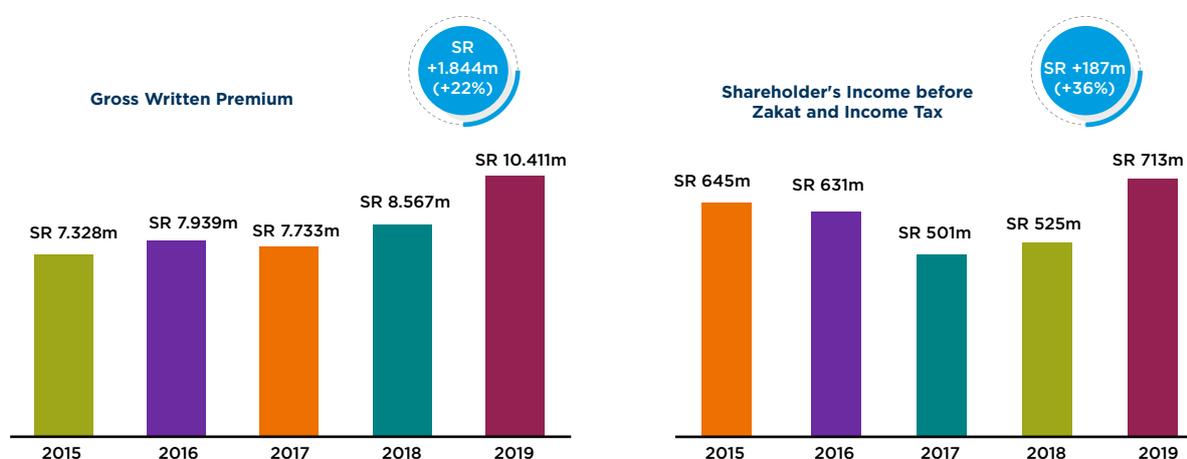
2.1 Summary profit results:

The below table shows the key financial metrics for the fiscal periods 2015-2019:

Statement of	2015	2016	2017	2018	2019
	SR000s	SR000s	SR000s	SR000s	SR000s
Operations	12 months				
Gross written premiums (GWP)	7,328,016	7,938,630	7,732,961	8,566,648	10,410,868
Net earned premiums (NEP)	6,739,398	7,667,316	7,672,314	8,150,242	9,371,291
Total revenue	6,758,649	7,797,710	7,830,146	8,348,460	9,630,246
Gross claims paid	5,007,697	5,944,793	6,428,617	6,708,524	7,655,078
Net claims incurred (NCI)	5,211,046	6,178,445	6,405,003	6,788,985	7,749,297
Total expenses	829,408	923,163	874,137	985,317	1,101,461
Surplus from insurance operations	731,176	653,949	503,919	487,272	1,101,461
Shareholder's net income before Zakat and Income Tax	645,077	630,705	500,614	525,431	712,654
Underlying Results	664,628	535,639	346,501	359,469	490,761
Loss Ratio	77.30%	80.60%	83.50%	83.30%	82.69%
Earnings Per Share (EPS)	5.38	5.26	4.18	3.70	4.97

2.2 Historical key financial figures

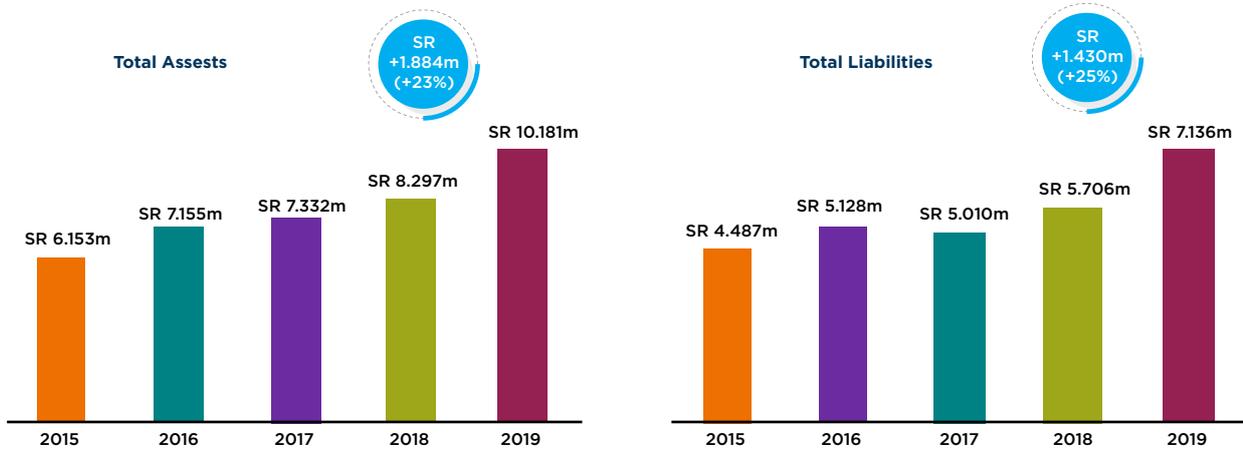
The below charts summarize Bupa Arabia's GWP, and Shareholder's Income before Zakat and Income Tax, respectively, for the fiscal periods 2015-2019:



Bupa Arabia's GWP grew by SR1,844m (+22%), to SR10,411m, while Shareholder's Income before Zakat and Income Tax grew by SR187m (+36%), to SR713m.

2.3 Historical Financial Position

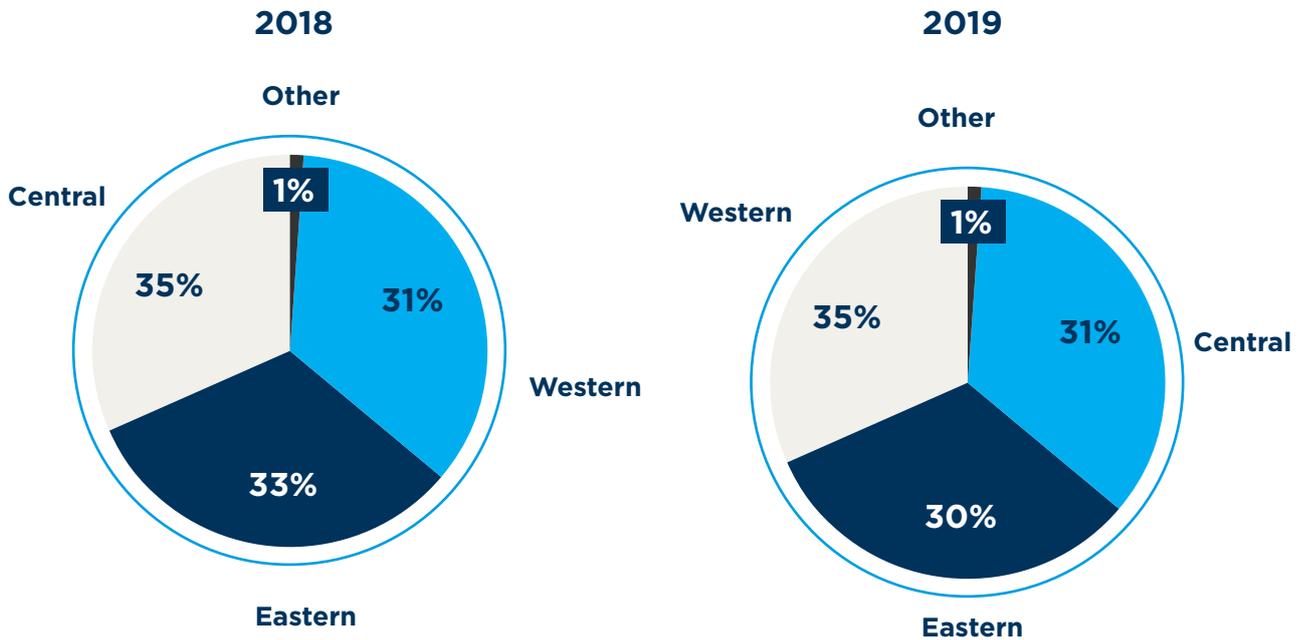
The below charts highlight Bupa Arabia's financial position for the fiscal periods 2015-2019:



Total

Assets increased by SR1,884m (+23%), to SR10,181m, this growth primarily driven by growth in cash, investments and premium receivable balances. Total liabilities grew by SR1,430m (+25%), to SR7,136m, mainly due to the increase in unearned premiums, outstanding claims and other accrued liabilities.

2.4 Geographical analysis of Gross Written Premiums (GWP):



2019 witnessed a noticeable growth in premiums written in the Central region with the acquisition of a few key corporate accounts, surpassing the growth experienced in other regions.

2.5 Summary balance sheets:

ASSETS	2015 SR000s	2016 SR000s	2017 SR000s	2018 SR000s	2019 SR000s
Cash and cash equivalents	798,862	225,830	229,884	290,413	665,709
Term deposits	3,547,529	4,045,310	3,945,383	4,715,281	5,063,976
Investments	624,928	1,258,420	1,721,690	1,621,491	1,840,832
Prepayments and other assets	95,046	148,991	170,528	202,985	276,643
Premiums receivable - gross	863,715	1,123,540	1,013,656	1,119,902	1,886,564
Allowance for doubtful premiums receivable	(114,266)	(142,997)	(142,674)	(169,231)	(197,187)
Premiums receivable - net	749,449	980,543	870,982	950,671	1,689,377
Reinsurer's share of unearned premium	900	1,356	5,146	6,320	20,625
Reinsurer's share of outstanding claims	3,012	1,720	1,030	3,014	5,190
Deferred policy acquisition costs (DAC)	78,415	72,281	71,076	118,323	134,022
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)	77,167	90,945	133,497	138,516	225,686
Accrued Interest on statutory deposit	-	3,585	5,121	6,882	10,820
Statutory deposit	80,000	80,000	80,000	120,000	120,000
Deferred tax asset	0	0	0	25,552	30,216
TOTAL ASSETS	6,153,308	7,155,458	7,332,337	8,297,448	10,181,096

LIABILITIES AND SURPLUS	2015 SR000s	2016 SR000s	2017 SR000s	2018 SR000s	2019 SR000s
Unearned premiums (UEP)	2,890,679	3,094,990	3,091,079	3,428,131	4,376,219
Outstanding claims provision (OCP)	1,054,369	1,321,622	1,341,536	1,472,681	1,627,708
Reinsurance balance payable	-	15,117	39,613	50,636	54,413
Accrued expenses and other liabilities	312,643	237,017	212,067	367,204	545,028
Obligation under Long-Term Incentive Plan (LTIP)	-	-	-	-	-
Amount due to shareholders' operations	-	148,477	-	-	-
Policyholders' share of surplus from insurance operations	154,299	169,884	138,581	139,755	168,454
Accrued Zakat and income tax	42,577	116,953	148,704	199,784	274,709
Accrued Interest on statutory deposit	-	-	5,121	6,882	10,820
Amount due to related parties	32,201	24,344	33,586	41,095	78,848
TOTAL LIABILITIES	4,486,768	5,128,404	5,010,287	5,706,168	7,136,199
TOTAL EQUITY	1,666,540	2,027,054	2,322,050	2,591,280	3,044,897
TOTAL LIABILITIES AND EQUITY	6,153,308	7,155,458	7,332,337	8,297,448	10,181,096

3. Statutory payments and payable to regulatory bodies:

Regulator: and Description	Paid		Paid Change	Payable		Payable Change
	2018 SR000s	2019 SR000s	2019 vs 2018 SR000s	2018 SR000s	2019 SR000s	2019 vs 2018 SR000s
GAZT : Zakat and Income Taxes	38,119	48,597	10,478	199,784	274,709	74,925
GAZT : Value Added Tax (VAT)	329,900	214,400	(115,500)	13,239	12,504	(735)
GAZT : Total	368,019	262,997	(105,022)	213,023	287,213	74,190
SAMA: Levies	42,252	48,233	5,981	6,130	9,951	3,821
CCHI: Levies and License Fees	84,504	96,467	11,963	12,260	19,902	7,642
TOTAL: Levies and license Fees	126,756	144,700	17,944	18,390	29,853	11,463
CMA/Tadawul: Service and License Fees	960	1,145	185	-	-	-
GOSI	30,083	30,553	470	2,654	2,548	(106)
Total	525,818	439,395	(86,423)	234,067	319,614	85,547

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

The total paid during 2019 for Zakat and Income Tax was SR48.6m, of which SR24.7m was for the 2018 GAZT returns, SR20.9m for 2019 advance tax, and SR3.0m for contract retention release letters. The SR274.7m payable to the GAZT includes SR72.8m payable in 2020 for 2019 zakat and tax returns, and the remainder is predominantly additional contingency provisions for Zakat matters.

Additionally, SR6.8m was paid during 2019 for withholding taxes and SR10.2m has been provided in the 2019 results' related to withholding taxes payable in 2020.

During 2019 Bupa Arabia settled SR214.4m to the GAZT for VAT payments and had SR12.5m VAT payable at the end of the year.

Additionally, SR46k was paid to the GAZT for a fine, refer section 3.6.

•3.2 The Saudi Arabian Monetary Authority (SAMA):

The total paid to SAMA for levies was SR48,233k, of which SR42,103k was for the first three quarters of 2019 and SR6,130k for the fourth quarter of 2018. The 2019 results include a provision for the 2019 fourth quarter levies of SR9,951k. The increase in levies in 2019 is due to the increase in GWP. Additionally, SR150k was paid to SAMA for a fine, refer section 3.6.

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

The total paid to the CCHI for levies was SR96,467k, of which SR84,207k was for the first three quarters of 2019 and SR12,260k for the fourth quarter of 2018. The 2019 results include a provision for the 2019 fourth quarter levies of SR19,902k. The increase in levies in 2019 is due to the increase in GWP.

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

The total paid to GOSI during the year was SR30,553k, which included a payment of SR2,535k for 2018. An amount of SR2,548k is provided in the 2019 results for the 2019 related GOSI commitments, which is payable in 2020.

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

The Company paid SR1,145k to Tadawul/the CMA during 2019, which included SR591k for service fees, SR400k for annual listing fees, and SR154k for other fees.

•3.6 Regulatory penalties:

During 2019 the company paid a total of SR196k in penalties to regulatory bodies, of which SR150k to SAMA for a fine imposed by SAMA in relation to an Anti-Money Laundering (AML) violation versus the SAMA requirements, and which subsequently rectified to the satisfaction of SAMA, and SR46k to the GAZT for an Income Tax delay fine. Procedures have been enhanced to prevent any non-compliance in these areas in the future.

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:	2014*	2015*	2016	2017**	2018
Description	SR000s	SR000s	SR000s	SR000s	SR000s
Retained Income (pre-Zakat & Inc. Taxes)	301,275	645,077	630,705	500,614	525,431
Dividend Amount	N/A	160,000	120,000	160,000	180,000
Pre-Zakat & Inc. Taxes Dividend Pay-out Ratio	N/A	24.8%	19.0%	32.0%	34.3%
Number of Shares in Issue	40,000	80,000	80,000	80,000**	120,000
Saudi Riyals Dividends per Share	N/A	2.00	1.50	2.00	1.50
% of Dividend/Year/Quarter Distributed	N/A	100% 2016Q2	100% 2017Q2	100% 2018Q2	100% 2019Q3

* SR400m of the retained earnings, as at 31/12/2014, were 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 at 31/12/18.

7 Key other functional activities during the year:

• 7.1 Our proposition and marketing:

During 2019 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 health insurance brand, in Saudi Arabia:

a) Life-touching Healthcare Services:

Our “Tebtom” healthcare program provides our members unique healthcare services that add real value and go well beyond health insurance, such as the medication refill and home lab services for chronic patients, and also home vaccination services for children. Our doctors are also available to facilitate, through authorised third parties where appropriate, prompt answers, to questions about their personal, and their families’, medical needs.

b) Exceptional Experiences at Hospitals:

Our “Rahatkom” program involved physically transforming nearly 79 offices, led by almost 67 Bupa Arabia delegates, at top hospitals across the Kingdom. It provides members security and care 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 Bupa Arabia to benefit from best practices and global medical guidelines from all around the world. We continuously strive to combine our global expertise and capabilities with our in-depth local knowledge of our local client’s 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) and 2019 was the ninth successive year of providing free health insurance and medical cover to the orphans living in the orphanages under the MLSD, in 46 orphanages across the kingdom, within 15 cities.

We also provided a Health Lounge to a new group of 299 orphans, under the “Nama’a Charity”, and partnered with “Nine Tenths”, one of the Human Resource Development Funds (HRDF) Vision 2030 initiatives that supports Saudi Productive Families and small business, through the “Tojjar Booth”, which provides quality food from the Productive Families.

During 2019 Bupa Arabia won the Global Business Outlook Magazine’s “Best CSR Insurance Company” award.

During the first quarter of 2020 Bupa Araba, in alignment with the Ministry of Health (MOH), contributed SR20m to the MOH in support of Saudi Arabia’s COVID-19 activities, to support the purchases of ventilators and to connect the Bupa Arabia Coronavirus Command Centre to support the MOH Call Centre.

• 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 this was reflected in the strong results in the Company’s, Net Promoter Score (NPS), where targets were exceeded. Additionally, new processes were implemented, strengthening the Health Care Operations (HCO) and claims processes, through the Health Risk Management (HRM) initiative, and which assisted in managing the medical inflation cost curve. We also continued to strengthen our 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 continued to provide strong technological support, through a strong focus on the upgrading of core systems/systems functionality, whilst maintaining a strong focus on the Company’s Digital Strategy agenda and Infrastructure modernization projects. We also continued to implement a variety of systems and processes in support of fulfilling all Saudi regulatory requirements including the SAMA/NCA 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, business growth, and strong succession planning.

During 2019 we implemented a range of positive initiatives, including supporting our gender diversity, through a leadership empowerment program for our talented female employees, and we also 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.

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”.

The people development activities during the year also led to an increase in Saudisation (please refer section 8.7).

• 7.6 Our Chief Executive Team (CET):

During 2019 the composition of the CET changed, due to the departure of the Chief Risk Officer (CRO), and the Company is in progress with the recruitment of a replacement CRO.

• 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.

Mr. Tal Nazer is a Board member on various companies and committees. He is the Chairman of Najm for Insurance Services Company and 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 CCHI's Private Health Insurance Strategic Committee and he is a member of the Young Presidents Organization (YPO) and a member of Young Global Leaders (YGL).

Tal 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. Since 2018 Nader has been an independent Board member, and member of the Audit Committee, of Saudi Steel Pipes (SSP), a Saudi publicly listed company and leading manufacturer of pipes in the MENA region. During 2018 Nader 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 6 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 company) and Ahmed Mohamed Saleh Baeshen & Co. (a closed joint stock Saudi company) and he is 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 joining Bupa Arabia, Tariq handled a wide range of leading roles in the Human Resources Department on global and regional levels at Procter & Gamble. He led P&G in Saudi Arabia as the country's HR leader and spearheaded an overseas assignment at the company's headquarters in Switzerland.

