



Annual Report 2015

Live longer, healthier,  
happier lives





**King Salman bin Abdulaziz Al Saud**  
Custodian of the Two Holy Mosques

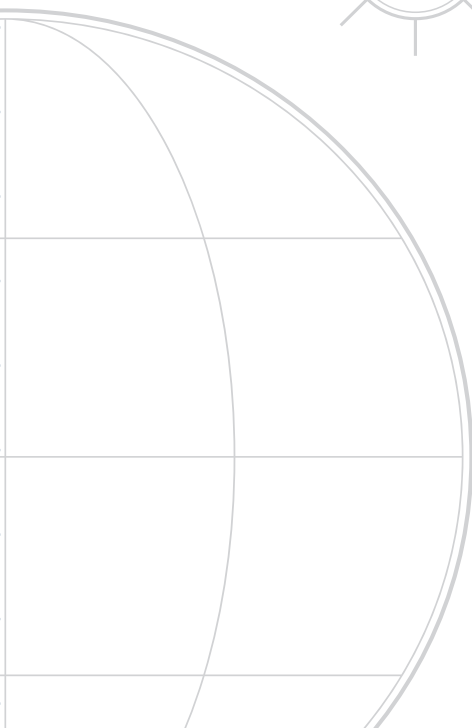
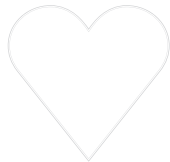


**HRH Mohammad bin Nayef Al Saud**  
Crown Prince, Deputy Prime Minister and the  
Minister of Interior



**HRH Mohammad bin Salman Al Saud**  
Deputy Crown Prince, Second Deputy Prime  
Minister and the Minister of Defence





# Bupa Arabia Annual Report 2015

## Contents

Mission and Values	1
Chairman's Message	2
CEO's Message	3-4
Board Members	5
Competitive Advantages	9
Bupa Group	10
Bupa Around the World	11-12
Tebtom Program Services	13
Recognizing Our Care	14
Board Report	15-46
Financial Statements	47-86

# Our Mission

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

## Our Values

### Passionate

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

### Caring

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

### Open

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

### Authentic

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

### Accountable

- Always responsible
- Take ownership
- Make it happen

### Courageous

- Be brave
- Dare to try
- Speak up

### Extraordinary

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



## Chairman's Message

2015 saw a continuation of positive trends in the Kingdom's health insurance sector.



### Our purpose remains to help people live longer, healthier and happier lives.

The written premium grew steadily throughout the year, reaching 20% by year-end. Albeit slightly lower than the 22% GWP growth in 2014, it is still very significant and underscores the robustness of the health insurance sector. Government intervention to better enforce the requirement for all Saudis employed in the private sector to have health insurance was a key driver of this strong market growth, along with population growth and rising demand for quality medical care.

By our calculations, the health sector delivered an underwriting contribution of nearly SR3.7b, an increase of almost 30% from the 2014 contribution of SR2.8b, supported by both growth and a slightly improved sector loss ratio (due to regulatory oversight on good market pricing disciplines). This contributed to the insurance industry overall delivering a sustainable level of profitability in 2015, with pre-tax profit rising 9% to just over SR1b.

### In 2015, Bupa Arabia held its place as the Kingdom's largest health insurance provider.

Bupa Arabia is committed to its purpose of "helping people live longer, healthier and happier lives". We believe this philosophy, and the investments

we make in great customer care to support it, and deliver real value to our customers. With this advantage, our written premiums grew ahead of the market in 2015 - our full year written premium rose by 28% to reach SR7.3b. Importantly, Bupa Arabia delivered a pre-tax/zakat result of SR645m, maintaining our consistent track record of strong profitable growth.

### Despite some worrying macroeconomic conditions, we believe the long term outlook for our industry is positive.

Expectations are that economic growth in Saudi Arabia will slow in 2016 as the contribution from the oil sector declines with the oil price. We believe the slower economic growth will create a level of caution in the private sector, with a focus on cost control and cash management in a more uncertain and fiscally challenged environment. While this will impact our clients and Bupa Arabia in 2016, we don't expect the impact to be substantial.

However, we also believe the long-term outlook for our industry remains very positive. Continued population growth, the ageing of the population, the growing burden of chronic disease and regulatory support that ensures health insurance is provided to all required parties will continue to drive higher demand for our products and services. Additionally, the government will be likely to develop (with greater urgency) innovative reforms for the health industry that look to the private sector to increase the quality of healthcare in the Kingdom. As the leading provider of health funding, Bupa Arabia is well placed to participate in these exciting opportunities.

Bupa Arabia is passionate about the development and well-being of our employees as we understand that our fantastic results will only continue with their enthusiasm and dedication. We have continued to invest in the development of our people and are very proud to have been recognized by the Human Resources Development Fund with awards for "Excellence in Learning and Development" (second place) and "Most Woman-Friendly Employer" (first place).

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our employees, and the leadership team of the business, for delivering a set of results that has led the market. The enclosed annual report and accounts includes an overview of some of the important achievements made during 2015.

I would also like to express my appreciation for the dedication and support to all our stakeholders, clients, partners, regulators or service providers for their continued commitment and contribution.

**Eng. Loay Hisham Nazer**

Bupa Arabia's purpose is to help customers live longer, healthier and happier lives.



**Only by delivering this can we justify our premium and continue to grow Bupa Arabia; our only sustainable advantage is the value of our proposition and the quality and commitment of our employees.**

In 2015, this mindset and approach enabled us to deliver impressive results:

### Performance Headlines

- Earned premiums grew by 47%, improving our market share of the health sector by over 2pp to 38.6% for the year (more than 10pp ahead of our nearest competitor).
- Through our focus on customer satisfaction, we increased customer retention to 86%.
- Our 2015 loss ratio (claims as a proportion of earned premiums) was 77.3%, an improvement over the 79.4% achieved in 2014.
- Our increased scale enabled increased operational efficiency and we reduced overhead costs as a percentage of earned premiums to 11.7%, down from 13.7% in 2014.
- We reported significant growth in pre-tax/post-zakat profits, up to SR645m in 2015, an increase of

SR344m and more than double the SR301m pre-tax/post-zakat profits of 2014.

- At the end of 2015, we had surplus cash and investments of SR1.12b versus technical reserves (SR5.07b versus SR3.95b, +28%).

### Market Dynamics

The Saudi market for health insurance grew by an estimated 13% in 2015, increasing from approximately 9.6m, at the end of 2014, to approximately 11.0m, at the end of 2015. One of the key drivers of this growth was better enforcement of the requirement for dependents of expatriates to have health insurance. There are a further 2.5 million Saudis working in the private sector (including dependents) who don't have health insurance, despite a legal requirement to do so. As enforcement continues, we expect these uninsured, private sector Saudis to enter the market for health insurance, fueling further growth.

On the competitive side, most insurance operators continued to focus on improving their underwriting results in 2015 and this enabled steady industry profit margins. Despite short-term concerns regarding the Saudi macro economy, driven by oil price declines, we remain optimistic regarding the future profitability and growth of the health insurance industry.

### Sales and Marketing

Bupa Arabia developed a menu of innovative products targeting new segments in the Saudi market. For example, our new Saudi family products have been designed to suit the various needs of different members of a Saudi family across different

stages in their lives. These products were launched with a significant marketing campaign across all communication mediums and are a first step to developing this exciting market segment.

Also, Bupa Arabia's innovative suite of healthcare services were packaged and launched in a marketing campaign under the name of "Tebtom" which means "Be Well". These healthcare services include Bupa Doctor, International Second Medical Opinion, Maternity Care, Child Care, Chronic Disease Care, Elderly Care and Cancer Care. These services further our aim to offer customers services that truly make a positive difference to their health and well-being.

2015 also saw the establishment of our healthcare partnership with Al-Ittihad Football Club in Jeddah, complementing our partnership with Al-Hilal Football Club in Riyadh and giving Bupa Arabia access to the fan base of the two biggest clubs in Saudi Arabia. With both teams, the Bupa Arabia logo is included on every player's shirt, giving the business strong visibility and awareness as well as brand association and recall.

On the sales front, Bupa Arabia continued to enhance its position in all three main regions of the country. This was most noticeable in the Central Region, which has been an area of significant Bupa Arabia growth for the past three years. We successfully secured significant new corporate accounts (including the General Authority of Civil Aviation, Nesma, Binzagr and Marafiq) and successfully renewed many significant corporate accounts (including SABIC, Mobily, Abdulatif Jameel Co. and AlRajhi Bank).



## Operations

Bupa Arabia continues to invest in our superior service by enhancing capabilities, systems and service propositions. During 2015, we revamped our total quality management processes and implemented a new “Point of Care” program to complement and enhance the Healthcare Operations unit. Aligned with a high performance culture and a service excellence mindset, the operations unit of the business delivered several significant outcomes during 2015:

- Improved Customer Satisfaction to a record high of 86.0%, compared to 83.5% in 2014.
- Improved Net Promoter Score to a record high of 45.0%, compared to 37.0% in 2014.
- Expanded our differentiation as a healthcare leader by adding more healthcare services, reaching more than 1.5m customers.
- Generated over 100 innovative ideas under “Service Innovations”, 33 of which are to be implemented.

## Information Technology

In support of Bupa Arabia’s business strategy, the Technology Services & Business Transformation team focused on the continued development of our new Client Relationship Management system (CRM); in 2015, the core foundation of CRM was progressed through an analysis of detailed business requirements, which will ensure our new system is fit for

purpose and furthers our business and customer objectives. 2015 also witnessed Swipe Card implementation at a significant number of providers which resulted in significant fraud elimination. The implementation of a strategic relationship with DHS Arabia, connecting providers electronically to receive claims through a secure integration channel, resulted in 42% improvements in claims processing and represents a foundation for future innovation.

## The Capability and Engagement of our People

Bupa Arabia strongly believes it is important to create a high performance culture driven by engaged employees. Fairly treated, well trained and competitively compensated employees will better serve our customers and will facilitate business growth and long-term success.

Bupa Arabia attracts, develops and retains its people very effectively. In 2015 we attracted and retained top Saudi talents and we maintained our platinum status in “Nitaqaat”; 65% of our employees are Saudi nationals. During 2015, Bupa Arabia also implemented a new recruitment framework (attracting over 680 new employees), invested in training and development (average days of training per employee increased from 2 to 6) and established talent and succession planning reviews (which led to many

internal transfers and promotions). As a result of all these efforts, our Global People Survey results for 2015 showed improvement in every category and Bupa Arabia maintained its rank at number 10 in the “Great Place to Work in Saudi Arabia” survey (and were top in the insurance category). In addition, Bupa Arabia won the following awards from the Human Resources Development Fund:

- 1st in the category of “Most Women-Friendly Employer”.
- 2nd in the category of “Excellence in Learning and Development”.

In closing, I would like to personally thank everyone at Bupa Arabia. Everyone works diligently every day to deliver our purpose: “people live longer, healthier, happier lives”. Without our hard working and dedicated people, Bupa Arabia would not have continued its success in 2015. As I have said in past years, I believe Bupa Arabia has never been stronger or better placed to grow. We constantly strive to deliver more for our customers, our partners and the Kingdom. I invite you to study this annual report to get a more detailed insight into our performance during 2015.

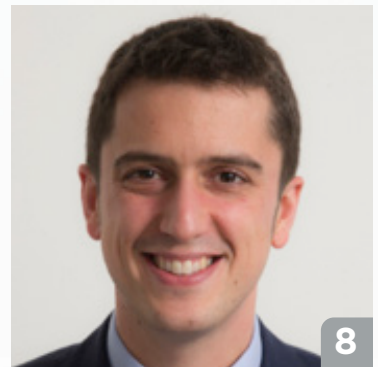
**Tal Hisham Nazer**







# Board Members





1

**Eng. Loay Hisham Nazer,**  
Chairman

Loay Hisham Nazer is the Founder and Chairman of Nazer. Mr. Nazer operates 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, a publicly listed company on the Saudi stock exchange that specializes in health insurance. The company operates in Saudi Arabia, the GCC countries and across the Middle East.

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

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

In October 2013, Mr. Nazer was appointed by the President of the Saudi Arabian Olympic Committee as Chairman of the Saudi Arabian Judo Federation for 3 years. Mr. Nazer is the Vice-Chairman of the Saudi Olympic Committee having been appointed to the role during 2015.

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

In 2007, Mr. Nazer was appointed by the Saudi Council of Ministers as a Board Member of the Cooperative Council for Health Insurance, the official regulatory body for health insurance in Saudi Arabia, representing the private sector. He is the leading negotiator with the various governmental institutions for the development of the insurance industry in the country. He was re-appointed in 2010 to serve a second term of three years as a member of the Board.

Mr. Nazer lectures regionally on globalization and Principled-Decision Making. He has been quoted many times in the Western press on issues related to Saudi Arabia and was interviewed on CNN's Business Today, MSNBC Europe's Gateway to the Middle East, and was the main guest on "Bridges," an hour-long Saudi television program designed to improve Saudi-West relations.

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



2

**Mr. Tal Hisham Nazer,**  
Executive Director

Mr. Tal Hisham Nazer has been the Chief Executive Officer of Bupa Arabia since 2008. Leading this top and fast growing specialized healthcare 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 a Board Member of Arabian Medical Marketing Co. Ltd (Nawah) and a current member of CCHI Board, a Board Member of the Human Resources Development Fund (HRDF). Also, he is a member of the Saudi Arabia Monetary Agency (SAMA)'s Insurance General Committee and the Chairman of Health and Life Insurance Sub-Committee. Mr. Tal Nazer is also a member of the Young Presidents Organization (YPO) and the Young Global Leaders (YGL).

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



3

**Mr. Abdulhadi A. Shayif,**  
Director-Independent

Mr. Abdulhadi A. Shayif is a Board Member and the Chairman of the Audit Committee at Bupa Arabia, he holds a Bachelor's degree in Economics from the American University of Beirut 1970.

Abdulhadi has started his distinguished career with the National Commercial Bank and was later appointed the General Manager and member of the Board of Directors and executive committee.

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

In Saudi Arabia, Abdulhadi A. Shayif serves as a Board Member and the Chairman of various committees at the Saudi Hollandi Bank, Saudi Ground Services Co. and the Deutsche Securities Saudi Arabia. Outside Saudi Arabia, he is the Chairman of FWU International advisory Board, Munich.

He received the Grand Cordon of the Order of Al-Istiqlal (Independence) from King Abdullah the Second of the Hashemite Kingdom of Jordan.



4

**Mr. Aamer Abdullah Alireza,**  
Director-Independent

Mr. Aamer A. Alireza joined the Bupa Arabia Board in March 2008.

He is also a Board Member of the Xenel Group of Companies, the Managing Director of its Services Division, and a Board Member of a number of its subsidiaries and affiliates. He is also the Chief Executive Officer of Red Sea Gateway Terminal (RSGT) and its affiliate, Saudi Trade & Export Development Company (Tusdeer), and a Board Member of its parent company, Saudi Industrial Services Company (SISCO), a publicly-listed company.

He is the Chairman of the Board of AECOM Arabia Co. Ltd. and Vice-Chairman of the Board of Trican-SSOC Well Service Ltd. He also serves on the Board of Directors for Friends of Jeddah Parks, a non-profit organization.

Aamer graduated from Pitzer College in California with a B.A. in Economics and Political Science. He has also taken part in various management executive programs at the University of California, Stanford University, and most recently attended the Advanced Management Program at Harvard University.



5

**Mr. Zaid Al Gwaiz,**  
Director-Independent

He is an independent Board Member and the Chairman of the Investment Committee at Bupa Arabia since June 2014.

He attained his Accounting degree from the King Saud University in 1987.

He worked as Senior Accountant in the Planning and Finance Department at 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 Manger Corporate Banking until 2003 when he moved to HSBC Saudi Arabia Limited as Deputy Managing Director until 2007.

A Licensed Financial Consultant and an independent Board Member at several companies, including, Saudi Hollandi Capital and AL Yusr Finance Company, Mr. Zaid Al Gwaiz acts as the Chairman of the Audit and Risk committees in these companies.



6

**Mr. Ignacio Peralta Gracia**  
Director

Mr. Ignacio (Iñaki) Peralta Gracia was born and educated in Spain and is a graduate in Business Studies and Economics (Universidad de Navarra), has an MBA from IEDE, a Master in Management of Healthcare Centres as well as the Wharton Advanced Management Program.

Iñaki was appointed as the Sanitas Health Funding BU General Manager in December 2013, having held a variety of different roles since joining Sanitas Care Homes during 1995, including Director of Expansion and Business Development, Operations Director, and Regional Director for Cataluña, Aragón, La Rioja and Soria (Sanitas PMI).

Iñaki sits on a number of the Sanitas Boards and has significant experience with hospital facilities having been instrumental in expanding the Sanitas hospital operation. In Sanitas hospitals there are over 6,350 employees and Sanitas hospitals operates 6 hospitals, 47 clinics and 20 well-being centres throughout Spain.



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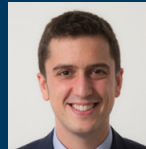
**Mr. David Fletcher**  
Director

Mr. David Fletcher is 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 has been Managing Director of Bupa IDM since September 2014. In this role he is 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.



8

**Mr. Edward Hannan**  
Director

Mr. Edward (Ed) Hannan was born and educated in the United Kingdom (UK). He holds a Bachelor of Science degree in Money, Banking and Finance, from Birmingham University, England (completed in 2001) and is a qualified Chartered Accountant registered with the Institute of Chartered Accountants in England and Wales (ICAEW).

Ed is Finance Director at Bupa, the International Healthcare Group, responsible for International Development Markets (IDM) and was appointed to this role in June 2014.

In addition to Bupa Arabia, his role covers the Bupa Group's presence in Poland, India, Hong Kong and Thailand. It also focuses on driving growth in new markets for Bupa across South East Asia, China, the Middle East, Europe and Africa.

Prior to joining Bupa, Ed held a number of senior roles at the Royal and Sun Alliance (RSA) Insurance Group, most recently as Chief Financial Officer for Central and Eastern Europe and the Middle East. In that role, Ed chaired the Supervisory Board for RSA's Polish business and was also a Board Member for RSA's subsidiaries in the Czech Republic and Oman where he also chaired the Board Investment Committee.

Ed has specialised in non-life insurance throughout his career, having previously worked at PricewaterhouseCoopers (where he qualified as a chartered accountant), and Ernst & Young where he spent a number of years in the insurance consulting practice.

Ed is also a Trustee and Honorary Treasurer for the National Children's Bureau, a leading children's charity in the UK.

# Competitive Advantages

We continue to focus on delivering sustainable value for our customers and for the Saudi society through what we do and how we do it, and in order to maintain our differentiation and success, we continuously strive to enhance the following capabilities:

## The Experience and Expertise of our People

Bupa Arabia is proud of its specialization in the health sector; our purpose remains “to help people live longer, healthier and happier lives”. This focus has enabled us to develop unequalled capabilities; collectively, our Executive team has over 50 years’ experience in health insurance and provision. Furthermore, we believe that we can only deliver our goals with engaged, positive employees who are treated fairly and with respect. Our staff retention levels, the number of long-term employees and the very positive results of our staff surveys continue to tell us that we are succeeding on this front: we have the skills, appetite and ambition to continue to lead this sector.

## International Healthcare Expertise and Experience

Our members benefit from the assurance of being part of the Bupa Group, an expanding worldwide organization entirely focused on health and care. Bupa’s expertise includes healthcare funding (through insurance, subscriptions and other funding solutions, Bupa funds healthcare for 32m customers across the globe) and healthcare provision (Bupa is a leader in provision, providing care in clinics, dental centres, hospitals and care homes around the globe, including in the UK, Spain, Australia, New Zealand, Poland, Chile and Hong Kong). Bupa Arabia benefits from its ability to draw upon this world of expertise from which we can “steal with pride” new services products, systems and capabilities to add further value to our clients.

## Specialization in Private Medical Insurance

As the first specialized health insurance company in the Kingdom and with over 15 years of Saudi market experience, Bupa Arabia is uniquely placed to provide members with a value-adding basket of specialized healthcare services that cater to their specific medical needs.

So, in 2015, “Tebtom”, meaning “Be Well” was launched to provide access to combined healthcare services, including Bupa Doctor, International Second Medical Opinion, Maternity Care, Child Care, Chronic Disease Care, Elderly Care and Cancer Care. It has also introduced new innovative services such as Telemedicine and Home/Office Lab Services. In addition to that, Bupa Arabia launched a comprehensive “Wellness Program” that offers seminars and education sessions on various important health topics, including stress management, weight management, smoking cessation and CPR to the corporate clients.

## Fully Integrated Information Technology System

We strive to continuously advance and modernize our information technology foundation in order to enable the achievement of the company’s strategic and financial goals. In 2015, Bupa Arabia progressed its development of the Microsoft CRM to further improve the functionality of our commercial and operational functions. The benefits of the new CRM platform will be felt by customers, staff and management.

## Customer Service Culture

Committed to delivering great customer service, Bupa Arabia continues to invest in service delivery by enhancing our capabilities, systems and service proposition, aligned with a high performance culture and service excellence mindset (a continuation of the “Up Your Service Passion” program launched in 2011).

## Stakeholder Management

We aim to provide a premier service by providing stakeholders with clear information, in alignment with the application of regulations and instructions issued by our regulators: SAMA, the CMA, CCHI, the MOH and the Chamber of Commerce.

## Corporate Social Responsibility (CSR)

Bupa Arabia strives to raise awareness of the benefits of a healthy lifestyle and encourage its adoption. The company’s flagship CSR initiative, providing all orphans in the Kingdom with free health insurance cover, continued to build momentum, and during 2015, Bupa Arabia signed a new CSR program to support disadvantaged, adopted, orphan students aged between 18-16 years.

# Bupa Group - Over 65 Years Of Healthcare And Wellness

The Bupa Group was established in 1947 in the United Kingdom with one core purpose “to prevent, relieve and cure sickness and ill health of every kind”. More than 65 years, with around 32 million customers in over 190 countries, Bupa remains true to this core principle across all its businesses and geographies, from Europe, Asia, the Americas, Africa and Middle East.

From private medical insurance, Bupa has grown to become an integrated health services provider with the single-minded aim of providing Bupa Group customers with high quality health and care products and services.

Focused solely on its customers, Bupa Group is a private company with no shareholders. As such, all profits are reinvested in the company to provide more and better healthcare to its customers around the world.

With around 84,000 employees worldwide, Bupa lives up its purpose of ‘longer, healthier, happier lives’. And it does so in a manner that treats and cares for its customers as individuals.

## Bupa Group Statistics

- Provide health insurance to customers in over 190 countries covering around 32 million people internationally.
- More than GBP 9.8 billion turnover in 2015.
- Works with more than 11,500 hospitals and clinics worldwide.
- Operates hospitals and primary care centres in UK and Spain.
- Operates more than 443 care homes and retirement villages in the UK, Spain, Australia and New Zealand



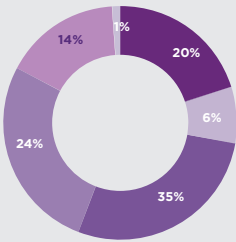
We serve

32

million customers

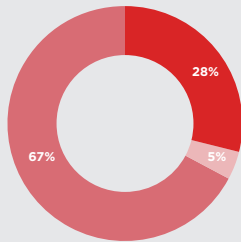
# Bupa Around The World

**International Development Markets**  
Revenue 2015: £ 551.1m



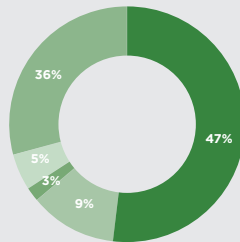
- Bupa Arabia
- LUX MED
- Bupa Hong Kong
- Quality Healthcare
- Bupa Thailand
- Max Bupa

**Bupa Global**  
Revenue 2015: £ 947.5m



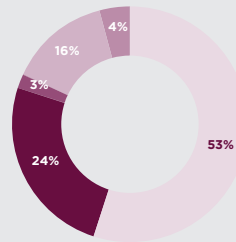
- Bupa Global Business Unit
- Bupa Global Latin America
- Bupa Global North America

**Spain and Latin America**  
Revenue 2015: £ 1,824.5m



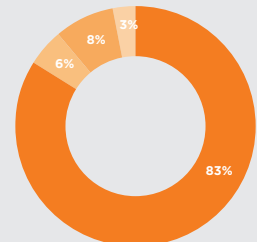
- Sanitas Seguros
- Bupa Chile
- Sanitas Hospitales & New Services
- Sanitas Residencial
- Sanitas Dental

**United Kingdom**  
Revenue 2015: £ 2,857.8m



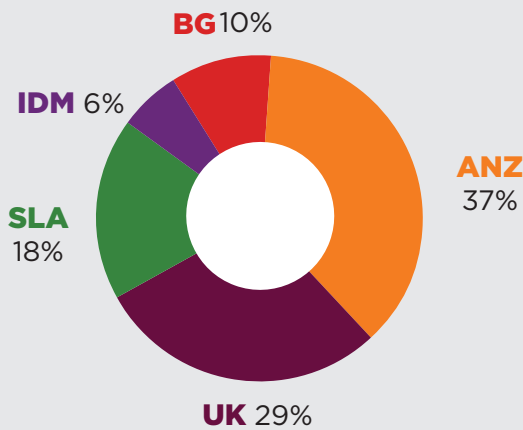
- Bupa Health Funding
- Bupa Care Services
- Bupa Home Healthcare
- Bupa Cromwell Hospital
- Bupa Health Clinics

**Australia and New Zealand**  
Revenue 2015: £ 3,648.4m

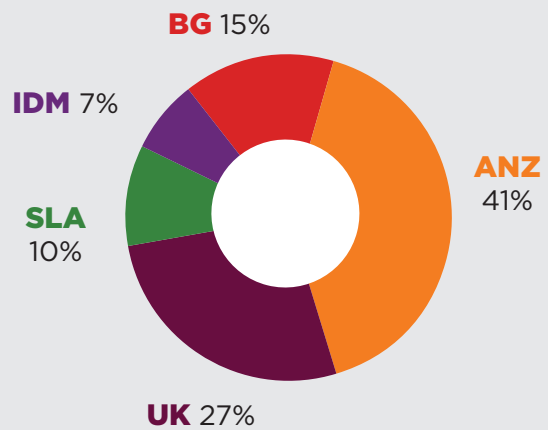


- Bupa Health Insurance
- Bupa Aged Care Australia
- Bupa Health Services
- Bupa Care Services New Zealand

## Revenue £ 9.8bn

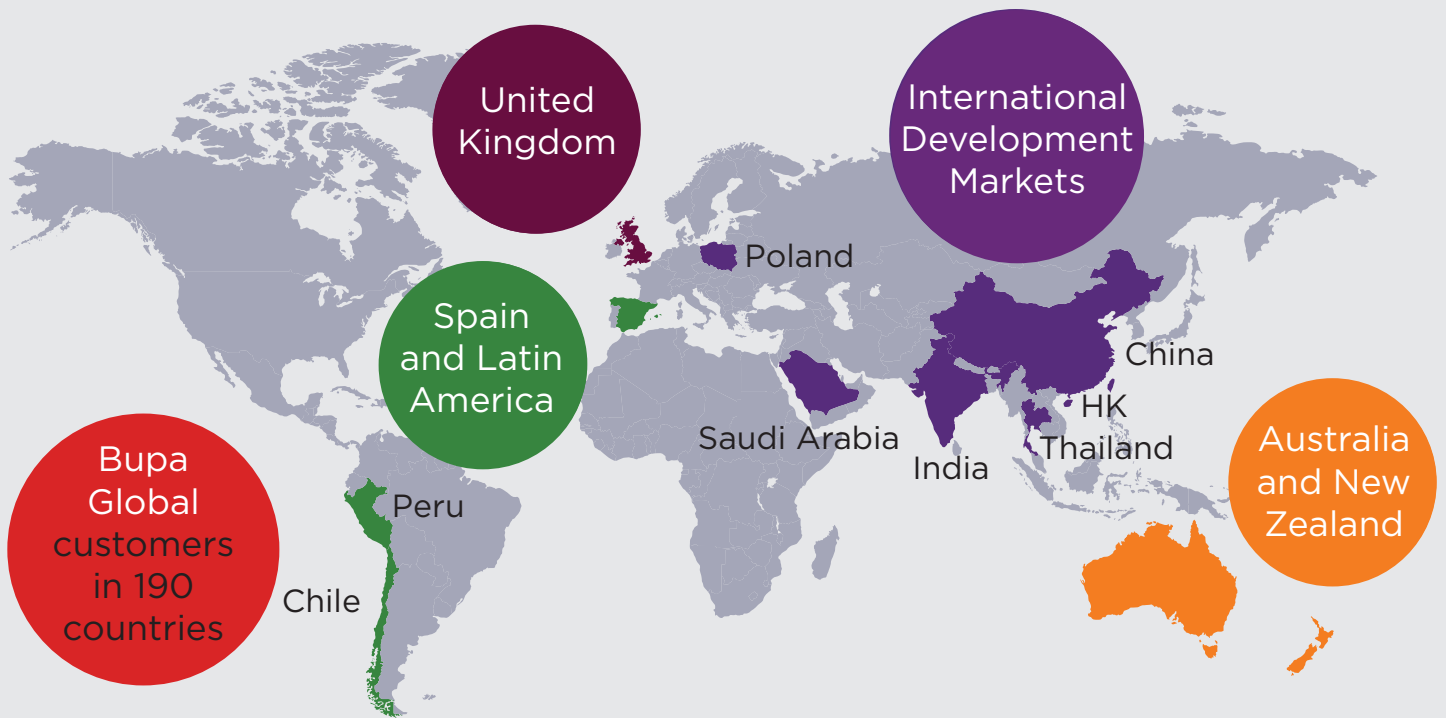


## Underlying Profit £ 582.5m



**ANZ** Australia and New Zealand **UK** United Kingdom **BG** Bupa Global  
**SLA** Spain and Latin America Domestic **IDM** International Development Markets





# 84,000

The Bupa Group employs



In 2015 the Bupa Group reinvested in the business to fulfil our purpose: longer, healthier, happier lives – for millions of people worldwide.