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.

• 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 2019, are detailed within this section whilst others are described throughout this report.

- **8.1 Our Strategy review:**

Bupa Arabia undertook a comprehensive strategy review during 2019 that builds on its long-standing purpose of "helping people live longer, healthier and happier lives" and which fully aligns with its vision of being "the most trusted health insurer in Saudi Arabia". The new corporate strategy, which aims on accelerating the Company's growth trajectory over the next 5 years, is based on the following key three pillars:

- We remain passionate about our customers
- Our people make all the difference
- We are committed to strong and sustainable performance

These pillars are further underpinned by the following main goals:

- Driving net customer growth, revenue and profit
- Protecting and growing our core customer base
- Pursuing breakthrough differentiation and innovation in product and service offerings
- Harnessing digitalization in customer service, claims management and operational efficiencies
- Developing new distribution channels while delivering a seamless customer experience
- Solidifying our partnership with key customers
- Enhancing investment returns and introducing other complementary sources of income
- Actively engaging with regulators and other government stakeholders

We will continue our focus on nurturing a healthy and highly engaged workforce, and strive to attract, develop and retain outstanding professionals and leaders, while meeting Saudization targets. Delivering on the strategy will also see the Company working relentlessly on enhancing its corporate governance and risk management practices, and embedding corporate responsibility and sustainability, to create shared value.

- **8.2 Our 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, and enhancing, the regulatory and client requirements for TPA Services during 2019, and for 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 2019 we continued to enhance our corporate governance and control functions related, including good progress on policies, as well as the closure of audit findings (please refer section 13).

• 8.5 Our Business continuity management (BCM):

During 2019 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 continued to progress our significant projects 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.

The activities in the year included the maintenance and further development of the integrated crisis management/incident response structure encompassing plans required to respond to any disruptive incident, and including:

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

During 2019 we enhanced our Business Continuity Management policy and procedures further, in alignment with SAMA's 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. We also created a new management committee, the Information Technology (IT) & Digital Technology (DT) Steering Committee (IDSC), to ensure the alignment of business, DT and IT activities, as well as continued our progress towards achieving an improved Cyber Security Maturity level, as required by the SAMA and National Cyber Association (NCA) regulatory requirements.

During 2019 Cyber Security controls disaster recovery and resilience were tested and others are scheduled for closure during 2020. Additionally, during 2020, 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.

• 8.6 Our Shariah compliance:

Bupa Arabia maintained its Shariah compliance and, on 29/04/2019 announced the receipt, on 28/04/2019, of the approval of the Shariah Review Bureau (SRB) for its Shariah status per the 2018 annual Shariah Audit Report (reference BPA-276-06-0104-19) 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 2019 we were successful in increasing the Saudisation level to 76.7%, versus 2018 at circa 75%. 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:

As at 31/12/2019 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, including fully bilingual Annual Reports, and General Assembly meeting minutes, 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:

Despite the 2019 health insurance market, in terms of insured lives, remaining relatively flat, with the departures of expatriates broadly offsetting the new Saudis entering the private sector workforce, pricing during the year significantly benefited from the CCHI's enhancement of the minimum mandatory table of benefits, effective from 01/07/2018, and the margin enhancement strategies competition continued to adopt, post the aggressive pricing period of 2016 and 2017. The market also benefited, towards the end of the third quarter of 2019, from the introduction of a newly mandated tourist visa, which was supported by an active promotion of an untapped, and promising, tourism sector in Saudi Arabia.

The competitive landscape has seen increased interest in further consolidation with a few potential mergers announced during the year amongst the smaller players. This is likely to be further fueled by the regulators intent to increase minimum capital requirements for insurers.

While the fundamentals of the health insurance market remain promising, 2020 is expected to be a year with many uncertainties, amid the Coronavirus (COVID-19) pandemic, and the recent oil prices slump. Bupa Arabia is well positioned to weather these challenges and is currently focused on managing the COVID-19 impact on its customers, people, supply chain, communities and business continuity. The Company continues to monitor the financial impact of these events on its operations.

• 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:

- **COVID-19 risks** – the coronavirus global pandemic may adversely impact the Company's operations, financials, service levels, employees, customers and suppliers.
- **Cyber Security risks** – increased and more advanced cyber threats may lead to information security breaches, business interruptions, financial losses and reputational damage.
- **Medical Inflation risks** – expensive technological advancements in medical field, medical providers bargaining power, fraud and abuse, an aging and less healthy population, all may lead to an increase in incurred medical claims costs.
- **Economic Slowdown risks** – a continued economic slowdown, combined with a lower oil price environment and a coronavirus driven global recession, may lead to increased financial risks (price, liquidity/collection, credit/defaults, interest rates, and market risks).
- **Regulatory Risks** – increased regulatory changes may increase the cost of doing business and could lead to financial/other disciplinary actions, and reputational damage.
- **Competition Risks** – intensified competition may lead to aggressive pricing and margin deterioration, market share changes, and the possible loss of key leadership and technical talent.

In specific relation to COVID-19 related risks, Bupa Arabia has created a dedicated task force to plan and execute business continuity plans, so as to ensure the safety and wellbeing of our employees, to maintain excellent service levels, to actively engage with, and support, our customers, regulators and local communities, and to also stress test the company's financials, as well as to secure critical supplies.

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.

The Board assesses its performance, and that of the Board Committees, and the members, periodically during each term, through the Company Board Secretary and the NRC, and completed such an assessment prior to the end of the term which ended on 30/06/2019. The Board, based on the NRC recommendation, has approved a process of external third party assessment once per term, and which planned to be completed during 2021.

During 2019 the fourth Board term ended, on 30/06/2019, and the new, fifth, board term commenced, for the three Gregorian year period effective from 01/07/2019. The Board membership was selected through a transparent, consistent and fair process, in accordance with the shareholder approved Nomination and Appointment Policy and Procedure, as per the NRC recommendation and, after SAMA no-objection, following the approval of the shareholders in the second quarter GA, on the regulatory required accumulative voting basis. As a result, new term Board/Committee memberships were re-constituted, after receipt of the SAMA no-objections, for each member and each Committee Chairperson, and thereafter robust induction training was provided.

During 2019 the Company also increased its Board size, to nine from eight, as per the 2019 GA approved Company By-Laws changes, and is currently in progress with filling this Board vacancy, as announced on Tadawul.

Board and Board Committees' Membership, and summary analysis, as at 31/12/2019^:

Board/Board Committee Members at 31/12/2019^	Board of Directors	Audit Committee (AC)	Executive Committee (EC)	Investment Committee (IC)	Nomination and Remuneration Committee (NRC)^ (as at 12/02/2020)	Risk Management Committee (RMC)
Chairperson:	Eng. Loay Nazer	David Hunt*	Eng. Loay Nazer	Osamah Shaker*	Huda AlGhosen*	Dr. Khaled Al- Faddagh*
Vice-Chairman:	David Fletcher#					
Independent Members*	Huda Al Ghosen* Zaid Algwaiz* Dr. Abdulla Elyas*	Walid Shukri* Zaid Algwaiz* Sulaiman Alkahtani*		Selman Alfares*	Omar Najjar*	Dr. Abdulla Elyas*
Non-Executive Members:	Joy Linton# Martin Houston#		Joy Linton# David Fletcher#	Niall Dooner#	Martin Houston#	James O'Reilly# Rami Makarem
Executive Members:	Tal Nazer (CEO)		Tal Nazer (CEO)			
Members:	9 (1 vacancy)	4	4	3	3	4
Secretary:	Mark Sutcliffe	Assem Hamam	Mark Sutcliffe	Mark Sutcliffe	Mark Sutcliffe	Mark Sutcliffe
Secretary Reports to:	Board Chairman	AC Chairman	EC Chairman	IC Chairman	NRC Chairwoman	RMC Chairman
Independence %	38%	100%	0%	67%	67%	50%
Saudi %	63%	75%	50%	67%	67%	50%
Female %	25%	0%	25%	0%	33%	0%

*Independent #Representative of Bupa Investments Overseas Limited (BIOL)

^As at 31/12/2019 the new term NRC was not formally constituted as the regulatory approvals for the new term NRC members were still in progress. The above table reflects the new term NRC membership, as was approved effective 12/02/2020.

Current (fifth) Board Term, effective 01/07/2019 to 30/06/2022, roles, term number, representing:

Membership Role	Board Member name	Nationality	Term Number	For the current term representing:
Independent*	Ms. Huda M. AlGhosen*	Saudi	1st	Not applicable
	Mr. Zaid A. Algwaiz*	Saudi	3rd	Not applicable
	Dr. Abdulla N. Elyas*	Saudi	1st	Not applicable
Non-Executive	Eng. Loay H. Nazer	Saudi	5th	Nazer
	Mr. David M. Fletcher#	British	3rd	BIOL
	Mrs. Joy C. Linton#	Australian	1st	BIOL
	Mr. Martin J. Houston#	British	2nd	BIOL
Executive	Mr. Tal H. Nazer	Saudi	5th	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	Date	Representing	Comment
Mr. Abdulhadi Shayif*	30/06/2019	Independent	End of Board Term
Dr. Adnan Soufi*	30/06/2019	Independent	End of Board Term

Incoming	Date	Representing	Comment
Ms. Huda AlGhosen*	01/07/2019	Independent	New Board Term
Dr. Abdulla Elyas*	01/07/2019	Independent	New Board Term

Board member summary replacement changes during the year:

Outgoing	Outgoing Date	Incoming	Incoming Date	Representing
Mr. Simeon Preston#	01/07/2019	Mrs. Joy Linton#	01/12/2019	BIOL

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)).

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

Eng. Loay Hisham Nazer (Board Chairman) (Full Year)	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. Former 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
Mr. David Fletcher (Vice-Chairman) (Full Year)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Board member, and Vice-Chairman, since 2014. Currently Bupa, the international health insurance and provision group based in London, UK, Group Chief Risk Officer (since 01/01/2017) and member of its Executive Team after being MD of Bupa International Development Markets, after having joined Bupa as Chief Internal Auditor in 2014. Prior to that he 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. David 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 in Modern History, Durham University, UK (1985).	Not applicable

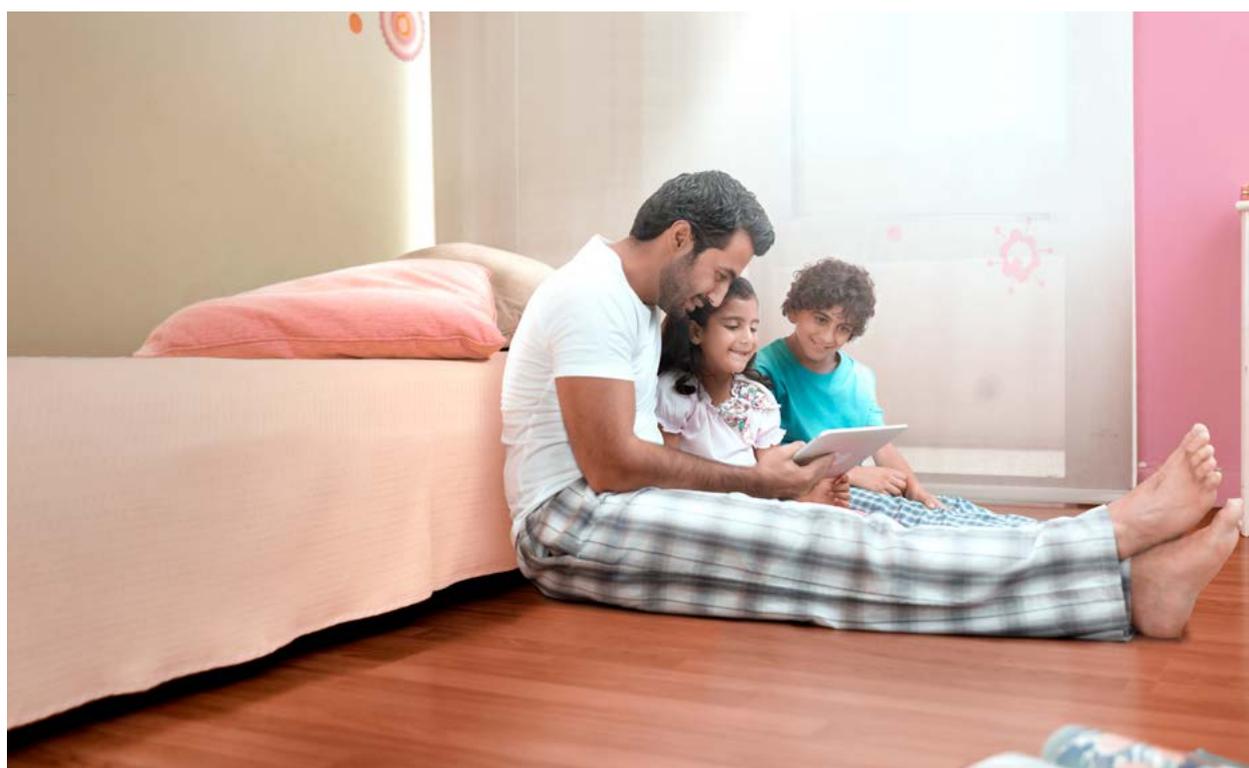
Mr. Tal Hisham Nazer (Executive Member) (CEO) (Full Year)	More significant qualifications	Board Membership in other Saudi PLCs
<p>Bupa Arabia CEO/Board member since inception in 2008. Refer CEO profile in section 7.6 and below for other more significant roles.</p>	<p>Bachelor Economics, UCLA, USA (1996) and MBA Finance and Buyouts, Wharton, USA (2001)</p>	<p>Not applicable</p>
Mr. Abdulhadi Shayif (Independent) (Until 30/06/2019)	More significant qualifications	Board Membership in other Saudi PLCs, up to and including 30/06/2019:
<p>Bupa Arabia Independent Board member, from 2011 until 30/06/2019, Audit Committee (AC) Chairman, from 2011 to 2017, Risk Management Committee (RMC) Chairman, from 22/01/2017 until 30/06/2019. A Board member and Chairman of various committees at the Alawwal Bank, SGS, and Deutsche Securities and previously Chairman of the FWU International advisory Board, Munich, Germany. Previously also GM and Board member of NCB.</p>	<p>Bachelor Economics, American University of Beirut, Lebanon (1970).</p>	<p>Alawwal Bank, Saudi Ground Services Co. (SGS)</p>
Mr. Zaid Algwaiz (Independent) (Full Year)	More significant qualifications	Board Membership in other Saudi PLCs
<p>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 (both until 30/6/2019). Joined the Audit Committee (AC), on 01/07/2019, for the new term. During 2018 was appointed as Independent Board member, and Chairman of the Compensation, Nomination & Governance Committee, and member of the Executive Committee, of NCB. During 2019, was appointed as Independent Board Member, and Chairman of the Audit Committee, of Gulf International Bank-Capital, and was also appointed as Independent Chairman of the Audit Committee of Noon Investment Company. 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.</p>	<p>Bachelor Accounting, King Saud University, KSA (1987).</p>	<p>National Commercial Bank (NCB)</p>
Ms. Huda AlGhosen (Independent) (Since 01/07/2019)	More significant qualifications	Board Membership in other Saudi PLCs
<p>Bupa Arabia Independent Board member since 01/07/2019. Huda was the Executive Director of Human Resources at Saudi Aramco. Huda is currently a member of the Board of the General Organization for Social Insurance (GOSI), the Credit Suisse Saudi Arabia Bank, and of the Institute of Public Administration. Huda is also a member of the Saudi Telecommunications Company (STC) Nomination & Remuneration Committee. Huda is the Chairwoman of the Board of Trustees of the Arabian Society of Human Resources Management (ASHRM).</p>	<p>MBA from the American University of Washington, D.C., USA and BA in English Literature from the King Saud University in Riyadh.</p>	<p>Credit Suisse Saudi Arabia Bank.</p>
Dr. Abdulla Elyas (Independent) (Since 01/07/2019)	More significant qualifications	Board Membership in other Saudi PLCs
<p>Bupa Arabia Independent Board Member, and Risk Management Committee Member, since 01/07/2019. Dr. Abdulla is a co-founder of Careem, and current member of its executive leadership. Prior to that initiated and co-founded Enwani, a tech start-up in Saudi Arabia focused on the home delivery industry. Dr. Abdulla serves as a board member on a number of public and private companies, and has previously led management consulting engagements in Europe, the USA, South East Asia and the Middle East.</p>	<p>PhD in Business Administration, honored with a Magna Cum Laude from RWTH Aachen, Germany, and an MSc in Computer Science, from RWTH Aachen, Germany.</p>	<p>Not Applicable</p>

Mrs. Joy Linton (Non-Executive) (Since 01/12/2019)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Board Member, and Executive Committee Member, from 01/12/2019. Appointed in 2016 as an executive director of the main Board of Bupa, the international health insurance and provision group based in London, UK. Mrs. Linton has been with Bupa since 2011 and is also a Board member of BIOL, is the Chief Financial Officer of Bupa, and a member of its Executive Team. She is also a Non-Executive Director of Max Bupa, Bupa's associate health insurance business in India. Prior to joining Bupa Joy was the CFO of National Foods.	Bachelor's degree in Commerce from the University of Melbourne, Australia (1987)	Not applicable
Dr. Adnan Soufi (Independent) (Until 30/06/2019)	More significant qualifications	Board Membership in other Saudi PLCs (up to and inclusive of 30/06/2019)
Bupa Arabia Independent Board member, and Audit Committee Chairman, from 2016 until 30/06/2019. 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
Mr. Simeon Preston (Non-Executive) (Until 01/07/2019)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Board Member, and Executive Committee Member, from 2018 until 01/07/2019. Previously the Chief Executive Officer of the International Markets division of Bupa, the London, UK based, international healthcare group. Prior to Bupa was with the AIA Group for seven years in roles which included Group Chief Operations Officer.	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).	Not applicable
Mr. Martin Houston (Non-Executive) (Full Year)	More significant qualifications	Board Membership in other Saudi PLCs
Bupa Arabia Board Member since 1 October 2018 and served as a non-executive director on the main Board of Bupa, the international health insurance and provision group based in London, UK, from January 2014 until 31 December 2019. Martin was appointed as Chairman of the Board of the EnQuest Group, effective 1 October 2019. He is also the Vice-Chairman of Tellurian Incorporated, a Senior Advisor to Hakluyt and the Chairman of Moelis and Company's Global Energy Group. He is also a non-executive director of CC Energy, a private exploration and production company. Martin was previously employed by the British Gas (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.	Bachelor of Geology, Newcastle University, UK (1979). Master of Science, Petroleum Geology, Imperial College, London, UK (1983).	Not applicable