# Tebtom Program Services



## **Bupa Doctor**

You can get health advice and answers from our specialized doctors, around the clock (7/24), through Tebtom's toll-free number 4040 444 800.

"Bupa Doctor" is a free service available to all.



## **Maternity Care**

Pregnancy is considered to be one of the most important stages of your family's life. You might have many questions, and find it difficult to always get the answers you need. We will guide you through our "Maternity Care" service to get all the answers you need, and coach you – for a healthy and happy pregnancy experience, from start till end.



## **Child Care**

Because the first few years of your child's life are the most important, we created the "Child Care" service. Our aim is to help you nurture your child's health, ensuring his development and growth, through our specialized healthcare advice and coaching.



## **Chronic Diseases Care**

To help ease repeated chronic conditions' check-ups, medication refills, and periodic tests, we created the "Chronic Diseases Care" service. It helps you get along with your chronic disease and mitigate its risks through personalized health solutions such as: expert guidance and coaching, such as elderly counselling, guidance, and nutritional consultations, convenient chronic diseases medications refilling\* and chronic conditions monitoring\*.



## **Elderly Care**

Because we appreciate your love for the elderly in your life, we created the "Elderly Care" service, which will give them the necessary healthcare as well as the caring solutions for their comfort, such as elderly counselling, guidance and nutritional consultations, convenient chronic diseases medications refilling\* and chronic conditions monitoring\*.



## **Cancer Care**

We realize the importance of the care and the support given to cancer patients; that's why we have created the "Cancer Care" service; aiming to improve the patient confidence and strengthen him and his family against the challenges they face, through: guidance about the treatment and its impact, advice regarding chronic conditions as well as supporting the cancer patient's caregiver.



## **International Second Medical Opinion**

We created the "International Second Medical Opinion" service to help you deal with complex health cases: to reconfirm the diagnosis or the treatment choices – from world-class experts operating at internationally-renowned centers.

Our doctors will evaluate the received cases based on pre-set medical criteria, prior to providing the service.

\*Available for Bupa members covered in Network 5 and above.



Surrounding  
You with Care

# Recognizing Our Care

Showcasing our awards



Most Women-Friendly Employer



Award of Excellence In Learning and Development



Best CSR Impact Initiative  
Best CSR Integrated Organization



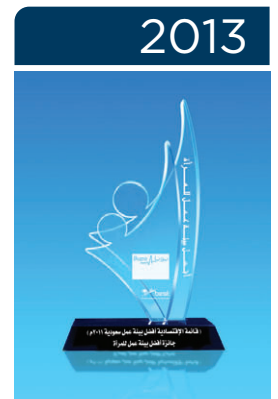
Most Innovative Healthcare Partnership



Best CSR Initiative



- Award of the best call center of the year
- Award of the best recruitment program
- Flags Pioneer Contact Centre Award



8th Best Saudi Company (within the Large Companies Category)



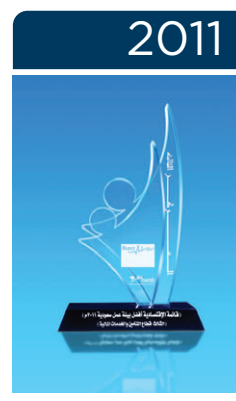
Best Saudi Company to work 'For Women'



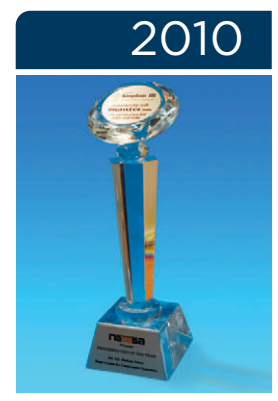
Award offered from Insights Middle East for the best large call centre



Award of the best Saudi workplace for women.



Best working environment and third Insurance and Finance Services Sector Award



Preferred CEO of the year Award offered by Naseba and Kingdom HR Gathering



# Board Report

# Bupa Arabia for Cooperative Insurance Company

## Board of Directors Report

### for the period ended 31/12/2015:

The Board of Directors of Bupa Arabia for Cooperative Insurance Company is pleased to present the annual board report covering the company's financial results and achievements, followed by the audited financial statements and notes for the twelve-month period ended 31 December 2015. This board report includes the most important developments, financial results, operational activities and disclosures in compliance with the rules and regulations of the Kingdom of Saudi Arabia.

#### 1. Main activities:

Bupa Arabia for Cooperative Insurance Company (the company, or Bupa Arabia) is a publicly listed Saudi joint stock company (listed on 17/05/2008G, 11/05/1429H) registered in Saudi Arabia under commercial registration number 4030178881 (issued on 10/05/2008G, 05/05/1429H).

The company specializes in cooperative health insurance activities and operates in accordance with the relevant rules of all the relevant regulatory bodies in the Kingdom of Saudi Arabia.

According to the company's charter and articles of association, the first fiscal year of the company commences from the date of issuance of the ministerial declaration to establish the company (issued on 01/05/2008G, 24/04/1429H) and ends on 31 December of the following year.

The current year financial statements, for the twelve month period ended 31/12/2015G, 20/03/1437H represent the seventh statutory financial statements of the company.

#### 2. Asset purchase agreement and transfer of insurance portfolio:

The company completed its Initial Public Offering (IPO) process on 15/03/2008G, 07/03/1429H, and a request was submitted to His Excellency the Minister of Trade and Industry to announce the company. This request was approved by the ministry on 01/05/2008G, 24/04/1429H. The licence to establish the company was approved by Royal Decree no. M/74 dated 29/08/1428H, 11/09/2007G, and by the declaration from the Council of Ministers n o. 279 dated 28/08/1428H, 10/09/2007G.

The Saudi Arabian Monetary Agency (SAMA) permitted Bupa Arabia to conduct the business of cooperative health insurance in Saudi Arabia on the basis of Articles II and III of the law of Supervision of Cooperative Insurance Companies issued by Royal Decree no. M/32 on 02/06/1424H, 01/08/2003G, and Article IV of the law's executive summary issued by the decree of the Minister of Finance no. 1/596 dated 01/03/1425H, 21/04/2004G, and the pronouncement of the Governor of SAMA no. 111/429 dated 08/08/1429H, 10/08/2008G.

An Ordinary General Assembly meeting took place on 30/12/1429H, 28/12/2008G, in which meeting it was approved unanimously to purchase the insurance portfolio of Bupa Middle East Limited E.C. in accordance with the assessment by SAMA and the prescribed SAMA guidelines. The shareholders authorised the Board of Directors to complete the acquisition and agree on the terms and conditions of the purchase.

The shareholders approved unanimously, during an Ordinary General Assembly meeting on 19/09/1430H, 09/09/2009G, that the company enter into a licensing agreement for the use of Bupa's trademark (the word Bupa, with or without logo).

Bupa Arabia received SAMA's approval to finalise the transfer of the insurance portfolio, from Bupa Middle East Limited E.C., through SAMA's letter no. IS928 dated 07/07/1430H, 30/06/2009G and the insurance portfolio transfer agreement and formalities were completed during 2009 at a goodwill amount of SR98 million. The insurance portfolio purchase/sale agreement provided for the payment of fees relating to the outstanding goodwill consideration amounts and SR 3,355k final fees were settled to the seller in 2013, after SAMA's approval was received via SAMA letter number 341000017461.

#### 3. Approval of the Company's renewal license from the Saudi Arabian Monetary Agency (SAMA):

The company's SAMA license qualification remains in place having been successfully renewed during the previous year, on 27/05/2014G, 28/07/1435H, for a further three year period to 03/05/2017G, 07/08/1438H, as was announced on Tadawul during 2014, on 28/05/2014G, 29/07/1435H.

#### 4. Approval of the Company's renewal license from the Council of Cooperative Health Insurance (CCHI):

During 2015, on 15/03/2015G, 24/05/1436H, the company successfully renewed its one-year CCHI license qualification for the further one year period from 11/03/2015G, 19/05/1436H, and Bupa Arabia announced this on Tadawul on 16/03/2015G, 25/05/1436H.

## 5. Bupa Arabia significant plans, decisions and developments during the year:

Certain elements of Bupa Arabia's significant plans, decisions and developments, during 2015, are detailed within this section whilst others are described within the other relevant sections of this board report. Key board and committee approval decisions, during the year, are reflected in sections 13 and 14.

### • 5.1 Strategy review:

Bupa Arabia's strategic vision is clear and unchanged:

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

At the heart of this vision is for Bupa Arabia to maintain its status as a healthcare partner to millions of people in Saudi Arabia. To deliver this, Bupa Arabia's strategy focuses on three health “pillars”. Specifically, we aim to provide:

- Health insurance that leads the market in unlocking access to high-quality healthcare,
- Provision (e.g., clinics and hospitals) sufficient to shift the industry to a patient-centric, outcomes-focused paradigm, subject to the legal and regulatory environments,
- Partnerships with government and other stakeholders in Saudi society to tackle the most pressing healthcare needs, subject to the legal and regulatory environments.

Outstanding delivery on these pillars has enabled (and will continue to enable) Bupa Arabia to achieve extraordinary business performance.

Bupa Arabia knows it cannot deliver this without a healthy and more engaged workforce; it must have employees that love working at Bupa Arabia because of its amazing culture, which is defined along five dimensions:

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

We made excellent progress in delivering our strategy in 2015 and this has driven our outstanding financial performance. Our aim is to continue on this impressive trajectory in 2016. As such, our top strategic priorities are:

- To continue building our differentiation as the best provider of health insurance in Saudi Arabia. In 2016, our key focus in this area will be to work with providers to **ensure our customers get the best possible service** when they receive medical care,
- To protect our leadership position in Saudi health insurance by **maintaining strong bonds with our growing customer base**, thus improving retention across all channels,
- To continue developing our product portfolio, our distribution capabilities and our service capacity to **dramatically improve our ability to serve the Small Medium Enterprises (SME) segment**, an area where we see potential for significant growth,
- To **continue our success in the Central Region**, building from our new Riyadh regional headquarters and our relationship with Al Hilal Football Club to grow in this highly competitive region,
- To continue **improving our IT capabilities** by providing new technologies that support our significant business growth,
- Critically, to continue **investing in our people** by hiring, training and retaining the right people and ensuring they love working at Bupa Arabia because of our amazing culture. In 2016, this will include expansion into additional workspace in Jeddah to accommodate our growing workforce,
- To continue to **work closely with the Ministry of Health (MOH)**, on the most important health issues in Saudi Arabia, including privatization, health insurance for Saudis in the public sector, and other ad-hoc health related projects, subject to the legal and regulatory environments.

Bupa Arabia remains committed to working with the Saudi health authorities to identify and address the biggest health challenges facing Saudi society as it believes partnerships between the public sector and the private sector remain a very valuable tool in improving the healthcare of the nation.

### • 5.2 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 Social Affairs (MOSA). 2015 is the fifth successive year of providing free health insurance and medical cover to these orphans and now includes cover to all orphans under MOSA (more than 47 orphanages Kingdom wide, covering more than 3,000 orphans across 13 cities). During 2015 the cover was extended to reflect a table of benefits improvement and CSR visits were also launched covering 34 orphanages with onsite medical check-ups and blood tests. Bupa Arabia also donated more than 15,000 items to these orphanages as part of its Ramadan program.

During 2015 Bupa Arabia signed a new CSR program, with the National Commercial Bank (NCB), to support disadvantaged, adopted, orphan students aged between 16-18 years. The scheme provides free health insurance coverage to these orphans through a regular corporate contract where NCB pays for the insurance which Bupa Arabia provides at special “at estimated cost” prices. During 2015 600 adopted orphans were enrolled on the scheme and it is envisaged 2,600 will be covered over the next 5 years.

### • 5.3 Corporate governance:

Maintaining a rigorous corporate governance environment is of the highest priority at Bupa Arabia and we understand that having “great brakes” is as important as a “powerful engine”. Bupa Arabia continues to invest time and energy behind its corporate governance, including the continuous embracing of the “Three Lines of Defence” (3LoD) model, Risk Owner Workshops and Internal Control and Risk Management assessments. In 2016 Bupa Arabia will significantly strengthen its overall governance capability by appointing a Chief Risk Officer (CRO), on the Chief Executive Team, and consolidating all the relevant governance areas of responsibility under one functional structure, and authority, by adding additional resources to widen and deepen the capacity and capability for what is now a significantly bigger business, in more turbulent times.

Bupa Arabia also continued to upgrade compliance to our information governance framework to ensure the protection against cyber-attacks and the security of our corporate records and customer / employee data in a confidential and robust manner. In 2016, Bupa Arabia will also enhance Governance Committees (structures and resources) to ensure we are able to transition smoothly to the new SAMA Corporate Governance, and new SAMA Audit Committee, regulations. This will include the creation of a new Risk Management Committee (RMC), and the updating of all the relevant governance codes, policies and procedures, as well as the Terms of References (TORs) of each of the Board Committees, and which will need to be approved by the Bupa Arabia Board of Directors, as well as thereafter by the shareholders in a future General Assembly meeting.

### • 5.4 Business continuity (BCP) and Disaster recovery (DR):

The company appreciates the significance of risk mitigation through its Business Continuity and Disaster Recovery Plans, whether this is from the enhancement of system redundancy or dual site capability or by maintaining BCP, DR and Crisis Management policies and procedures. Again, these capabilities will be consolidated under the CRO in 2016 with further additional resources appointed to manage the scale, geographic reach and complexity of the business.

### • 5.5 Shariah compliance:

During 2015 Bupa Arabia continued to move toward Shariah compliance and, on 28/05/2015G (10/08/1436H), received the approval of the Shariah Review Bureau (SRB) for the continuation of its Shariah status (reference Bup-03-03-04-15) in line with the approval previously received during 2013. All Shariah certificates remain valid, as was announced on Tadawul on 31/05/2015G (13/08/1436H), in line with the original 2013 announcement, of 25/11/2013G, 22/01/1435H, on the following functions:

- Certificate no: BPA-196-08-08-11-13: for the full separation of all investment and other bank accounts (shareholder and policyholder) concluded during 2013,
- Certificate no: BPA-195-07-07-11-13: for the compliance of all shareholder and policyholder investments with Shariah Guidelines,
- Certificate no: BPA-199-09-09-11-13: for the Declaration and Product Provision, conditional pending SAMA approval, and submitted for final approval to SAMA.

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

### • 5.6 Development of Saudis and increased Saudisation:

A priority action for Bupa Arabia, during 2015, was to enhance the career development of Saudi nationals and to increase its Saudisation level. The company was successful, improving from 62% at the end of 2014, to 65% at the end of 2015, therefore maintaining its platinum status, (refer section 12.3 for further details on the development of Bupa Arabia employees).

### • 5.7 Chief Executive Team (CET):

During 2015 the Bupa Arabia CET remained constant with its members comprising the below:

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

Tal Hisham Nazer has 13 years' experience in Saudi health insurance, having joined the business during 2002, as Commercial Finance Manager, and has been CEO, and a member of the Bupa Arabia Board of Directors, since its listing in 2008. Tal also currently serves as a Board member for the Council for Cooperative Health Insurance (CCHI), and the Human Resources Development Fund (HRDF), and was previously Chairman of the Saudi Arabia Monetary Agency (SAMA)'s Insurance General Committee. 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, Los Angeles (completed in 1996).

#### • Chief Financial Officer, (CFO) Fraser Gregory (British)

Fraser Gregory has more than 20 years' health experience (Insurance, Hospitals and Medical Services) since joining Bupa in its UK operation during 1995 he held a variety of senior finance roles covering; Bupa Group Financial Controller (integrating 2.0b sterling of acquisitions), Bupa Hospitals Finance Director (sold business to private equity in 2007 for 1.4b sterling) and also Bupa Insurance CFO for a handful of years. Prior to Bupa, Fraser had 10 years' experience with Diageo (Brands and Wholesale Drinks), Lloyds Bank (Debit and Credit card business) and STC (Telecoms component manufacturer). Fraser joined Bupa Arabia, as Chief Financial Officer, during 2010 and currently serves as member of the SAMA CFO insurance sub-committee. Fraser is a qualified accountant (Fellow of the Chartered Institute of Management Accounts - CIMA) and holds a Bachelor's degree in Finance and Commerce (University South Bank, London, UK, 1982), a diploma in Managed Care (Leeds University, UK, 1998) and an Executive mini MBA (Wharton, USA 2001).

• **Chief Commercial Officer, (CCO) Ali Sheneamer (Saudi)**

Ali Mohammed Sheneamer has 18 years' collective experience in marketing, sales and general management of which 3 years in Saudi health insurance, having joined the business in 2013 in the current role. Ali has served, before joining Bupa Arabia, as the Deputy Governor and Chief Operating Officer (COO) of SAGIA for 5 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 member of the Board of Directors of Bupa Egypt and 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, in 1997.

• **Chief Operations Officer, (COO) Arif Hunashi (British)**

Arif Hunashi joined Bupa Arabia during 2014, as Chief Operations Officer, and before this worked for Unilever Arabia for 15 years, 10 years of which was at a Director level, and covering a number of General Manager and Customer Development Director roles across the Middle East (including Saudi Arabia, UAE, Oman, Bahrain and Qatar). Arif also previously worked more than 4 years in two leading Saudi family businesses as the Managing Director (Distribution) and COO. Arif holds an MBA in Marketing from the University of Leicester, UK (2005), and a Bachelor of Engineering in Instrumentation & Control from the University of Teeside, UK (1993). Arif is also a Chartered Electrical Engineer, Institute of Electrical Engineering, UK (2002).

• **Chief Human Resources Officer, (CHRO) Thamer Al-Harathi, (Saudi)**

Thamer Al Harathi has over 15 years' experience in Human Resources management. His experience was built by being an associate of prominent local and multinational organizations. Before joining Bupa Arabia, in April of 2012, he worked with Fonterra, the world's largest dairy exporter based out of Dubai, as Human Resources Director for the Middle East and Africa. Thamer worked, before Fonterra, as the Head of the Business Partner Unit at the National Commercial Bank (NCB). Prior to that Thamer was with Nicholson International, a UK based HR Consultancy, as a Senior Consultant. Thamer started his HR management career in Unilever where he served in both the UAE and in Saudi Arabia. In 1996 Thamer graduated with a Bachelor degree in Law from the King Abdulaziz University, Saudi Arabia.

During 2016 the CET will expand through the addition of a Chief Risk Officer (CRO).

• **5.8 Tadawul announcements not detailed in the other sections of this Board report:**

**SABIC contract renewal:**

During 2015 Bupa Arabia renewed its contract with SABIC and informed the market through its announcement, on Tadawul on 21/06/2015G, 04/09/1436H, as follows: "Bupa Arabia for Cooperative Insurance announces it has received, on 21 June 2015, corresponding to 4 Ramadan 1436, the confirmation to renew its contract as the health insurance provider for the Saudi Basic Industries Corporation (SABIC) to provide health insurance for its employees and their families for one year starting 5/7/2015. The contract revenues are expected to be greater than 5% of the 2014 annual gross written premium of Bupa Arabia for Cooperative Insurance and it is expected to have an impact on its 2015 financial results."

**SAMA approval of the Board recommendation to increase the share capital:**

On 14/09/2015G, 01/12/1436H, Bupa Arabia received SAMA's approval of the recommendation of the Board of Directors to increase the company's share capital through bonus shares and informed the market through its announcement, on Tadawul, on 14/09/2015G, 01/12/1436H, as follows:

"With reference to the company announcement dated Tuesday 25th August 2015G, corresponding to 10 Thul Al-Qi'dah 1436H, relating to the recommendation of its Board of Directors, to the General Assembly, subject to the obtaining of all required approvals from all the concerned authorities, to increase the capital of the company through bonus shares, Bupa Arabia for Cooperative Insurance announces receiving SAMA's approval for the proposed capital increase. The SAMA approval was received on Monday 14th September 2015G, corresponding to 1st Thul-Hijjah 1436H, through SAMA letter reference 361000150201.

The Company will be submitting its application to the Capital Market Authority (CMA) and completing any other regulatory approvals and processes in due course. The Board of Directors will be recommending, to the General Assembly, a capital increase, from SR400 million to SR800 million, representing an increase of SR400 million, through the issuing of 1 bonus share for every 1 share held, increasing the number of shares from 40 million shares to 80 million shares, representing an increase of 40 million shares, through the utilization of SR400 million of the company's existing retained income reserves. The share capital value and the number of shares will therefore both increase by 100%.

The proposed increase in capital will only be initiated once all necessary approvals are received from all the required official authorities, as well as subject thereafter to the approval from the shareholders in the extraordinary general assembly meeting, and the extraordinary general assembly meeting date will be announced at a later stage."

**SAMA approval of the Inbound Travel Health Insurance product:**

On 11/10/2015G, 28/12/1436H, Bupa Arabia received SAMA's approval for the Inbound Travel Health Insurance product and announced on Tadawul, on 11/10/2015G, 28/12/1436H, as follows: "Bupa Arabia for Cooperative Insurance Company announces receipt on Sunday 28/12/1436H corresponding to 11/10/2015G SAMA letter reference no. 361000156701 dated 25/12/1436H corresponding to 08/10/2015G, containing SAMA's approval for the Inbound Travel Health Insurance product (this product is designed to insure individuals wishing to obtain visit visa to Saudi Arabia)."



### Tadawul announcement of the 2015 Q4 results - the 2015 versus 2014 results improvement narrative:

On 19/1/2016G, 9/4/1437H, the company announced its 2015 Q4 interim results, with the following year-on-year twelve-month period results improvement narrative, and in relation to which more detailed information is contained throughout this board report: "The improvement in results for the twelve (12) month period ended 31st December 2015, versus the same period of 2014, was mainly due to strong business growth resulting in a higher net earned premium and, combined with an improved, lower, net claims incurred to net earned premium ratio (2015 at 77.3% versus 2014 at 79.4%), resulting in a significantly higher net underwriting result. The net underwriting result gains were partially offset by increased growth related operational expenses, such as commissions, levies, bad debt provision expense and other operating expenses, including staff costs, as well as a higher cooperative distribution expense. Additionally a reduction in investment and other income, of SR23,035K, in part due to the stock market major decline in the third quarter of the current year, versus the same period of the previous year, also partially offset the net underwriting result gains. Gross Written Premium (GWP) increased by SR1,587,567K, an increase of 28%, the net earned premium increased by SR2,144,323K, an increase of 47%, and the net underwriting result for the twelve month period ended 31st December 2015, versus the same period of 2014, improved by SR582,282K, representing an increase of 62%. The surplus from Insurance Operations of SR731,176K, is an increase of SR403,907K, versus a surplus of SR327,269K for the same period of 2014, representing an increase of 123%. The Cooperative distribution expense was at SR73,118K for 2015, versus 2014 at SR32,727K, an increase of SR40,391K, due to the significantly higher 2015 surplus from Insurance Operations."

## 6. Bupa Arabia future prospects, risks and developments:

### • 6.1 Competition and market dynamics:

In 2016 economic growth in Saudi Arabia is projected to be slightly less than in 2014 and 2015, at approximately 3% in real terms, according to the National Commercial Bank. This forecast is based on a smaller contribution from the oil sector and moderation in the non-oil sector. We believe the slower economic growth will create a healthy level of caution in the private sector, with a focus on cost control in the more uncertain macro-economic environment. While this will impact Bupa Arabia in 2016, it is not expected the impact will be substantial.

The likelihood of sustained lower oil prices has also led to substantial cuts in government spending with the 2016 government budget amounting to SR840bn (a reduction of SR20bn from 2015). Within this, Health and Social Development saw its allocation slashed by nearly 35%. It is unclear where these savings will come from, but it is unlikely to all be from expenditure; it will include the cancellation of some capital projects. Regardless of source, the reduction in health budgets could be a signal from the government that it aims to work more closely with the private sector to manage the health of the nation, a shift that Bupa Arabia strongly supports.

The Saudi market for health insurance lives grew by over 13% in 2015, increasing from 9.6m lives (at the end of 2014) to 10.9m lives (at the end of October 2015). One of the key drivers of this growth was better enforcement of the requirement for dependents of expatriates to have health insurance. There are also a further 2.5 million Saudis working in the private sector (including dependents) who don't have health insurance, despite a legal requirement to do so. As enforcement improves, we expect these uninsured, private sector Saudis to enter the market for health insurance, fueling further growth. Also, we expect enforcement of the requirement for inbound travelers to have medical insurance to be launched in 2016.

In medical provision, government referrals to private healthcare providers have come under increased scrutiny as the government seeks to improve cost efficiency in health spending. The result will be improved utilization of government hospital capacity and less reliance on referrals to the private sector. Moreover, private sector health providers will look to offset the loss of this revenue stream by expanding their private business. As a result, private sector healthcare provision will be under pressure to improve cost efficiency in order to remain competitive in a tougher market. However, this will be offset by continued capacity and capability shortages, particularly for tertiary care, which will enable these providers to continue increasing prices in the short- to medium-term. Also, increased pressure for providers to manage costs may lead to further abuse and fraud, particularly at lower-end primary care providers.

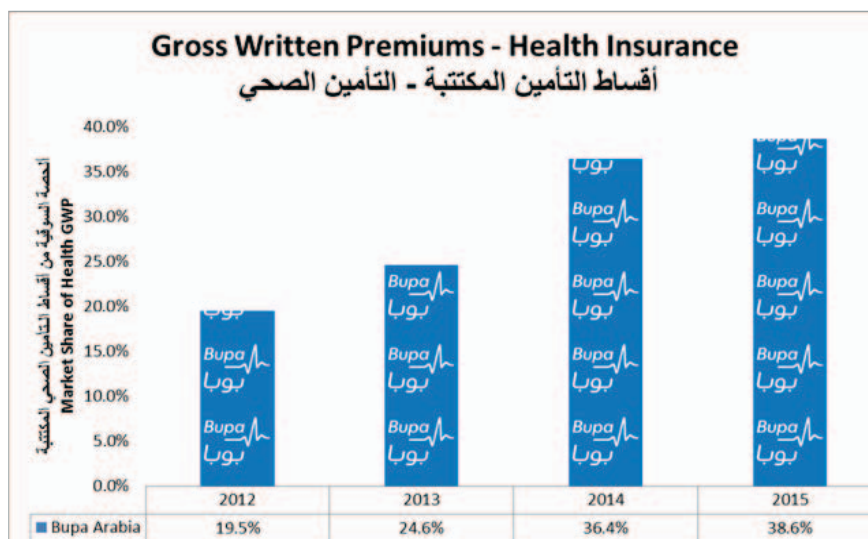
During 2015, Bupa Arabia optimized its medical provider network, a process that involved over 300 providers. Changes (including additions, removals, upgrades and downgrades) were made in order to support Bupa's growth agenda in Corporate and Retail sectors. Also, nearly 60 medical providers were removed from the network for reasons ranging from license concerns to fraud.

On the competitive side, most insurance operators continued to focus on improving their underwriting results in 2015 and smaller companies have benefited from the increase in individual insurance policies driven by better enforcement. Bupa Arabia retained its market leadership in the health insurance sector increasing its health insurance market share, on a GWP basis, to 38.6% in 2015, up from 36.4% in 2014, based on the published segmented results, refer chart below:

### • 6.2 Financial strength and high-level year-on-year result analysis:

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

In 2015, Bupa Arabia continued to strongly underpin this objective. The company maintained/or improved its loss ratio, for the fifth successive year, whilst giving full and fair coverage where due to its members. During 2015 Bupa Arabia also utilised SR400 million, of its retained income reserves, to increase its capital to SR800 million, through the issuance of bonus shares following the obtaining of the relevant regulatory approvals during the year (refer sections 13.8, and 13.10, as well as the financial statements note 19, Share Capital). The company also reported



a significant growth in post-tax/post-zakat profits, up to SR619m in 2015, an increase of SR313m and more than double the SR306m post-tax/post-zakat profits of 2014. This enabled Bupa Arabia to maintain its position as the most profitable health insurer in the insurance sector, for the period ended 31st December 2015, and, for the first time, through its 2015 annual results, became the most profitable insurance company in Saudi Arabia. This position has been achieved despite being a single-line insurer, focused entirely on health related and health insurance. This was driven by a 28% growth in written premium, a SR582m increase in net underwriting result, representing an increase of 62%, and a 133% increase in underlying profits (refer section 5.8 for more information relating to the year on year results changes as was announced on Tadawul during 2016).

Cash/Investments grew a further SR1.2 billion, an increase of 33% versus the prior year, representing growth of almost SR3 billion over the past two years. At the end of 2015, Bupa Arabia had surplus cash and investments of SR1b versus its technical reserves (SR5b versus SR4b, +26%).

Additionally, due to a strong collections performance, and despite strongly adverse economic pressures in the second half (including the associated impact of government debt), and despite the continued significant growth in written premiums and associated technical reserves (as impacted by the interpretation of article 69), the company closed 2015 with a technical solvency surplus (versus 2014 with a slight technical solvency gap). However as a result of the solvency pressure, during the most part of 2015, Bupa Arabia maintained its cash/investments mainly in admissible assets, which suppressed the investment income. Investment income was also impacted, during the second half by the stock market decline, particularly in relation to the shareholder investment income returns.

#### • 6.3 Key Risks:

The key risks that the company's management are actively managing, or planning to mitigate the impact of, are:

- Economic risks, as associated with the oil price and cost escalation (electricity and fuel), and impacting PMI product affordability (down-trading risk), collections/bad debt provisioning (BDP) expense risk and equity market/investment risk,
- Irrational competitor pricing below claims costs (a lower risk now due to regulatory intervention),
- Overtreatment and fraudulent claims by some providers,
- Continuously escalating prices by providers underpinned by market imbalance of supply and demand,
- Solvency risk management,
- Availability of qualified professionals in a tight labour market,
- Staff retention and recruitment,
- Zakat risk associated with long term investment portfolios,
- Business Continuity/Crisis management and disaster recovery capabilities,
- Data and information security/confidentiality, and including the risk of cyber-attack.

### 7. Financial statements presentation:

In compliance with the Capital Market Authority (CMA)'s regulation dated 27/08/2008G, 25/08/1429H, permitting the issuance of financial statements according to International Financial Reporting Standards (IFRS), the statements presented have been prepared in accordance with International Accounting Standards (IAS) and not in accordance with the accounting standards of the Saudi Organisation for Certified Public Accountants (SOCPA). The company confirms that these financial statements have not been materially affected by this practice.

For comparative purposes, the results contained within this board report use the twelve month period ended 31/12/2015G, 20/03/1437H, as a comparative versus the results for the twelve month period ended 31/12/2014G, 09/03/1436H.

### 8. 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.

## 9. Bupa Arabia business results:

### • 9.1 Summary profit results:

Description	2010 SR000s 12 months	2011 SR000s 12 months	2012 SR000s 12 months	2013 SR000s 12 months	2014 SR000s 12 months	2015 SR000s 12 months
Gross written premiums	1,749,390	1,993,251	2,194,301	3,177,480	5,740,449	7,328,016
Net earned premiums	1,608,908	1,927,629	2,128,028	2,604,458	4,595,075	6,739,398
Total revenue	1,613,109	1,930,583	2,141,092	2,620,260	4,626,554	6,766,363
Gross claims paid	1,232,218	1,523,835	1,671,622	2,074,049	3,289,128	5,007,697
Net claims incurred	1,308,103	1,551,030	1,701,051	2,094,354	3,649,005	5,211,046
Total expenses	223,888	324,649	296,227	380,720	650,280	824,141
Surplus from insurance operations	81,118	54,904	143,814	145,186	327,269	731,176
Shareholders' net income	70,798	42,244	134,406	147,334	301,275	645,077

The net earned premiums revenue increased by SR2.1b, +47%, the net underwriting result grew by SR0.6b, +62%, net income more than doubled, up 114%, and the "Underlying" result for 2015 also more than doubled, up 133% (refer section 10.1).

### • 9.2 Summary balance sheets:

Insurance Operations' Assets	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s
Cash and cash equivalents	346,908	551,914	204,533	232,267	1,384,281	205,565
Murabaha deposits	-	58,000	732,340	956,230	1,213,027	3,047,529
FVIS investments	257,178	187,699	87,821	186,107	189,968	185,143
Prepayments and other assets	20,881	30,069	23,786	27,892	70,815	91,483
Premiums receivable - gross	520,004	403,936	279,807	462,645	676,545	863,715
Allowance for doubtful premiums receivable	(30,164)	(64,106)	(44,548)	(52,550)	(77,858)	(114,266)
Premiums receivable - net	489,840	339,830	235,259	410,095	598,687	749,449
Reinsurer's share of unearned premium	-	-	-	43,011	39,733	900
Reinsurer's share of outstanding claims	-	-	-	13,708	13,432	3,012
Deferred policy acquisition costs	15,470	21,097	22,535	46,678	56,601	78,415
<b>Total insurance operations' assets</b>	<b>1,130,277</b>	<b>1,188,609</b>	<b>1,306,274</b>	<b>1,915,988</b>	<b>3,566,544</b>	<b>4,361,496</b>

Shareholders' Assets	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s
Cash and cash equivalents	13,631	13,631	13,631	101,260	462,569	593,297
Murabaha deposits	-	-	-	126,993	44,730	500,000
FVIS investments	299,462	373,534	497,158	446,338	454,578	439,785
Other receivables	-	244	735	1,319	1,746	3,563
Amount due from insurance operations	48,761	-	-	-	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	38,703	41,565	48,918	43,059	60,667	77,167
Statutory deposit	40,000	40,000	40,000	40,000	40,000	80,000
Total shareholders' assets	538,557	566,974	698,442	856,969	1,162,290	1,791,812
<b>Total assets</b>	<b>1,668,834</b>	<b>1,755,583</b>	<b>2,004,716</b>	<b>2,772,957</b>	<b>4,728,834</b>	<b>6,153,308</b>

Insurance Operations' Liabilities And Surplus	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s
Unearned premiums		659,819	722,739	786,669	1,323,069	2,383,358
Outstanding claims		352,379	381,265	413,509	450,096	812,530
Reinsurance balance payable		1,269	702	443	505	3,253
		1,013,467	1,104,706	1,200,621	1,773,670	3,199,141
Accrued expenses and other liabilities		50,508	59,503	63,619	79,113	263,468
		3,945,048				262,149

Obligation under Long-Term Incentive Plan (LTIP)	3,477	4,846	8,099	14,751	22,754	-
	1,067,452	1,169,055	1,272,339	1,867,534	3,485,363	4,207,197
Amount due to shareholders' operations	48,761	-	-	-	-	-
Policyholders' share of surplus from insurance operations	14,064	19,554	33,935	48,454	81,181	154,299
<b>Total insurance operations' liabilities and surplus</b>	<b>1,130,277</b>	<b>1,188,609</b>	<b>1,306,274</b>	<b>1,915,988</b>	<b>3,566,544</b>	<b>4,361,496</b>
<b>Shareholders' Liabilities And Equity</b>	<b>2010 SR000s</b>	<b>2011 SR000s</b>	<b>2012 SR000s</b>	<b>2013 SR000s</b>	<b>2014 SR000s</b>	<b>2015 SR000s</b>
Accrued expenses and other liabilities	13,855	21,352	26,532	31,419	42,398	50,494
Accrued Zakat and income tax	7,905	15,437	30,306	35,000	23,903	42,577
Amount due to a related party in respect of goodwill	20,990	3,355	3,355	-	-	-
Amount due to related parties	2,818	4,400	4,041	59,490	44,490	32,201
<b>Total shareholders' liabilities</b>	<b>45,568</b>	<b>44,544</b>	<b>64,234</b>	<b>125,909</b>	<b>110,791</b>	<b>125,272</b>
Share capital	400,000	400,000	400,000	400,000	400,000	800,000
Statutory reserve	23,694	32,143	59,024	88,491	148,746	277,761
Share based payment	-	-	-	-	-	9,600
Shares held under Employees' Share Scheme	(2,709)	(2,910)	(4,988)	(7,052)	-	(13,101)
Retained earnings	72,004	93,197	180,172	249,621	502,753	592,280
<b>Total shareholders' equity</b>	<b>492,989</b>	<b>522,430</b>	<b>634,208</b>	<b>731,060</b>	<b>1,051,499</b>	<b>1,666,540</b>
<b>Total shareholders' liabilities and equity</b>	<b>538,557</b>	<b>566,974</b>	<b>698,442</b>	<b>856,969</b>	<b>1,162,290</b>	<b>1,791,812</b>
<b>Total Liabilities Insurance Operators' Surplus And Shareholders' Equity</b>	<b>1,668,834</b>	<b>1,755,583</b>	<b>2,004,716</b>	<b>2,772,957</b>	<b>4,728,834</b>	<b>6,153,308</b>

Investments and cash grew significantly during 2015, increasing by SR1,222m to SR4,971m, an increase of 33% from the 2014 close of SR3,749m. This follows the 2014 increase of SR1,700m, an increase of 83% from the closing SR2,049m, at the end of 2013. Investments and cash have therefore more than doubled over the past two years, growing SR2.9b (from SR2.0b to SR4.9b).

## 10. Bupa Arabia financial highlights:

### • 10.1 Summary key performance indicators:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
Gross written premiums	5,740,449	7,328,016	1,587,568	28%
Net earned premiums	4,595,075	6,739,398	2,144,323	47%
Total expenses	654,351	829,408	175,057	27%
Total operating expense ratio	14.2%	12.3%	(1.9%)	(14%)
Surplus of insurance operations	327,269	731,176	403,907	123%
Policyholders' share of insurance operations' surplus	32,727	73,118	40,391	123%
Net shareholders' income	301,275	645,077	343,802	114%
Weighted average no of ordinary shares (thousands)*	79,796	79,981	185	0%
<b>Basic earnings per share (Saudi Riyals) *</b>	<b>3.78</b>	<b>8.07</b>	<b>4.29</b>	<b>114%</b>

In 2015, the company achieved significant growth with gross written premium increasing by 28% (part of the scale of the GWP in the third quarter, is the SABIC account renewal (refer section 5.8)). The increase in earned premiums, combined with an improved (reduced) loss ratio (77.3% in 2015 versus 79.4% in 2014) resulted in an increase in the net underwriting result of SR582m, an increase of 62%. The total operating expense ratio improved (reduced) due to the scale of the business and the improved efficiency of operations.

The overheads of the business increased due the top-line growth, a significant increase in the regulatory required allowance for the bad debts provision, as well as higher levies and commissions directly associated with the increased premiums. Regulatory levies alone, 1.5% of the gross written premiums, or SR110m for 2015, were SR24m higher (28%) than the prior year.

Excluding year-on-year bad debt provision movement (mainly driven by government related entities) and the additional levies, overheads increased versus the prior year due to the full year costs of the prior year infrastructure and resource capability build and the current year additional costs associated with the increased volume of customers and extra investment in capability (staff resources, distribution, brand, infrastructure, operations and other key activities).

\*The earnings per share for the previous year, of SR3.78 per share, has been calculated based on the weighted average number of shares in issue after the 2015 capital increase, to 80,000,000 (eighty million) shares, as was approved during the extraordinary general assembly meeting of the shareholders during 2015, and the prior year earnings per share re-statement has been made in accordance with the relevant International Accounting Standards.

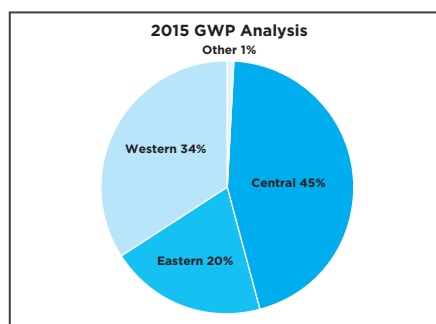
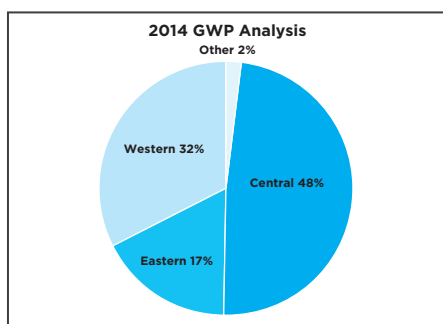
Description	2014 SRm	2015 SRm	2015 Change SRm	2015 Change %
Reported results	301.3	645.1	343.8	114%
Adjustment for BDP expense	25.6	38.6	13.0	51%
Less Investment Income and Other Income	(42.3)	(19.3)	23	(54%)
<b>"Underlying" Results</b>	<b>284.6</b>	<b>664.4</b>	<b>379.8</b>	<b>133%</b>

The "Underlying" results improved, by SR380m during the year, more than double the previous year, the second successive year of more than doubling the prior year "Underlying" results. Bupa Arabia focusses on "Underlying" as this represents its key competence of underwriting, pricing, claims and operating cost management. The "Underlying" margin improved from 6.2% in 2014, to 9.9% in 2015, as a percentage of net earned premiums.

• 10.2 Gross written premiums (GWP) and geographical analysis:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
Central	2,778,577	3,279,960	501,383	18%
Eastern	990,345	1,441,723	451,379	46%
Western	1,844,414	2,498,346	653,932	35%
Other	127,113	107,987	(19,126)	(15%)
<b>Total gross written premiums (GWP)</b>	<b>5,740,449</b>	<b>7,328,016</b>	<b>1,587,567</b>	<b>28%</b>

The company writes only health insurance in Saudi Arabia and its revenue is currently concentrated in the main Central, Western and Eastern regions (collectively comprising 98.85% of Bupa Arabia's 2015 annual GWP). Significant growth results were achieved by Bupa Arabia, an increase of SR1.6b, +28%, with strong growth in all the main regions (as illustrated in the above table). The 2015 geographical premium mix changed insignificantly from the 2014 position (an increase in the mix of the Eastern and Western regions, of 2.4% and 2.0% respectively, and a reduction in the Central and "Other" mix, of respectively 3.6% and 0.8%). Central, at 44.8%, and Western, at 34.1%, comprise a combined 78.9% of the company's 2015 Annual GWP.



• 10.3 Net claims incurred and net claims incurred ratio:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
Net claims incurred	3,649,005	5,211,046	1,562,041	43%
Net claims incurred to net earned premium ratio	79.4%	77.3%	(2.1%)	(2.6%)

The increase in net claims incurred was due to the significant business growth, medical inflation, provider price increases and the enhanced CCHI benefits, but was offset by an improved loss ratio due to strong management of medical claims and improved price increases in the first half of the year. Renewal price increases achieved were reduced in the second half of the year, due to a combination of the impact of post the CCHI benefits increase, which were implemented effective from July 2014 and economic pressures. As a result the company was able to improve its loss ratio to 77.3% for 2015, from the stable circa 80% loss ratio levels of 2014 and 2013.

• 10.4 Total operating expenses:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
Insurance operations' operating expenses	650,280	824,141	173,861	27%
Shareholder operations' operating expenses (G&A)	4,071	5,267	1,196	29%
<b>Total operating expenses</b>	<b>654,351</b>	<b>829,408</b>	<b>175,057</b>	<b>27%</b>
Total operating expense ratio to net earned premium	14.2%	12.3%	(1.9%)	(13%)

The total operating expense ratio to net earned premium improved versus the previous twelve-month period and this was mainly driven by growth related, due to the scale and operating efficiencies implemented, compensating increased absolute growth related expenses (such as levies (refer section 19), commissions and an increase in the regulatory required allowances for doubtful debts) and also resourcing and infrastructure related. The increase in the Shareholder Operations' operating expenses was mainly due to an increase in the costs associated with the CSR programs of SR1m, relating to an increase in CSR claims and donations costs (refer section 5.2 for more details on the CSR programs). The increase in the Insurance Operations' expenses is further described in section 10.5

• 10.5 Total insurance operations' operating expenses:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
CCHI and SAMA levies	86,107	109,920	23,813	28%
Bad debt provision expense	25,626	38,571	12,945	51%
Other sales and marketing expenses	249,004	356,876	107,872	43%
<b>Total S&amp;M expenses-Insurance operations</b>	<b>360,737</b>	<b>505,367</b>	<b>144,630</b>	<b>40%</b>
<b>Total G&amp;A expenses-Insurance operations</b>	<b>289,543</b>	<b>318,774</b>	<b>29,231</b>	<b>10%</b>
<b>Total Insurance operations operating expenses</b>	<b>650,280</b>	<b>824,141</b>	<b>173,861</b>	<b>27%</b>

• 10.5.1 Insurance operations' sales and marketing expenses (S&M):

- The 2015 CCHI levy, and SAMA levy, expenses increased by a combined SR24m versus the prior year due to the higher written premium of 2015 (refer sections 9.3, 9.4 and 10.1).
- The increase in the year-on-year allowance for doubtful premiums receivable, of SR13m for the twelve month period ended 31/12/2015, was due mainly to the 2015 growth (Article 69 written aged basis of provisioning) and the timing of collections, but was also impacted in the second half by the economic issues related to the oil price and the impact of higher government debt, as at 31/12/2015, versus the 31/12/2014 closing doubtful premiums receivable.
- The increase in other Sales and Marketing expenses was due to increased marketing initiatives spend, as well as commission costs and staff costs, in support of the brand development and the enhancement of the company's regional presence and infrastructure, to support the growth. There was a combined increase of SR96m from increased commissions, staff and marketing costs.

• 10.5.2 Insurance operations' general and administrative expenses (G&A):

- The Insurance operations' general and administration expense increase during the year related mainly to the full year staff and infrastructure costs resulting from the prior year and the current year additional expenditure incurred due to enhancing the organisational capability in support of the company's customer growth and strategic initiatives. Of the SR29m increase in General and Administration expenses, during the year, the most significant increase was in staff costs, which increased by SR26m.

• 10.6 Surplus from insurance operations:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
Surplus from insurance operations	327,269	731,176	403,907	123%

The increase in the surplus from insurance operations was mainly due to the higher net underwriting result, due to the higher net earned premium, combined with the improved loss ratio, down to 77.3% for 2015, versus 79.4% for 2014, but offset by an unfavourable year-on-year increase in levies and BDP, and higher growth related expenses, such as levies and commissions, staff and infrastructure costs. An increase in net underwriting result of SR582m was achieved; an increase of 61.5% versus the prior year, but this was partially offset by an increase in operating expenses as described in sections 10.4 and 10.5.

• 10.7 Investment income:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
Insurance operations' investment income	18,844	26,261	7,417	39%
Shareholder operations' investment income / (loss)	10,804	(7,714)	(18,518)	(171%)
<b>Total investment income</b>	<b>29,648</b>	<b>18,547</b>	<b>(11,101)</b>	<b>(37%)</b>

Investment income during the year decreased versus the previous year as a result of the 2015 third quarter stock market decline (impacted by the oil price driving economic uncertainty) adversely impacting the equity investments and resulting in investment losses from the shareholder operations' investments. Investment income, from insurance operations, increased by SR7m, up 39%, as a result of a more conservative investment approach, with less exposure to equities, and improved rates, versus the previous year, from the money market. As with prior years, due to the challenging admissibility factors associated with higher yield investments and the need to maintain investments in high admissibility asset classes (predominantly cash) Bupa Arabia maintained a predominantly risk averse investment strategy during the year.

• 10.8 Other income:

The Insurance operations' surplus in 2014 included SR12.6m of other income related to Bupa Arabia health consultancy support during 2014 (2015 nil).

• 10.9 Net shareholders' income:

Description	2014 SR000s (12 months)	2015 SR000s (12 months)	2015 Change SR000s	2015 Change %
Net shareholders' income	301,275	645,077	343,802	114%

The increase in the net shareholders' income for the twelve-month period was driven mainly by the increased surplus from insurance operations, due to the improvement in the net underwriting result, but offset by the increase in the allowance for doubtful premiums receivable and the increased costs associated with growth (levies and commission costs). The net shareholders' income was adversely impacted by the investment income SR11m lower than the previous year (refer 10.7).

• 10.10 Summary statement of financial position:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Insurance operations' assets	3,566,544	4,361,496	794,952	22%
Shareholder operations' assets	1,162,290	1,791,812	629,522	54%
<b>Total assets</b>	<b>4,728,834</b>	<b>6,153,308</b>	<b>1,424,474</b>	<b>30%</b>
Insurance operations' liabilities and surplus	3,566,544	4,361,496	794,952	22%
Shareholders' liability	110,791	125,272	14,481	13%
Shareholders' equity	1,051,499	1,666,540	615,041	58%
<b>Total liabilities, surplus and shareholders' equity</b>	<b>4,728,834</b>	<b>6,153,308</b>	<b>1,424,474</b>	<b>30%</b>

The increase in liabilities during the twelve-month period was due mainly to an increase in the technical reserves associated with the growth in written premiums (technical reserves and the GWP both grew by +23% during the period).

During 2015, the company generated SR1,298m, versus 2014 at SR1,695m, of net cash from its operating activities, representing a decrease of SR397m, down 23%, being SR652m and SR539m from insurance operations and shareholder operations respectively, versus 2014 at SR1,407m and SR288m respectively.