10.2b The Board members' other significant role details, at 31/12/2019, are as follows:

Eng. Loay Hisham Nazer (Board Chairman) (Full Year)	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. Board Member of Diaverum Arabia Company (Chairman until May 2018)	8. 2010 - Current
Bupa/Nazer JVs:	
9. Bupa Middle East Holdings Two WLL (Board Member)	9. 2009 - Current
10. Nazer Bupa for Medical Equipment Company (NBME) (Chairman)	10. 2015 - Current
Other more relevant:	
11. Chairman of the Makkah Cluster Advisory Board (since 2017), previously the Advisory Council of the King Abdullah Medical City in Makkah (since 2016).	11. 2016 - Current
12. Ex-Chairman of the Al-Ittihad Football Club	12. 2018 - 2019
13. Ex-National Unified Procurement Co. for Medical Supplies (NUPCO).	13. 2016 - 2018
14. Arab Conference Organizing Co. (ARC) (former Chairman and Board member - Nazer sold its stake during 2018)	14. 2005 - 2018
15. Ex-Vice-Chairman of the Saudi Olympic Committee	15. 2016 - 2017
16. Ex-Chairman of the Saudi Arabian Judo Federation.	16. 2013 - 2016
17. Ex-CCHI Board member	17. 2007 - 2013

Mr. David Fletcher (Board Vice-Chairman) (Full Year)	Period
Board and Committee member of a variety of Bupa businesses of which the most current and relevant are:	
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



Mr. Tal Hisham Nazer (Executive Member) (CEO) (Full Year)	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. Najm for Insurance Services Company (Chairman of the Board)	5. 2019 - Current
6. Quick Solutions for Trading Company (Board member)	6. 2005 - Current
7. Tal Hisham Nazer Company Limited (General Manager)	7. 2011 - Current
Bupa/Nazer JVs:	
8. Bupa Middle East Holdings Two WLL (Board Member)	8. 2009 - Current
9. Nazer Bupa for Medical Equipment Company (NBME) (Board member)	9. 2015 - Current
<u>Other more relevant:</u>	
10. Committee Member of the SAMA Insurance Companies General Committee	10. 2015 - Current
11. Ex-Board member of the Human Resources Development Fund (HRDF)	11. 2013 - 2016
12. Board member of Choate Rosemary Hall, New York, USA	12. 2014 - Current
13. Ex-Nazer Dialysis and Advanced Healthcare Services Co. Ltd (Board member)	13. 2014 - 2017
14. Arab Conference Organizing Co. (ARC) (former Board member - Nazer sold its stake during 2018)	14. 2005 - 2018

Mr. Zaid Algwaiz (Independent) (Full Year)	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. Independent Board member and Chairman of Audit Committee of Gulf International Bank - Capital.	2. 2019 - Current
3. Independent Chairman of the Audit Committee of Noon Investment Company.	3. 2019 - Current
4. Ex-Independent Board member, and Chairman of the Audit Committee, of Mohammed Abdulaziz Al-Rajhi and Sons Investment Company	4. 2018 - 2018
5. Ex-Independent Board member, and Chairman of the Audit Committee, of Wilaya Investment Company	5. 2018 - 2018
6. Ex-Independent Board member, and Audit Committee member, of Al-Rahji Steel Industries	6. 2014 - 2018
7. Ex-Member of the Saudi British Bank (SABB) Nomination & Remuneration Committee	7. 2016 - 2018
8. Chairman of the Risk and Assets & Liability Committee of Mohammed Ibrahim AlSubaie & Sons Investment Company (MASIC)	8. 2014 - Current
9. Ex-Audit Committee member of Thakher Real Estate Development Company	9. 2016 - 2019
10. Ex-Independent Board member of Al-Yusr Leasing and Finance (closed joint stock company)	10. 2015 - 2016
11. Ex-Independent Board Member and Chairman of the Audit Committee in AlAwwal Capital (formerly, Saudi Hollandi Capital), 100% Subsidiary of AlAwwal Bank	11. 2010 - 2016
12. Ex-Independent Board member of Middle East Specialised Cables Company (Saudi PLC)	12. 2009 - 2015
13. Ex-Independent Board member of HSBC Saudi Arabia Mutual Funds Board	13. 2008 - 2015
14. Ex-Independent Board member of the Gulf Finance Company, Saudi Arabia.	14. 2012 - 2015

Ms. Huda AlGhoson (Independent) (Since 01/07/2019)	Period
1. Bupa Arabia for Cooperative Insurance Company (Independent Board Member)	1. 2019 - Current
2. Institute of Public Administration (Board Member)	2. 2019 - Current
3. Saudi Telecom Company (STC) (Member of the Nomination & Remuneration Committee)	3. 2018 - Current
4. General Organization for Social Insurance (GOSI) (Board Member)	4. 2014 - Current
5. Credit Suisse Saudi Arabia Bank (Board Member)	5. 2017 - Current
6. Saudi Aramco (Executive Director)	6. 1981 - 2017
7. Yanbu Aramco Sinopec Refining Company (YASREF) (Board Member)	7. 2012 - 2017
8. Johns Hopkins Aramco Healthcare Company (JHAH) (Board Member)	8. 2013 - 2017
9. Saudi Aramco Asia Company (SAAC) (Board Member)	9. 2010 - 2016
10. Board of Trustees of the Arabian Society of Human Resources Management (ASHRM) (Chairwoman)	10. 2014 - Current
11. Saudi Aramco Development Company (SADCO) (Board Member)	11. 2012 - 2017
12. Saudi Aramco Investment Management Company (SAIMCO) (Board Member)	12. 2012 - 2017

Dr. Abdulla Elyas (Independent) (Since 01/07/2019)	Period
1. Bupa Arabia for Cooperative Insurance Company (Independent Board Member)	1. 2019 - Current
2. Careem Incorporated (Co-Founder)	2. 2014 - Current
3. Saudi Arabian Small and Medium Enterprise Authority (Board Member)	3. 2016 - Current
4. Saudi Arabian Public Investment Fund (Investment Committee Steering Member)	4. 2017 - 2018
5. Rocket Internet SE (Agent for Saudi Arabia)	5. 2012 - 2016
6. Enwani (Co-Founder and Managing Director)	6. 2012 - 2014
7. IDS Scheer Consulting (Senior Management Consultant)	7. 2008 - 2011

Mrs. Joy Linton (Non-Executive) (Since 01/12/2019)	Period
1. Bupa (Chief Financial Officer)	1. 2016- Current
2. Bupa (Executive Team Member and Executive Board Member)	2. 2016- Current
3. Bupa (General Manager-Health Services Strategy and M&A)	3. 2015- 2016
4. Bupa (Interim People Officer)	4. 2015- 2015
5. Bupa Australia and New Zealand (Financial and Commercial Director)	5. 2012 - 2015
6. Bupa Australia (Chief Financial Officer)	6. 2011- 2012
7. Bega Cheese Limited (Non-Executive Director of the ASX)	7. 2011- 2015
8. Bupa Investments Overseas Limited (Board Member)	8. 2015- Current
9. Max Bupa Health Insurance Company Limited (Board Member)	9. 2015- Current
10. Bupa Finance PLC (Board Member)	10. 2016 - Current
11. Lion, Formerly National Foods (Variety of senior roles culminating in the last role as the Chief Financial Officer)	11. 1996 - 2010

Mr. Martin Houston (Non-Executive) (Full Year)	Period
1. Executive Vice-Chairman of Tellurian Investments Incorporated	1. 2014 - Current
2. Senior Advisor, Hakluyt	2. 2016 - Current
3. Moelis and Company - Chairman of the Global Energy Group (since March 2018)	3. 2017 - Current
4. Non-executive Board member of CC Energy Limited	4. 2018 - Current
5. Chairman of EnQuest plc	5. 2019 - Current

Other

- Fellow of the Geological Society 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 required and applicable, and for the fifth term all were approved as re-appointments of the fourth term.

The Board also appoints the Board Committee's Secretaries for each new term, based on the recommendation of the NRC, where required and applicable, and for the new term appointed the Head of the Internal Audit Department (IAD) as the AC Secretary, and the Director of Company Secretariat, as the Company Board Secretary, and the Secretary for all the other Board Committees, except the AC, 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, almost twenty (20) 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. Mark also implemented the Company's Governance related, including the Company website investor relations section, and has been responsible for the Company's Annual Report and Accounts (ARA) since the Company's inception.

Mark 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. Mark 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 remunerations of the Board, and Board Committees', members, and of the Executive Management, are determined by the respective Remuneration Policies, which are approved by the shareholders in the GA meetings. These Remuneration Policies are authorised by the Board, subject to the shareholder's approval, after the recommendation of the NRC, and are periodically updated after appropriate benchmarking. The benchmarking is made against appropriate local, and/or international, companies' remuneration levels, and this process includes accounting for external third party subject matter expertise, where considered appropriate.

During 2019, in accordance with the new Board term, the Company completed appropriate benchmarking, and an outcome of which the Board, based on the NRC recommendation, authorised changes, subject to the approval of the shareholders of the update of the Remuneration Policies, in the first GA of 2020, and which are reflected in sections 10 and 11. The changed amounts were accrued within the 2019 costs per the financial statements and will only be settled to the relevant persons after the approval of the shareholders, and subject to any required regulatory approvals.

The key policies determining the remunerations of the Board, and Board Committee's, members, as reflected within the Company's Terms of Engagement for Board and Board Committee members, and of Executive Management, are:

1. The Board Member Remuneration Policy,
2. The Board Committee Member Remuneration Policy, and
3. The Chief Executive Team (CET) Member Remuneration Policy, and the Company Human Resources Policy.

The duties and responsibilities of the Board, and Board Committees, and their members, are as defined within these policies and the various governance documents, including the Code of Corporate Governance, the Board and Board Committees' Charters, and the Terms of Engagement, and the remunerations are based on the fulfilment of their duties, and minimum meeting attendance levels. During 2019 there were no significant deviations from these policies.

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 updated policy is to pay attendance fees, for the Non-Executive Board, and Board Committees', members, for any Board, GA or Board Committee meetings attended, to a maximum of SR50k attendance fees per fiscal year, whether attendance is physically in person (SR5k/meeting) or by conference (SR2.5k/meeting), 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 2019 AFS, note 24b, and below:

Board Member Name	From	Until	Other Role(s)	Representing	Total 2018 Remu. (SR000s)	2019 Remu. (SR000s)	2019 Attendance Fees (SR000s)	Total 2019 (SR000s)	2019 Change (SR000s)
Mr. Zaid Algwaiz*	01/07/19	31/12/19	AC Member	Not Applicable	375	375	28	403	28
	01/01/19	30/06/19	NRC Chairman	Not Applicable					
Ms. Huda Al Ghoson*	01/07/19	31/12/19	Not Applicable	Not Applicable	0	200	10	210	210
Dr. Abdulla Elyas*	01/07/19	31/12/19	RMC Member	Not Applicable	0	175	20	195	195
Mr. Abdulhadi Shayif*	01/07/19	30/06/19	Previous RMC Chairman	Not Applicable	375	188	0	188	(188)
Dr. Adnan A. Soufi*	01/07/19	30/06/19	Previous AC Chairman	Not Applicable	375	188	0	188	(188)
Total Independent* Board Members					1125	1125	58	1183	58
Eng. Loay H. Nazer	01/01/19	31/12/19	Board Remuneration Board Chairman Bonus	Nazer	500	475	20	495	(5)
			Board V-Chairman		0	375	0	375	375
Mr. David Fletcher #	01/01/19	31/12/19	Board V-Chairman	BIOL	300	300	10	310	10
Mr. Martin Houston #	01/10/18	31/12/19	Not Applicable	BIOL	50	250	10	260	210
Mrs. Joy Linton #	01/12/19	31/12/19	EC Member	BIOL	0	25	0	25	25
Mr. Simeon Preston #	01/04/18	01/07/19	Previous EC Member	BIOL	225	150	0	150	(75)
Mr. Aamer Alireza	01/01/18	30/09/18	Previous IC Chairman	Nazer	281	0	0	0	(281)
Mr. Martin Potkins #	01/01/18	31/03/18	Previous EC Member	BIOL	75	0	0	0	(75)
Total Non-Executive Board Members					1431	1575	40	1615	184
Mr. Tal Nazer	01/01/19	31/12/19	CEO/ EC Member	Not Applicable	300	300	0	300	0
Total Executive Board Members					300	300	0	300	0
Total Board Members Remuneration					2856	3000	98	3098	242

#The Board/Board Committee member remuneration fees for BIOL 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 2019 AFS, note 24a, and the table below, for the salaries, emoluments, allowances and bonuses, expensed/or provided for within the 2018/2019 results, by/for, the board members and the senior management:

Description	Executive Board Members (CEO) (Board Remuneration)	Independent and Non-Executive Board Members	Senior Management (Including CEO and CFO)		
	2019 SR000s	2019 SR000s	2019 SR000s	2018 SR000s	2019 (Change)
Salaries and emoluments	300	2,325	17,146	17,728	(582)
Board Allowances	0	98	N/A	N/A	N/A
Bonuses & LTIP	N/A	375	19,423	14,040	5,383
EOS	N/A	0	1,028	978	50
2019	300	2,798	37,597	32,746	4,851
2018	300	2,556	32,746		
2019 (Change) SR000s	0	242	4,851		

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. The SR375k Bonus reflected for the Board members is the Board Chairman's bonus and no Board members are entitled to any LTIP shares.

• 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 31/12/2019:

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 31/12/2018		Closing 31/12/2019		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Abdulhadi Shayif	301,500	-	301,500	-	0	0%
Mr. Aamer Alireza	-	-	10,692	-	10,692	100%
Mr. Zaid Algwaiz	3,000	-	3,000	-	0	0%
Dr. Adnan Soufi	-	-	-	-	-	-
Eng. Loay Hisham Nazer	3,000	-	3,000	-	0	0%
Mr. David Fletcher	-	-	-	-	-	-
Mr. Simeon Preston	-	N/A	-	-	-	-
Mr. Martin Houston	-	N/A	-	-	-	-
Mr. Tal Hisham Nazer [^]	58,479	-	1,000	-	(57,479)	(98%)
Dr. Abdulla Elyas	-	-	-	-	-	-
Ms. Huda AlGhoson	-	-	-	-	-	-
Mrs. Joy Linton	-	-	-	-	-	-

[^] The shares reflected for Mr. Tal Nazer are the same shares per the Senior Management Executives' 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	
	31/12/2018		31/12/2019		In shares	%
	No of shares	Debt Instrum.	No of shares	Debt Instrum.		
Mr. Tal Hisham Nazer^ (CEO)	58,479	-	1,000	-	(57,479)	(98%)
Mr. Nader Ashoor (CFO)	-	-	-	-	-	-
Mr. Ali Sheneamer (CBDO)	11,628	-	18,526	-	6,898	59%
Mr. Tariq Alamoudi (CHRO)	-	-	-	-	-	-
Mr. Atef Mufti (CSO)	-	-	-	-	-	-
Mr. Mohamed El Missaoui (COO)	-	-	-	-	-	-
Mr. Mark Lance Sutcliffe (Co. Board Sec.)	16,860	-	19,593	-	2,733	16%
Mr. Bassel Gazzaz (Corporate Sales)	-	-	6,168	-	6,168	100%
Mr. Nidal Saab (TPA)	-	-	1,000	-	1,000	100%
Mr. Nasser AlQawas (Legal Counsel)	-	-	-	-	-	-
Mr. Ahmed Jaber (Risk)	-	-	-	-	-	-
Mr. Luay Abumansour (Compliance)	-	-	-	-	-	-
Mr. Assem Hamam (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 05/02	Board 2 13/03	Board 3 30/04	Board 4 18/06	Board 5 01/07	Board 6 17/09	Board 7 19/11	%
Eng. Loay Hisham Nazer	Y	Y	Y	Y	Y	Y	Y	100%
Mr. David Martin Fletcher	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Tal Hisham Nazer	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Abdulhadi A.S. Shayif (Until 30/06/2019)	Y	Y	Y	N	N/A	N/A	N/A	75%
Mr. Zaid A. Algwaiz	Y	Y	N	Y	Y	Y	Y	86%
Dr. Adnan A. Soufi (Until 30/06/2019)	Y	Y	Y	Y	N/A	N/A	N/A	100%
Mr. Simeon Preston (Until 01/07/2019)	Y	Y	Y	N	N	N/A	N/A	60%
Mr. Martin Houston	Y	Y	N	Y	Y	Y	Y	86%
Dr. Abdulla Elyas (From 01/07/2019)	N/A	N/A	N/A	N/A	Y	Y	Y	100%
Ms. Huda AlGhoson (From 01/07/2019)	N/A	N/A	N/A	N/A	Y	Y	Y	100%
Mrs. Joy Linton (From 01/12/2019)	N/A	N/A						
Total % Attendance	100%	100%	75%	75%	87%	100%	100%	91%

• 10.8 Major board approvals/resolutions:

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

- The Company's updated Strategy, as per the EC recommendation,
- The CEO's updated contract, in alignment with the new Company Strategy, as per the NRC recommendation,
- The update of the Company's Risk Appetite Framework (RAF), and Risk Appetite Statements (RAS), as per the RMC recommendation,
- The 2020 Annual Operating Plan (AOP), as per the EC recommendation.
- The quarterly IFS, for fourth quarter 2018, and 2019 first to third quarters, the 2018 AFS and ABR, and the conflicts of interests, and related party transactions contained therein, per the AC recommendation, after receiving SAMA no-objection, and subject to the public shareholder's approval in the GA, where required and applicable,
- The appointments of the Board members, and Board Committee members and chairpersons, and changes in Secretaries, as per the NRC recommendation, for the new term, where required and applicable,
- 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).

Please refer to the sections 10, 12, 2019 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, or that of their first degree relatives, 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.