• 10.11 Total assets:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Total assets	4,728,834	6,153,308	1,424,474	30%

The increase in total assets during the twelve-month period was due mainly to the net increase of cash and cash equivalents/investments (a combined net increase of SR1,222m, refer 10.12 and 10.13) and the increase in net premiums receivable of SR151m, refer 10.14

• 10.12 Cash and cash equivalents:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Insurance operations' cash and cash equivalents	1,384,281	205,565	(1,178,716)	(85%)
Insurance operations' murabaha deposits	1,213,027	3,047,529	1,834,502	151%
Shareholder operations' cash and cash equivalents	462,569	593,297	130,728	28%
Shareholder operations' murabaha deposits	44,730	500,000	455,270	1018%
<b>Total cash and cash equivalents</b>	<b>3,104,607</b>	<b>4,346,391</b>	<b>1,241,784</b>	<b>40%</b>

The increase in cash and cash equivalents was due mainly to significant gross written premium growth, combined with an excellent collections and debt management performance, which included full settlement of the SABIC contract inception premium. A 2015 total amount of SR601m, 2014 total amount of SR277m, was payable to the shareholders' operations by insurance operations and was settled by transfer of SR601m cash (2014 was settled by transfer of SR277m cash) to shareholders' operations as at 31/12/2015.

• 10.13 Investments:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Insurance operations' investments	189,968	185,143	(4,825)	(3%)
Shareholder operations' investments	454,578	439,785	(14,793)	(3%)
<b>Total investments</b>	<b>644,546</b>	<b>624,928</b>	<b>(19,618)</b>	<b>(3%)</b>

The original SR550 million investment placement remains under the management of the same external third party as originally approved by the Board and Investment Committee during 2010

• 10.14 Total premiums receivable, net:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
<b>Total premiums receivable, net</b>	<b>598,687</b>	<b>749,449</b>	<b>150,762</b>	<b>25%</b>

The increase in total net premiums receivable was due to the significant growth during the year but, due to a strong collections performance, the growth in net premiums receivable was below the level of GWP growth (25% versus 28%).

• 10.15 Technical reserves:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Unearned premium reserves	2,383,358	2,890,679	507,321	21%
Claims reserves	812,530	1,054,369	241,839	30%
<b>Technical reserves</b>	<b>3,195,888</b>	<b>3,945,048</b>	<b>749,160</b>	<b>23%</b>

The growth in the technical reserves is mainly due to the growth in the written premium, of 28%, combined with a stable seasonality of written towards the second half of the year. As a result of the significant growth, the unearned premium reserves, at 31/12/2015, increased by SR507m to SR2,891m and represent 39.5% of the 2015 annual gross written premium (versus the 41.5% as at 31/12/2014). The claims reserves increased by SR242m to



SR1,054m and represent 20.2% of the annual net claims incurred during 2015 (versus 2014 at 22.3% and 2013 at 21.5%), therefore broadly in line with the prior year's ratios. The technical reserves, as at 31/12/2015, increased by 23%, therefore broadly in line with the GWP growth of 28%, and, as was the case in prior years', were correctly calculated and provided for in accordance with SAMA's implementing regulations, as well as having been verified as accurate by an independent external actuary.

## 11. Company's policy for the distribution of profits:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 9, article 44 of the company's code of business conduct states 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.

## 12. Key sales, operations and other functional activities during the year:

### • 12.1 Sales and marketing:

On the marketing front, Bupa Arabia continued to strengthen its market position in 2015 and also developed a market-research-backed menu of innovative products targeting new segments in the Saudi market. For example, the Saudi family's products menu of Saudi Individual, Customized Family, Maternity, Inpatient and Outpatient was designed to suit the different needs of the members of the Saudi family - in the public sector - across different stages in their lives. The Saudi university student or single government employee can now enjoy a great PMI coverage not provided by any other company in the market unlike PMI for expatriate which is offered by every company. The Saudi family can also choose a fully customized solution based on their health lifestyle or needs or could choose an Inpatient only PMI in case of major medical interventions that require hospitalization or could choose an Outpatient only PMI and benefit from the public hospitals in case of admission and surgeries. The Saudi family products were launched with a significant marketing campaign across all communication mediums.

The International Health Plans (IHP) for Corporate and SME customers were launched targeting a niche segment of frequent international travelers of executives and board members, in the corporates or SME, where they enjoy a very rich cover inside and outside the Kingdom with elective treatment across the world including the United States.

Bupa Arabia's innovative and value-adding suite of healthcare services were packaged and launched in a marketing campaign that used various mediums to reach to the target audience under the name of "Tebtom" which means "Be Well". Those healthcare services include Bupa Doctor, International Second Medical Opinion, Maternity Care, Child Care, Chronic Diseases Care, Elderly Care And Cancer Care.

Another significant marketing milestone for Bupa Arabia, during 2015 was complementing the established healthcare partnership with Al-Hilal Football Club (FC) in Riyadh during 2014 with a similar partnership with Al-Ittihad Football Club (FC) in Jeddah giving Bupa Arabia access to the fan base of the biggest two football clubs in Saudi Arabia. Both partnerships have been elevated as the Bupa Arabia logo was placed on the right shoulder of every player's shirt giving the business stronger visibility and awareness as well as brand association and recall. The partnership was featured during a significant TV campaign using star players from Al-Hilal FC extended to online and social media.

On the sales front, Bupa Arabia continued enhancing its position in all three main regions, specifically in the Central region, which has been a growth area during the past three years. Bupa Arabia has successfully secured significant new corporate accounts during 2015, such as the General Authority of Civil Aviation (GACA), Nesma, Binzagr and Marafiq, and also successfully renewed many significant corporate accounts, such as SABIC, Mobily, Abdulatif Jameel Co. and AlRajhi Bank.

### • 12.2 Operations management, customer service and total quality management (TQM):

Bupa Arabia continues to invest in its service delivery by continuously enhancing its capabilities, systems and service proposition, and during 2015 revamped its total quality management (TQM) structures and processes and implemented a new "Point of Care" (POC) program to complement and enhance its Healthcare Operations (HCO) unit. Aligned with a high performance culture, and a service excellence mindset, and a continuation of the "Up Your Service Passion" program launched in 2011, the operations unit of the business succeeded in the below significant outcomes during 2015:

- Improved Customer Satisfaction to a record high of 86.0%, compared to 83.5% in 2014,
- Improved Net Promoter Score (NPS) to a record high of 45.0%, compared to 37.0% in 2014,
- Successfully launched NPS closed loop throughout operations (lead IDM launch),
- Expanded HCO differentiation through more focused services and touched >1.5m customers,
- Improved LR% through extensive cost control,
- Expanded retention model to additional customers and added strong claims effectiveness stream,

- TQM KPIs reflected improvement of 45% per KPI and TQM implemented Operations Excellence, Process Excellence, and Service Innovation as new functions,
- Increased the number of “Up Your Service Passion” activities from over 5,000 to over 10,000, focusing on cultural and excellence activities,
- Generated over 100 innovative ideas under “Service Innovations”, 33 of which are to be implemented targeting “Tebtom”, Marketing, Membership, Pre-Authorisation, Reimbursement and SME enhancements,
- Launched “The Sentinel”, a continuous medical educational program to enhance the Bupa Arabia medical team’s knowledge, and the company’s continuous medical development.

#### • 12.3 Bupa Arabia’s people:

Bupa Arabia strongly believes in a high performance based culture with extremely engaged employees. Fairly treated, well trained, developed and competitively compensated employees, will better serve our clients and will facilitate business growth and success.

Additionally Bupa Arabia attracts, develops and retains its people effectively. In 2015, Bupa Arabia implemented a number of initiatives that brought a wide range of benefits across the organization. Bupa Arabia maintained its platinum status in Nitaqaat, through maintaining its focus on attracting and retaining top Saudi talent and 65% of our employees are Saudi nationals. During 2015 Bupa Arabia implemented a new recruitment framework (attracting over 680 new employees), invested in training and development programs (which provided over 500 training sessions), and established talent and succession planning reviews (which led to many internal transfers and promotions). Our Global People Survey (GPS) results for the year contained improvements in every index and theme and Bupa Arabia also maintained its rank at number 10 in the “Great Place to Work” in Saudi Arabia survey. In addition Bupa Arabia won the following awards in 2015:

- 1st rank in the category of “Most Women-Friendly Employer” by: Human Resources Development Fund (HRDF).
- 2nd rank in the category of “Excellence in Learning and Development” by: Human Resources Development Fund (HRDF).
- Best insurance company in Saudi Arabia by: Arabian Business.
- Best Corporate for Investor Relations – Saudi Arabia, part of the Middle East Investor Relations Society (MEIRS) Awards

#### • 12.4 Technology Services & Business Transformation (TSBT):

In support of Bupa Arabia’s business strategy and plans the Technology Services & Business Transformation (TSBT) team provided technological business enablement in support of a key number of solutions implemented in 2015:

- A major focus was on our new **Client Relationship Management (CRM) system**; in 2015 the building of the core foundation of CRM was progressed through detailed business requirements gathering analysis, followed thereafter by completion of the CRM infrastructure readiness. Transforming our CRM capability is critical for the business to provide a 360 degree customer view, to facilitate the leveraging of automation to increase revenues, to optimize operational efficiency, to further expand self-services and enable enhanced, company service support mobility.
- Amongst other new developments were a **new mobile application** (a first of its kind) “Claim Submission” which allows members to simply upload a file straight from mobile phones, plus **revamped, automated online services** including family sales and bank assurance, and client debtor account management related processes (such as collections, invoices, statements and allocations automation related).
- 2015 also witnessed other major deliverables such as the **Swipe Card implementation** at a significant number of providers which resulted in significant fraud elimination and associated savings.
- The implementation of a **strategic relationship**, connecting providers electronically to receive clean claims through secure MediSwitch-POINT integration channel, resulted in 42% improvements in claims processing, and the optimization of a number of FTEs previously working manually in claims.
- **Membership Card Printing at clients’ premises** also resulted also in operational efficiency and improvements in client experience and supported retention.
- A predominantly **paperless HR Performance Management System** was introduced (50% efficiency improvements in 2015 vs. 2014), as well as improved HR processes and systems such as; Employee Transfer and Promotion System, Time and Attendance, Employees On-Boarding and Induction Process.
- In 2015 Technology Services and Business Transformation efforts of **report consolidation and license optimization** succeeded in realising enhanced operational processes and cost saving.

Bupa Arabia continued its focus on modernizing its infrastructure to include end-to-end upgrades and integration of the telephony systems and services aimed at efficiently supporting millions of calls and telephony services in 2016 and beyond. The “Business Office in a Box” solution where Bupa Arabia staff on the move, or home based agents and remote users can securely access all Bupa Arabia corporate applications, telephony and IT services from anywhere and at any-time provided Bupa an edge in the overall Saudi market.

The 2016 IT and systems strategy will continue to innovate through the CRM, core systems enhancements, “Workforce Management (WFM) in Customer Service”, mobile applications and digital applications, geared at optimizing scheduling, minimizing agents’ idle time, and leading to direct improvements in service levels while balancing the cost to serve and ultimately yielding significant operational expenditure savings. Data analytics and dashboard information reporting will also equip Bupa Arabia with greater real time meaningful data to make more effective business insights and improved decisions making.

2016 will also see the commencement of a data centre colocation program which will significantly improve the resiliency and business continuity by planning and commencing the transition of the existing Production Data

Center into fully redundant, highly available and reliable Data Centre hosted in Tier 3 grade telecom service provider infrastructure. Virtual desktop infrastructure will be another key highlight of 2016 allowing Bupa Arabia delegates, SABIC doctors, hospital users, remote users and staff on the move with immediate, fast and reliable access to Bupa Arabia's IT resources and services from anywhere at any time.

• 12.5 Company Secretarial:

During the year the Company successfully completed the increase in the share capital of the company, from SR400 million to SR800 million, through the utilisation of SR400 million retained income reserves, and the increasing of the share capital, from 40 million shares to 80 million shares, through the issuance of bonus shares, one bonus share for every one share held, following the obtaining of all the required internal and regulatory required approvals (refer sections 6.2, 13.8 and 13.10, and the financial statements note 19, Share Capital).

**13 – 24 Additional disclosures (in accordance with laws and regulations):**

The following sections contain additional disclosures in accordance with the laws and regulations of Saudi Arabia and the details include some of the requirements of the recently introduced new SAMA Corporate Governance Regulations. Certain elements of these new SAMA Corporate Governance regulations, and new SAMA Audit Committee regulations, are pending clarification and, once clarified, and where required to be updated to the public shareholders via the General Assembly meeting, aspects clarified post the announcement of the annual board report, will, where-ever possible, be included within the Bupa Arabia Annual Report & Accounts (ARA). The Bupa Arabia ARA will be presented to the shareholders during the General Assembly meeting which approves the annual financial statements and other related matters

• 13.1 Board role, and Board members term and membership in other joint stock companies' boards

Board Purpose	Board Composition and Board Member Names	Meetings
<p>The purpose of the board is to set strategy and deliver value to shareholders and stakeholders, in compliance with the regulations and laws of the Kingdom of Saudi Arabia 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.</p> <p>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 of the business. 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 Delegation of Authorities Framework).</p>	<p>The board comprises one Executive Board member and seven Non-Executive Board members (of which three are independent Non Executive Board members - as detailed within the tables following).</p>	<p>The Board convened six (6) times during 2015 (2014 five (5) times)</p>

Amongst the matters reserved for board approval, subject to regulatory and public shareholder general assembly meeting approval, where required and/or appropriate, include, but is not limited to:

- Strategy, vision and mission,
- Long-term plans, annual operating plans, and material deviations from board approved plans
- Annual financial statements, interim financial results, appointment of the external auditors, after the Audit Committee recommendation of approval,
- Annual board report, after the Audit Committee recommendation approval,
- Corporate Social Responsibility (CSR) strategy and programs,
- Key policies, for example relating to Governance, Ethics, Conduct, Risk, and Risk Appetites, Solvency, Dividends, Disclosure, Conflicts of Interests, Board Committee Terms of References,
- Material contracts, acquisitions, disposals and the timely and adequate disclosure of significant events,
- Major changes to internal controls and risk management related, including the appointment of regulatory contacts and Board Committee members,
- Delegated Authorities Framework,
- Changes to capital, the corporate structure, the executive management structure or the status of the company,
- Any significant changes in key governance and accounting policies, practices and disclosures,
- Investment strategy, Treasury and Investment policies.

During the previous year the Board of Directors commenced its new three year term, from 05/06/2014G, 07/08/1435H, and which three-year term concludes on 02/05/2017G, 06/08/1438H, (2nd May 2017G, corresponding 6 Sha'baan 1438H), as was announced on Tadawul, as part of the General Assembly meeting minutes' announcement, of 08/06/2014G, 10/08/1435H.

The Board of Directors, as at 31st December 2015, including their respective membership of other joint stock Boards, comprised the immediately below (for changes in the members of the Board of Directors, during the current period, please refer section 13.2):

Membership	Board Member Name	Membership of other Saudi Arabia joint stock company Boards
Non-Executive	Eng. Loay Hisham Nazer	Not applicable
	Mr. David Martin Fletcher	Not applicable
	Mr. Edward George Fitzgerald Hannan	Not applicable
	Mr. Ignacio Peralta Gracia	Not applicable
Independent	Mr. Aamer Abdullah Ali Reza	Saudi Industrial Services Company (SISCO)
	Mr. Abdulhadi Ali Saif Shayi	Saudi Hollandi Bank, Saudi Ground Services Co.
	Mr. Zaid Abdulrahman Al Gwaiz	Saudi Hollandi Capital (not a Saudi listed company but 100% owned by Saudi Hollandi Bank (a Saudi listed company))
Executive	Mr. Tal Hisham Nazer	Not applicable

#### • 13.2 Board of director changes during the year:

Subsequent to the commencement of the new board term, during 2014, as a result of their resignations from Bupa in the United Kingdom, during 2014, two of the Non-Executive Board members representing Bupa Investments Overseas Limited resigned from the Bupa Arabia Board and were replaced. The replacement appointments were approved by SAMA, and the Bupa Arabia Board, during 2014, and were thereafter formally approved by the shareholders in the 2014 General Assembly meeting, which took place during 2015. The new board members will complete the new three year board cycle, which commenced on 05/06/2014G, 07/08/1435H. Please refer section 13.9, General Assembly meeting minutes' resolution 4, for further details and as reflected below.

Outgoing and date	Incoming and date	Representing
Mr. James Gordon Wheaton (resigned 08/09/2014)	Mr. Edward George Fitzgerald Hannan Board approval 08/09/2014G SAMA approval 25/12/2014G General Assembly Meeting approval 01/06/2015G	Bupa Investments Overseas Limited
Mrs. Elizabeth Alison Platt (resigned 08/09/2014)	Mr. David Martin Fletcher Board approval 08/09/2014G SAMA approval 25/12/2014G General Assembly Meeting approval 01/06/2015G	Bupa Investments Overseas Limited

#### • 13.3 Benefits and emoluments of board members and senior executives:

The table below details salaries, emoluments, allowances and bonuses received by the board members and the top five senior executives, which includes the CEO and CFO, from 01/01/2015 to 31/12/2015:

Description	Executive Board Member	Non-Executive Board Members / Independents	Top Five Senior Executives (including CEO and CFO):		
	2015 SR000s	2015 SR000s	2015 SR000s	2014 SR000s	2015 Change
Salaries and emoluments	120	900	12,026	9,572	2,454
Board Allowances	15	102	N/A	N/A	N/A
Bonuses	N/A	Nil	6,179	6,121	58
LTIP and EOS	N/A	Nil	5,548	7,309	(1,761)
<b>2015</b>	<b>135</b>	<b>1,002</b>	<b>23,753</b>	<b>23,002</b>	<b>751</b>
2014	132	984	23,002		
<b>2015 Change SR000s</b>	<b>3</b>	<b>18</b>	<b>751</b>		

The amounts reflected for the Executive Board Member, who is also the CEO, are the attendance fees and allowances for the Board and Committee meetings attended. The CEO bonus, LTIP and EOS amounts are contained within the top five senior executives section of the table. There were no bonuses, LTIP or EOS benefits paid or provided for in relation to any other board members (refer also note 26 per the annual financial statements).

The analysis by individual board member, of the board member remuneration fees and board allowances is detailed in the following table, the board member remuneration fees are aligned with the company by-laws, as per the original by-laws of 2008 at the listing of the company:

Board Members Remuneration Fees & Allowances 2015 versus 2014	2015 SRO00s			2014 SRO00s		
	Fees	Allowance	Total	Fees	Allowance	Total
Mr. Tal Hisham Nazer Executive Board Member (CEO)	120	15	135	120	12	132
Eng. Loay Hisham Nazer (Chairman)	180	15	195	180	12	192
Mr. Aamer Alireza (Independent)	120	15	135	120	12	132
Mr. Zaid Al Gwais (Independent)	120	15	135	70	9	79
Mr. Abdulhadi Shayif (Independent)	120	12	132	120	12	132
Mr. Ignacio Peralta Gracia	120	15	135	120	12	132
Mr. David Martin Fletcher (Vice-Chairm.)	120	15	135	60	6	66
Mr. Edward George Fitzgerald Hannan	120	15	135	60	6	66
Mr. Saleh Al-Jasser (prior year)	0	0	0	50	3	53
Mr. James Gordon Wheaton (prior year)	0	0	0	60	6	66
Mrs. Elizabeth Alison Platt (prior year)	0	0	0	60	6	66
<b>Non-Executive Members / Independents</b>	<b>900</b>	<b>102</b>	<b>1,002</b>	<b>900</b>	<b>84</b>	<b>984</b>
<b>Totals</b>	<b>1,020</b>	<b>117</b>	<b>1,137</b>	<b>1,020</b>	<b>96</b>	<b>1,116</b>

• **13.4 Description of the significant shareholders and the Bupa Arabia equities of the board members and their immediate family members:**

As at 31/12/2015 the significant shareholders of Bupa Arabia for Cooperative Insurance Company are: Bupa Investments Overseas Limited (BIOL), which owns 26.25% (21m shares) and Nazer Holding Company which collectively owns 26.25% (21m shares). The Nazer Holding Company ownership is split between three different Nazer legal entities as follows: Nazer Holding Company 9.00% (7.2m shares), Modern Computer Programs Company 9.00% (7.2m shares) and ASAS Healthcare Company 8.25% (6.6m) shares.

The Bupa Arabia equities held by the board members, and their immediate family members, of Bupa Arabia are as detailed below at 31/12/2015:

**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 31/12/2014		Closing 31/12/2015		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Eng. Loay Hisham Nazer	1,000	-	2,000	-	1,000	100%
Mr. Tal Hisham Nazer	1,000	-	2,000	-	1,000	100%
Mr. Aamer Abdullah Ali Reza	6,000	-	7,128	-	1,128	19%
Mr. Abdulhadi Ali Saif Shayif	152,357	-	352,074	-	199,717	131%
Mr. Zaid Abdulrahman Al Gwaiz	1,000	-	2,000	-	1,000	100%
Mr. Ignacio Peralta Gracia (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
Mr. Edward George Fitzgerald Hannan (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
Mr. David Martin Fletcher (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-

Bupa Investments Overseas Limited has registered 1,000 shares with the CMA for each board member as guaranteed shares for its representatives on the Bupa Arabia Board (as required by the CMA regulations). During December 2015 the company issued bonus shares, one bonus share for each share held, and the closing shares

reflected above represent the shares position after the bonus shares issue. 75,025 of the shares reflected as the opening shares for Mr. Abdulhadi Shayif are shares which were already owned by Mr. Abdulhadi Shayif prior to his commencement of any term period as a Board member of Bupa Arabia.

• **13.5 Description of the Bupa Arabia equities of the senior management executives and their immediate family members:**

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 Chief Executive Team members and the leaders of the three control functions (Risk, Compliance and Internal Audit Services) of Bupa Arabia, 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 Senior Executive/Senior Manager	Opening 31/12/2014		Closing 31/12/2015		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Tal Hisham Nazer	1,000	-	2,000	-	1,000	100%
Mr. Fraser David Gregory	7,000	-	14,000	-	7,000	100%
Mr. Ali Sheneamer	-	-	4,106	-	4,106	100%
Mr. Arif Hunashi	-	-	16,000	-	16,000	100%
Mr. Thamer Al-Harathi	-	-	-	-	-	-
Mr. Mark Lance Sutcliffe	-	-	8,614	-	8,614	100%
Mr. Ziyad AlJabali	-	-	-	-	-	-

The 2015 closing figures reflected above are after the share capital increase through which the company issued one bonus share for each one share held during December 2015, as approved by all the relevant regulators during the year (refer section 13.10 for further information relating to the share capital increase during 2015). The personal shares of Tal Nazer reflected above are the same shares as reflected per the board members' equities table (1,000 being the minimum number of shares a board member is required to hold).

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

Other than the equities and interests of the board members and their immediate family members, and the equities and interests of the senior executives and their immediate family members, as detailed within the preceding sections 13.4 and 13.5, 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.

• **13.7 Board meetings and attendances:**

As required in terms of the CMA disclosure requirements of Article 43, paragraph 16, the board meetings, and board member details (period, role, position and membership) and attendance records, for the year are reflected below:

Director name and period	Membership	2015 Board 1 19/02	2015 Board 2 28/04	2015 Board 3 1/06	2015 Board 4 24/08	2015 Board 5 19/10	2015 Board 6 7/12
<b>Eng. Loay Hisham Nazer</b> Chairman of the Board (full year)	Non-Executive	Y	Y	Y	Y	Y	N
<b>Mr. David Martin Fletcher</b> Vice-Chairman of the Board (full year) *	Non-Executive	Y	Y	Y	Y	Y	Y
<b>Mr. Tal Hisham Nazer</b> CEO and Board member (full year)	Executive	Y	Y	Y	Y	Y	Y
<b>Mr. Aamer Abdullah Ali Reza</b> (full year)	Independent	Y	Y	Y	Y	Y	Y

<b>Mr. Abdulhadi Ali Saif Shayif</b> (full year)	Independent	Y	Y	Y	Y	Y	Y
<b>Mr. Zaid Abdulrahman Al Gwaiz</b> (full year)	Independent	Y	Y	Y	Y	Y	N
<b>Mr. Edward George Fitzgerald Hannan</b> (full year) *	Non-Executive	Y	Y	Y	N	Y	Y
<b>Mr. Ignacio Peralta Gracia</b> (full year)	Non-Executive	Y	N	Y	Y	Y	Y

\* Approved by the Bupa Arabia Board, and by SAMA, during 2014, and formally approved by the public shareholders in the 2014 General Assembly meeting during 2015 (refer sections 13.1, 13.2 and 13.9 for further details).

#### • 13.8 Major board approvals/resolutions during the year:

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

- The 2014 Annual Financial Statements and the 2014 annual board report, per the Audit Committee approval recommendation to the board, as announced on Tadawul on 24/02/2015G (05/05/1436H),
- The 2014 fourth quarter, and 2015 first, second and third quarters', interim financial statements, were reviewed and approved by the board following the approval recommendation of the Audit Committee and, after the approval of SAMA, thereafter announced on Tadawul on respectively; 19/01/2015G (28/03/1436H), 20/04/2015G (01/07/1436H), 23/07/2015G (07/10/1436H) and 20/10/2015G (07/01/1437H),
- The conflicts of interests, and related party transactions, as recommended for approval by the Audit Committee, subject to the shareholder approval in the Ordinary General Assembly Meeting, and as reflected in this board report, and as reflected within the financial statements,
- The Ordinary General Assembly meeting agenda and invitation, as announced on Tadawul on 29/04/2015G (10/07/1436H) (refer section 13.9),
- The appointment of the joint external Auditors as KPMG Al Fozan & Partners and Aldar Audit Bureau, and the setting of the external auditors' fees, for the company's financial statements for the year ending 31/12/2015G (20/03/1437H), in line with the recommendation of the Audit Committee, subject to the shareholder approval in the Ordinary General Assembly Meeting, and subsequently approved by the Ordinary General Assembly meeting (refer section 13.9),
- The in-principle approval of a future new building share with a related party to alleviate current growth related space constraints,
- The continuation of the DZIT provisioning practice, as originally recommended by the Audit Committee during 2014, and again following further review during 2015,
- The interim regulatory contacts, due to the senior vacancies in the Compliance department, including the vacant Head of Compliance role, and which senior vacancies are currently in the progress of being recruited,
- The SAMA Annual Risk Management Plans and Steps letter, including the review assessment of the systems of internal control, per the Audit Committee recommendation approval,
- The SAMA letter of undertaking relating to the statutory deposit, and its associated restrictions, as required by SAMA,
- All necessary approvals as required to increase the share capital of the company, through bonus shares, and including the recommendation of the board to increase the company's capital through bonus shares, as announced on Tadawul on 25/08/2015G (10/11/1436H), and the Extraordinary General Assembly Meeting agenda and invitation, as announced on Tadawul on 04/11/2015G, 22/01/1437H, and subject to the shareholder approval in the Extraordinary General Assembly Meeting, and subsequently approved by the Extraordinary General Assembly meeting, as announced on Tadawul on 08/12/2015G (26/02/1437H) (refer section 13.10), and including the approval of the changes in the company by-laws and Articles of Association arising from the same,
- The approval of the new Long-Term Incentive (LTIP) scheme, as per the recommendation approval of the Nomination and Remuneration Committee, and as per the regulatory approvals, and including the approvals of the relevant LTIP shares purchases during the year, as disclosed in note 20 of the annual financial statements and the further details as per section 20 of this Board report,
- Changes to the bank authorised signatories and the bank mandate,

- The 2016 Annual Operating Plan (AOP),
- The appointment of Mr Niall Dooner, to the Investment Committee, in place of Mr. Evantz Perodin,
- The appointment of Mrs Kathryn Owens, to the Nomination & Remuneration Committee, in place of Mrs. Kate Browne,
- Acknowledgment of the issues related to the two CMA penalties which were received and settled during the year (refer section 19.7), as required by the CMA,
- Acknowledgement of the receipt, of the relevant SAMA Circulars during the year, as and where required by SAMA.

The board approves matters through both circulation and also during the formal board meetings and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal board meeting which follows the by circulation board approval.

#### • 13.9 General assembly meeting during the year:

Bupa Arabia's Annual Ordinary General Assembly Meeting (the eighth Ordinary General Assembly Meeting) of the shareholders convened on 01/06/2015G (14/08/1435H), during which the following outcomes were concluded, and as were announced on Tadawul on 02/06/2015G (15/08/1435H),

- Resolution 1: approval of the Board of Directors Report for the year ended 09/03/1436 H, 31/12/2014 G (12 months),
- Resolution 2: approval of the Annual Financial Statements and the Auditors Report for the year ended 09/03/1436H, 31/12/2014G (12 months),
- Resolution 3: approval of the Selection and Appointment of the external auditors (KPMG and Aldar Audit Bureau), and the setting of the external auditors' fees, for the company's financial statements for the year ending 20/03/1437H, 31/12/2015G, in line with the recommendation of the Audit Committee,
- Resolution 4: approval of the appointments of the new board members until 6 Sha'baan 1438H, corresponding to 2nd of May 2017 1- Mr. David Fletcher in place of Mrs. Alison Platt. 2- Mr. Edward Hannan in place of Mr. James Gordon Wheaton
- Resolution 5: the approval of SR1,020K as the remuneration for the members of the Board of Directors for the year ended 09/03/1436 H , 31/12/2014 G in accordance with article 17 of the company by-laws,
- Resolution 6: absolve the Board of Directors of their responsibility for managing the company for the year ended 09/03/1436 H, 31/12/2014G (12 months),
- Resolution 7: approve the ratification of Business and Contracts where a board member has a direct or an indirect interest during the year 2014, and during 2015 if applicable, as per the below:
  - Al Majd Al Rraqi Company for Medical Care and Health Services Limited (providing services associated with Diaverum), is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided services at a cost estimated at SR609k for the full 2014 period, and as at 31/12/2014G, as well as continued services, and associated fees, until the end of 2015. During the year Al Majd Al Rraqi Company for Medical care and Health Services Limited changed its name to Nazer for Dialysis and Healthcare Services Co. Ltd so the related party changes accordingly.
  - Mr. Abdulhadi Shayif owns a 1% shareholding in the Shariah Review Bureau (SRB), a company providing Shariah Consulting Services to Bupa Arabia and to which payment of SR 150k was made during the 2014 year, as well as continued services, and associated fees, until the end of 2015.
  - Trans Arabian Creative Communications (TRACCS) is 45% owned by Nazer Group Holding, and those whom have a direct interest are; Eng. Loay Nazer, Chairman and Mr. Tal Nazer, Chief Executive Officer, where these are fees for handling the Public Relation matters related to the company with a sum of SR168k in 2014, as well as continued services, and associated fees, until the end of 2015.
  - In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430H, corresponding to 9/09/2009G, which authorised the company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, 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 related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the company's profits in any financial year, as trade mark fee. During 2014 the trade mark fee payable amounted to SR11,505k compared to 2013 of SR 9,714k.



- The company on 28/2/1435H, corresponding to 31/12/2013G, entered into a reinsurance contractual agreement with Bupa Insurance Limited, a related party, to reinsure part of the written premium related to its customers, and their dependents, outside the Kingdom. Bupa Insurance limited is a subsidiary of the Bupa Group and which is represented on the Bupa Arabia Board of Directors by Mr. David Fletcher, Mr. Edward Hannan and Mr. Ignacio Peralta. During 2014 the ceded premium amounted to SR75m, which represents approximately 1.3% of the 2014 annual gross written premium (it was 2.4% of the 2013 annual gross written premium), as well as continued services with this reinsurance contractual agreement, and associated fees, until the end of 2015.
- During 2014 the company has with companies in which certain of the Bupa Arabia board members have an interest or an association and can confirm that these contracts have been priced on an arms-length basis and in line with the company's agreed targeted pricing and loss ratio requirements. The company further confirms that these contracts carry no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the company's other customers, as well as continued services under these contracts, if applicable, or upon renewal, during 2015.
- During 2014 certain employees of the company worked on a project owned by the Nazer Group Company, Nazer Medical Clinics Company, whilst this company is in the process of being created. As a result the related costs of these employees, for the period worked on the project, were recharged to the related party, amounting to SR2,517k and were settled by the related party during 2014.

In terms of the CMA corporate governance regulation Article 5, shareholders shall be able to peruse the minutes of the General Assembly: the company will provide the authority with a copy of the General Assembly meeting minutes within 10 days of the convening date of the General Assembly Meeting. The Tadawul exchange shall be immediately informed of the results of the General Assembly, and the public informed, through the prompt announcement on Tadawul of the results of the General Assembly.

#### • 13.10 Extraordinary General assembly meeting during the year:

Bupa Arabia's Extraordinary General Assembly Meeting (the First Extraordinary General Assembly Meeting) of the shareholders convened on 07/12/2015G, 25/02/1437H, during which the following outcomes were concluded, and were announced on Tadawul on 08/12/2015G, 26/02/1437H:

- Resolution 1: approval of the increase in capital from SR400 million to SR800 million, thereby increasing the total number of shares from 40 million shares to 80 million shares, by issuing 40 million bonus shares through issuing 1 bonus share for every 1 share held, by utilizing SR400 million of the company's existing retained income reserves, as of 30th June 2015G. The share capital value and the number of shares issued will therefore both increase by 100%. The purpose of increasing the capital is to support the company's capital base and its future activities,
- Resolution 2: approval of the amendments to Article (7) and Article (8) of the by-laws of the company to reflect the proposed increase in the capital of the company to be as follows:
 

Article 7: the Company capital is SR800,000,000 , Saudi Riyals eight hundred million, divided into 80,000,000 , eighty million , shares of equal value and the value of each share is SR10 , ten , Saudi Riyals per share.

Article 8: shareholders have fully subscribed for the company capital shares and paid in full value.
- Resolution 3: approval of the authorization for the Board of Directors to conclude all requirements necessary to complete the issue of bonus shares to the shareholders, amend the company's by-laws to reflect the increase in capital, and to fulfil all other regulatory requirements associated with this proposed increase in the capital of the company.

#### • 13.11 Related party transactions:

The company has related party transactions, due mainly to the ownership in a few of the companies Bupa Arabia deals with, by Bupa and Nazer, and a summary of which is reflected in the table immediately below, with further details associated with these transactions covered in sections 13.9, 13.12, 13.13 and 13.14. To note that during 2015 Bupa Arabia did not deal with TRACCs so did not incur any expense with TRACCs during 2015, and nor is any amount payable to TRACCs as at 31/12/2015:

Legal Entity	Related parties	Description	Period	2014 SRK	2015 SRK	2015 SRK Change
Bupa Global Market Unit	Bupa	Reinsurance premiums ceded	Annual - full year	74,858	2,669	(72,189)
Bupa Middle East Holdings W.L.L.	Bupa and Nazer	Trade mark fee	Annual - full year	11,505	16,948	5,443
Nazer Medical Clinics Company	Nazer	Bupa Arabia staff expenses recharged	Annual - full year	2,517	5,519	3,002
Nazer for Dialysis and Healthcare Services Co. Ltd (Diaverum)	Nazer	Claims paid to medical provider	Annual - full year	609	751	142
TRACCs	Nazer	Public relations consultin	Annual - full year	168	-	(168)
Shariah Review Bureau (SRB)	Mr. Abdulhadi Shayif	Shariyah consulting	Annual - full year	150	150	-
<b>Total these listed</b>				<b>89,807</b>	<b>26,037</b>	<b>(63,770)</b>

- **13.12 Insurance contracts with companies related to board members:**

The company has entered into health insurance contracts with companies in which certain of the Bupa Arabia Board members have an interest or an association. Bupa Arabia can confirm that these contracts have been priced on an arm's length basis and in line with the company's agreed targeted pricing and loss ratio requirements. The company further confirms that these contracts carry no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the company's other customers. The premiums written and the claims paid in relation to these insurance contracts are included in the transactions with related parties, refer note 12, in the annual financial statements.

- **13.13 Other contracts with companies related to board members:**

During the preceding year the company contracted with Trans-Arabian Creative Communications (TRACCs) for public relations services. TRACCs is a company in which the Nazer Group Limited has a stake holding of forty-five percent. The company confirms that proper arm's length tendering processes for the services took place and that the expense of the company, with TRACCs, amounted to SR168k during the 2014 financial year. The contractual arrangement was approved during the 2011, 2012 and 2013 Annual Ordinary General Assembly meetings which took place during 2012, 2013 and 2014. Its approval will also form part of the 2014 Annual Ordinary General Assembly meeting, which will take place during 2015, for the approval of the shareholders (in accordance with Article 18 of the CMA Corporate Governance regulations). The company did not contract with TRACCs during 2015.

Since the second quarter of 2012 the company has contracted with a Dammam based provider of dialysis services, Al Majd Al Rraqi Company for Medical Care and Health Services Limited (a company providing services associated with Diaverum), and which is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. The related party relationship therefore exists due to the ownership/board memberships of Eng. Loay Nazer and Mr. Tal Nazer (Chairman and Executive Director/CEO of Bupa Arabia respectively). The contract is a provider relations contract for the duration of twelve months for every year, and is expected to continue each year, subject to the approval of the shareholders in the General Assembly meeting each year. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided dialysis services to Bupa Arabia patients at a cost to the Company estimated at SR751k for full year 2015 (versus SR609k estimated for the full year 2014). At 31/12/2015 SR295k was estimated as payable to Al Majd Al Rraqi Company for Medical Care and Health Services Limited (SR281k estimated as payable for 2014 as at 31/12/2014). Bupa Arabia confirms that the contract was priced on an arm's length basis and in line with the same procedures as the company's other hospital providers and clinics. The company further confirms that the contract carries no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the company's other hospital providers and clinics. During the year Al Majd Al Rraqi Company for Medical Care and Health Services Limited changed its name to Nazer for Dialysis and Healthcare Services Co. Ltd so the related party changes accordingly (as reflected within the related parties note 12b in the 2015 annual financial statements).

Mr. Abdulhadi Shayif, independent Board Member, owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia and which represented an operating expense to Bupa Arabia in 2015 of SR150k (2014 year was SR150k). The contract is an annual contract for the provision to Bupa Arabia of Shariah review services and is expected to continue each year, subject to the approval of the general assembly meeting each year (as reflected within the related parties note 12e in the 2015 annual financial statements).

In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430 H, 9/09/2009 G, which authorised the company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration

payable to the licensing company, during 2010 the company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, 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 related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the company's profits in any financial year, as a trade mark fee. The trade mark fee is payable at different rates linked to the results of the company. Consequent to the increase in the results a higher rate of trade mark fees is payable. Accordingly, during 2015 the trade mark fee amounted to SR16,948k, compared to 2014 of SR11,505k (as reflected within the related parties note 12 and Trade Mark Fee note 17 in the 2015 annual financial statements).

The above contractual arrangements were approved by the Board of Directors during 2012, 2013, 2014 and 2015 (the related party board members did not vote on these matters) and will also be presented to the 2015 General Assembly meeting, which will take place during 2016, for approval.

During the preceding year the company signed a reinsurance agreement, on 28/2/1435 H, 31/12/2013 G, with Bupa Insurance Limited (a Related Party) to reinsure part of the written premium related to its customers outside the Kingdom, and their dependents. Bupa Insurance limited is a subsidiary of the Bupa Group which is represented on the Company's Board through Bupa Investments Overseas Limited by Mr. David Fletcher, Mr. Edward Hannan and Mr. Ignacio Peralta Gracia. The premium ceded at 31/12/2015 was SR3 million (at 31/12/2014 was SR 75 million), which represents less than 0.05% of the 2015 annual gross written premiums (it was 1.3% of the 2014 annual gross written premium), the significant reduction is due to the non-renewal of a key government contract during the third quarter of 2015. Bupa Arabia will seek the shareholders' approval at the 2015 General Assembly meeting, which will take place during 2016.

Where any board member had a conflict of interest the approval voting of the board excluded the board member with the conflict of interest.

The company confirms that other than the above, and below (in section 13.14), specific contracts there are no other contracts to which the company is a party and in which a Board Member, the CEO, the CFO or any associate is or was materially interested.

• **13.14 Other related party transactions:**

A shareholder, not related to the board members of the company, used to also be a hospital provider and was therefore reflected within the prior year related parties note in the annual financial statements however, during 2014, this shareholder related party sold its holding in the company and therefore was no longer a related party since before 31/12/2014 (as reflected within the related parties note 12b) in the 2015 annual financial statements.

During 2015 certain employees of Bupa Arabia worked on a project owned by a Nazer Group company, Nazer Medical Clinics Company, whilst this company is in the process of being created. The related costs of these employees, for the period worked on the project, were recharged to the related party, amounting to SR5,519k (2014: SR2,517k), and were settled by the related party during the current period. This was as reflected in the related parties note 12d) in the annual financial statements.

**14. Other disclosures 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 corporate governance regulations as issued by the CMA's council in its bulletin no. 1-1-2009, dated 08/01/1430 H, 05/01/2009 G, with the following minor exceptions:

Article Number	Article section and narrative	Reason for non-compliance
6 - Voting Rights	b) In voting in the General Assembly for the nomination to the board members, the accumulative voting method should be applied.	The company follows the regulations of Article 93 of the Ministry of Commerce, and Article 34 of the Bupa Arabia company by-laws. Article 34 of the company's by-laws states: "the company counts the votes in the established assembly of the Ordinary General Assembly and the Extraordinary Assembly based on a vote for each share."
6 - Voting Rights	d) Investors who are judicial persons and who act on behalf of others - e.g. investment funds - shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	As a publicly listed company Bupa Arabia's shares are traded daily, by various different individuals and corporate institutions, and the reputability/suitability of the investors, and whether they are judicial persons or not, cannot be supervised, managed or controlled by the company to fulfil this requirement.

In terms of the CMA Corporate Governance regulation article number 10, section e, regarding policies that regulate the relationship with stakeholders to protect their respective rights, Bupa Arabia enhanced its policies and obtained formal board approval during 2014 for the below detailed:

- Mechanisms for indemnifying the stakeholders in case of contravening their rights under the law and their respective contracts.
- Mechanisms for settlement of complaints or disputes that might arise between the company and the stakeholders.
- Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them.
- A code of conduct for the company's executives and employees compatible with the proper professional and ethical standards and which regulates their relationships with stakeholders. The Board of Directors will lay down procedures for supervising this code and ensuring compliance to it.
- The Company's social contributions.

During 2016 Bupa Arabia will be further enhancing the above detailed policies and procedures, as well as undertaking a detailed review of all of its corporate governance related, so as to enhance its governance and to also ensure a stronger alignment with the new SAMA Corporate Governance, and new SAMA Audit Committee, regulations.

• 14.2 Corporate governance and risk management:

The company provides a framework of corporate governance and risk management through a “three lines of defence” strategy which sets out clear responsibilities for the day to day corporate governance and management of risk. The Corporate Governance code was approved by the Board during 2010 and its structure comprises a “first line” of Risk Management from the company’s senior management responsible for the different areas of functionality for the day to day operation of the business, a “second line” of Risk Control for the board and its various sub-committees, through the Risk and Compliance Committee (R&CC) and other key control functions (such as Risk Management, and Compliance) and a “third line” of Risk Assurance provided by the independent control functions (the Internal Audit Services (IAS) department and the Audit Committee).

The company has adopted a risk management approach to comply with the regulations as mandated by SAMA and the risk management function is responsible for the identification, assessment and reporting on the status of risks and risk actions. Where risks are deemed to be not adequately mitigated, then enhancements of controls, procedures and processes are recommended and subsequently monitored for implementation effectiveness and timeliness.

During 2016 the Company will seek to further enhance its corporate governance through:

- The appointment of a Chief Risk Officer (CRO) reporting to the Chief Executive Officer (CEO).
- The enhancement of the segregation of duties, between the first, second and third lines, through improved organisational governance related functional structures and increased resources. We will look to expand our corporate governance capability to provide the appropriate breadth and depth for the following areas; Company Secretarial, BCP/DR, Risk Management and Governance Policies and Procedures (currently all under Finance) and Legal, Health & Safety (currently under Human Resources) which will all transition during 2016 to report to the Chief Risk Officer (CRO)).
- Successfully filling the existing senior Compliance and Legal function vacancies, including the Head roles, vacated towards the end of 2015.
- Development and enhancement of the Corporate Governance related codes and related policies, standards and procedures, in support of ensuring the future fulfilment of:
  - The CMA regulations, in particular as contained within article 10 clauses c and d,
  - The recently introduced new SAMA regulations; a) Audit Committee regulations and b) Corporate Governance regulations.

During 2014, there were changes in the members of the Board of Directors through the formal approval of the appointment of the new board and Committees for the new three year term, commencing from 08/06/2014. Subsequent to the new Board member appointments the members of the board representing Bupa Investments Overseas Limited, as reflected in section 13.9, Resolution 4, were implemented following the resignations of two of the previous board member representatives. Subsequent to the commencement of the new term of the Board and its Committees the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Mrs. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors. Mr. Edward Hannan also replaced Mr. James Wheaton on the Nomination and Remuneration Committee. These 2014 membership changes are repeated purely for continuity and from a general information perspective, given that the public shareholders’ formal approval for the two new board members was provided during the 2014 Ordinary General Assembly meeting which took place during 2015, and the activities of the different Board Committees, and independent control functions, are summarised in the sections below:

• 14.3 Audit Committee and internal controls:

Audit Committee (AC) Purpose	Member Names	Meetings
<p>The purpose of the Audit Committee is to ensure the integrity of the company’s financial statements, to review and, where appropriate, make recommendations to the board on internal financial controls, internal audit, compliance, and to review the external audit process and external auditors’ performance. The Audit Committee reviews and approves the company’s quarterly interim financial results, and the annual financial statements, and recommends to the Board of Directors the recommendation of approval thereafter. The Audit Committee approves the annual internal audit services and compliance inspection plans every year. The Audit Committee reviews, together with the external auditors, the audit plan and makes any comments thereon. The Audit Committee will also have oversight, through the company’s Risk and Compliance Committee (R&amp;CC), for ensuring that the company’s risk management processes, and procedures, are adequate and effective, particularly with regard to the impact on the company’s financial reporting and its code of business conduct. In performing its duties the Audit Committee will maintain effective working relationships with the Board of Directors, management, the Risk and Compliance Committee and the external and internal auditors.</p>	<p><b>Mr. Abdulhadi Shayif</b> (Chairman and Independent Board member)</p> <p><b>Mr. Mohamed Ayouty</b> (Independent member and Non-Board Member)</p> <p><b>Mr. Gareth Evans</b> (Non-Board Member)</p>	<p>The Audit Committee convened five (5) times during 2015 (2014 five (5) times)</p>

During 2015 the Audit Committee membership was unchanged from its prior year membership, which had been approved by SAMA, and which comprised; Mr. Abdulhadi Shayif (independent Board member), as the Audit Committee Chairman, Mr. Mohamed Ayouty, an independent non-board member, and Mr. Gareth Evans. All the Audit Committee members were in place throughout the full year and the meetings, and attendance of the respective meetings, during 2015, is as reflected within the table immediately below:

<b>Audit Committee (AC) member name, role and period</b>	<b>AC Meeting 1 8/02/2015</b>	<b>AC Meeting 2 23/04/2015</b>	<b>AC Meeting 3 17/06/2015</b>	<b>AC Meeting 4 16/09/2015</b>	<b>AC Meeting 5 9/11/2015</b>
<b>Mr. Abdulhadi Ali Saif Shayif</b> Audit Committee Chairman and Independent Board member (full year)	Y	Y	Y	Y	Y
<b>Mr. Mohammed El-Ayouty</b> Independent Committee Member and Non-Board member (full year)	Y	Y	Y	Y	Y
<b>Mr. Gareth Evans</b> Non-Board member (full year)	Y	Y	Y	Y	Y

Amongst major Audit Committee approvals during the year were the following approval recommendations to the board (refer section 13.8):

- The 2014 annual financial statements and the 2014 annual board report,
- The 2014 fourth quarter, and 2015 first, second and third quarters', interim financial statements,
- The conflicts of interests, and related party transactions, as reflected within the above referred relevant interim financial results, board report, and as reflected within the annual financial statements,
- The appointment of the joint external auditors as KPMG Al Fozan & Partners and Aldar Audit Bureau, for the year ending 31/12/2015G (20/03/1437H),
- The continuation of the DZIT provisioning practice, as recommended by the Audit Committee during 2014,
- The SAMA Annual Risk Management Plans and Steps letter, including the review assessment of the systems of internal control,
- The 2016 Internal Audit Services' internal audit plan,
- The 2016 Compliance department's internal compliance inspection plan.

The Audit Committee approves matters through both circulation and also during the formal Audit Committee meetings and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Audit Committee meeting which follows the by circulation Audit Committee approval.

- **The Risk and Compliance Committee (R&CC)** - is a sub-committee of the Audit Committee and its members are the chief executive team of the business. The Chief Financial Officer is the Chairman of the R&CC. The purpose of the committee is to ensure that Bupa Arabia adopts a robust, consistent, proportionate and pragmatic approach towards the identification, analysis and control of the key risks that could threaten the company. This committee supports the Audit Committee by giving a dedicated focus to embedding effective policies and procedures into the organisation regarding Internal Audit, Risk Management and Regulatory Compliance. Additionally this committee has oversight of Business Continuity and Disaster Recovery Planning, Health and Safety, Legal, Financial Crime and Anti-Bribery/corruption. The Compliance Officer and the Internal Audit Services Manager both formally report to the Chairman of the Audit Committee to ensure appropriate independence. The R&CC met four times during 2015 (2014 four times).
- **Internal Audit Services (IAS)** - The IAS department completes a variety of internal audits during each year, covering the majority of operational processes and controls and the arising recommendations are monitored by the IAS department for implementation and its reports are communicated and reviewed by the Audit Committee, the R&CC, and also discussed at the different committee meetings. During 2015 IAS also concluded a number of investigations and some additional audits as required to fulfil new SAMA regulations (refer also section 14.3.1 for the current year IAS activities including internal audits completed). The IAS department was established, and its procedures implemented, and capability built, by the Senior Manager - Internal Audit Services, and whose summary profile is detailed following:
- **Senior Manager - Internal Audit Services, Ziyad Al-Jabali**  
Ziyad Al-Jabali has nearly 15 years accounting and auditing experience, 14 years internal audit experience, of which the most recent 6 years with Bupa Arabia since joining during 2009. Prior to joining Bupa Arabia Ziyad worked with the United Nations Relief & Works Agency (UNRWA) in internal audit. Ziyad was Bupa Arabia's first employee in Internal Audit Services and has created the IAS department's charter, policies and procedures and has had the lead responsibility for embedding IAS within the organisation and also building its capability and capacity. Ziyad has a Masters' Degree in Accounting (MA), Amman Arab University for Graduate Studies, Jordan (2003), and a Bachelor of Accounting, University of Jordan (2001) and has successfully completed a variety of formal courses with the Institute of Internal Auditors (Certified Internal Auditor (CIA), Certified Control/Risk Self-Assessment (CCSA), Certified Risk Management Assurance (CRMA)) as well as having achieved the Certified Internal Control Auditor (CICA) course with the Institute of Internal Control.