2019 ABR AFS RPTs Summary - ABR 2019 TABLE 10.9

Legal Entity	Related Party	Description	2019 Period	2018 Period	2019 SRk	2018 SRk	SRk Incr/ (Decr).
Bupa Global	Bupa	Reinsurance Premium Ceded (Bupa International Saudi Arabia Plan)	12 months Jan-Dec	12 months Jan-Dec	36,423	14,939	21,484
Al-Ittihad Sports and FC	Eng. Loay Nazer	Marketing expenses - net (GWP less Expenses)	N/A	2 months Nov-Dec	-	521	(521)
My Clinic International Medical Company	Nazer	Nurse service fees	12 months Jan-Dec	3 months Oct-Dec	132	33	99
NCB Capital	Dr. Adnan Soufi	Service Fees and Bank Charges	6 months Jan-Jun	6 months Oct-Dec	715	482	233
Various	Various	Other expenses - net	12 months Jan-Dec	12 months Jan-Dec	673	892	(219)
Bupa Investments Overseas Limited (BIOL)	Bupa	Tax Equalisation - net	12 months Jan-Dec	12 months Jan-Dec	(2,988)	9,120	(12,108)
Bupa Investments Overseas Limited (BIOL)	Bupa	Board and Committee Member Remuneration	12 months Jan-Dec	12 months Jan-Dec	700	858	(158)
Bupa Middle East Holdings Two. W.L.L. (BMEH2)	Bupa and Nazer	Trade mark fees	12 months Jan-Dec	12 months Jan-Dec	23,608	20,542	3,066
Total Listed Transactions					59,263	47,387	11,876

• 10.10 Related party transactions relating to insurance contracts:

Details of health insurance contracts' associated with Bupa Arabia's Board members, or that of their first degree relatives, 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	2019	2018	2019 Change	2019 % Change
1.	Mr. Abdulhadi Shayif*	Family and Personal Employees Health Insurance	01/01 - 31/12	SR 000s	64	55	9	17%
2.	Mr. Zaid Algwaiz*	Minor 2018 personal family health Insurance before NCB insurance cover	24/06 - 23/06	SR 000s	N/A	N/A	N/A	N/A
3.	Dr. Adnan Soufi*	SEDCO - Saudi Economic Develop Holding. Co. Ltd.	14/04 - 13/04	SR millions	3	3	0	13%
4.	Eng. Loay H. Nazer	Nazer Group Related Contracts (multiple contracts)	Various	SR millions	10	9	1	12%
5.	Mr. Aamer Alireza	Xenel and Nazer Group Related Contracts (multiple contracts)	0m '19, 12m '18	SR millions	N/A	50	(50)	(100%)
6.	Mr. Tal Nazer	Bupa Arabia Employees Health Insurance Scheme	01/07 - 30/06	SR millions	19	18	1	6%
7.	Dr. Abdulla Elyas*	Careem Contract Health Insurance Scheme	20/04 - 19/04	SR millions	1	N/A	1	100%
	Ms. Huda Alghoson*	Not insured through Bupa Arabia	N/A	N/A	N/A	N/A	N/A	N/A
	Mr. David Fletcher#	Not insured through Bupa Arabia	N/A	N/A	N/A	N/A	N/A	N/A
	Mrs. Joy Linton#	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
* Independent		* Independent Board Members						
1.	Mr. Abdulhadi Shayif*	Settles family and personal employees' health insurance cover amounts directly to Bupa Arabia						
2.	Mr. Zaid Algwaiz*	Previously, in early 2018, settled personal/family health insurance cover amounts to Bupa Arabia until covered by NCB after joining NCB's Board during May 2018						
3.	Dr. Adnan Soufi*	Previously settled 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	Not applicable for the 2019 year as Mr. Aamer Alireza was no longer a Bupa Arabia Board member during the 2019 year (Mr. Alireza was a Board member during 2018)						
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						
7.	Dr. Abdulla Elyas*	Health cover for self and family is as an employee of Careem and Careem settles to Bupa Arabia directly						
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	2019	2018	2019 Change	2019 % Change
	Mr. Abdulhadi Shayif*	Health Water Bottling Company (Mr. Shayif a Board Member)	30/06 - 29/06	SR millions	3	4	(1)	(18%)
	Mr. Abdulhadi Shayif*	Saudi Ground Services - new contract after Mr. Shayif Bupa term end	01/07 - 30/06	SR millions	N/A	38	(38)	(100%)
		Rahji Steel Company (Mr. Algwaiz a former independent Board Member)	24/06 - 23/06	SR millions	N/A	7	(7)	(100%)
	Mr. Zaid Algwaiz*	NCB (Mr. Algwaiz an independent Board Member of NCB)	01/01 - 31/12	SR millions	151	N/A	151	100%
		A variety of Bupa health insurance contracts, relating to first degree relatives of Mr. Algwaiz, including Etihad Etisalat Company (Mobily) (2018 and 2019), and Al-Rahji Bank (2019 only)	Various	SR millions	200	89	110	123%
	Dr. Adnan Soufi*	NCB Capital (Dr. Adnan an NCB Capital Indep. Board member from 2019)	01/01 - 31/12	SR millions	5	N/A	5	100%
	Eng. Loay H. Nazer	Al-Ittihad FC (Eng. Loay Nazer former Chairman)	10/08 - 09/08	SR 000s	N/A	299	(299)	(100%)
	Mr. David Fletcher#	During 2019 there were 25 contracts (2018 : 16 contracts)						
	Mrs. Joy Linton#	which Bupa (England, UK) had an interest in						
	Mr. Martin Houston#							
	Dr. Adnan Soufi*	NCBC Management & Admin Fees (Dr. Adnan is an Indep. Board Member)	6m '19, 6m '18	SR 000s	715	482	233	N/A
	Eng. Loay H. Nazer	Al-Ittihad FC Sponsorship (Eng. Loay Nazer former Chairman)	Various	SR 000s	N/A	521	(521)	(100%)
	Eng. Loay H. Nazer+Tal Nazer	My Clinic Nurse fees services provided to Bupa Arabia Offices	12m '19, 3m '18	SR 000s	132	33	99	300%

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.

• 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 Chairpersons, in liaison with the NRC.

11 Board Committees:

The Board Committee member remuneration fees, and attendance fees, excluding the Board member remunerations, are reflected below:

Committee	Member Name	From	Until	Total 2018 Remu. (SR000s)	2019 Remu. (SR000s)	2019 Attendance Fees (SR000s)	Total 2019 (SR000s)	2019 Change (SR000s)
Audit Committee (AC)	Mr. David Hunt* (Member)	01/12/18	30/06/19	125	150	20	170	45
	(AC Chairman)	01/07/19	31/12/19					
	Mr. Suliman Al-Hatlan*	01/06/18	31/12/19	73	138	15	153	80
	Mr. Walid Shukri*	01/07/19	31/12/19	0	75	15	90	90
	Mr. Khalid Al-Soliman*	01/12/18	30/06/19	125	63	0	63	(63)
AC Sub-Total				323	425	50	475	152
Investment Committee (IC)	Mr. Osamah Shaker* (Member)	01/01/19	31/12/19					
	(IC Chairman)	01/02/19	31/12/19	0	146	10	156	156
	Mr. Selman Alfares*	01/07/19	31/12/19	0	50	10	60	60
	Mr. Niall Dooner #	01/07/19	31/12/19	100	100	5	105	5
	Mr. Khaled Al-Khattaf*	01/07/18	31/12/18	100	0	0	0	(100)
	Mr. Aamer Alireza (Non-Board IC Chair)	01/10/18	31/12/18	38	0	0	0	(38)
IC Sub-Total				238	296	25	321	83
Nomination & Remuneration Committee (NRC)	Ms. May Al-Hoshan*	01/12/18	30/06/19	100	50	0	50	(50)
	Ms. Claire Semple #	01/12/18	30/06/19	8	50	0	50	42
NRC Sub-Total				108	100	0	100	(8)
Risk Management Committee (RMC)	Dr. Khalid Al-Faddagh* (Chairman)	01/07/19	31/12/19	0	75	15	90	90
	Mr. Rami Makaram	29/09/16	31/12/19	100	100	0	100	0
	Mr. James O'Reilly #	01/07/19	31/12/19	0	50	8	58	58
	Mr. Paul John Davis #	01/12/18	30/06/19	100	50	0	50	(50)
RMC Sub-Total				200	275	23	298	98
Total Committee Members' (Non-Board Member) Remuneration Fees				868	1096	98	1194	325

• 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 2019 AC meeting attendances are reflected below, the seventh meeting was with the Board.

AC member name	Relevant experience and qualifications	AC1 29/01	AC2 06/03	AC3 24/04	AC4 16/07	AC5 24/10	AC6 18/11	AC7 19/11	%
Dr. Adnan Soufi* (Saudi) (until 30/06/2019)	Refer Board section 10.2	Y	Y	Y	N/A	N/A	N/A	N/A	100%
Mr. David Hunt* (British) (Full year - AC Chairman for the new term, since 01/07/2019)	B.Sc. Banking & Finance, Loughborough University of Technology, UK (1987). Over Thirty years' global experience in banking, financial services and insurance including, twenty-five years as an International Manager with the HSBC Banking Group. Previously Managing Director for SABB Takaful (2007-2011) and CEO for Gulf Finance, Saudi Arabia. Special Advisor to the Actis private equity Group 2012-2014.	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Khalid Al-Soliman* (Saudi) (until 30/06/2019)	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	N	Y	N/A	N/A	N/A	N/A	67%
Mr. Sulaiman Alhatlan* (Saudi) (Full Year)	M.Sc. Degree in Accountancy, San Diego State University, USA, (1998), and Bachelor's Degree in Accounting, King Saud University, (1994).	Y	Y	Y	Y	Y	Y	N	86%
Mr. Zaid Algwaiz* (Saudi) (for the new term, since 01/07/2019)	Refer Board section 10.2	N/A	N/A	N/A	Y	Y	Y	Y	100%
Mr. Walid Shukri* (Saudi) (for the new term, since 01/07/2019)	A member of a variety of international and Saudi Boards and Committees including for companies such as the Saudi Electric Company, Saudi Mechanical Industries Company, Hokair and the Kanoo Group (Bahrain). Walid holds a degree in industrial management accounting (with Honors) from the King Fahad University of Petroleum and Minerals, KSA, and is a qualified accountant, CPA, USA, and Saudi SOCPA.	N/A	N/A	N/A	Y	Y	Y	Y	100%
Total Overall % AC Member Attendance		100%	75%	100%	100%	100%	100%	75%	93%

AC member's summary changes during the year:

Outgoing	Date	Comment
Dr. Adnan Soufi* (AC Chairman)	30/06/2019	End of Term
Mr. Khalid Al-Soliman*	30/06/2019	End of Term
Incoming	Date	Comment
Mr. Zaid Algwaiz*	01/07/2019	New Term
Mr. Walid Shukri*	01/07/2019	New Term

• 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 2019 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.

EC member name	EC 1 13/03	EC 2 18/06	EC 3 01/07	EC 4 19/11	%
Eng. Loay Hisham Nazer	Y	Y	Y	Y	100%
Mr. David Martin Fletcher#	Y	Y	Y	Y	100%
Mr. Tal Hisham Nazer	Y	Y	Y	Y	100%
Mr. Simeon Preston# (until 01/07/2019)	Y	N	N	N/A	33%
Mrs. Joy Linton# (since 01/12/2019)	N/A	N/A	N/A	N/A	N/A
Overall Total %	100%	75%	75%	100%	87%

EC member's summary of replacements during the year:

Outgoing	Outgoing Date	Representing	Incoming	Incoming Date	Representing
Mr. Simeon Preston	01/07/2019	BIOL	Mrs. Joy Linton	01/12/2019	BIOL

• 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.

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 comprised three members.



IC member	Relevant experience and qualifications	IC 1 27/02	IC 2 07/05	IC 3 28/10	IC 4 18/11	%
Mr. Osamah Shaker* (Saudi) (Since 01/01/2019)	GIB Capital CEO and Board Member since 2016, Investment Committee Chairman and Member at Bupa Arabia since Jan\Feb 2019. He holds a Master of Science in Statistics from Colorado State University, USA, and Bachelor of Administrative Sciences in Quantitative Methods from King Saud University, KSA.	Y	Y	Y	Y	100%
Mr. Zaid Algwaiz* (Saudi) (until 30/06/2019)	Refer Board section 10.2	Y	Y	N/A	N/A	100%
Mr. Niall Dooner# (Irish)	Senior Actuary for Bupa Global DAC, prior to joining Bupa a 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	100%
Mr. Selman Alfares* (Saudi) (from 01/07/2019)	Nessel Holding Company CEO since 2004, the CEO of AlMajd AlArabiyah since 2017, and Board Member and Member of Executive Committee at Hassana Investment Company since 2018. Holding a Bachelor of Science in Computer Information Systems from Arizona State University, USA.	N/A	N/A	Y	Y	100%
Overall Total %		100%	100%	100%	100%	100%

IC member's summary changes during the year:

Outgoing	Date	Comment
Mr. Zaid Algwaiz*	30/06/2019	End of Term
Mr. Khaled AlKattaf*	30/06/2019	End of Term

Incoming	Date	Comment
Mr. Selman Alfares*	01/07/2019	New Term
Mr. Osamah Shaker*	01/07/2019	New Term

• 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.

NRC member	Relevant experience and qualifications	NRC1 26/02	NRC2 17/06	%
Mr. Zaid Algwaiz* (Saudi) (until 30/06/2019)	Refer Board section 10.2	Y	Y	100%
Ms. May Al-Hoshan* (Saudi) (until 30/06/2019)	During August 2018 May 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), May has a Master's in Engineering (Knowledge Management) at the George Washington University, and a Bachelor of Science, B.Admin. (Organizational Behaviour), at the Boston University.	Y	Y	100%
Ms. Claire Semple# (British) (until 30/06/2019)	Group Head of Talent, Leadership & Learning for Bupa since September 2019. Previously Bupa International Markets People Director 2018-2019, having held roles as 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, Unilever and Diageo. Holds an MSc. Organisation & People Development, (2004), a graduate Diploma from the Institute of Personnel & Development, UK (1996) and a BA (Hons) English Literature, University of Lancaster, UK (1992).	Y	Y	100%
Overall Total %		100%	100%	100%

NRC member's summary changes during the year:

Outgoing	Date	Comments
Mr. Zaid Algwaiz*	30/06/2019	End of Term
Ms. Claire Semple#	30/06/2019	End of Term
Ms. May AlHoshan*	30/06/2019	End of Term

The regulatory approval for the new term NRC membership was in progress, and the new term NRC was therefore not yet formally constituted, as at 31/12/19, and as a result there were no formal NRC meetings held during the second half of 2019. The new term NRC was formally constituted on 12/02/20, following the receipt of the regulatory approvals for the NRC members, and whom comprising:

NRC new term membership:

NRC Member Name and role	Effective Date	Comments
Ms. Huda AlGhosen* (Saudi), also as NRC Chairperson	12/02/2020	Independent Board Member, refer section 10.2
Mr. Omar Najjar* (Saudi)	12/02/2020	Independent Non-Board Member
Mr. Martin Houston (British) #	12/02/2020	Board Member, refer section 10.2

• 11.5 Risk Management Committee (RMC):

RMC Purpose

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 2019 RMC meetings and attendances are reflected below. The fourth meeting was with the Board:

RMC member name	Relevant experience and qualifications	RMC1 03/04	RMC2 14/10	RMC3 18/11	RMC4 19/11	%
Dr. Khalid Al-Faddagh* (Saudi) (RMC Chairman from 01/07/2019)	Board Member at the E1 Healthcare Cluster, Independent Board Member at Vision Invest, Chairman of the Risk & Compliance Committee at ACWA POWER, Independent Board Audit Committee Member at SABIC and SPIMACO, Independent Board Risk Committee at the PIF. Dr. Al-Faddagh holds a PhD in Mechanical Engineering, Applied Mechanics from the Imperial College, England, UK. Achieved a Master of Science in the same major from the Victoria University of Manchester, England, UK.	N/A	Y	Y	Y	100%
Dr. Abdulla Elyas* (Saudi) (from 01/07/2019)	Refer Board section 10.2	N/A	Y	Y	Y	100%
Mr. James O'Reilly # (British) (from 01/07/2019)	Currently Chief Risk Officer for Bupa Global and its affiliates, since Feb-2019, and was previously the Risk and Compliance Director of the Bupa Global division (2018-19). Is a Fellow of the Association of Chartered Certified Accountants (ACCA), UK, (since 2015), having been a member since 2010.	N/A	Y	Y	N	67%
Mr. Rami Makarem (Lebanese) (Full year)	Currently the Nazer Group CEO. Previously the CFO of a UAE holding conglomerate for 5 years and before that was a Finance Manager for an IT multinational company in Riyadh. Previously worked as an auditor with a big four assurance company in Jeddah and Abu Dhabi. He holds an Executive MBA from the London Business School, a Post Graduate Diploma in Financial Strategy from the Said Business School at Oxford University. Rami is also a CPA and CMA (USA), and has a B.Sc. Business Admin., from Lebanon.	Y	Y	Y	Y	100%
Mr. Abdulhadi Shayif* (Saudi) (RMC Chairman until 30/06/2019)	Refer Board Section 10.2	Y	N/A	N/A	N/A	100%
Mr. Tal Nazer (Saudi) (until 30/06/2019)	Refer Board Section 10.2 and CET Section 7.6	Y	N/A	N/A	N/A	100%
Mr. Paul Davis# (British) (until 30/06/2019)	Over 25 years' experience in legal, risk and compliance roles. Qualified as a solicitor in London in 1992. Extensive international experience having held a number of senior management positions in India, the Middle East and Asia during a 13-year career with Standard Chartered Bank. Is currently the Bupa Group Risk Director, Governance and Assurance.	Y	N/A	N/A	N/A	100%
Overall %		100%	100%	100%	75%	94%

RMC member's summary changes during the year:

Outgoing	Date	Comment
Mr. Tal Hisham Nazer	30/06/2019	End of Term
Mr. Abdulhadi Shayif*	30/06/2019	End of Term
Mr. Paul Davis#	30/06/2019	End of Term
Incoming	Date	Comment
Dr. Khalid Al-Faddagh*	01/07/2019	New Term
Dr. Abdulla Elyas*	01/07/2019	New Term
Mr. James O'Reilly#	01/07/2019	New Term

12 General Assembly (GA) meetings:

In 2019 we held two Extraordinary GA Meetings (EGM) and we include the highlights of our key Tadawul announcements, and the summary of the GA resolutions approved. Shareholders are referred to our fully detailed Tadawul announcements, our 2019 AFS, and our Company Website's Investor Relations Governance section, including the GA minutes, 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 30/06/2019 (results announced on 01/07/2019):

- (1): Annual Board Report for the year ended 31/12/2018.
- (2): The External Auditors Report for the year ended 31/12/2018.
- (3): The Annual Financial Statements for the year ended 31/12/2018.
- (4): The selection of the external auditors, and their fees (Ernst & Young and KPMG Al-Fozan & Partners)
- (5): The dividend distribution of SR1.50/share, SR180m, representing 15% of the paid up capital at the time.
- (6): The remuneration paid to the Board members, at SR2,856K, for the year ended 31/12/2018.
- (7): The absolving of the Board of Directors of their responsibility for the year ended 31/12/2018.
- (8): The delegation of authority to the Board to approve an interim dividend.
- (9): The changes to the Company's Long-Term Incentive Plan (LTIP).
- (10): The purchasing of the LTIP shares by the company in order to fulfil the current LTIP Cycle's required shares purchase, to a maximum value of SR17,743,567, and to a maximum number of shares of 251,000.
- (11): The appointment of the members of the Board of Directors, for the next new term.
- (12): The formation of the Audit Committee, its membership, and its charter, for the new term.
- (13-40): The ratification of related party transactions, business and contracts, for the prior and future years.