- **Compliance** - The Compliance department completed various internal reviews during the year, covering some key processes/controls however activities were unfortunately hindered by reduced capacity as a result of a number of vacancies during the year, including the Head of Compliance role. The Compliance review recommendations which were identified were reported to the R&CC, and Audit Committee on a routine basis.
- **Risk Management** - the company, through the Finance Director - Reporting and Control, and the Finance Reporting & Control department's Manager - Risk, undertakes a formal structured risk review process which comprises a Quarterly Risk Assessment (QRA) of the business risks for reviewing the risk items, the risk materiality, the appropriateness of existing mitigating controls and for setting risk action plans where risk mitigation controls are considered inadequate. The QRA process followed by the company is part of the Bupa Group's worldwide standard and four QRAs were completed during 2015 with risk recommendations arising progressed. The key risks that management are currently reviewing and managing closely are itemised in section 6.5.
- During 2015, as has been the case since Risk Management was implemented by Bupa Arabia, during 2010, the Risk Management function has been managed by the Finance Director - Reporting and Control (the continuation of this is currently pending SAMA no objection approval) and, additionally, due to the resignation of the Head of Compliance, during fourth quarter 2015, and current other senior vacancies in the Compliance function, during 2015, the Finance Director - Reporting Control is currently also managing the Compliance function on an interim basis, until such time as the senior Compliance function vacancies, including the Head of Compliance vacancy, have been filled (this interim Compliance management arrangement is also currently pending SAMA no objection approval). The summary profile of the Finance Director - Reporting & Control is detailed immediately hereunder:
- **Finance Director - Reporting & Control, Mark Sutcliffe**  
Mark Sutcliffe has a collective 28 years' experience in a variety of senior finance roles in different internationally renowned, or listed, companies, including the most recent, more than 15 years, in Saudi Health insurance, having joined the Bupa business in Saudi Arabia, during 2000. Amongst the significant experience at Bupa, in Saudi Arabia, Mark has, since joining the company; managed all the financial statements and regulatory reporting related of the business, as well as all the Company Secretarial related. Mark also implemented and managed the Risk function, since 2010, and has covered the management of the Compliance function when the Compliance lead role was vacant, previously and at present. 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 Academic Colours and also the Best Student Prize award were achieved. Additionally Mark also completed Economics to third year level with the NMMU (1990).
- The reports, findings and recommendations arising from the activities of each of the internal audit, compliance and risk management processes are communicated to the external Audit Committee as well as the R&CC. Key issues and actions arising are formally discussed during the Audit Committee, and R&CC, meetings and progress against required completion of recommendations monitored.
- **14.3.1 Results of the annual audit of the effectiveness of the internal control procedures:**
  - The Internal Audit Services (IAS) department successfully completed, in accordance with the Audit Committee approved 2015 IAS schedule, the below more significant internal audits during the current year:
    - Claims Settlement Processes - all Regions
    - Commissions Payment Processes - Corporate and Retail Sales
    - Preauthorisation Processes
    - Treasury/ Bank and Cash Management Processes
    - Membership Administration Processes
    - Healthcare Operations (HCO) Processes
    - Procurement Processes (Purchasing Cycle)

The IAS department also completed additional detailed investigations and internal audits, which were not originally part of the approved schedule, in order to fulfil business needs and new regulatory requirements.

The overall findings of the IAS department, based on its internal audits completed during 2015, were that the internal control procedures were effective and no fundamental weaknesses were reported after these audits and reviews and the company continues to maintain a strong internal control environment.

The IAS department changed its audit methodology for 2016 to fulfil new regulatory requirements and to meet the Audit Committee's expectations and the approved audit plan therefore considers two categories of internal audit, "proactive" and "reactive", to allocate the assignments and tasks. The proactive audit plan covers the key areas where ongoing oversight and continual monitoring is required, such as actuarial and pricing audits and the assignments in the reactive category are decided based on a risk assessment that takes into account each of risk identification, risk measurement and risk prioritization. Amongst the key "reactive" internal audits for 2016, as approved by the Audit Committee, are the below detailed internal audits:

- Outpatient Claims Adjudication Processes
- Corporate Sales Processes
- Provider Network Management and Strategy
- Fixed Assets (Property and Asset management)

- Recruitment Processes
- Credit Control Processes - Corporate
- Financial Statements - General Ledger (GL) Management & Control
- Regulatory Compliance and Governance
- Investment Management

• 14.4 Executive Committee:

Executive Committee (EC) Purpose	Member Names	Meetings
The purpose of the Executive Committee is to set the annual income target of Bupa Arabia which is thereafter ratified by the board. The Executive Committee supports 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 monthly basis (to ensure that there are no barriers to achieving the objectives set). It also reviews and approves, as required per its terms of reference, certain aspects of a commercial nature, and ensures the company is fully compliant with all regulatory requirements.	<b>Eng. Loay Nazer</b> (Chairman of the Executive Committee, and Chairman of the Board)  <b>Mr. David Fletcher</b> (Vice-Chairman of the Board)  <b>Mr. Edward Hannan</b> (Board Member)  <b>Mr. Tal Nazer</b> (CEO and Board Member)	The Executive Committee convened six (6) times during 2015 (eight (8) times during 2014)

Subsequent to the commencement of the new term of the Board and its Committees, during 2014, the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Ms. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors, and having been formally approved as Board members through the 2014 General Assembly meeting which took place in 2015 (refer section 13.9, General Assembly meeting resolution 4).

Exec. Comm. member name, role and period	2015 Exec Comm. 1 19/02	2015 Exec Comm. 2 28/04	2015 Exec Comm. 3 1/06	2015 Exec Comm. 4 24/08	2015 Exec Comm. 5 19/10	2015 Exec Comm. 6 7/12
<b>Eng. Loay Hisham Nazer</b> Committee Chairman and Chairman of the Board (full year)	Y	Y	Y	Y	Y	N
<b>Mr. Tal Hisham Nazer</b> CEO and Board member (full year)	Y	Y	Y	Y	Y	Y
<b>Mr. Edward George Fitzgerald Hannan</b> Board Member (full year) *	Y	Y	Y	N	Y	Y
<b>Mr. David Martin Fletcher</b> Vice-Chairman of the Board (full year) *	Y	Y	Y	Y	Y	Y

\*Approved by the Bupa Arabia Board, and by SAMA, during 2014, and formally approved by the public shareholders in the 2014 General Assembly meeting during 2015 (refer sections 13.1, 13.2 and 13.9 for further details).

The Executive Committee approves matters through both circulation and also during the formal Executive Committee meeting(s) and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Executive Committee meeting which follows the by circulation Executive Committee approval.

• 14.5 Nomination and Remuneration Committee:

Nomination and Remuneration Committee (N&RC) Purpose	Member Names	Meetings
The purpose of the Nomination and Remuneration Committee is to effectively manage Board and Board Committee appointments and to recommend to the Board of Directors appointments to the Board, and Board Committees. The Nomination and Remuneration Committee also annually reviews the requirements of suitable skills for membership of the Board of Directors and Board Committees. The committee provides approvals for the remuneration packages (including bonuses, long term incentives and salary inflation related increases) of the CEO and other senior executives. The committee also reviews and approves the rules of the company bonus/incentives/long term incentive plans and payments. Additionally, the committee supervises the recruitment of key managerial positions, approves the human resources policies and procedures and makes recommendations regarding Board and Committee appointments.	<b>Eng. Loay Nazer</b> (Chairman of the Committee and Chairman of the Board)  <b>Mr. Aamer Ali Reza</b> (Committee member and Independent Board member)  <b>Mr. Edward Hannan</b> (Committee member and Board member)  <b>Mrs. Cathryn Owens</b> (Committee member and non-Board member)	The Nomination and Remuneration Committee convened once (1) during 2015, (twice (2) during 2014)

The Board of Directors approved the appointment of Mr. Edward Hannan, to the Nomination and Remuneration Committee, in place of Mr. James Wheaton, for the remainder of the term, during 2014. Mrs Kathryn Owens joined the Nomination & Remuneration Committee during the year following the resignation from Bupa UK by Mrs. Kate Browne.

The Nomination & Remuneration Committee meeting details, and attendance, during 2015, is as reflected within the table immediately below:

Nomination & Remuneration Committee member name, role and period	Nomination & Remuneration Committee Meeting 1 27/01/2015
<b>Eng. Loay Nazer</b> Committee Chairman and Chairman of the Board (full year)	Y
<b>Mr. Aamer Ali Reza</b> (Independent Board Member) (full year)	Y
<b>Mr. Edward Hannan</b> Board member (full year)	Y
<b>Mrs. Kate Browne</b> (until January 2015)	N/A
<b>Mrs. Kathryn Owens</b> (since January 2015)	Y

The Nomination & Remuneration Committee approves matters through both circulation and also during the formal Nomination & Remuneration Committee meeting(s) and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Nomination & Remuneration Committee meeting which follows the by circulation Nomination & Remuneration Committee approval

• 14.6 Investment Committee:

Investment Committee (IC) Purpose	Member Names	Meetings
The purpose of the Investment Committee is to assist the business in developing its investment policy and to thereafter supervise its adherence to the same. 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 Committee 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 SAMA's regulations and are fully Shariah compliant. Among other duties, the committee also provides investment advice to the business and the Board of Directors and will approve institutions to be used for significant investment placements.	<b>Mr. Zaid Al Gwaiz</b> (Committee Chairman and Independent Board member)  <b>Mr. Khaled Alkhattaf</b> (independent Committee member and non-Board member)  <b>Mr. Niall Dooner</b> (Committee member and non-Board member)	The Investment Committee convened three (3) times during 2015 (2014 three (3) times)

During the full year, as was the case in the previous year, the Investment Committee Chairman continued to be Mr. Zaid Al-Gwaiz, independent Bupa Arabia Board member, and Mr. Khaled Alkhattaf, an independent non-board member, was also an active Investment Committee member for the full year. During the year the third member of the Investment Committee changed, Mr. Niall Dooner replacing Mr. Evantz Perodin. The Investment Committee meeting details, and attendance, during 2015, is as reflected within the table immediately below:

Investment Committee member name, role and period	Investment Committee Meeting 1 3/03/2015	Investment Committee Meeting 2 9/07/2015	Investment Committee Meeting 3 2/12/2015
Mr. Zaid Al Gwaiz Committee Chairman and Independent Board member (full year)	Y	Y	Y
Mr. Khaled Alkhattaf Independent Non-Board member (full year)	Y	Y	Y
Mr. Evantz Perodin Non-Board member (to April 2015)	N/A	N/A	N/A
Mr. Niall Dooner Non-Board member (since July 2015)	N/A	Y	Y

The Investment Committee approves matters through both circulation and also during the formal Investment Committee meetings and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Investment Committee meeting which follows the by circulation Investment Committee approval.



## 15. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 43, paragraphs 7 and 8, the company, and the Board of Directors, confirms it 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 43, paragraph 12, the company, and the Board of Directors, confirms 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 43, paragraphs 13, 14 and 15, the company, and the Board of Directors, 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 43, paragraphs 19 and 20, the company, and the Board of Directors, confirms the below declarations:

That there have been no instances of any arrangements or agreements under which any director or senior executive of the company has waived any salary or compensation,

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. Statutory payments and payable to regulatory bodies:

As required in terms of the CMA disclosure requirements of Article 43, paragraph 21, during 2015 the company made payments, and has amounts payable, to the various Saudi Arabian regulatory bodies as detailed within the table, and thereafter explained in the narrative, below:

19.1 Table of payments and amounts payable to regulatory bodies:

	Paid	Paid Change	Payable	Payable Change		
	2014 SR000s	2015 SR000s	2015 vs 2014 SR SR000s	2014 SR000s	2015 SR000s	2015 vs 2014 SR SR000s
Zakat and income taxes	12,743	31,081	18,338	23,903	42,577	18,674
Levies and license fees	59,243	92,652	33,409	61,511	78,780	17,269
GOSI	13,020	20,050	7,030	1,468	1,780	312
<b>Total</b>	<b>85,006</b>	<b>143,783</b>	<b>58,777</b>	<b>86,882</b>	<b>123,137</b>	<b>36,255</b>

The driver of the increases in amounts paid and payable to the regulatory bodies is due to the growth of the business: profit, and zakat base growth, driving increased Zakat and Income taxes paid and payable to the Department of Zakat and Income Tax (DZIT), written premium growth driving the increased levies paid and payable to SAMA and the CCHI, and increased GOSI paid and payable, due to the increase in staff, required to support the growth. Refer sections 19.2 to 19.7 for further details on payments and payable to regulatory bodies, and section 10.5 for details on the increases in the SAMA and CCHI levy expenses during the year.

### † 9.2 The Department of Zakat and Income Tax (DZIT):

The total paid to the DZIT during the year, for Zakat and Income Tax, was SR31,081k (SR17,544k for the 2014 DZIT return (SR6,165k for Zakat and SR11,379k for Income Tax), SR13,370k as a 2015 advance tax, and other payments for Zakat (SR83k) and Tax (SR84k) related to prior years. The SR42,577k payable includes a SR36,385k provision for the 2015 DZIT return (SR13,549k Zakat and SR22,836k Income Tax) and this will be paid to the DZIT before 28/04/2016G, 21/07/1437, (as per the DZIT regulations). In addition to the amounts detailed in the above table/described in the afore-mentioned, an additional amount of SR4,860k was paid to the DZIT during 2015 for withholding tax and an amount of SR7,190k is also provided in the 2015 results for 2015 results' related withholding tax, which is payable to the DZIT in 2016)

### † 9.3 The Saudi Arabian Monetary Agency (SAMA):

The total paid to SAMA during the year was SR35,247k for SAMA levies, SR31,140k for the first three quarters of 2015 and SR4,107k for the fourth quarter of 2014, which was fully provided in the 2014 results. The 2015 results include a provision for the 2015 fourth quarter SAMA levies of SR5,500k.

### † 9.4 The Council for Cooperative Health Insurance (CCHI):

The total paid to the CCHI during the year was SR57,405k for the 2014 CCHI levies, which were fully provided in the 2014 results. The 2015 results include a provision for the 2015 CCHI levies of SR73,280k.

### † 9.5 The General Organisation for Social Insurance (GOSI):

The total paid to GOSI during the year was SR20,050k which included a payment of SR1,468k for 2014 and which was fully provided in the 2014 results. An amount of SR1,780k is provided in the 2015 results for the 2015 related GOSI amount which is payable in 2016.

### † 9.6 Tadawul and the Capital Market Authority (CMA):

The company paid SR495k to Tadawul, and the CMA, during 2015, SR455k for services and SR40k in penalties. The SR455k for services included SR300k as service fees, in support of the stock exchange related administrative services/public reporting regulatory requirements and activities, SR15k as annual license fees, that enables Bupa Arabia to publish issuer information on its website, directly from the Tadawul website, and SR140k as service fees for the Capital increase and associated basic fees for the share book register update. During 2014 the company paid SR315k to Tadawul for services (SR300k service fees and SR15k license fees). During 2015 Bupa Arabia received two penalties, totaling SR40k, from the CMA, refer section 19.7 for the details of these two CMA penalties.

### † 9.7 Regulatory penalties:

During 2015 the company paid the CMA SR40k for two penalties advised by the CMA to Bupa during 2015 in the form of; a SR30k penalty associated with the Bupa Arabia 2014 second quarter results announcement of July 2014, driven by the CMA's different interpretation of the reasons for the Bupa Arabia 2014 second quarter, versus the 2013 second quarter, results improvement, and a SR10k penalty associated with Bupa Arabia not sending the electronic disclosure form 1, for the appointment of the company's representative at the CMA, in as timely a manner as required by the CMA. The SR40k CMA penalties were settled in full during 2015.

## 20. Long term incentive plan (LTIP):

As required in terms of the CMA disclosure requirement of Article 43, paragraph 22, during 2010 the company implemented an approved Long term incentive plan (LTIP), for certain senior executives and the custodian obtained approval for the Bupa Arabia LTIP from the CMA and communicated its details to SAMA as required in terms of Article 57. An outcome of the LTIP is that some of the company's own shares were held by the custodian on behalf of the senior executive(s) and as a result these were classified as "Shares held under Long-term incentive plan by the custodian".

During 2014, after obtaining the related internal approvals, and regulatory clarification, the company, prior to 1st December 2014, disposed of all remaining shares held under the LTIP scheme and recorded the obligation under the LTIP scheme equivalent to the current year annual LTIP cash entitlement, as at 31st December 2014, as per the proceeds of the associated shares liquidated. These LTIP obligations were settled on completion of the required internal approvals, during early 2015, in terms of the rules per the original LTIP scheme. During 2015 the company launched a new and enhanced LTIP scheme, on an equity shares basis only, effective 1st January 2015, having successfully obtained all relevant internal approvals followed thereafter by all the required external regulatory approvals. The new process required the company to open a new "Bupa employees Long Term Incentive Plan" regular shares portfolio account, on behalf of the LTIP participants, and involves the company thereafter purchasing the shares, on behalf of the LTIP participants, and holding them in this account until vesting, following which the shares will be transferred directly to the LTIP participant's own share portfolio account, provided that the company's, and the LTIP participants', vesting performance criteria have been met and approved by the Nomination & Remuneration Committee.

Under the new LTIP scheme, during 2015, the company purchased LTIP shares, on behalf of the LTIP participants, outside of the CMA prohibition periods, and the cost and provision associated with the LTIP shares/scheme are reflected within the equity of the company. As at 31st December 2015 the number of LTIP shares held is 102,206, of which 51,103 were LTIP shares purchased for LTIP participants and 51,103 were shares issued as per the capital increase via the bonus shares issue (refer section 13.9). As at 31st December 2014 the LTIP shares held was nil shares due to the prior year LTIP shares disposal associated with the previous LTIP scheme termination. Further details are reflected in the annual financial statements LTIP note 20, and within the annual financial statements' Statement of changes in Shareholders' Equity.

## **21. Maintenance of proper records and books of account:**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point a), and as required by Saudi Arabian insurance regulations, the company, and the Board of Directors, 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.

## **22. Internal control system and effectiveness:**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point b), the company, and the Board of Directors, confirms the system of internal control is sound and robust in design, and has been effectively implemented.

## **23. Continuation as a going concern:**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point c), the company, and the Board of Directors, can confirm that there are no significant doubts concerning the company's ability to continue as a going concern.

## **24. External auditors:**

The joint external auditors of the company, as approved per the Ordinary General Assembly meeting held on 01/06/2015G, 14/08/1436H, for the financial statements for the fiscal year ended 31/12/2015G, 20/03/1437H, were KPMG Al Fozan and Partners and Aldar Audit Bureau. This represents a change in the joint external auditors, from those appointed for the previous financial period, which external auditor firms were PricewaterhouseCoopers and Deloitte & Touche. The change was made due Deloitte & Touche not available to be considered, due to a regulatory directive, and Ernst & Young not available to be considered due to having, the year prior to the previous year, having completed five successive years as external auditors of Bupa Arabia. The changes in the external auditors were as per the Board and Audit Committee recommendations, and the choice of joint external auditors will continue to be assessed each year accounting for the performance of the prior year external auditors, the availability of the external auditing firms, and their respective value-add/ enhancement to the company's processes and its stakeholders.

## **Conclusion:**

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

A close-up photograph of a hand holding a dark, textured ballpoint pen. The hand is positioned over a document that features a bar chart with several horizontal bars of varying lengths. The background is blurred, showing what appears to be a laptop keyboard and other office equipment. The lighting is soft and focused on the hand and the pen.

## Financial Statements



**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



**Aidar Audit Bureau**  
**Abdullah AlBasri & Co.**  
 Member firm of Grant Thornton International  
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 P.O. Box 20142 - Jeddah 21455  
 Kingdom of Saudi Arabia

**INDEPENDENT AUDITORS' REPORT**

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

**Scope of audit**

We have audited the accompanying statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the "Company") as at 31 December 2015, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and related notes from 1 to 35 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards ("IFRS") and the provisions of Article 121 of the Regulations for Companies and the Company's bylaws and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**Unqualified opinion**

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as of 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with IFRSs; and
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

**Emphasis of matter**

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for KPMG Al Fozan & Partners

Ebrahim Oboud Baeshen  
 Certified Public Accountant  
 Licence No. 382

for Aidar Audit Bureau  
 Abdullah AlBasri & Co

Waheed Gazzaz  
 Certified Public Accountant  
 Licence No. 247



Jeddah, Kingdom of Saudi Arabia  
 8 Jumada Al Awal 1437H  
 Corresponding to 17 Februar 2016



**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Statement Of Financial Position**

As at 31 December 2015

	Notes	2015 SR'000	2014 SR'000
<b>Insurance Operations' Assets</b>			
Cash and cash equivalents	4	205,565	1,384,281
Murabaha deposits	5	3,047,529	1,213,027
FVIS investments	6	185,143	189,968
Premiums receivable - net	7	749,449	598,687
Reinsurer's share of unearned premiums	14	900	39,733
Reinsurer's share of outstanding claims	15	3,012	13,432
Prepayments and other assets	8	91,483	70,815
Deferred policy acquisition costs	9	78,415	56,601
<b>Total insurance operations' assets</b>		<b>4,361,496</b>	<b>3,566,544</b>
<b>Shareholders' Assets</b>			
Cash and cash equivalents	4	593,297	462,569
Murabaha deposits	5	500,000	44,730
FVIS investments	6	439,785	454,578
Other receivables	8	3,563	1,746
Furniture, fixtures and equipment	10	77,167	60,667
Goodwill	3	98,000	98,000
Statutory deposit	11	80,000	40,000
<b>Total shareholders' assets</b>		<b>1,791,812</b>	<b>1,162,290</b>
<b>Total Assets</b>		<b>6,153,308</b>	<b>4,728,834</b>

The accompanying notes 1 to 35 form an integral part of these financial statements.

**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Statement Of Financial Position (Continued)**

As at 31 December 2015

	Notes	2015 SR'000	2014 SR'000
<b>Insurance Operations' Liabilities And Surplus</b>			
Insurance operations' liabilities			
Unearned premiums	14	2,890,679	2,383,358
Outstanding claims	15	1,054,369	812,530
Reinsurance balance payable	13	-	3,253
Accrued expenses and other liabilities	16	262,149	263,468
Obligation under Long-Term Incentive Plan (LTIP)	20	-	22,754
Total insurance operations' liabilities		4,207,197	3,485,363
<b>Insurance operations' surplus</b>			
Policyholders' share of accumulated surplus from insurance operations		154,299	81,181
<b>Total insurance operations' liabilities and accumulated surplus</b>		<b>4,361,496</b>	<b>3,566,544</b>
<b>Shareholders' Liabilities And Equity</b>			
Shareholders' liabilities			
Accrued expenses and other liabilities	16	50,494	42,398
Accrued Zakat and income tax	18	42,577	23,903
Amount due to related parties	12	32,201	44,490
<b>Total shareholders' liabilities</b>		<b>125,272</b>	<b>110,791</b>
<b>Shareholders' equity</b>			
Share capital	19	800,000	400,000
Statutory reserve	21	277,761	148,746
Share based payments	20	9,600	--
Shares held under employees share scheme	20	(13,101)	--
Retained earnings		592,280	502,753
<b>Total shareholders' equity</b>		<b>1,666,540</b>	<b>1,051,499</b>
<b>Total shareholders' liabilities and equity</b>		<b>1,791,812</b>	<b>1,162,290</b>
<b>Total Liabilities, Insurance Operations' Accumulated Surplus And Shareholders' Equity</b>		<b>6,153,308</b>	<b>4,728,834</b>

The accompanying notes 1 to 35 form an integral part of these financial statements.

**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Statement Of Insurance Operations And Accumulated Surplus**  
For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
<b>Revenue</b>			
Gross written premiums		7,328,016	5,740,449
Premiums ceded to reinsurers		(42,464)	(81,807)
Net written premiums		7,285,552	5,658,642
Movement in net unearned premiums	14	(546,154)	(1,063,567)
Net earned premiums		6,739,398	4,595,075
<b>Claims</b>			
Gross claims paid		5,007,697	3,289,128
Claims recovered		(48,910)	(2,833)
Net claims paid		4,958,787	3,286,295
Movement in net outstanding claims	15	252,259	362,710
Net claims incurred		5,211,046	3,649,005
<b>Net underwriting result</b>		<b>1,528,352</b>	<b>946,070</b>
<b>Expenses</b>			
Selling and marketing	22	(505,367)	(360,737)
General and administration	23	(318,774)	(289,543)
Investment and commission income	24	26,261	18,844
Other income	25	704	12,635
Surplus From Insurance Operations		731,176	327,269
Shareholders' share of surplus from insurance operations	2(ii)	(658,058)	(294,542)
<b>Policyholders' share of surplus from insurance operations</b>	2(ii)	<b>73,118</b>	<b>32,727</b>
Policyholders' share of accumulated surplus from insurance operations at beginning of the year		81,181	48,454
Policyholders' share of accumulated surplus from insurance operations at end of the year		154,299	81,181

The accompanying notes 1 to 35 form an integral part of these financial statements.



**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Statement Of Shareholders' Operations**  
For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
<b>Revenue</b>			
Shareholders' share of surplus from insurance operations	2(ii)	658,058	294,542
<b>Expenses</b>			
General and administration	23	(5,267)	(4,071)
		652,791	290,471
Investment (loss) / income	24	(7,714)	10,804
<b>Net income for the year</b>		<b>645,077</b>	<b>301,275</b>
Weighted average number of ordinary shares outstanding (in thousands)	32	79,981	79,796
<b>Basic and diluted earnings per share (in Saudi Arabian Riyals)</b>	<b>32</b>	<b>8.07</b>	<b>3.78</b>

The accompanying notes 1 to 35 form an integral part of these financial statements.

**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Statement Of Shareholders' Comprehensive Income**  
For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
<b>Net income for the year</b>		<b>645,077</b>	<b>301,275</b>
<b>Other comprehensive income / (expense)</b>			
Items that will not be reclassified to statement of shareholders' operations			
Provision for zakat	18	(13,602)	(10,419)
Reversal of prior year zakat provision during the year	18	-	26,323
Provision for income tax	18	(36,153)	(17,550)
Income tax recovered from non-Saudi shareholders during the year	29	23,220	6,182
<b>Total comprehensive income for the year</b>		<b>618,542</b>	<b>305,811</b>

The accompanying notes 1 to 35 form an integral part of these financial statements.

**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Statement Of Changes In Shareholders' Equity**

For the year ended 31 December 2015

		Share capital	Statutory reserve	Share based payment	Shares held under employees share scheme	Retained earnings	Total
	Notes	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>Balance at 31 December 2014</b>		<b>400,000</b>	<b>148,746</b>	-	-	<b>502,753</b>	<b>1,051,499</b>
<b>Total comprehensive income</b>							
Net income for the year		-	-	-	-	645,077	645,077
Provision for Zakat for the year	18	-	-	-	-	(13,602)	(13,602)
Provision for income tax for the year	18	-	-	-	-	(36,153)	(36,153)
Income tax recovered from non-Saudi shareholders	29	-	-	-	-	23,220	23,220
<b>Transfer to statutory reserve</b>	<b>21</b>	-	<b>129,015</b>	-	-	<b>(129,015)</b>	-
<b>Transactions with owners of the Company</b>							
Bonus shares issue	19	400,000	-	-	-	(400,000)	-
Purchase of shares under LTIP	20	-	-	-	(13,101)	-	(13,101)
Provision for LTIP	20	-	-	9,600	-	-	9,600
<b>Balance at 31 December 2015</b>		<b>800,000</b>	<b>277,761</b>	<b>9,600</b>	<b>(13,101)</b>	<b>592,280</b>	<b>1,666,540</b>

		Share capital	Statutory reserve	Shares held under employees' share scheme	Retained earnings	Total
	Notes	SR'000	SR'000	SR'000	SR'000	SR'000
<b>Balance at 31 December 2013</b>		<b>400,000</b>	<b>88,491</b>	<b>(7,052)</b>	<b>249,621</b>	<b>731,060</b>
<b>Total comprehensive income</b>						
Net income for the year		-	-	-	301,275	301,275
Provision for Zakat for the year	18	-	-	-	(10,419)	(10,419)
Reversal of prior year zakat provisions during the year	18	-	-	-	26,323	26,323
Provision for income tax for the year	18	-	-	-	(17,550)	(17,550)
Income tax recovered from non-Saudi shareholders	29	-	-	-	6,182	6,182
<b>Transfer to statutory reserve</b>	<b>21</b>	-	<b>60,255</b>	-	<b>(60,255)</b>	-
<b>Transactions with owners of the Company</b>						
Dividends	29	-	-	-	(20,000)	(20,000)
Purchase of shares under LTIP	20	-	-	(3,761)	-	(3,761)
Sale of shares held under LTIP	20	-	-	10,813	-	10,813
Gain on sale of shares held under LTIP	20	-	-	-	27,576	27,576
Balance at 31 December 2014		400,000	148,746	-	502,753	1,051,499

The accompanying notes 1 to 35 form an integral part of these financial statements.

**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Statement Of Insurance Operations' Cash Flows**

For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
<b>Operating Activities</b>			
Policyholders' share of surplus for the year		73,118	32,727
Adjustments for:			
Depreciation	23	14,341	12,216
Allowance for doubtful premiums receivable - net	7	38,571	25,626
Realised (gain) on investments	6	(7,031)	(1,979)
Unrealised loss / (gain) on investments	6	6,184	(3,860)
		125,183	64,730
Changes in operating assets and liabilities:			
Premiums receivable		(189,333)	(214,218)
Prepayments and other assets		(20,668)	(42,923)
Unearned premiums		507,321	1,060,289
Reinsurer's share of unearned premiums		38,833	3,278
Deferred policy acquisition costs		(21,814)	(9,923)
Outstanding claims	15	241,839	362,434
Reinsurer's share of outstanding claims	15	10,420	276
Due from shareholders' operations		(14,341)	(12,216)
Reinsurance balances payable		(3,253)	2,748
Accrued expenses and other liabilities		(1,319)	184,355
Obligation under Long-Term Incentive Plan		(22,754)	8,003
<b>Net cash from operating activities</b>		<b>650,114</b>	<b>1,406,833</b>
<b>Investing Activities</b>			
Purchase of FVIS investments	6	(418,557)	(1,013,262)
Proceeds from disposal of FVIS investments	6	421,821	1,015,240
Income received during the year	6	2,408	-
Proceed from Murabaha deposit matured during the year	5	1,637,352	1,795,361
Placement in Murabaha deposits	5	(3,471,854)	(2,052,158)
Net cash used in investing activities		(1,828,830)	(254,819)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,178,716)</b>	<b>1,152,014</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>4</b>	<b>1,384,281</b>	<b>232,267</b>
<b>Cash and cash equivalents at end of the year</b>	<b>4</b>	<b>205,565</b>	<b>1,384,281</b>

The accompanying notes 1 to 35 form an integral part of these financial statements.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Statement Of Shareholders' Cash Flows For the year ended 31 December 2015

	Notes	2015 SR'000	2014 SR'000
<b>Operating Activities</b>			
Net income for the year		645,077	301,275
Adjustment for:			
Share based payment expense	20	9,600	--
Realised (gain) on investments	6	(3,588)	(8,240)
Unrealised loss / (gain) on investments	6	18,381	(168)
Employee End of service benefit expense	16	12,276	11,841
Loss on disposal of furniture, fixtures and equipment		230	--
		681,976	304,708
Employee end of service benefits paid	16	(4,330)	(931)
		677,646	303,777
Changes in operating assets and liabilities:			
Other receivables		(1,817)	(427)
Accrued expenses and other liabilities		150	69
Amounts due to related parties		(12,289)	(15,000)
Due to insurance operations		14,341	12,216
		678,031	300,635
Zakat and income tax paid	18	(31,081)	(12,743)
<b>Net cash from operating activities</b>		<b>646,950</b>	<b>287,892</b>
<b>Investing Activities</b>			
Purchase of furniture, fixtures and equipment		(31,088)	(29,824)
Proceeds from disposal of furniture, fixtures and equipment		17	--
Purchase of investments	6	--	(127,676)
Proceeds from disposal of investments	6	--	127,844
Increase in statutory deposit		(40,000)	--
Proceed from Murabaha deposit matured during the year	5	44,730	416,177
Placement in Murabaha deposits	5	(500,000)	(333,914)
Purchase of shares held under LTIP	20	(13,101)	(3,761)
Proceeds from partial sale of shares held under LTIP	20	--	38,389
Net cash (used in) / from investing activities		(539,442)	87,235
<b>Financing Activities</b>			
Dividends paid	29	--	(20,000)
Tax recovered from non-Saudi shareholders	29	23,220	6,182
Net cash from / (used in) financing activities		23,220	(13,818)
<b>Net increase in cash and cash equivalents</b>		<b>130,728</b>	361,309
<b>Cash and cash equivalents at beginning of the year</b>	4	<b>462,569</b>	101,260
<b>Cash and cash equivalents at end of the year</b>	4	<b>593,297</b>	462,569
Non-cash information			
Zakat and income tax charged to comprehensive income		49,755	1,646

The accompanying notes 1 to 35 form an integral part of these financial statements.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 1. Organisation and Principal 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 Industry'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 Fasal Street, in front of the Saudi Airlines Cargo Building, P.O. Box 23807, Jeddah 21436, Kingdom of Saudi Arabia.

Following are the details of the company's branches and commercial Registration numbers:

Branch	Commercial Registration Numbers:
Riyadh	1010274696
Khobar	2051041274
Khamis Mushayt	5855036547
Tabuk	3550026191
Jubail	2055023792

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 1428 H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution no. 279 dated 28 Shabaan 1428 H (corresponding to 10 September 2007). The company was listed on the Saudi Stock Exchange (Tadawul) on 17 May 2008. 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.

### 2. Basis of Preparation And Summary of Significant Accounting Policies

#### i) Basis of Measurement

These financial statements are prepared under going concern basis and historical cost convention except for the measurement of fair value through income statement (FVIS) investments at fair value. The company presents its statements of financial position broadly in order of liquidity. The company does not present Statement of Comprehensive Income for Insurance Operations as Insurance Operations does not have any other comprehensive income / expenses. All financial assets and liabilities except for statutory deposit, are expected to be recovered and settled respectively within twelve months after the reporting date.

#### ii) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

As required by Saudi Arabian Insurance Regulations, the company maintains separate books of account for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the company. Revenues and expenses clearly attributable to either activity are recorded in the respective books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors. As per the by-laws of the company, the surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	<u>100%</u>

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

In accordance with Article 70 of the Saudi Arabian Monetary Agency (SAMA) Implementing Regulations, the company proposes to distribute, subject to approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors, provided the customer contract is active and paid up to date at the time of settlement of the cooperative distribution amount.

#### iii) 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 to the nearest thousand except where indicated otherwise.

#### iv) Summary of Significant Accounting Policies

The following significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the company's financial statements for the year ended 31 December 2014 except for the new and amended standards and interpretations adopted which are effective for annual period beginning on or after 1 January 2015. The new standards, amendments to standards and interpretation which are effective for annual periods beginning after 1 January 2015 as mentioned in note 2(vi) have not had a significant effect on the financial statements of the company. The significant accounting policies used in preparing these financial statements are set out below:

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### a) Financial Instruments – Initial Recognition and Subsequent Measurement

#### Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, reinsurance share of outstanding claim, statutory deposit, investments and other receivables. Financial liabilities consist of outstanding claims, reinsurance balances payable, obligation under Long-Term Incentive Plan (“LTIP”), policyholders’ share of surplus from insurance operations, amounts due to related parties 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 FVIS investments which are carried at fair value.

#### b) Cash and Cash Equivalents

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

#### c) Murabaha Deposits

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

#### d) Investments

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

#### e) Premiums Receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Allowance for uncollectible amount is established when there is objective evidence that 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 statement of insurance operations and accumulated surplus as other income.

#### f) 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 policy acquisition costs are subsequently deferred and amortised over the terms of the insurance contracts as premiums are earned and reported under selling and marketing expense.

#### g) 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 statement of shareholders’ operations. Impairment losses relating to goodwill cannot be reversed in future periods.

#### h) Furniture, Fixtures and Equipment

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

	Years
Furniture, fixtures and office equipment	3 to 5
Computer applications	4 to 7
Motor vehicles	4

Residual values, useful lives and the method of depreciation are reviewed and adjusted if 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 insurance operations and accumulated surplus on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of insurance operations and accumulated surplus.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

Expenditure for repairs and maintenance is charged to the statement of insurance operations and accumulated surplus. 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 furniture, fixtures and equipment are included in statement of shareholder's operations.

### i) Liability Adequacy Test

At each statement of financial position date, the company assesses 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 insurance operations and accumulated surplus and an unexpired risk provision created.

### j) 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.

### k) Provisions

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

### l) Employees' End of Service Benefits

The company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. The charge for the period is transferred to the statement of insurance operations and accumulated surplus on an actual basis.

### m) Long-Term Incentive Plan (LTIP)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is date at which the entity and 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 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 insurance operations and accumulated surplus 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 award are not satisfied), the company reverses the expense relating to such awards previously recognized in the statement of insurance operations and accumulated surplus.

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.

### n) 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 grant date and date 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 shareholders' equity. When shares held under employee share scheme are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

### o) 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 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, any impairment loss is recognised in the statement of insurance operations and accumulated surplus or the statement of shareholders' operations. 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:



# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

- (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.

### p) 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 insurance operations and accumulated surplus and statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property previously revalued and where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill, if any, are not reversed in future periods.

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

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

#### Financial liability

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

### r) 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. 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 insurance operations and accumulated surplus in order that revenue is recognised over the period of risk.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### Investment and commission income

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

### s) Reinsurance Premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

### t) Claims

Claims, comprising amounts payable to contract holders and third parties, net of prompt payment discounts and other recoveries, 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 the statement of financial position date.

The company estimates its claims based on previous experience. In addition a provision based on management's judgment and the company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and 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.

### u) Insurance Contracts

Insurance contracts are those contracts when 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.

### v) Reinsurance Contracts Held

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

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

### w) Expenses

Selling and marketing expenses are those which specifically relate to salesmen, sales promotion and advertisements as well as any allowance for doubtful debts and regulatory levies. All other expenses are classified as general and administration expenses.

### x) Segmental 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),
- 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.

### y) 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 insurance operations and accumulated surplus on a straight-line basis over the lease term.

### z) 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 either the statement of insurance operations and accumulated surplus or the statement of shareholders' operations.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### aa) Offsetting

Financial assets and financial liabilities are offset and the net amount 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 insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the company.

### bb) Cash Dividend To Shareholders

The company recognises a liability to make cash distributions to shareholders of the company when the distribution is authorised and the distribution 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.

### cc) Zakat and Income Tax

Under Saudi Arabian Zakat and Income Tax laws, zakat and income tax are the liabilities of the Saudi and foreign shareholders, respectively. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the zakat regulations. Income tax is computed on the foreign shareholders' share of net income for the year. Additional amounts payable, if any, at the finalization of final assessments are accounted for when claim for such amounts are accepted by the company. The company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

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

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

### v) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, 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 periods. 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. Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

#### a) Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement 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. 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 insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

#### b) Premium deficiency reserve

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.

#### c) Allowance for doubtful receivable

A provision for impairment of premiums receivable 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 receivable. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the premiums receivable is impaired.

#### d) 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 insurance operations and accumulated surplus 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 insurance operations and accumulated surplus.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### e) Useful lives of furniture, fixtures and equipment

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

### f) 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.

### g) 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.

### vi) New IFRS, IFRIC And Amendments Thereof, Adopted By The Company

The company has adopted the following amendments and revisions to existing standards, where applicable, which were issued by the International Accounting Standards Board (IASB):

Standard / Interpretation	Description
IAS 19	Amendments to IAS 19: the amendment provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
IFRS 1	Amendments to IFRS 1 First time adoption of IFRS: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
IFRS 2	Amendments to IFRS 2 Share-Based Payment: the amendment to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
IFRS 3	Amendments to IFRS 3 Business Combinations: amendment to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
IFRS 8	Amendments to IFRS 8 Operating Segments: amendment requiring explicitly disclosure of judgments made by management in applying aggregation criteria.
IFRS 13	Amendments to IFRS 13 Fair Value Measurement: amendment to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
IAS 16 and IAS 38	Amendments to IAS 16 "Property plant and equipment" and IAS 38 "intangible assets": amendments to clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
IAS 24	Amendments to IAS 24 Related Party Disclosures: the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
IAS 40	Amendments to IAS 40 Investment Property: amendments to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

The adoption of the above standards did not have any impact on the accounting policies, financial position or performance of the company

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### vii) New IFRS and Amendments Thereof, Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the company financial statements are listed below. The listing is of standards issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt these standards, where applicable, when they become effective.

Standard/ Interpretation	Description	Effective from annual periods beginning on or after the following date
IAS 1	Amendments to IAS 1 Disclosure Initiative	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: applying the consolidation exception	1 January 2016
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture Bearer plants	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016

The company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the company's financial statements.

### 3. 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 the Saudi Arabian Monetary Agency ("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 management of the company carried out an impairment test in respect of the abovementioned goodwill. The recoverable amount of the 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.

An average discount rate of 8% was used to discount future cash flows.

Budget EBTIDA growth rate in the range of 12%-13% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.

Using the above rates, the recoverable amount based on value in use was higher than the carrying value; hence no impairment loss on goodwill is required to be recognised in 2015.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 4. Cash and Cash Equivalents

Cash and cash equivalents comprised the following:

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
Cash in banks (see note 6 (a))	205,565	1,384,281
<b>Shareholders' Operations</b>		
Cash in banks (see note 6 (a))	593,297	462,569

### 5. Murabaha Deposits

The murabaha deposits are held with commercial banks. These murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity from three months to one year.

The movements in the murabaha deposits during the year ended 31 December 2015, and 31 December 2014, are as follows:

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
Balance at beginning of the year	1,213,027	956,230
Matured during the year	(1,637,352)	(1,795,361)
Placed during the year	3,471,854	2,052,158
Balance at end of the year	3,047,529	1,213,027
<b>Shareholders' Operations</b>		
Balance at beginning of the year	44,730	126,993
Matured during the year	(44,730)	(416,177)
Placed during the year	500,000	333,914
Balance at end of the year	500,000	44,730

### 6. FVIS Investments

#### Insurance Operations

FVIS Investments of the insurance operations are designated as such upon initial recognition and are comprised of the following:

	2015 SR'000	2014 SR'000
Investment in discretionary portfolio	147,863	151,483
Sukuks issued by government controlled entity	37,280	38,485
	185,143	189,968

## Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

### Notes To The Financial Statements

At 31 December 2015

The discretionary portfolio is invested in securities issued by corporates, financial institutions and government entities in the Kingdom of Saudi Arabia and are denominated in Saudi Arabian Riyals and US Dollars. The movements in FVIS investments of insurance operations, during the years ended 31 December 2015 and 31 December 2014, was as follows:

	2015 SR'000	2014 SR'000
Balance at beginning of the year	189,968	186,107
Purchased during the year	418,557	1,013,262
Disposed during the year	(421,821)	(1,015,240)
Income received during the year	(2,408)	-
Realised gain during the year	7,031	1,979
Unrealised (loss) / gain during the year	(6,184)	3,860
Balance at end of the year	185,143	189,968

#### Shareholder operations

The FVIS investments of Shareholders' Operations comprise of discretionary portfolio amounting to SR 439,785 thousand which is invested in securities issued by financial institutions, government entities, and mutual funds in the Kingdom of Saudi Arabia. These investments are denominated in Saudi Arabian Riyals and US Dollars.

- a) Amounts payable to/receivable from shareholders' operations are settled by transfer of cash of an equivalent amount representing fair value between the operations at each reporting date. During the year ended 31 December 2015, the insurance' operations transferred cash of SR 600.5 million (2014: SR 276.9 million) to the shareholders' operations

The movements in FVIS investments of shareholders operations, during the years ended 31 December 2015 and 31 December 2014, were as follows:

	2015 SR'000	2014 SR'000
Balance at beginning of the year	454,578	446,338
Purchased during the year	-	127,676
Disposed during the year	-	(127,844)
Realised gain during the year	3,588	168
Unrealised (loss) / gain during the year	(18,381)	8,240
Balance at end of the year	439,785	454,578

#### 7. Premiums Receivable - Net

	2015 SR'000	2014 SR'000
<b>Insurances operations</b>		
Gross premiums receivable	863,715	676,545
Allowance for doubtful premiums receivable	(114,266)	(77,858)
Premiums receivable - net	749,449	598,687

## Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

### Notes To The Financial Statements

At 31 December 2015

The movements in the allowance for doubtful premiums receivable were as follows:

	2015 SR'000	2014 SR'000
Balance at beginning of the year	77,858	52,550
Provision made during the year (note 22)	38,571	25,626
Utilised during the year	(2,163)	(318)
Balance at end of the year	114,266	77,858

The age analysis of unimpaired premiums receivable arising from insurance contracts is as follows:

	Past due but not impaired				
	Neither past due nor impaired	Above three and up to six months	Above six and up to twelve months	Above twelve months	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
<b>31 December 2015</b>	<b>469,274</b>	<b>183,486</b>	<b>78,068</b>	<b>18,621</b>	<b>749,449</b>
31 December 2014	354,341	197,831	36,224	10,291	598,687

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.

#### 8. Pre-payments and Other Assets

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
Prepayments	28,717	30,805
Accrued income	27,897	15,421
Restricted deposit (refer note 30 (b))	17,121	23,384
Other receivables	17,748	1,205
	91,483	70,815
<b>Shareholders' Operations</b>		
Other receivables	3,563	1,746



**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Notes To The Financial Statements**

At 31 December 2015

**9. Deferred Policy Acquisition Costs**

	2015 SR'000	2014 SR'000
Balance at beginning of the year	56,601	46,678
Paid and accrued during the year	174,313	172,282
Amortisation for the year	(152,499)	(162,359)
<b>Balance at end of the year</b>	<b>78,415</b>	<b>56,601</b>

**10. Furniture, Fixtures and Equipment**

	Furniture, Fixtures and office equipment	Computer applications SR'000	Motor vehicles SR'000	Capital work in progress SR'000	Total SR'000
<b>Shareholders' Operations</b>					
<b>Cost:</b>					
At 1 January 2014	51,771	62,759	212	-	114,742
Additions during the year	15,694	5,991	-	8,139	29,824
Transfers	(4,241)	4,241	-	-	-
At 1 January 2015	63,224	72,991	212	8,139	144,566
<b>Additions during the year</b>	<b>6,116</b>	<b>12,680</b>	<b>-</b>	<b>12,292</b>	<b>31,088</b>
Disposal during the year	(405)	-	-	-	(405)
<b>At 31 December 2015</b>	<b>68,935</b>	<b>85,671</b>	<b>212</b>	<b>20,431</b>	<b>175,249</b>
<b>Accumulated depreciation:</b>					
At 1 January 2014	24,659	46,939	85	-	71,683
Charge for the year (see note (a) below)	4,155	8,008	53	-	12,216
Transfers	(2,442)	2,442	-	-	-
At 1 January 2015	26,372	57,389	138	-	83,899
Charge for the year (see note (a) below)	5,584	8,704	53	-	14,341
Disposal during the year	(158)	-	-	-	(158)
<b>At 31 December 2015</b>	<b>31,798</b>	<b>66,093</b>	<b>191</b>	<b>-</b>	<b>98,082</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>37,137</b>	<b>19,578</b>	<b>21</b>	<b>20,431</b>	<b>77,167</b>
At 31 December 2014	36,852	15,602	74	8,139	60,667

a) As the furniture, fixtures and equipment are used for the benefit of insurance operations, the depreciation is charged to the statement of insurance operations and accumulated surplus.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 11. Statutory Deposit

	2015 SR'000	2014 SR'000
<b>Shareholders' Operations</b>		
Statutory deposit	80,000	40,000

As required by Saudi Arabian Insurance Regulations, the company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 80 million in a bank designated by SAMA. During the fourth quarter of 2015, the company increased the statutory deposit to SR 80 million, as required following the increase in capital. Commission accruing on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

### 12. Transactions With Related Parties

In addition to transactions disclosed in notes 6, 26 and 27, following are the details of related party transactions during the year and the related balance at the end of the year:

Related party	Nature of transaction	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>			
Shareholders	Premiums written	34,465	30,528
Shareholders	Premiums ceded (see note (a) below)	2,669	74,858
Shareholders	Claims paid	10,629	7,085
Shareholders	Medical cost charged by a providers (see note (b) below)	751	609
Shareholders	Public relations services (see note (c) below)	-	168
Shareholders	Expenses recharged to a related party (see note (d) below)	5,519	2,517
Bupa Middle East Holdings Two W.L.L. (Affiliate)	Trade mark fee (see note 17)	16,948	11,505
Board Member (related party)	Shariah review services (see note e below)	150	150

a) The premiums ceded are to a related party reinsurer for a significant portion of the premiums written of one of the company's customers. The reinsurer's share of unearned premiums and outstanding claims as at 31 December 2015 is SR 900 thousand (2014:SR 39.7 million) and SR 3,012 thousand (2014: SR 13.4 million) respectively. As at 31 December 2015, reinsurance premium payable to related party was SR 15.5 million (2014: SR 33.2 million).

b) These related parties are hospital providers where any of the company's entitled customers, and their qualified members, can use the facilities of the related parties. The company makes payments for all the medical costs of all its contracts, to these provider related parties, in accordance with the normal contractual terms of agreement. During 2014, one of the related parties sold its holding in the company and therefore was no longer a related party as of 31 December 2014. The estimated payable to the related parties, for medical cost payments as of 31 December 2015, amounted to SR 295 thousand.

c) One of the shareholder's owns forty-five percent stake holding in TRACCS, a public relations company, which provided public relations services to the company until 2014.

d) Certain employees of the company, during the year ended 31 December 2015, worked on a project owned by one of the shareholders of the company. As a result, the related costs of these employees, for the year worked on the project, were recharged to the related party amounting to SR 5,519 thousand which was settled during the year (31 December 2014: SR 2,517 thousand).

e) One of the Board members owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia for the provision of Shariah review services.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

- f) Amount due to related parties are disclosed in the statement of financial position. There are no premium receivables as at 31 December 2015 and 2014

### 13. Reinsurance Balances Payable

Reinsurance payable represents amounts payable to reinsurers SR: Nil (2014: SR 3 million), based in France and Germany, for the excess of loss (XOL) reinsurance contract.

### 14. Movement In Net Unearned Premiums

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
Unearned premium at end of the year	(2,890,679)	(2,383,358)
Unearned premium at beginning of the year	2,383,358	1,323,069
Movement in unearned premium (refer note (a) below)	(507,321)	(1,060,289)
Reinsurer's share of unearned premium at end of the year	900	39,733
Reinsurer's share of unearned premium at beginning of the year	(39,733)	(43,011)
Movement in reinsurer's share of unearned premium (see note (b) below)	(38,833)	(3,278)
<b>Movement in net unearned premium</b>	<b>546,154</b>	<b>(1,063,567)</b>

#### a) Movement in unearned premium comprises of the following:

	2015 SR'000	2014 SR'000
Gross premium written during the year	(7,328,016)	(5,740,449)
Gross premium earned during the year	6,820,695	4,680,160
	(507,321)	(1,060,289)

#### b) Movement in reinsurer's share of unearned premium comprises of the following:

	2015 SR'000	2014 SR'000
Reinsurance premium ceded during the year	42,464	78,529
Reinsurance premium expensed during the year	(81,297)	(81,807)
	(38,833)	(3,278)

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 15. Movement In Outstanding Claims

Net movement in outstanding claims, during the year is as follows:

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
Gross outstanding claims at end of the year	1,054,369	812,530
Gross outstanding claims at beginning of the year	(812,530)	(450,096)
	241,839	362,434
Reinsurer's share of outstanding claims at end of the year	(3,012)	(13,432)
Reinsurer's share of outstanding claims at beginning of the year	13,432	13,708
	<b>10,420</b>	<b>276</b>
<b>Movement in net outstanding claims</b>	<b>252,259</b>	<b>362,710</b>

### 16. Accrued Expenses And Other Liabilities

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
Accrued expenses	166,706	128,977
Advances from policyholders	53,232	109,648
Other liabilities	42,211	24,843
	<b>262,149</b>	<b>263,468</b>
<b>Shareholders' Operations</b>		
Accrued expenses	2,422	2,272
Employees' end of service benefits (see note (a) below)	48,072	40,126
	<b>50,494</b>	<b>42,398</b>

(a) The movements in the employees' end of service benefits provision during the year was as follows:

	2015 SR'000	2014 SR'000
Balance at beginning of the year	40,126	29,216
Charged during the year	12,276	11,841
Paid during the year	(4,330)	(931)
Balance at end of the year	<b>48,072</b>	<b>40,126</b>

As the services of the employees are with respect to the insurance operations, the charge for the year is charged to the statement of insurance operations and accumulated surplus.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 17. Trade Mark Fee

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 fee. Accordingly, a sum of SR 16.9 million (2014: SR 11.5 million) payable to a related party has been accrued for in these financial statements (see note 22).