12-2 EGM resolutions approved on 12/11/2019 (results announced on 13/11/2019):

- (1): The purchasing of the LTIP shares by the company in order to fulfil the current LTIP Cycle's required shares purchase, to a maximum value of SR15,000,000, and to a maximum number of shares of 210,000.
- (2): The updating of the Audit Committee Charter.
- (3): The updating of the Risk Management Committee Charter.
- (4): The ratification of the medical insurance contracts for the year 2019 with Gulf International Bank Capital, Zaid Algaiz is a related party.
- (5): The ratification of the medical insurance contracts for the year 2019 with Ahmed Mohammed Baeshen Company, Ali Sheneamer is a related party.
- (6): The changes in Article 3 of the Company's By-Laws, refining the Company's Objectives in accordance with the Bupa Arabia SAMA license, as requested by SAMA.
- (7): The changes in Article 15 of the Company's By-Laws, increasing the Board membership from eight (8) to nine (9).

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, and including the GA minutes on the Company's website.

12-3 GA meetings attendance by the Board Members:

Board Member Name	EGM 1 30/06/2019	EGM 2 12/11/2019	%
Eng. Loay Hisham Nazer	N	Y	50%
Mr. David Martin Fletcher#	N	N	0%
Mr. Tal Hisham Nazer	Y	Y	100%
Mr. Abdulhadi Ali Saif Shayif* (until 30/06/2019)	N	N/A	0%
Mr. Zaid Abdulrahman Algaiz*	Y	N	50%
Dr. Adnan Abdulfattah Soufi* (until 30/06/2019)	Y	N/A	100%
Mr. Simeon Preston# (until 01/07/2019)	N	N/A	0%
Mr. Martin Houston#	N	N	0%
Dr. Abdulla Nadeem Elyas* (from 01/07/2019)	N/A	N	0%
Ms. Huda Mohammed AlGhoson* (from 01/07/2019)	N/A	N	0%
Mrs. Joy Linton# (from 01/12/2019)	N/A	N/A	N/A
Overall Board Member % GA Attendances	38%	29%	33%

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.

Bupa Arabia is committed to maintaining, and developing, 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 plans to further enhance its key governance documents, for the approval of the shareholders, during 2020.

During 2019 the Company continued to invest and enhance its corporate governance through:

- The re-launch of the Company Whistle-Blowing practices, through educational videos and training sessions, including enhancing the anonymity of the raising of concerns,
- Training and awareness sessions in relation to the Competition Laws, including analysis of Bupa Arabia's alignment to them, and an update to the Board, in relation to the same,
- The implementation of the updated Company RAF and RAS.
- The updates of the AC and RMC Charters, in line with best practice and the new SAMA Cyber Security related requirements,
- Fraud training to the Company employees and representatives, including for the Board members,
- A continued focus on the development of the Company's Policies and Procedures.

Control Functions:

In support of ensuring robust practices of legal affairs and corporate governance, internal control, risk management, and cyber security and technology 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, which all report to the CRO, which role, as at 31/12/19, was vacant and the Company actively recruiting for. 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 2019 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 Alqawas:

Mr. Nasser Alqawas joined Bupa Arabia May 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. He started his professional career in Arent Fox law firm for 6 years, after that and 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, the Group Chief Compliance Officer and then he was appointed as Chief Legal Advisor. Nasser 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), Certified Compliance Officer from Financial Academy (SAMA), and Leadership 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. The RMD is led by the Head of Risk Management and whose profile is reflected below:

Director - Risk Management Department, Ahmed Jaber:

Mr. Ahmed Jaber joined Bupa Arabia during 2016, holds a Bachelor Degree in Industrial Engineering from King Fahad University of Petroleum and Minerals. He has 18 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. Ahmed Also was the Western Regional Head of Country Credit and Risk Control in SAMBA and worked as a Field Engineer in Schlumberger Middle East. 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 GRC Professional (GRCP), Certified GRC Auditor (GRCA) Certified Fraud Examiner (CFE), Certified Risk Analyst (CRA), Certified Operational Risk Manager (CORM), Project & Contract Risk Specialist (PCRS) and Certified Compliance Officer (CCO)).

The 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.

Finance pricing, actuarial, asset management & business advisory departments:

The Finance 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. Additionally, the asset management and business advisory department performs a key control function, in relation to the management of the investment assets, in accordance with the Board approved Investment Policy Statement (IPS), Risk Appetites, and in adherence to the SAMA regulatory investment guidelines. These key Finance functions 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. Jamil 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. Chadi 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.

Director - Asset Management & Business Advisory, Ahmed Bajunaid:

Mr. Bajunaid has more than 11 years' experience in investment management. He joined Bupa Arabia in 2018 to lead the transformation activities related to the investment management function and to assist with company-wide key strategic initiatives as part of the Business Advisory function. He was appointed as Director - Asset Management & Business Advisory during 2019.

Before joining Bupa, Ahmed worked at Sanabil Investments, where he was responsible for investing and managing its global private equity program. Before that, he spent nine years at Saudi Aramco Investment Management Department conducting strategy analysis and fund manager due diligence and reporting for private equity, public equities and hedge funds. Ahmed also worked with Cambridge Associates as an investment consultant within the private equity research team between Boston and London. Ahmed holds a Bachelor of Arts degree in Business Finance from Durham University and an MBA from Columbia Business School.

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, Luay Abumansour:

Mr. Abumansour joined Bupa Arabia in Dec 2019, bringing more than 12 years' experience on the area of compliance, anti-money laundering (AML), counter terrorist financing (CTF) and corporate governance. Before joining Bupa Arabia, Mr. Abumansour was the Head of Compliance and AML/CTF at Abdul-Latif Jameel United Real Estate Financing Company for 5 years, he managed to establish and build the Compliance and AML/CTF function. Before that he spent 7 years in Bank Aljazira, he played several roles in the area of AML/CTF compliance, where his last role was the Head of AML/CTF investigations division. Mr. Abumansour previous experience also covered 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. Luay holds a bachelor's degree in systems and Industrial Engineering from King Fahad University of Petroleum and Minerals, he is also a Certified Compliance Professional (CCP) by the International Academy of Business and 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), Mr. Assem Hamam:

Mr. Assem Hamam joined Bupa Arabia during the fourth quarter of 2017, bringing more than 10 years' of experience in Internal Audit, covering value-addition through assurance and consultation services in various sectors. Throughout his career, he built a solid acumen in driving organizations to act with the highest level of integrity, risk understanding and management, corporate governance, compliance with internal & external laws & regulations, internal controls and reporting processes, as well as the implementation and administration of efficient, and transparent, Internal Audit processes. Prior to joining Bupa Arabia, Mr. Hamam was the Internal Audit Manager/ Acting Head of Internal Audit of 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. Assem holds a bachelor's 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, 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	Article 90 paragraph 8 with respect to Article 93 a) paragraph 4) point 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 the fiscal year 2020 reporting in 2021.

There are a number of voluntary requirements within the CMA regulations which Bupa Arabia has decided to either adapt, as for example 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 will be enhanced during 2020 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 2019 Bupa Arabia made nine (9) requests of Tadawul for its shareholder database, on a variety of dates, and 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 Board Member 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 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 01/01/2015, and during May 2017 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) and, at the end of the current fiscal period holds 668,147 LTIP shares, cost value SR57.5m, 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 improved levels of internal control assessment maturity.

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, confirm 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 31/12/2019, were Ernst & Young and KPMG Al-Fozan & Partners, as was the case for the 2018 fiscal period.

23. Independent external actuary:

Bupa Arabia's independent external actuary, for the 2019 fiscal year was Lux Actuaries. Manar Sigma Financial Consulting was Bupa Arabia's independent external actuary for the 2018 and prior fiscal years.

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



KPMG Al Fozan & Partners
Certified Public Accountants
License No. 46/11/323
Issued 11/3/1992
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia



Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1594
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

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 2019, 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 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi organization for Certified Public Accountants (“SOCPA”) (referred to as “IFRS as endorsed in KSA”).

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, 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:



KPMG Al Fozan & Partners
Certified Public Accountants



Independent Auditors' Report

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Provisions for outstanding claims</p> <p>The provision for outstanding claims includes 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(xxi) 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 to note 13 for movement in outstanding claims.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • 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. • We engaged our 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. • We evaluated the appropriateness of sensitivities applied by the management towards assumptions affecting the adequacy of outstanding claims at the year end. • We also assessed the adequacy of the financial statements disclosures with respect to outstanding claims.



KPMG Al Fozan & Partners
Certified Public Accountants



Independent Auditors' Report

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

Other Information

Management is responsible for the other information. Other information comprises the information included in the Company's 2019 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 endorsed in KSA, 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.

Independent Auditors' Report

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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
9 Rajab 1441H
Corresponding to 4 March 2020



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

STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	Notes	2019 SR'000	2018 SR'000 (Restated)
ASSETS			
Cash and cash equivalents	5	665,709	290,413
Premiums receivable - net	6	1,689,377	950,671
Reinsurers' share of unearned premiums	13.2	20,625	6,320
Reinsurers' share of outstanding claims	13.1	1,218	336
Reinsurers' share of claims incurred but not reported	13.1	3,972	2,678
Deferred policy acquisition costs	14	134,022	118,323
Investments	7	1,840,832	1,621,491
Prepaid expenses and other assets	8	276,643	202,985
Term deposits	9	5,063,976	4,715,281
Fixtures, Furniture and Right-of-use assets - net	3b, 10	169,441	81,243
Intangible assets - net	11	56,245	57,273
Deferred tax asset	26b	30,216	25,552
Goodwill	4	98,000	98,000
Statutory deposit	12	120,000	120,000
Accrued income on statutory deposit	12	10,820	6,882
TOTAL ASSETS		10,181,096	8,297,448
LIABILITIES			
Accrued and other liabilities	18	448,687	285,809
Insurance operations' surplus payable	20	168,454	139,755
Reinsurers' balances payable	25	54,413	50,636
Unearned premiums	13.2	4,376,219	3,428,131
Outstanding claims	13.1	451,788	555,158
Claims incurred but not reported	13.1	1,157,428	898,123
Claims handling reserve	13.1	18,492	19,400
Due to related parties	24	78,848	41,095
Provision for end-of-service benefits	21	96,341	81,395
Provision for zakat and income tax	26c	274,709	199,784
Accrued income payable to SAMA	12	10,820	6,882
TOTAL LIABILITIES		7,136,199	5,706,168
EQUITY			
Share capital	27	1,200,000	1,200,000
Statutory reserve	28	727,871	609,111
Share based payments		25,525	17,579
Shares held under employees share scheme		(57,538)	(32,662)
Retained earnings		1,128,973	836,705
Re-measurement reserve of end-of-service benefits		(10,473)	(8,922)
Investments fair value reserve - related to shareholders		18,035	(21,942)
TOTAL SHAREHOLDERS' EQUITY		3,032,393	2,599,869
Investments fair value reserve - related to policyholders		12,504	(8,589)
TOTAL EQUITY		3,044,897	2,591,280
TOTAL LIABILITIES AND EQUITY		10,181,096	8,297,448

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 2019

	Notes	2019 SR'000	2018 SR'000 (Restated)
REVENUES			
Gross premiums written	13.2	10,410,868	8,566,648
Reinsurance premiums ceded - Local		(10,377)	(9,838)
Reinsurance premiums ceded - International		(95,417)	(70,690)
Net premiums written		10,305,074	8,486,120
Changes in unearned premiums - net		(933,783)	(335,878)
Net premiums earned	13.2	9,371,291	8,150,242
UNDERWRITING COSTS & EXPENSES			
Gross claims paid		(7,655,078)	(6,708,524)
Reinsurers' share of claims paid		58,632	48,700
Net claims paid		(7,596,446)	(6,659,824)
Changes in outstanding claims	13.1	103,370	(104,909)
Changes in claims incurred but not reported	13.1	(259,305)	(26,125)
Changes in claims handling reserves		908	(111)
Reinsurance share of changes in outstanding claims		882	(24)
Reinsurance share of changes in claims incurred but not reported		1,294	2,008
Net claims incurred		(7,749,297)	(6,788,985)
Policy acquisition costs		(224,350)	(197,371)
Total underwriting costs & expenses		(7,973,647)	(6,986,356)
NET UNDERWRITING INCOME		1,397,644	1,163,886
OTHER OPERATING (EXPENSES)/INCOME			
Allowance for doubtful receivables	6	(31,907)	(32,256)
General and administrative expenses	31	(491,001)	(433,686)
Selling and marketing expenses	32	(349,048)	(322,004)
Investment income - net	33	235,005	184,150
Other income - net		18,795	14,068
Total other operating (expenses)/income		(618,156)	(589,728)
Income before Surplus, Zakat & Income Tax		779,488	574,158
Income attributed to the insurance operations (transfer to surplus payable)	20	(66,834)	(48,727)
Income attributed to the shareholders before zakat and income tax		712,654	525,431
Zakat charge	26a	(57,821)	(48,648)
Income tax charge	26b	(61,036)	(34,160)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		593,797	442,623
Weighted average number of ordinary outstanding shares (in thousands)		119,548	119,614
Basic earnings per share (Expressed in SR per Share)	35	4.97	3.70

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 2019

	2019 SR'000	2018 SR'000 (Restated)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	593,797	442,623
Other comprehensive income		
Items that will not be reclassified to statement of income in subsequent years		
Actuarial losses on end-of-service benefits	(1,551)	(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	39,977	(20,062)
related to policyholders	21,093	(9,302)
	61,070	(29,364)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	653,316	404,337

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 CHANGES IN EQUITY

For the year ended 31 December 2019

	Related to shareholders									
	Share capital	Statutory reserve	Share based payments	Shares held under employees share scheme	Retained earnings	Remeasurement reserve of end-of-service benefits	Investments fair value reserve	Total shareholders' equity	Investments fair value reserve - related to policyholders	Total equity
2019	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2018 (restated)	1,200,000	609,111	17,579	(32,662)	836,705	(8,922)	(21,942)	2,599,869	(8,589)	2,591,280
Impact of adopting IFRS 16 at 1 January 2019 (note 3.b)	--	--	--	--	(8,900)	--	--	(8,900)	--	(8,900)
Balance at 1 January 2019 (restated)	1,200,000	609,111	17,579	(32,662)	827,805	(8,922)	(21,942)	2,590,969	(8,589)	2,582,380
Total comprehensive income for the year										
Net income for the year attributed to shareholders after zakat and income tax	--	--	--	--	593,797	--	--	593,797	--	593,797
Actuarial losses on end-of-service benefits	--	--	--	--	--	(1,551)	--	(1,551)	--	(1,551)
Changes in fair value of available for sale investments	--	--	--	--	--	--	39,977	39,977	21,093	61,070
Total comprehensive income for the year	--	--	--	--	593,797	(1,551)	39,977	632,223	21,093	653,316
Transfer to statutory reserves	--	118,760	--	--	(118,760)	--	--	--	--	--
Share based payment transactions	--	--	15,814	--	--	--	--	15,814	--	15,814
Delivery of shares under LTIP	--	--	(7,868)	7,868	--	--	--	--	--	--
Purchase of shares under LTIP	--	--	--	(32,744)	--	--	--	(32,744)	--	(32,744)
Dividends paid (note 34)	--	--	--	--	(180,000)	--	--	(180,000)	--	(180,000)
Income tax recovered from non-Saudi shareholders	--	--	--	--	6,131	--	--	6,131	--	6,131
Balance at 31 December 2019	1,200,000	727,871	25,525	(57,538)	1,128,973	(10,473)	18,035	3,032,393	12,504	3,044,897

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

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

	Related to shareholders									Total equity
	Share capital	Statutory reserve	Share based payments	Shares held under employees share scheme	Retained earnings	Remeasurement reserve of end-of-service benefits	Investments fair value reserve	Total shareholders' equity	Investments fair value reserve - related to policyholders	
2018	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2017 as previously reported (audited)	800,000	504,025	17,220	(28,915)	1,030,887	--	(1,880)	2,321,337	713	2,322,050
Effect of restatement (note 3.a)	--	--	--	--	19,161	--	--	19,161	--	19,161
Balance at 31 December 2017 (restated)	800,000	504,025	17,220	(28,915)	1,050,048	--	(1,880)	2,340,498	713	2,341,211
Total comprehensive income for the year										
Net income for the year attributed to shareholders after zakat and income tax	--	--	--	--	442,623	--	--	442,623	--	442,623
Actuarial losses on end-of-service benefits	--	--	--	--	--	(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	--	--	--	--	442,623	(8,922)	(20,062)	413,639	(9,302)	404,337
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	400,000	--	--	--	(400,000)	--	--	--	--	--
Dividends paid (note 34)	--	--	--	--	(160,000)	--	--	(160,000)	--	(160,000)
Income tax recovered from non-Saudi shareholders	--	--	--	--	9,120	--	--	9,120	--	9,120
Balance at 31 December 2018 (restated)	1,200,000	609,111	17,579	(32,662)	836,705	(8,922)	(21,942)	2,599,869	(8,589)	2,591,280

The accompanying notes from 1 to 39 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 2019

	Notes	2019 SR'000	2018 SR'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders before zakat and income tax		712,654	525,431
Adjustments for non-cash items:			
Net income attributed to the insurance operations	20	66,834	48,727
Depreciation and amortisation of Fixtures, Furniture and Right-of-use assets		30,640	13,499
Amortisation of intangible assets		17,576	8,072
(Gain) / loss on disposal of Fixtures and Furniture		(1)	272
Provision for LTIP		15,814	8,106
Allowance for doubtful receivables provision		31,907	32,256
Unrealised gains on investments held as FVSI		(12,745)	(6,966)
Realised (gains)/losses on investments		3,980	(10,202)
Provision for end-of-service benefits		19,481	16,226
Finance cost		5,223	--
Changes in operating assets and liabilities:			
Premiums receivable		(770,613)	(111,945)
Reinsurers' share of unearned premiums		(14,305)	(1,174)
Reinsurers' share of outstanding claims		(882)	24
Reinsurers' share of claims Incurred but not reported		(1,294)	(2,008)
Deferred policy acquisition costs		(15,699)	(47,247)
Prepaid expenses and other assets		(73,658)	(32,457)
Accrued and other liabilities		72,549	140,211
Reinsurers' balances payable		3,777	11,023
Unearned premiums		948,088	337,052
Outstanding claims		(103,370)	104,909
Claims incurred but not reported		259,305	26,125
Claims handling reserve		(908)	111
Due to related parties		37,753	7,509
		1,232,106	1,067,554
End-of-service benefits paid		(6,086)	(10,222)
Surplus paid to policyholders	20	(38,135)	(47,553)
Zakat and income tax paid		(48,596)	(38,119)
Net cash generated from operating activities		1,139,289	971,660

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	9	(3,637,489)	(5,324,758)
Proceeds from maturity of term deposits	9	3,288,794	4,554,860
Additions to investments	7	(3,702,161)	(1,828,024)
Disposals of investments		3,552,655	1,916,027
Additions to Fixtures, Furniture and Right-of-use assets		(15,765)	(5,820)
Disposal of Fixtures, Furniture and Right-of-use assets		124	7
Intangible assets acquired		(16,548)	(21,049)
Increase in statutory deposit		--	(40,000)
Purchase of shares under LTIP		(32,744)	(11,494)
Net cash used in investing activities		(563,134)	(760,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	34	(180,000)	(160,000)
Lease liability paid		(26,990)	--
Income tax recovered from non-Saudi shareholders		6,131	9,120
Net cash used in financing activities		(200,859)	(150,880)
Net change in cash and cash equivalents		375,296	60,529
Cash and cash equivalents at beginning of the year		290,413	229,884
Cash and cash equivalents at end of the year		665,709	290,413
Non-cash transactions			
Unrealised gain / (losses) on available for sale investments		61,070	(29,364)
Transfers from/to intangible assets		44,869	--
Deferred tax assets		4,664	6,391
Actuarial loss on end-of-service benefits		(1,551)	(8,922)
Transfer of Fixtures, Furniture and Right-of-use assets to intangible assets		--	4,416
Recognition of Lease liability		112,096	--
Recognition of Right-of-use assets		103,196	--

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

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

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

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

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

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

2. BASIS OF PREPARATION

(a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia (KSA), and other standards and pronouncements as endorsed by Saudi organization for Certified Public Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA"). The financial statements of the Company as at and for the year ended 31 December 2019 were prepared in compliance with IFRS as endorsed in KSA.

The Company has revised its accounting policy to account for zakat and income taxes in the statement of income based on the instructions issued by SAMA on 23 July 2019 to insurance companies in the Kingdom of Saudi Arabia. This aligns with the IFRS as endorsed in KSA. Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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, held to maturity investments, fixtures, furniture and right-of-use assets - net, 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. Note 37 to these annual financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

During 2018, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

(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. 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.

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 reorganisation, 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 Right-of-use assets

The Company's management determines the estimated useful lives of its Fixtures, Furniture and Right-of-use assets 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.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 recognised 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 recognised 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.

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 the change in the accounting of zakat and income tax and new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company as explained below:

a) Changes in accounting for zakat and income tax

As mentioned in note 2(a), the basis of preparation has been changed for the year ended 31 December 2019 as a result of the issuance of latest instructions from SAMA dated 23 July 2019. Previously, zakat and income tax were recognised in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 23 July 2019, the zakat and income tax shall be recognised in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively. The change has resulted in a decrease of reported income of the Company for the year ended 31 December 2018 by SR 82.8 million. The change has had no impact on the statement of cash flows for the year then ended.

The accounting policy for zakat and income tax adopted by the Company is as follows:

Zakat and Income Tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

The Interpretation did not have an impact on the annual financial statements of the Company.

Deferred Tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Impact on the financial statements

The change in the accounting treatment for zakat and income tax has the following impact:

For the year ended 31 December 2018

Financial Statement Impacted	Account	Before the restatement	Effect of restatement	After restatement
		SAR'000	SAR'000	SAR'000
Statement of changes in equity	Provision for zakat and income tax (retained earnings)	89,199	(89,199)	--
Statement of income	Zakat and income tax charge	--	(82,808)	(82,808)
Statement of income	Earnings per share	4.39	(0.69)	3.70
Statement of financial position	Deferred tax asset	--	25,552	25,552

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As at 31 December 2018

Financial Statement Impacted	Account	Before the restatement	Effect of restatement	After restatement
		SAR'000	SAR'000	SAR'000
Statement of financial position	Deferred tax asset	--	25,552	25,552
Statement of financial position	Retained earnings	811,153	25,552	836,705

As at 1 January 2018

Financial Statement Impacted	Account	Before the restatement	Effect of restatement	After restatement
		SAR'000	SAR'000	SAR'000
Statement of financial position	Deferred tax asset	--	19,161	19,161
Statement of financial position	Retained earnings	1,030,887	19,161	1,050,048

b) 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 2019 and accordingly adopted by the Company, as applicable:

Standard / Amendments	Description
IFRS 16	Leases (see below)
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3,11 and IAS 12, 23	Annual Improvements to IFRS 2015 - 2017 cycle.

The adoption of the amended standards and interpretations applicable to the Company except for adoption of IFRS 16 did not have any significant impact on these annual financial statements.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 "Determining Whether an Agreement Contains a Lease". SIC 15 Operating Leases-Incentives and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. In accordance with the modified retrospective method of adoption, the Company applied IFRS 16 at the date of initial application with transition impact recognised in the retained earnings. Accordingly, the comparative information in these annual financial statements has not been restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Upon adoption of IFRS 16, the Company recognised lease liabilities to make lease payments and Right-of-use assets representing the right to use the underlying assets.

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The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	2019 SAR '000
Assets	
Right-of-use assets	103,196
Liabilities	
Lease liabilities	112,096
Equity	
Retained earnings	(8,900)

The Company has lease contracts for its office premises. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. 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. Any prepaid rent and accrued rent were recognised under prepaid expenses and other assets and accrued and other liabilities, respectively.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	2019 SAR '000
Operating leases commitments as of 31 December 2018	150,363
Adjustment to the operating lease commitments	(24,150)
Total Commitments	126,213

Weighted average incremental borrowing rate as at 1 January 2019 5%

Discounted operating lease commitments at 1 January 2019 **112,096**

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right-of-use assets

The Company recognises Right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of Right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the internal cost of funds as the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are included within the accrued and other liabilities.

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Where the Company is lessee

All leases entered into by the Company are operating leases. Payments made under operating leases are charged to the annual statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, net of anticipated rental income (if any), is recognised as an expense in the period in which termination takes place.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the statements of financial position and statement of income

Set out below, are the movement and carrying amounts of the Company's Right-of-use assets and lease liabilities. The Company presents Right-of-use assets under Fixtures, Furniture and Right-of-use assets in the annual statement of financial position. Lease liabilities are presented under accrued and other liabilities.

Statement of financial position

	Right-of-use assets	Lease liabilities
	SAR'000	SAR'000
As at 1 January 2019	103,196	112,096
Amortisation of Right-of-use assets	(15,574)	--
Finance cost	--	5,223
Lease settlement	--	(26,990)
As at 31 December 2019	87,622	90,329

c) Standards issued but not yet effective

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

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 - Insurance Contracts

Overview

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

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

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

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

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In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

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

a) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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

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

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

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition

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

Presentation and Disclosures

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

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Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. The Company does not expect a significant financial impact from adopting the standard due to the short-term nature of its insurance contracts and the related settlement patterns of its cash flows. The company also does not expect a significant impact on its reinsurance arrangements from adopting the standard, given their immateriality. The Company, however, expects that adopting the standard will likely have an impact on IT systems, data requirements and accounting policies to address additional presentation and disclosure requirements. At the date of publication of these financial statements, it was not practicable to quantify the potential impact of adopting IFRS 17.

IFRS 9 - Financial Instruments

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

Classification and measurement

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

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

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

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

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

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

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

Impairment

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

Hedge accounting

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

Effective date

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

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- 1) apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a) the effective date of a new insurance contract standard; or
 - b) annual reporting periods beginning on or after January 1, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
- 2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 01, 2017: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at December 31, 2019, the Company has total financial assets and insurance related assets amounting to SR 7,220 million and SR 2,637 million, respectively. Financial assets mainly represents investments held to maturity which consist of cash and cash equivalents, term deposits and designated sukuk amounting to SR 5,511 million (2018: SR 4,715 million). Fair value investments held at fair value through statement of income as at December 31, 2019 is SR 270 million (2018: SR 380 million). Other financial assets consist of available for sale investments amounting to SR 1,440 million (2018: SR 1,241 million). The Company is currently assessing the impact on application and implementation of IFRS 9, however the Company expects the classification and measurement of financial assets to be impacted from implementation of IFRS 9.

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 of 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, provision for 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.

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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 amortisation period and are treated as a change in accounting estimate. 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. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

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 recognised through the statement of comprehensive income until the investments are derecognised or impaired whereupon any cumulative gains or losses previously recognised in equity are reclassified to statement of income for the period and are disclosed as gains/(losses) on non-trading investments.

(c) Held to maturity investments

Held to maturity investments are investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held to maturity. Investments are initially recognised at fair value including direct and incremental transaction cost. Subsequent to initial measurement these are measured at amortised cost less impairment losses, if any.

vi) Term deposits

Term deposits, with original maturity of more than three months, are initially recognised 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.

vii) Fixtures, Furniture and Right-of-use assets

Furniture, Furniture and Right-of-use assets 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
Fixtures, Furniture and Right-of-use assets	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 Right-of-use assets is included in statement of income.

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viii) Intangible assets

Separately acquired intangible assets (software) are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation 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

ix) 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.

x) 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.

xi) 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.

xii) 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.

xiii) 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 recognised in the statement of comprehensive income.

xiv) Share based payments

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 the 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 recognised 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.

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xv) 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.

xvi) 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.

xvii) 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.

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.

xviii) 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.

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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.

xix) 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.

xx) Reinsurance premiums (ceded)

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.

xxi) 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.

xxii) 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.

xxiii) Reinsurance contracts held

In order to optimise financial exposure from large claims, the Company enters into reinsurance agreements with local and 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.

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xxiv) 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.

xxv) 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.

xxvi) 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.

xxvii) 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.

xxviii) 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.

xxix) 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.

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.

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 2019. 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 11.8% 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.

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2019		Total
	Insurance operations	'Shareholders operations	
			SR'000
Bank balances	230,946	118,767	349,713
Term deposits	215,996	100,000	315,996
	446,942	218,767	665,709
	2018		Total
	Insurance operations	Shareholders' operations	
			SR'000
Bank balances	272,527	17,886	290,413

The amount payable to / receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the year ended 31 December 2019, the insurance operations transferred cash of SR 95 million to shareholders' operations (31 December 2018: SR 99 million).

6. PREMIUMS RECEIVABLE - NET

Receivables comprise of amounts due from the following:

	2019 SR'000	2018 SR'000
Policyholders	1,287,810	755,292
Brokers	598,754	364,610
	1,886,564	1,119,902
Provision for doubtful receivables	(197,187)	(169,231)
Premiums receivable - net	1,689,377	950,671

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

	2019 SR'000	2018 SR'000
Balance at the beginning of the year	169,231	142,674
Provision made during the year	31,907	32,256
Utilised during the year	(3,951)	(5,699)
Balance at end of the year	197,187	169,231

The gross amount of impaired receivables amounted to SR 713,617 thousand (31 December 2018: SR 482,706 thousand).

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The aging analysis of premiums receivable - net arising from insurance contracts is as follows:

	2019					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	560,671	182,607	231,736	138,370	20,485	1,133,869
Brokers	9,924	424,710	70,148	45,114	5,612	555,508
	570,595	607,317	301,884	183,484	26,097	1,689,377

	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

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 14.9% (31 December 2018: 12.5%) of the premium's receivable as at 31 December 2019.

7. INVESTMENTS

Investments are classified as follows:

	2019			2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000			SR'000		
Held as FVSI	161,548	107,968	269,516	249,284	131,110	380,394
Available-for-sale	564,003	876,063	1,440,066	560,891	680,206	1,241,097
Held to maturity	--	131,250	131,250	--	--	--
	725,551	1,115,281	1,840,832	810,175	811,316	1,621,491

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Investments held as FVSI comprise of the following:

	2019				Total
	Insurance operations		Shareholders' operations		
	Domestic	International	Domestic	International	
					SR'000
Sukuks	25,025	--	78,078	--	103,103
Funds	136,523	--	29,890	--	166,413
	161,548	--	107,968	--	269,516

	2018				Total
	Insurance operations		Shareholders' operations		
	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

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

	2019				Total
	Insurance operations		Shareholders' operations		
	Domestic	International	Domestic	International	
					SR'000
Sukuks	238,899	287,287	461,248	180,545	1,167,979
Funds	--	37,817	112,314	7,782	157,913
Investments in discretionary portfolios	--	--	114,174	--	114,174
	238,899	325,104	687,736	188,327	1,440,066

	2018				Total
	Insurance operations		Shareholders' operations		
	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

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

	2019				Total
	Insurance operations		Shareholders' operations		
	Domestic	International	Domestic	International	
					SR'000
Sukuks	--	--	131,250	--	131,250
	--	--	131,250	--	131,250

The movements in the investments balance are as follows:

	2019		
	Insurance operations	Shareholders' operations	Total
			SR'000
Balance at the beginning of the year	810,175	811,316	1,621,491
Purchases during the year	2,037,449	1,664,712	3,702,161
Disposals during the year	(2,154,358)	(1,402,277)	(3,556,635)
Unrealised gains during the year, net	32,285	41,530	73,815
	725,551	1,115,281	1,840,832

	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 gains during the year, net	(3,759)	(18,639)	(22,398)
	810,175	811,316	1,621,491

8. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	2019			2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
			SR'000			SR'000
Prepayments	68,839	--	68,839	51,251	--	51,251
Accrued income	63,439	54,219	117,658	45,949	34,119	80,068
Restricted deposits	34,818	--	34,818	26,346	--	26,346
Other receivables	55,328	--	55,328	45,320	--	45,320
	222,424	54,219	276,643	168,866	34,119	202,985

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9. TERM DEPOSITS

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structure with a small allocation in Mudaraba structure. They are mostly denominated in Saudi Arabian Riyals and have an original maturity from more than three months to more than one year and yield financial income at rates ranging from 2.15% to 4.30% per annum. The movements in term Deposits during the year ended 31 December 2019 as follows:

	2019		
	Insurance operations	Shareholders' operations	Total
			SR'000
Balance at beginning of the year	3,033,743	1,681,538	4,715,281
Matured during the year	(2,162,343)	(1,126,451)	(3,288,794)
Placed during the year	2,476,565	1,160,924	3,637,489
	3,347,965	1,716,011	5,063,976
	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

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10. FIXTURES, FURNITURE AND RIGHT OF USE ASSETS - net

	Office, furniture, and fixtures	Computer Equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
						2019 SR'000
Cost:						
At 1 January 2019	85,360	38,549	--	38,571	3,084	165,564
Additions during the year	--	--	--	--	15,765	15,765
Disposal during the year	(111)	(1,068)	--	(13)	--	(1,192)
Transferred during the year	579	8,686	404	2,481	(12,150)	--
At 31 December 2019	85,828	46,167	404	41,039	6,699	180,137
Accumulated depreciation:						
At 1 January 2019	49,739	32,866	--	1,716	--	84,321
Charge for the year	7,455	3,905	60	3,645	--	15,065
Disposal during the year	--	(1,068)	--	--	--	(1,068)
At 31 December 2019	57,194	35,703	60	5,361	--	98,318
Net book value:						
At 31 December 2019	28,634	10,464	344	35,678	6,699	81,819
						2018 SR'000
Cost:						
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
Disposals during the year	(1,020)	(2,182)	(212)	--	--	(3,414)
Transferred during the year	9,442	1,601	--	38,515	(53,974)	(4,416)
	85,360	38,549	--	38,571	3,084	165,564
Accumulated depreciation:						
At 1 January 2018	44,014	29,731	212	--	--	73,957
Charge for the year	6,474	5,309	--	1,716	--	13,499
Disposals 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

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10.1 RIGHT-OF-USE ASSETS

The movement of Right-of-use assets are as follows:

	SAR'000
As at 1 January 2019	103,196
Amortisation of Right-of-use assets	(15,574)
As at 31 December 2019	87,622
31 December 2019	
Total Furniture, Fixture and Right-of-use assets	169,441
31 December 2018	
Total Furniture, Fixture and Right-of-use-assets	81,243

11. INTANGIBLE ASSETS

	Software	Capital work in progress	Total
	SR'000 2019		
Cost:			
At 1 January 2019	83,447	36,583	120,030
Additions during the year	--	16,548	16,548
Transfers during the year	44,869	(44,869)	--
At 31 December 2019	128,316	8,262	136,578
Accumulated amortisation:			
At 1 January 2019	62,757	--	62,757
Charge for the year	17,576	--	17,576
Disposal during the year	--	--	--
At 31 December 2019	80,333	--	80,333
Net book value:			
At 31 December 2019	47,983	8,262	56,245
2018 SR'000			
Cost:			
At 1 January 2018	76,511	18,292	94,803
Additions during the year	6,072	14,977	21,049
Disposals 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 amortisation:			
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

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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 (2018: SR 120 million), in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 10.8 million (2018: SR 6.9 million) and this deposit cannot be withdrawn without approval from SAMA.

13. TECHNICAL RESERVES

13.1 Net outstanding claims and reserves

	2019 SR'000	2018 SR'000
Claims outstanding reserves	451,788	555,158
Claims incurred but not reported	1,157,428	898,123
Claims handling reserve	18,492	19,400
	1,627,708	1,472,681
Less:		
Reinsurers' share of outstanding claims	(1,218)	(336)
Reinsurers' share of claims incurred but not reported	(3,972)	(2,678)
	(5,190)	(3,014)
Net outstanding claims reserve	1,622,518	1,469,667

13.2 Movement in unearned premiums

Movements in unearned premiums are as follows:

	2019		
	Gross	Reinsurance	Net SR'000
Balance at beginning of the year	3,428,131	(6,320)	3,421,811
Premium written/(ceded) during the year	10,410,868	(105,794)	10,305,074
Premium earned during the year	(9,462,780)	91,489	(9,371,291)
	4,376,219	(20,625)	4,355,594

	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

14. DEFERRED POLICY ACQUISITION COSTS

	2019 SR'000	2018 SR'000
Balance at beginning of the year	118,323	71,076
Paid and deferred during the year	240,049	244,618
Amortisation for the year	(224,350)	(197,371)
	134,022	118,323

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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	2016	2017	2018	2019	Total
					SR '000
Estimate of ultimate claims cost:					
At the end of treatment year	6,319,929	6,577,919	6,949,081	7,842,155	
One year later	6,210,269	6,572,947	6,845,677	--	
Two years later	6,212,870	6,563,363	--	--	
Three years later	6,213,994	--	--	--	
Current estimate of ultimate claims	6,213,994	6,563,363	6,845,677	7,842,155	27,465,189
Ultimate payments to date	(6,211,830)	(6,552,655)	(6,784,585)	(6,306,903)	(25,855,973)
Liability recognised in the statement of financial position	2,164	10,708	61,092	1,535,252	1,609,216
Claims handling provision					18,492
Balance at 31 December					1,627,708
					SR '000

Treatment year - net outstanding claims	2016	2017	2018	2019	Total
Estimate of ultimate claims cost:					
At the end of treatment year	6,283,316	6,532,672	6,897,367	7,768,195	
One year later	6,175,376	6,528,729	6,787,022	--	
Two years later	6,177,977	6,513,541	--	--	
Three years later	6,178,354	--	--	--	
Current estimate of ultimate claims	6,178,354	6,513,541	6,787,022	7,768,195	27,247,112
Ultimate payments to date	(6,176,190)	(6,502,870)	(6,726,158)	(6,237,868)	(25,643,086)
Liability recognised in the statement of financial position	2,164	10,671	60,864	1,530,327	1,604,026
Claims handling provision					18,492
Balance at 31 December					1,622,518

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 3 Jumada II 1439 H 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 272.9 million as of 31 December 2019 (2018: SR 194.8 million).

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17. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	2019 SR'000	2018 SR'000
Letters of guarantee	34,818	26,346
Operating lease commitments (note 3b)	--	150,363
	34,818	176,709

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 2019.

ii) As of 31 December 2019, total Letters of Guarantee issued by banks amounted to SR 134.8 million (2018: SR 94.7 million), of which SR 34.8 million (2018: SR 26.37 million) are issued against restricted deposits with banks and have been recorded under prepaid expenses and other assets.

18. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities comprise of the following:

	2019			2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						SR'000
Accrued expenses	153,762	95,888	249,650	130,075	4,784	134,859
VAT payable	38,311	--	38,311	21,510	--	21,510
Advances from policyholders	47,826	--	47,826	48,567	--	48,567
VAT payable to providers	65,359	--	65,359	48,401	--	48,401
Other liabilities	47,541	--	47,541	32,472	--	32,472
	352,799	95,888	448,687	281,025	4,784	285,809

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 23.6 million (2018: SR 20.5 million) payable to a related party has been accrued for during the year (see notes 24 and 32).

20. INSURANCE OPERATIONS' SURPLUS PAYABLE

	2019 SR'000	2018 SR'000
Balance at beginning of the year	139,755	138,581
Income attributable to insurance operations during the year	66,834	48,727
Surplus paid to policyholders during the year	(38,135)	(47,553)
Net surplus payable to policyholders	168,454	139,755

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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 recognised 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 end-of-service benefits

	2019 SR'000	2018 SR'000
Balance at the beginning of the year	81,395	66,469
Current service costs	15,737	13,103
Finance costs	3,744	3,123
Actuarial losses	1,551	8,922
Benefits paid during the year	(6,086)	(10,222)
Balance at the end of the year	96,341	81,395

21.2 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of end-of-service benefits:

	2019	2018
Valuation discount rate	4.50%	4.60%
Expected rate of increase in salary level across different age bands	6.50%	6.50%

The impact of changes in sensitivities on present value of end-of-service benefits is as follows:

	2019 SR'000	2018 SR'000
Valuation discount rate		
- Increase by 0.5%	3,159	2,149
- Decrease by 0.5%	(3,356)	(2,263)
Expected rate of increase in salary level across different age bands		
- Increase by 1%	(6,866)	(195)
- Decrease by 1%	6,197	195
Mortality rate		
- Increase by 50%	(96)	(8)
- Decrease by 50%	96	8
Employee turnover		
- Increase by 20%	1,735	1,367
- Decrease by 20%	(1,767)	(1,498)

The average duration of the end-of-service benefits at the end of the reporting period is 7.7 years, (2018: 7.2 years)

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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.

	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
					SR'000
2019					
Financial assets measured at fair value					
- Investments held as FVSI	990	268,526	--	269,516	269,516
Available for sale investments	883,099	556,967	--	1,440,066	1,440,066
	884,089	825,493	--	1,709,582	1,709,582

	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	
					SR'000
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

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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 2019 and 31 December 2018, 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

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, prepaid expenses and other assets. Segment liabilities do not include reinsurance balance payable, accrued and other liabilities, due to shareholders' operations, share based payment and policyholders' share of surplus from insurance operations.

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

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Operating segments	31 December 2018 (Restated)				
	Insurance operations			Shareholders' operations	Total
	Major customers	Non-major customers	Total - Insurance operations		
					SR'000
ASSETS					
Premium 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	2,933,809	7,219,120
Total assets			5,363,639	2,933,809	8,297,448
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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Operating segments	2019		Total
	Major customers	Non-major customers	
			SR'000
REVENUES			
Gross premiums written	6,848,097	3,562,771	10,410,868
Reinsurance premiums ceded - Local	(7,456)	(2,921)	(10,377)
Reinsurance premiums ceded - International	(68,558)	(26,859)	(95,417)
Net premiums written	6,772,083	3,532,991	10,305,074
Changes in unearned premiums - net	(617,873)	(315,910)	(933,783)
Net premiums earned	6,154,210	3,217,081	9,371,291
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(5,121,026)	(2,534,052)	(7,655,078)
Reinsurers' share of claims paid	39,126	19,506	58,632
Net claims paid	(5,081,900)	(2,514,546)	(7,596,446)
Changes in outstanding claims	27,760	75,610	103,370
Changes in claims incurred but not reported	(271,063)	11,758	(259,305)
Changes in claims handling reserves	(1,044)	1,952	908
Reinsurance share of changes in outstanding claims	220	662	882
Reinsurance share of changes in claims incurred but not reported	(1,224)	2,518	1,294
Net claims incurred	(5,327,251)	(2,422,046)	(7,749,297)
Policy acquisition costs	(134,610)	(89,740)	(224,350)
Total underwriting costs & expenses	(5,461,861)	(2,511,786)	(7,973,647)
NET UNDERWRITING INCOME	692,349	705,295	1,397,644
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(31,907)
Unallocated income			253,800
Unallocated expenses			(840,049)
Total other operating (expenses)/income			(618,156)
Income before Surplus, Zakat & Income Tax			779,488
Income attributed to the insurance operations (transfer to surplus payable)			(66,834)
Income attributed to the shareholders before zakat and income tax			712,654
Zakat charge			(57,821)
Income tax charge			(61,036)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			593,797
Gross Written Premium details			
			2019 SAR'000
Corporates			7,802,157
Medium Enterprises			1,834,555
Small Enterprises			700,490
Micro Enterprises			56,930
Individuals			16,736
Total Gross Written Premium			10,410,868

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Operating segments	2018 (Restated)		
	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 - net	(198,564)	(137,314)	(335,878)
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 & expenses	(4,520,979)	(2,465,377)	(6,986,356)
NET UNDERWRITING INCOME	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)
Income before Surplus, Zakat & Income Tax			574,158
Income attributed to the insurance operations (transfer to surplus payable)			(48,727)
Income attributed to the shareholders before zakat and income tax			525,431
Zakat charge			(48,648)
Income tax charge			(34,160)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			442,623
Gross Written Premium details			31 December 2018
			SAR'000
Corporates			6,374,218
Medium Enterprises			1,568,041
Small Enterprises			569,491
Micro Enterprises			43,617
Individuals			11,281
Total Gross Written Premium			8,566,648

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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	
		2019 SR'000	2018 SR'000	2019 SR'000	2018 SR'000
Shareholders	Insurance premium written	266,165	70,343	(285)**	(498)**
Shareholders	Reinsurance Premium ceded	36,423	14,939	(55,319)*	(23,242)*
Shareholders	Claims paid	145,780	38,910	(14,010)***	(2,784)***
Shareholders	Medical costs charged by providers	89,805	38,817	(9,824)***	(110)***
Shareholders	Expenses charged to/from a related party-net	1,520	1,927	779*	(41)*
Shareholders	Tax equalisation - net	(2,988)	9,120	--	2,988*
Shareholders	Board and committee member remuneration fees	700	858	(700)*	(258)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	23,608	20,542	(23,608)*	(20,542)*

* Amounts due to related parties amounted to SR 78,848 thousand (2018: SR 41,095 thousand).

** Amounts included in premium receivables.

*** Amounts are included in the outstanding claims.

a. Compensation to key management personnel:

	2019 SAR'000	2018 SAR'000
Salaries and allowances (note (a) below)	17,146	17,728
Incentives (note (b) below)	19,423	14,040
End of Service benefits	1,028	978
	37,597	32,746

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

	2019 SAR'000	2018 SAR'000
Board of Directors' remuneration	3,000	2,856
Board attendance fees	195	--
Other board and sub-committees' expenses	1,096	823
	4,291	3,679

25. REINSURERS' BALANCE PAYABLE

Reinsurance payable represents amounts payable to reinsurers of SR 54.4 million (2018: SR 50.6 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:

	2019 SAR'000	2018 SAR'000
Share capital	729,000	486,000
Opening retained earnings, reserve and surplus	753,313	835,259
Opening provisions	146,978	127,054
Adjusted net income	475,771	356,563
Fixtures, Furniture, Right-of-use assets and goodwill	(206,701)	(141,588)
Investments	(4,386,639)	(3,849,589)
Others	(154,318)	(72,900)
Adjusted income attributable to Saudi shareholders and the general public (refer (*) below)	(2,642,596)	(2,259,201)

* Adjusted income has been computed on a pro-rata basis taking into consideration before and after shareholding change.

The differences between the accounting profit and the Zakat base are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

The Zakat charge relating to the Saudi shareholders consists of:

	2019 SAR'000	2018 SAR'000
Provision for zakat @ 2.5%	11,894	8,914
Adjustment for assessment of zakat	45,927	35,610
Adjustment for previous years	--	4,124
	57,821	48,648

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

	2019 SAR'000	2018 SAR'000
Balance at beginning of the year	184,295	144,326
Charge for the year	57,821	48,648
Payment made during the year	(9,672)	(8,679)
	232,444	184,295

b) Income Tax

	2019 SR'000	2018 SR'000 (Restated)
Current tax charge	65,700	40,551
Deferred tax income	(4,664)	(6,391)
	61,036	34,160

The reconciliation of deferred tax is as follows:

	2019 SR'000	2018 SR'000 (Restated)
Opening deferred tax asset	25,552	19,161
Deferred tax income	4,664	6,391
	30,216	25,552

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

	2019 SR'000	2018 SR'000 (Restated)
Balance at beginning of the year	15,489	4,378
Charge for the year	60,966	40,551
Adjustment for previous years	4,734	--
Payments made during the year	(38,924)	(29,440)
	42,265	15,489

c) Provision for zakat and income tax

	2019 SR'000	2018 SR'000 (Restated)
Zakat payable (note (a) above)	232,444	184,295
Income tax payable (note (b) above)	42,265	15,489
	274,709	199,784

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d) Status of assessment

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2018 with the General Authority of Zakat and Tax (the "GAZT"). The Company has received assessments for the fiscal periods 2008 through 2010 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.

For the years 2011 and 2012, the Company has received Preliminary Objection Committee's decisions in favour of the GAZT for the additional zakat liability of SR 17 million and has filed an appeal with the Higher Appeal Committee. Following the change in Law the cases were transferred to the General Secretariat of Tax Committees. A hearing is yet to be assigned to review the Company's case.

The Company has received final assessments for the fiscal years 2013 through 2016 of additional zakat, corporate income tax and withholding tax as well as delay fines 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.

The Company recently received the final assessment for the year 2018 raising additional demands, The differences have mainly arisen due to disallowance of investments from the zakat base, the adjustment of the result of the year by the net income attributed to shareholders and withholding tax on reinsurance premiums. The Company is finalizing the appeal against the assessment.

27. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company was SR 1,200 million at 31 December 2019 (31 December 2018: SR 1,200 million) consisting of 120 million shares (31 December 2018: 120 million shares) of SR 10 each.

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

	2019		2018	
	Holding Percentage	SR'000	Holding Percentage	SR'000
Major shareholders	52.3%	628,066	52.3%	628,066
General Public	47.7%	571,934	47.7%	571,934
	100.0%	1,200,000	100.0%	1,200,000

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 2019, SR 727.9 million (31 December 2018: SR 609.1 million) had been set aside as a statutory reserve, representing 61% (31 December 2018: 51%) of the paid-up share capital.

29. SHARE BASED PAYMENTS

The Company established a share-based compensation scheme for its key management that entitles them to Bupa Arabia shares subject to successfully meeting certain service and performance conditions. Under the share-based compensation scheme, the Company manages various plans. Significant features of these plans are as follows:

Maturity dates	Between December 2019 and December 2023
Total number of shares granted on the grant date	615,902
Vesting period	3-5 years
Method of settlement	Equity
Fair value per share on grant date	Average SAR 104.39

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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 3,032,393 (31 December 2018: SR 2,599,869).

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 2019 and 2018.

31. GENERAL AND ADMINISTRATIVE EXPENSES

	2019			2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
						SR'000
Employees' costs	359,200	--	359,200	328,907	--	328,907
Rents and maintenance costs	26,908	--	26,908	32,590	--	32,590
Travelling expenses	9,295	--	9,295	8,092	--	8,092
Depreciation and amortisation	48,215	--	48,215	21,571	--	21,571
Communication expenses	7,695	--	7,695	6,858	--	6,858
Board expenses	--	4,612	4,612	--	3,990	3,990
Others	29,145	5,931	35,076	25,309	6,369	31,678
	480,458	10,543	491,001	423,327	10,359	433,686

32. SELLING AND MARKETING EXPENSES

	2019 SAR'000	2018 SAR'000
Employees' costs	110,385	108,733
Marketing expenses	29,490	33,450
Fulfilment costs	8,760	11,235
Statutory levies	151,262	119,066
Trade mark fee (see note 19)	23,608	20,542
Others	25,543	28,978
	349,048	322,004

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33. INVESTMENT INCOME, NET

	2019			2018		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000			SR'000		
Commission income	117,605	108,635	226,240	92,315	74,667	166,982
Realised gains/(losses) on investment, net	8,468	(12,448)	(3,980)	2,516	7,686	10,202
Unrealised gains on FVSI investments, net	11,191	1,554	12,745	5,543	1,423	6,966
	137,264	97,741	235,005	100,374	83,776	184,150

34. DIVIDENDS

On 30 April 2019, the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2018, of SR 1.5 per share totalling SR 180 million to its shareholders (2018: SR 160 million). This dividend proposal was presented and approved by the shareholders in the Extraordinary General Assembly meeting, held on 30 June 2019, and accordingly the dividend payment was made on 14 July 2019.

35. EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing net income after zakat and tax 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.

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)

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.

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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 claims' ratio, net of reinsurance, would impact net underwriting income as follows:

	2019 SR'000	2018 SR'000
Impact of change in claims ratio by 5%	± 468,565	± 407,512

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.

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.

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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 maximise investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest bearing securities as at 31 December are as follows:

	2019				Total
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	
					SR'000
Term deposits	1,109,087	1,899,771	1,662,000	393,118	5,063,976
Investments in Sukuk	84,416	235,271	308,969	773,677	1,402,333
	1,193,503	2,135,042	1,970,969	1,166,795	6,466,309

	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

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 1,841 million (2018: SR 1,621 million). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise 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
2019	± 10%	± 26,952
2018	± 10%	± 38,042

The above sensitivity analysis is only on FVSI 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:

	2019 SR'000	2018 SR'000
Cash and cash equivalents	665,709	290,413
Premiums receivable - net	1,689,377	950,671
Reinsurers' share of outstanding claims	1,218	336
Reinsurers' share of claims incurred but not reported	3,972	2,678
Investments	1,840,832	1,621,491
Other assets	207,804	151,734
Term deposits	5,063,976	4,715,281
Statutory deposit	120,000	120,000
Accrued income on statutory deposit	10,820	6,882
	9,603,708	7,859,486

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.

	2019			Total SR'000
	Investment grade	Non-investment grade		
		Not impaired	Impaired	
Cash and cash equivalents	665,709	--	--	665,709
Premiums receivable - net	--	1,177,912	511,465	1,689,377
Reinsurers' share of outstanding claims	1,218	--	--	1,218
Reinsurers' share of claims Incurred but not reported	3,972	--	--	3,972
Investments	1,840,832	--	--	1,840,832
Other receivables	207,804	--	--	207,804
Term deposits	5,063,976	--	--	5,063,976
Statutory deposit	120,000	--	--	120,000
Accrued income on statutory deposit	10,820	--	--	10,820
	7,914,331	1,177,912	511,465	9,603,708

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	2018			Total SR'000
	Non-investment grade		Total	
	Investment grade	Not impaired		
Cash and cash equivalents	290,413	--	--	290,413
Premiums receivable - net	--	637,196	313,475	950,671
Reinsurers' 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

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 summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2019		Total SR'000
	Up to one year	More than one year	
	Accrued and other liabilities	380,425	
Reinsurers' balances payable	54,413	--	54,413
Outstanding claims	451,788	--	451,788
Claims incurred but not reported	1,157,428	--	1,157,428
Claims handling reserve	18,492	--	18,492
Due to related parties	78,848	--	78,848
Provision for end-of-service benefits	16,043	80,298	96,341
Provision for zakat and income tax	49,978	224,731	274,709
Accrued income payable to SAMA	--	10,820	10,820
	2,207,415	384,111	2,591,526

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	2018		Total
	Up to one year	More than one year	
			SR'000
Accrued and other liabilities	285,809	--	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
Provision for zakat and income tax	2,403	197,381	199,784
Accrued income payable to SAMA	--	6,882	6,882
	1,860,495	277,787	2,138,282

f) Liquidity profile

All assets excluding investments, Fixtures, Furniture and Right-of-use assets, 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 3,328 Million (31 December 2018: SR 3,142 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 end-of-service benefits 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.

g) 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

	2019			2018 (Restated)		
	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	446,942	218,767	665,709	272,527	17,886	290,413
Premiums receivables - net	1,689,377	--	1,689,377	950,671	--	950,671
Reinsurers' share of unearned premiums	20,625	--	20,625	6,320	--	6,320
Reinsurers' share of outstanding claims	1,218	--	1,218	336	--	336
Reinsurers' share of claims Incurred but not reported	3,972	--	3,972	2,678	--	2,678
Deferred policy acquisition costs	134,022	--	134,022	118,323	--	118,323
Investments	725,551	1,115,281	1,840,832	810,175	811,316	1,621,491
Prepaid expenses and other assets	222,424	54,219	276,643	168,866	34,119	202,985
Term deposits	3,347,965	1,716,011	5,063,976	3,033,743	1,681,538	4,715,281
Fixtures, Furniture and Right-of-use assets - net	--	169,441	169,441	--	81,243	81,243
Intangible assets - net	--	56,245	56,245	--	57,273	57,273
Deferred tax asset	--	30,216	30,216	--	25,552	25,552
Goodwill	--	98,000	98,000	--	98,000	98,000
Statutory deposit	--	120,000	120,000	--	120,000	120,000
Accrued income on statutory deposit	--	10,820	10,820	--	6,882	6,882
TOTAL ASSETS	6,592,096	3,589,000	10,181,096	5,363,639	2,933,809	8,297,448

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	2019			2018 (Restated)		
	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	352,798	95,889	448,687	281,025	4,784	285,809
Insurance operations' surplus payable	168,454	--	168,454	139,755	--	139,755
Reinsurers' balances payable	54,413	--	54,413	50,636	--	50,636
Unearned premiums	4,376,219	--	4,376,219	3,428,131	--	3,428,131
Outstanding claims	451,788	--	451,788	555,158	--	555,158
Claims incurred but not reported	1,157,428	--	1,157,428	898,123	--	898,123
Claims handling reserve	18,492	--	18,492	19,400	--	19,400
Due to related parties	--	78,848	78,848	--	41,095	41,095
Provision for end-of-service benefits	--	96,341	96,341	--	81,395	81,395
Provision for zakat and income tax	--	274,709	274,709	--	199,784	199,784
Accrued income payable to SAMA	--	10,820	10,820	--	6,882	6,882
TOTAL LIABILITIES	6,579,592	556,607	7,136,199	5,372,228	333,940	5,706,168
EQUITY						
Share capital	--	1,200,000	1,200,000	--	1,200,000	1,200,000
Statutory reserve	--	727,871	727,871	--	609,111	609,111
Share based payments	--	25,525	25,525	--	17,579	17,579
Shares held under employees share scheme	--	(57,538)	(57,538)	--	(32,662)	(32,662)
Retained earnings	--	1,128,973	1,128,973	--	836,705	836,705
Re-measurement reserve of end-of-service benefits	--	(10,473)	(10,473)	--	(8,922)	(8,922)
Investments fair value reserve	12,504	18,035	30,539	(8,589)	(21,942)	(30,531)
TOTAL EQUITY	12,504	3,032,393	3,044,897	(8,589)	2,599,869	2,591,280
TOTAL LIABILITIES AND EQUITY	6,592,096	3,589,000	10,181,096	5,363,639	2,933,809	8,297,448

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Statement of Income

	2019			2018 (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES						
Gross premiums written	10,410,868	--	10,410,868	8,566,648	--	8,566,648
Reinsurance premiums ceded - Local	(10,377)	--	(10,377)	(9,838)	--	(9,838)
Reinsurance premiums ceded - International	(95,417)	--	(95,417)	(70,690)	--	(70,690)
Net premiums written	10,305,074	--	10,305,074	8,486,120	--	8,486,120
Changes in unearned premiums - net	(933,783)	--	(933,783)	(335,878)	--	(335,878)
Net premiums earned	9,371,291	--	9,371,291	8,150,242	--	8,150,242
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(7,655,078)	--	(7,655,078)	(6,708,524)	--	(6,708,524)
Reinsurers' share of claims paid	58,632	--	58,632	48,700	--	48,700
Net claims paid	(7,596,446)	--	(7,596,446)	(6,659,824)	--	(6,659,824)
Changes in outstanding claims	103,370	--	103,370	(104,909)	--	(104,909)
Changes in claims incurred but not reported	(259,305)	--	(259,305)	(26,125)	--	(26,125)
Changes in claims handling reserves	908	--	908	(111)	--	(111)
Reinsurance share of changes in outstanding claims	882	--	882	(24)	--	(24)
Reinsurance share of changes in claims incurred but not reported	1,294	--	1,294	2,008	--	2,008
Net claims incurred	(7,749,297)	--	(7,749,297)	(6,788,985)	--	(6,788,985)
Policy acquisition costs	(224,350)	--	(224,350)	(197,371)	--	(197,371)
TOTAL UNDERWRITING COSTS AND EXPENSES	(7,973,647)	--	(7,973,647)	(6,986,356)	--	(6,986,356)
NET UNDERWRITING INCOME	1,397,644	--	1,397,644	1,163,886	--	1,163,886

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	2019			2018 (Restated)		
	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	(31,907)	--	(31,907)	(32,256)	--	(32,256)
General and administrative expenses	(480,457)	(10,544)	(491,001)	(423,327)	(10,359)	(433,686)
Selling and marketing expenses	(349,048)	--	(349,048)	(322,004)	--	(322,004)
Investment income - net	137,264	97,741	235,005	100,374	83,776	184,150
Other income/(loss) - net	(5,155)	23,950	18,795	599	13,469	14,068
Total Other Operating (Expenses)/ Income	(729,303)	111,147	(618,156)	(676,614)	86,886	(589,728)
Income before Surplus, Zakat & Income Tax	668,341	111,147	779,488	487,272	86,886	574,158
Transfer of surplus to shareholders	(601,507)	601,507	--	(438,545)	438,545	--
Income Attributed To The Shareholders Before Zakat And Income Tax	66,834	712,654	779,488	48,727	525,431	574,158
Zakat charge	--	(57,821)	(57,821)	--	(48,648)	(48,648)
Income tax charge	--	(61,036)	(61,036)	--	(34,160)	(34,160)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	66,834	593,797	660,631	48,727	442,623	491,350
Weighted average number of ordinary outstanding shares (in thousands)		119,548			119,614	
Basic earnings per share (Expressed in SR per share)		4.97			3.70	

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Statement of Comprehensive Income

	2019			2018		
	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 income attributed to the shareholders after zakat and income tax	66,834	593,797	660,631	48,727	442,623	491,350
Other comprehensive income						
Items that will not be reclassified to statements of income in subsequent years						
Actuarial losses on end-of-service benefits	--	(1,551)	(1,551)	--	(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	21,093	39,977	61,070	(9,302)	(20,062)	(29,364)
TOTAL COMPREHENSIVE INCOME	87,927	632,223	720,150	39,425	413,639	453,064
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			(66,834)			(48,727)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			653,316			404,337

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

Statement of Cash flows

	2019			2018		
	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 before zakat and income tax	--	712,654	712,654	--	525,431	525,431
Adjustments for non-cash items:						
Net income attributed to the insurance operations	66,834	--	66,834	48,727	--	48,727
Depreciation and amortisation of Fixtures, Furniture and Right-of-use assets	30,640	--	30,640	13,499	--	13,499
Amortisation of intangible assets	17,576	--	17,576	8,072	--	8,072
(Gain) / loss on disposal of Fixtures and Furniture	--	(1)	(1)	--	272	272
Provision for LTIP	--	15,814	15,814	--	8,106	8,106
Allowance of doubtful receivables provision	31,907	--	31,907	32,256	--	32,256
Unrealised (gains) / losses on investments held as FVSI	(11,191)	(1,554)	(12,745)	(5,543)	(1,423)	(6,966)
Realised gains on investments	(8,468)	12,448	3,980	(2,516)	(7,686)	(10,202)
Provision for end-of-service benefits	--	19,481	19,481	--	16,226	16,226
Finance cost	--	5,223	5,223	--	--	--
Changes in operating assets and liabilities:						
Premiums receivable	(770,613)	--	(770,613)	(111,945)	--	(111,945)
Reinsurers' share of unearned premiums	(14,305)	--	(14,305)	(1,174)	--	(1,174)
Reinsurers' share of outstanding claims	(882)	--	(882)	24	--	24
Reinsurers' share of claims incurred but not reported	(1,294)	--	(1,294)	(2,008)	--	(2,008)
Deferred policy acquisition costs	(15,699)	--	(15,699)	(47,247)	--	(47,247)
Prepaid expenses and other assets	(53,558)	(20,100)	(73,658)	(11,331)	(21,126)	(32,457)
Accrued and other liabilities	71,774	775	72,549	143,041	(2,830)	140,211
Reinsurers' balances payable	3,777	--	3,777	11,023	--	11,023
Unearned premiums	948,088	--	948,088	337,052	--	337,052
Outstanding claims	(103,370)	--	(103,370)	104,909	--	104,909
Claims incurred but not reported	259,305	--	259,305	26,125	--	26,125
Claims handling reserve	(908)	--	(908)	111	--	111
Due to related parties	--	37,753	37,753	--	7,509	7,509
Due to shareholders' operations	(48,216)	48,216	--	(221,571)	221,571	--
	401,397	830,709	1,232,106	321,504	746,050	1,067,554
End-of-service benefits paid	--	(6,086)	(6,086)	--	(10,222)	(10,222)
Surplus paid to policyholders	(38,135)	--	(38,135)	(47,553)	--	(47,553)
Zakat and income tax paid	--	(48,596)	(48,596)	--	(38,119)	(38,119)
	363,262	776,027	1,139,289	273,951	697,709	971,660

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At 31 December 2019

	2019			2018		
	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 INVESTING ACTIVITIES						
Placement in term deposits	(2,476,565)	(1,160,924)	(3,637,489)	(3,846,049)	(1,478,709)	(5,324,758)
Proceeds from maturity of term deposits	2,162,343	1,126,451	3,288,794	3,724,883	829,977	4,554,860
Additions to investments	(2,037,449)	(1,664,712)	(3,702,161)	(1,033,480)	(794,544)	(1,828,024)
Disposals of investments	2,162,824	1,389,831	3,552,655	1,042,838	873,189	1,916,027
Additions to Fixtures, Furniture and Right-of-use assets	--	(15,765)	(15,765)	--	(5,820)	(5,820)
Disposal of Fixtures, Furniture and Right-of-use assets	--	124	124	--	7	7
Intangible assets acquired	--	(16,548)	(16,548)	--	(21,049)	(21,049)
Increase in statutory deposit	--	--	--	--	(40,000)	(40,000)
Purchase of shares under LTIP	--	(32,744)	(32,744)	--	(11,494)	(11,494)
Net cash used in investing activities	(188,847)	(374,287)	(563,134)	(111,808)	(648,443)	(760,251)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	--	(180,000)	(180,000)	--	(160,000)	(160,000)
Lease liability paid	--	(26,990)	(26,990)	--	--	--
Income tax recovered from non-Saudi shareholders'	--	6,131	6,131	--	9,120	9,120
Net cash used in financing activities	--	(200,859)	(200,859)	--	(150,880)	(150,880)
Net change in cash and cash equivalents	174,415	200,881	375,296	162,143	(101,614)	60,529
Cash and cash equivalents at beginning of the year	272,527	17,886	290,413	110,384	119,500	229,884
Cash and cash equivalents at end of the year	446,942	218,767	665,709	272,527	17,886	290,413

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At 31 December 2019

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.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 30 Jumada Al Thani 1441H corresponding to 24 February 2020.



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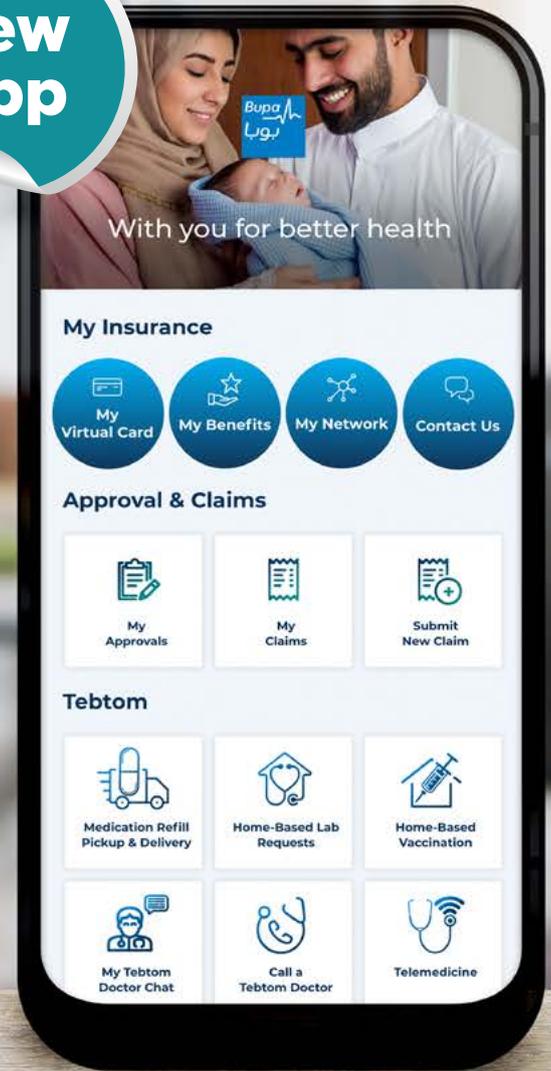


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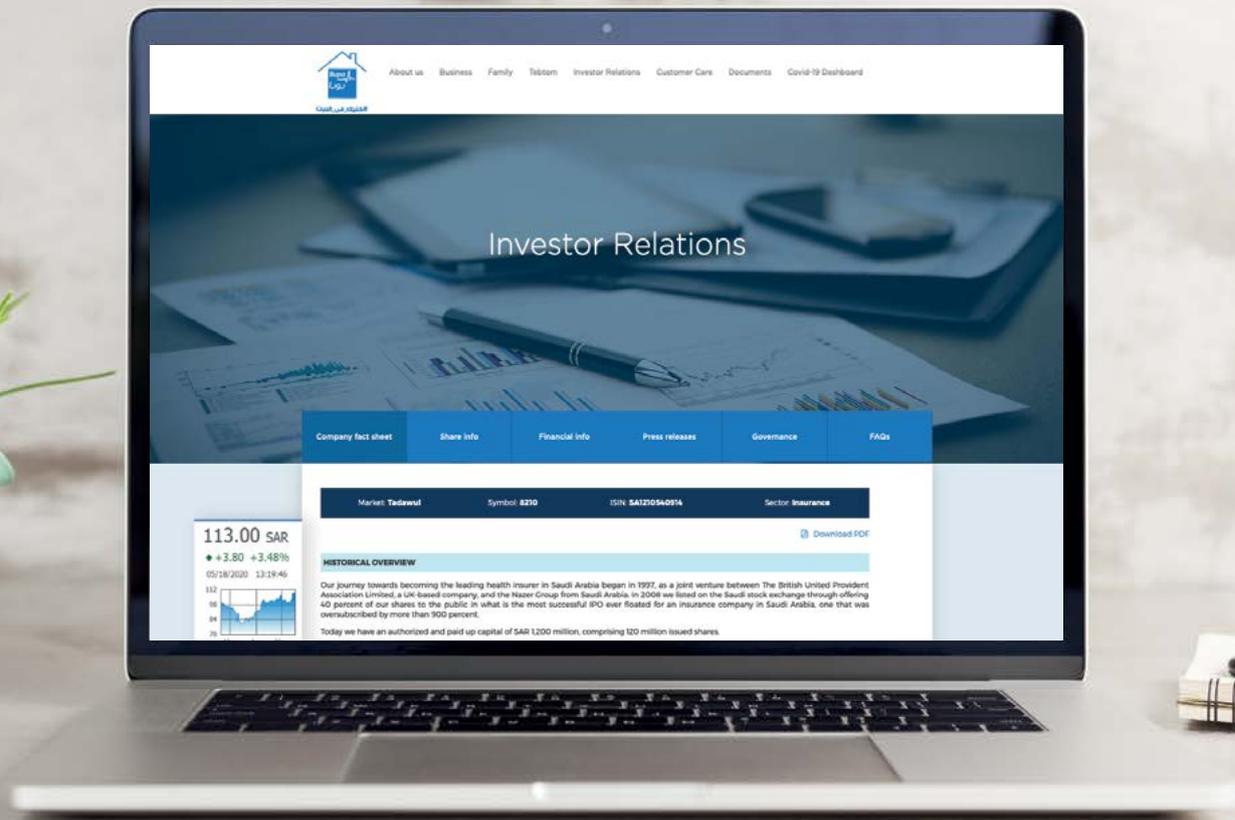
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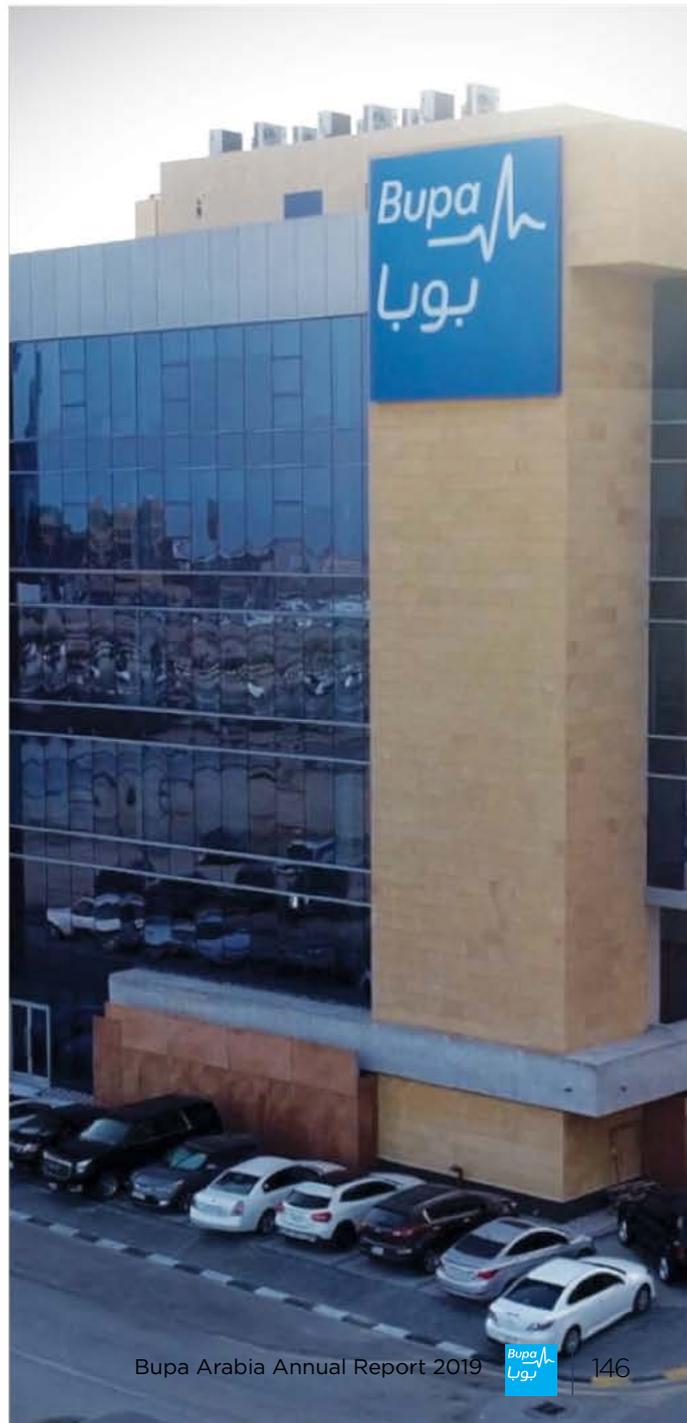
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