### 18. Zakat and Income Tax

#### a) Zakat

##### Charge for the year

The Zakat charge relating to the Saudi shareholders consists of:

	2015 SR'000	2014 SR'000
Provision for the year	12,696	6,767
Adjustment for the previous year	906	3,652
Charge for the year	13,602	10,419

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:

	2015 SR'000	2014 SR'000
Share capital	295,000	295,000
Opening retained earnings, reserve and surplus	540,352	285,093
Opening provisions	87,013	60,302
Adjusted net income	507,856	270,672
Furniture, fixtures and equipment and goodwill	(111,734)	(107,098)
Investments	(3,049,563)	(1,402,948)
Others	(29,500)	(30,721)
	(1,760,576)	(629,700)
Adjusted income for the year (see note below)	688,619	367,013
Zakat base	688,619	367,013
Attributable to Saudi shareholders and the general public @ 73.75%	507,856	270,672

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

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

	2015 SR'000	2014 SR'000
Balance at beginning of the year	12,529	31,324
Charge for the year	13,602	10,419
Reversal of prior years' provisions during the year	-	(26,323)
Payment made during the year	(6,386)	(2,891)
Balance at end of the year	19,745	12,529

**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Notes To The Financial Statements**

At 31 December 2015

**b) Income tax**

**Charge for the year**

	2015 SR'000	2014 SR'000
Income tax charge for the year	36,153	17,550

The movements in the income tax provision during the year were as follows:

	2015 SR'000	2014 SR'000
Balance at beginning of the year	11,374	3,676
Charge for the year	36,153	17,550
Payment made during the year	(24,695)	(9,852)
<b>Balance at end of the year</b>	<b>22,832</b>	<b>11,374</b>

**c) Accrued zakat and income tax**

	2015 SR'000	2014 SR'000
Zakat payable (note (a) above)	19,745	12,529
Income tax payable (note (b) above)	22,832	11,374
	<b>42,577</b>	<b>23,903</b>

**d) Status of assessments**

The company has filed its Zakat and income tax returns for the financial years up to and including the year 2014 with the Department of Zakat and Income Tax (the "DZIT").

The company has received assessments for the fiscal periods 2008 through 2012 raising additional demands in respect of zakat, income tax, withholding tax and fines for delays aggregating to SR 26.6 million, principally in respect of disallowance of FVIS investments as a deduction from the Zakat base. The company has also received initial assessments for the periods 2013 through 2014 raising additional demands aggregating to SR 13.4 million on similar items. The company has filed an appeal against these assessments and the final conclusions from the DZIT are awaited.

During 2014, the company reversed Zakat provision, relating to prior years, aggregating to SR 26.3 million as management believed that the provisions were no longer required and that no further amounts are expected to be paid for those years to the DZIT, to which the reversal provisions related.

During 2014, the company has also filed an appeal for the fiscal periods 2008 through 2013 with the DZIT relating specifically to the DZIT treatment of the statutory deposit and the cooperative distribution.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 19. Share Capital

The share capital of the company is SR 800 million divided into 80 million shares of SR 10 each (2014: SR 40 million shares of SR 10 each) and subscribed by the following:

	Percentage holding	2015 SR'000	Percentage holding	2014 SR'000
Major shareholders	52.5%	420,000	52.5%	210,000
General public	47.5%	380,000	47.5%	190,000
	100.0%	800,000	100.0%	400,000

As at 31/12/2015, as was the case at 31/12/2014, the majority shareholders of Bupa Arabia for Cooperative Insurance Company are: Bupa Investments Overseas Limited (BIOL), which owns 26.25% (21 million shares) and following subsidiaries of Nazar Holding Company namely Nazer Holding Company 9.00% (7.2 million shares), Modern Computer Programs Company 9.00% (7.2 million shares) and ASAS Healthcare Company 8.25% (6.6 million) shares. Collectively these subsidiaries of Nazer Holding Company own 26.25% (21 million shares) of the share capital of the company.

The Board of Directors of the company recommended, in their meeting held on 24 August 2015, to the General Assembly, an increase in share capital subject to receiving all the required approvals of the relevant authorities and thereafter the shareholders. The recommendation was for a capital increase, from SR400 million to SR800 million, representing an increase of SR400 million, through the issuing of 1 bonus share for every 1 share held, increasing the number of shares from 40 million shares to 80 million shares, representing an increase of 40 million shares, through the utilization of SR400 million of the company's existing retained earnings. The company received approval from the Saudi Arabian Monetary Agency (SAMA) and the Capital Market Authority (CMA) in respect of the proposed increase in share capital on 14 September 2015 and 8 October 2015 respectively. The shareholders approved this capital increase as well as the related changes in the by-laws of the company, in their Extraordinary general assembly meeting held on 7 December 2015, and which was announced on, and the new bonus shares capital issued by, Tadawul on 8 December 2015. The final formalities in respect of the updating of the Articles of Association and the Commercial Registration of the Company were completed in January 2016.

### 20. Long-Term Incentive Plan (LTIP)

During 2010, the company introduced a Long-Term Incentive Plan (LTIP), for its senior executives, which was designed to reward them for their role in the achievement of the company's long-term objectives and three year plan targets. During 2014, after obtaining the related internal and regulatory approvals, the company terminated this plan and disposed of the shares held, and recorded the obligation equivalent to the 2014 annual LTIP cash entitlement, at 31 December 2014. These LTIP obligations were partially settled during the first quarter 2015, as per the rules of the LTIP scheme, following the required internal approval.

During 2015, the company completed the required approvals for the launching of a new LTIP scheme, which is entirely an equity settled shares based plan, and, during the second quarter of 2015, received the required external regulatory clearance for this new LTIP scheme.

The purpose of the new LTIP scheme remains to incentivize the senior management team to achieve the company's long term goals and to attract and retain top performers. The plan provides focus on both current and future performance and enables the participants to share in the company's success, and is measured based on net profit growth and profit margin. The plan vests over a period of a three year performance cycle. The company's actual performance is assessed at the end of each year during the vesting period.

As the new LTIP scheme is entirely shares based the company accounts for the LTIP as an equity settled share based transaction under which the approved participants will receive a certain number of Bupa Arabia shares after the completion of each three year performance period, the achievement of the performance measures, the achievement of the participant's conditions, and the completion of the required approvals. For this purpose, the Bupa Arabia shares are already purchased by an investment broker, currently NCB Capital. As a result, the LTIP shares were purchased during the second half of 2015, outside of any CMA prohibition period.

Since the LTIP shares reward is only of shares, and under no circumstances will any LTIP participant ever receive settlement of the LTIP shares entitlement in any form other than shares; the cost of the entitlement reflects management's estimate of the cost of the number of equity instruments expected to vest at each reporting date and shall be revised in future periods, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the company shall ensure it has an LTIP reserve equal to the number of equity instruments that are ultimately vested.

Any additional shares received in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, associated with the Bupa Arabia shares held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, on behalf of the LTIP participants, due to the company distributing any dividends,

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

whether in the form of "bonus shares", or any other form, or due to the company processing a "Share Split", are accumulated in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account and transferred proportionately to the participants, in accordance with their share award per the shares held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, after vesting.

At the end of the vesting period, the Nomination and Remuneration Committee (N&RC) will approve the extent to which the performance conditions have been met and how many of the performance shares will vest and be released to the participants. The N&RC will approve that the company can proceed to transfer the relevant specific employees' shares entitlement from the shares held in the Bupa Arabia "Bupa Employees Long Term Incentive" regular shares portfolio account to the respective individual LTIP participants' own personal share portfolio accounts, following the confirmation of instruction of the separate individual LTIP participant's instructions and confirmations of their respective individual personal share portfolio accounts' bank and share portfolio account numbers. Any surplus shares, arising from not all the shares being vested, as per the rules of this LTIP scheme, i.e. from awards that have been forfeited and therefore retained by Bupa Arabia, will be held and accounted for as part of the process of the funding of the next cycle.

The number of LTIP shares purchased, during the second half of 2015, in accordance with the approvals, rules and entitlements of the new LTIP scheme, was 51,103 LTIP shares. The grant date of 32,110 shares and 18,993 shares is 23 July 2015 and 26 November 2015 respectively and the grant date fair value per share is SR 277 and SR 221 respectively.

During the year the shareholders of the company approved the issuance of 1 bonus share for every 1 share held in their extraordinary general assembly meeting held on 7 December 2015. The participants will each be entitled to one bonus share for each performance share vested and released to participant at the end of vesting period. Following the issuance of the bonus shares, during December 2015, a total of 102,206 Bupa Arabia shares are being held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, on behalf of the LTIP participants.

The cost of the plan is recognized over the period during which the vesting conditions are fulfilled. The expense, recognized for the plan at each reporting date until the vesting date, reflects the company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of insurance operation and accumulated surplus for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The total expense recognised for employees' services received under the LTIP is charged to the statement of insurance operations and is included in the 'employee costs' with a corresponding increase in statement of changes in shareholders' equity, as per IFRS 2 'Share Based Payments'.

### 21. Statutory Reserve

As required by Saudi Arabian Insurance Regulations, twenty percent of the shareholders' income shall be set aside from net income as a statutory reserve until this reserve amounts to one hundred percent of the paid up share capital. Accordingly, during the year, the company has transferred SR 129.02 million (2014: SR 60.26 million) to the statutory reserve. The statutory reserve level of SR 277.76 million represents 34.7% of the paid up share capital (2014: SR 148.74 million represented 37.2%).

### 22. Selling and Marketing Expenses

	2015 SR'000	2014 SR'000
Employee costs	105,491	74,621
Marketing expenses	49,381	18,687
Fulfilment costs	12,217	11,098
Commission expenses	161,798	118,489
Statutory levies	109,920	86,107
Trade mark fee (see note 17)	16,948	11,505
Allowance for doubtful premiums receivable (note 7)	38,571	25,626
Others	11,041	14,604
	<b>505,367</b>	<b>360,737</b>



# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 23. General and Administration Expenses

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
Employee costs	236,529	211,018
Repairs and maintenance costs	19,472	19,021
Travelling expenses	12,073	11,629
Depreciation (see note 10 (a))	14,341	12,216
Communication expenses	9,536	4,053
Others	26,823	31,606
	<b>318,774</b>	<b>289,543</b>
<b>Shareholders' Operations</b>		
Board expenses (see note 27)	1,544	1,361
Corporate Social Responsibility (CSR) expenses	2,516	1,488
Others	1,207	1,222
	<b>5,267</b>	<b>4,071</b>

### 24. Investment and Commission Income

	2015 SR'000	2014 SR'000
<b>Insurance Operations</b>		
- Profit on murabaha deposits	25,414	13,005
- Realized / unrealised gain on investments - net (refer note 6)	847	5,839
	<b>26,261</b>	<b>18,844</b>
<b>Shareholder operations</b>		
- Profit on murabaha deposits	7,079	2,396
- Realized / unrealised (loss) / gain on investments - net (refer note 6)	(14,793)	8,408
	<b>(7,714)</b>	<b>10,804</b>

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

During 2011, a senior management personnel purchased 7,000 shares of the company through Tadawul (the Saudi Stock Exchange), for SR 143 thousand, after obtaining the approval from the required regulatory authority. The fair value of the shares as at 31 December 2013 was SR 296 thousand (2012: SR 191 thousand).

### 25. Other Income

Other income includes an amount of SR Nil (2014: SR 12.6 million) related to health consultancy support.

### 26. Information Relating To Key Management Personnel

	2015 SR'000	2014 SR'000
<b>Compensation to key management personnel:</b>		
Short-term benefits	18,205	15,693
Long-term benefits	5,548	7,309
	<b>23,753</b>	<b>23,002</b>

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

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 27. Board of Directors' Remuneration and Related Expenses

	2015 SR'000	2014 SR'000
Board of Directors' remuneration	1,020	1,020
Board attendance fees	117	96
Other board and sub-committees expenses	407	245
	<b>1,544</b>	<b>1,361</b>

- a) Board of Directors' remuneration is paid in accordance with the by-laws of the company.  
b) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.  
c) Other board and sub-committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

### 28. Segment Information

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

	For the year ended 31December 2015		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	4,433,449	2,894,567	7,328,016
Premiums ceded	(26,938)	(15,526)	(42,464)
Net written premiums	4,406,511	2,879,041	7,285,552
Movement in net unearned premiums	(347,751)	(198,403)	(546,154)
Net earned premiums	4,058,760	2,680,638	6,739,398
Claims paid	3,157,391	1,850,306	5,007,697
Claims recovered	(33,253)	(15,657)	(48,910)
Net claims paid	3,124,138	1,834,649	4,958,787
Movement in net outstanding claims	133,327	118,932	252,259
Net claims incurred	3,257,465	1,953,581	5,211,046
Net underwriting result	801,295	727,057	1,528,352
Unallocated income			26,965
Unallocated expenses			(824,141)
<b>Surplus from insurance operations</b>			<b>731,176</b>

**Bupa Arabia For Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

**Notes To The Financial Statements**  
At 31 December 2015

	For the year ended 31 December 2014		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	3,614,640	2,125,809	5,740,449
Premiums ceded	(78,947)	(2,860)	(81,807)
Net written premiums	3,535,693	2,122,949	5,658,642
Movement in net unearned premiums	(683,726)	(379,841)	(1,063,567)
Net earned premiums	2,851,967	1,743,108	4,595,075
Gross claims paid	2,000,675	1,288,453	3,289,128
Claims recovered	(1,654)	(1,179)	(2,833)
Net claims paid	1,999,021	1,287,274	3,286,295
Movement in net outstanding claims	299,147	63,563	362,710
Net claims incurred	2,298,168	1,350,837	3,649,005
Net underwriting result	553,799	392,271	946,070
Unallocated income			31,479
Unallocated expenses			(650,280)
<b>Surplus from insurance operations</b>			<b>327,269</b>

	As at 31 December 2015		
	Major SR'000	Non-major SR'000	Total SR'000
<b>Insurance operations' assets</b>			
Premiums receivable - net	418,246	331,203	749,449
Reinsurer's share of unearned premiums	--	900	900
Reinsurer's share of outstanding claims	2,672	340	3,012
Deferred policy acquisition costs	58,105	20,310	78,415
Unallocated assets	--	--	3,529,720
<b>Total</b>			<b>4,361,496</b>
<b>Insurance operations' liabilities and surplus</b>			
Unearned premiums	1,675,344	1,215,335	2,890,679
Outstanding claims	653,640	400,729	1,054,369
Unallocated liabilities and surplus	--	--	416,448
<b>Total</b>			<b>4,361,496</b>

	As at 31 December 2014		
	Major SR'000	Non-major SR'000	Total SR'000
<b>Insurance operations' assets</b>			
Premiums receivable - net	364,505	234,182	598,687
Reinsurer's share of unearned premiums	39,733	-	39,733
Reinsurer's share of outstanding claims	13,432	-	13,432
Deferred policy acquisition costs	41,642	14,959	56,601
Unallocated assets	-	-	2,858,091
<b>Total</b>			<b>3,566,544</b>
<b>Insurance operations' liabilities and surplus</b>			
Unearned premiums	1,397,684	985,674	2,383,358
Outstanding claims	535,171	277,359	812,530
Unallocated liabilities and surplus	-	-	370,656
<b>Total</b>			<b>3,566,544</b>

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### 29. Dividends

On 7 May 2014, the company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2013, of SR 0.5 per share totalling SR 20 million to its shareholders. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 5 June 2014 (corresponding to 7 Shaban 1435H). Accordingly, the dividend payment was made on 25 June 2014 and the Saudi shareholders were paid their dividend in full.

During 2015, as a result of there being no dividend paid, related to the period ended 31 December 2014, the amount settled by the non-Saudi shareholders, for zakat and income tax equalisation, was SR 23.22 million whereas, during 2014, as a result of the level of dividend and zakat and income tax equalisation, the non-Saudi shareholders paid to the company an amount of SR 6.18 million.

### 30. Commitments and Contingencies

#### a) Operating lease commitments:

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2015 SR'000	2014 SR'000
Within one year	10,611	10,611
After one year but no more than five years	37,765	42,446
More than five years	11,289	17,220
	59,665	70,277

b) As at 31 December 2015, performance guarantees amounting to SR 17.1 million (2014: SR 23.4 million) were issued to the customers on behalf of the company. The company pledged bank balances equivalent to the amount of performance guarantees to the bank for obtaining such guarantees.

c) In addition to above, contingencies in respect of Zakat and income tax assessments of company are disclosed in note 18(d) to these financial statements.

### 31. Risk Management

Risk is inherent in the company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the company's continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities. The company's policy is to monitor business risks through strategic planning process.

#### Risk management structure

##### Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

##### Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the company's board authorised risk appetite parameters.

##### Audit committee

The Audit Committee is appointed by the Board of Directors. The audit committee assists the board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the company.

##### Internal audit

All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the company and the way these risks are mitigated by management are summarised below.

##### Insurance risk

Insurance risk is the risk that actual claims payable to policyholders in respect of past insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The company only issues short-term contracts in connection with medical risks.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### Geographical concentration of risks

The company's insurance risk exposure relating to contract holders is primarily concentrated in Saudi Arabia.

### Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The company only underwrites medical risks. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

The company's underwriting strategy is designed to ensure that risks are well diversified through product diversity between individual and corporate health insurance, level of insured benefits, variety of claim type exposures across diverse medical providers, clinics, individual hospitals and hospital groups, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the company.

### Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the company utilises an independent actuary who performs periodical reviews of the company's claims modelling and claims projections as well as verifying the annual closing position claims reserves are adequate.

### Key assumptions

The principal assumption underlying the estimates is the company's estimated ultimate loss ratio. The estimated ultimate loss ratio was determined using actuarial methods, as far as applicable, and was also reviewed by the independent actuary.

### Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined 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 as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable. The details of estimation of the outstanding claims and premium deficiency reserves are given under Notes 2(v).

### Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income.

Ultimate loss ratio – Insurance Operations	Change in assumptions	Increase / (decrease) in net liabilities	Decrease / (increase) in insurance operations and accumulated surplus
<b>2015</b>	<b>± 5%</b>	<b>± 336,970</b>	<b>± 336,970</b>
2014	± 5%	± 229,754	± 229,754

### Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is effected under excess-of-loss (XOL) reinsurance contracts. For any claim above SR 200 thousand and contingent on the policyholders' plan limit, the XOL reinsurance covers losses per claim between SR 200 thousand and SR 500 thousand. All other claims are borne and paid by the company. In compliance with SAMA guidelines on reinsurance,

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

all reinsurance companies are minimally rated A by international rating agencies. Reinsurance contracts do 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.

The credit risk exposure in respect of reinsurers' share of outstanding claims is SR 3 million (2014: SR 13.43 million) (see note 15) and in respect of reinsurance balances receivable is SR 15.6 million (2014: SR 10 thousand).

### Regulatory framework risk

The operations of the company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

### Capital management (solvency) risk

Capital requirements are set and regulated by the SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The company manages its capital requirements by assessing the risk of 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 risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the company may adjust any possible amount of dividends paid to shareholders or raise new capital through the Saudi stock market.

As required by Saudi Arabian Insurance Regulations (Article 66 of the Implementation Regulations issued by SAMA), the company is required to maintain a minimum solvency margin equivalent to the highest of: minimum capital requirement, premium solvency margin or claims solvency margin. As at 31 December 2015, the company's solvency level is in excess of the minimum solvency margin required by the Saudi Arabian Insurance Regulations.

The following information summarizes the minimum regulatory capital of the company:

	2015 SR'000	2014 SR'000
Minimum regulatory capital	1,166,761	905,383

### Financial risk

The company's principal financial instruments are receivables arising from insurance contracts, the statutory deposit, investments, cash and cash equivalents, Murabaha deposits, outstanding claims and certain other assets and liabilities.

The company does not enter into derivative transactions.

The main risks arising from the company's financial instruments are market price risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, as summarised below.

### Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Insurance Operations and Shareholders' Operations are exposed to market risk with respect to their investments classified as FVIS. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and perform regular monitoring of developments in related markets. In addition, the key factors that affect stock and bond market movements are monitored, including analysis of the operational and financial performance of investees.

A 5% change in the value of investments with all other variables held constant, would impact the Insurance Operations and Shareholders' Operations by SR 9.2 million (2014: SR 9.5 million) and SR 22 million (2014: SR 22.7 million) respectively.

### Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The company is exposed to commission rate risk on its Murabaha deposits and investment in Sukuk.

The company places deposits which are realisable within three months to one year, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated. Details of maturities of the major classes of commission

## Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

### Notes To The Financial Statements

At 31 December 2015

bearing securities as at 31 December are as follows:

Insurance Operations	2015 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	1,075,637	1,971,892	-	3,047,529

	2014 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	423,734	789,293	-	1,213,027

Shareholders' Operations	2015 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	125,000	375,000	-	500,000

	2014 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	44,730	-	-	44,730

The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2015	2014
<b>Insurance operations</b>		
Saudi Riyal denominated murabaha deposits	1.64%	0.64%
<b>Shareholders' operations</b>		
Saudi Riyal denominated murabaha deposits	2.15%	0.28%

The company had no deposits in currencies other than Saudi Riyal.

The following information demonstrates the sensitivity of statement of insurance operations and accumulated surplus and statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

The shareholders' operations did not have any commission bearing assets or liabilities as at 31 December 2012.

	2015 SR '000	2014 SR '000
<b>Insurance operations</b>		
Increase in commission rates by 100 basis points	30,475	12,130
Decrease in commission rates by 100 basis points	(30,475)	(12,130)
<b>Shareholders' operations</b>		
Increase in commission rates by 100 basis points	5,000	447
Decrease in commission rates by 100 basis points	(5,000)	(447)

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, as the company primarily deals in Saudi Riyals and United States Dollars, which is pegged to Saudi Riyals.

### 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 limit its credit risk with respect to customers by following the company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the company's exposure to bad debts. Management estimates specific impairment provision 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 deposits with reputable banks. The company enters into reinsurance contracts with recognised, creditworthy third parties (rated A above).

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

	2015 SR'000	2014 SR' 000
<b>Insurance' Operations</b>		
Cash and cash equivalents	205,565	1,384,281
Murabaha deposits	3,047,529	1,213,027
FVIS investments	185,143	189,968
Premiums receivable – net	749,449	598,687
Reinsurer's share of outstanding claims	3,012	13,432
Other receivables	17,748	1,205
	<b>4,208,446</b>	<b>3,400,600</b>
<b>Shareholders' Operations</b>		
Cash and cash equivalents	593,297	462,569
Murabaha deposits	500,000	44,730
FVIS investments	439,785	454,578
Other receivables	3,563	1,746
Statutory deposit	80,000	40,000
	<b>1,616,645</b>	<b>1,003,623</b>

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 is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.



## Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

### Notes To The Financial Statements

At 31 December 2015

#### Insurance operations' financial assets

	Non-investment grade			Total
	Investment grade	Satisfactory	Past due but not impaired	
Cash and cash equivalents	205,565	-	-	205,565
Murabaha deposits	3,047,529	-	-	3,047,529
FVIS investments	185,143	-	-	185,143
Premiums receivable - net	-	469,274	280,175	749,449
Reinsurer's share of outstanding claims	3,012	-	-	3,012
Other receivables	-	17,746	-	17,746
<b>December 31, 2015</b>	<b>3,441,249</b>	<b>487,020</b>	<b>280,175</b>	<b>4,208,444</b>
Cash and cash equivalents	1,384,281	-	-	1,384,281
Murabaha deposits	1,213,027	-	-	1,213,027
FVIS investments	189,968	-	-	189,968
Premiums receivable - net	-	354,341	244,346	598,687
Reinsurer's share of outstanding claims	13,432	-	-	13,432
Other receivables	-	1,205	-	1,205
<b>December 31, 2014</b>	<b>2,800,708</b>	<b>355,546</b>	<b>244,346</b>	<b>3,400,600</b>

#### Shareholders' operations' financial assets

Cash and cash equivalents	593,297	-	-	593,297
Murabaha deposits	500,000	-	-	500,000
FVIS investments	439,785	-	-	439,785
Other receivable	-	3,563	-	3,563
Statutory deposit	80,000	-	-	80,000
<b>December 31, 2015</b>	<b>1,613,082</b>	<b>3,563</b>	<b>-</b>	<b>1,616,645</b>
Cash and cash equivalents	462,569	-	-	462,569
Murabaha deposits	44,730	-	-	44,730
FVIS investments	454,578	-	-	454,578
Other receivable	-	1,746	-	1,746
Statutory deposit	40,000	-	-	40,000
<b>December 31, 2014</b>	<b>1,001,877</b>	<b>1,746</b>	<b>-</b>	<b>1,003,623</b>

In respect of gross premiums receivable, the 5 largest accounts outstanding accounted for 14.4% of the closing gross premiums receivable balance of 31 December 2015 (2014 the 5 largest accounted for 18.9% of the closing gross premiums receivable). Gross Written Premium from one of the major customers of the company amounts to 5% of Gross Written Premium by the company of 2014.

#### Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

Unearned premiums have been excluded from the analysis as it is not contractual obligation. The table below summarises the maturity profile of the financial liabilities of the company based on remaining expected undiscounted contractual obligations:

2015	Up to one year SR	More than one year SR	Total SR
<b>Insurance Operations' Financial Liabilities</b>			
Outstanding claims	1,054,369	-	1,054,369
Reinsurance balances payable	-	-	-
Accrued expenses and other liabilities	260,277	1,872	262,149
Obligation under LTIP	-	-	-
	<b>1,314,646</b>	<b>1,872</b>	<b>1,316,518</b>
<b>Shareholders' Financial Liabilities</b>			
Accrued expenses and other liabilities	2,422	48,072	50,494
Accrued zakat and income tax	42,577	-	42,577
Amount due to related parties	32,201	-	32,201
	<b>77,200</b>	<b>48,072</b>	<b>125,272</b>
<b>Total Financial Liabilities</b>	<b>1,391,846</b>	<b>49,944</b>	<b>1,441,790</b>

2014	Up to one year SR	More than one year SR	Total SR
<b>Insurance Operations' Financial Liabilities</b>			
Outstanding claims	812,530	-	812,530
Reinsurance balances payable	3,253	-	3,253
Accrued expenses and other liabilities	261,812	1,656	263,468
Obligation under LTIP	22,754	-	22,754
	<b>1,100,349</b>	<b>1,656</b>	<b>1,102,005</b>
<b>Shareholders' Financial Liabilities</b>			
Accrued expenses and other liabilities	2,272	40,126	42,398
Accrued zakat and income tax	23,903	-	23,903
Amount due to related parties	44,490	-	44,490
	<b>70,665</b>	<b>40,126</b>	<b>110,791</b>
<b>Total Financial Liabilities</b>	<b>1,171,014</b>	<b>41,782</b>	<b>1,212,796</b>

### Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows 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.

### 32. Earnings Per Share

The earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares issued and outstanding at the year end. Diluted earnings per share are not applicable to the Company. The earnings per share for the previous year, of SR3.78 per share, has been calculated based on the weighted average number of shares in issue after the Capital increase, to 80,000,000 (eighty million) shares, as was approved during the Extraordinary general assembly meeting of its shareholders during the year, and the prior year earnings per share re-statement has been made in accordance with the relevant International Accounting Standards.

### 33. Fair Values 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

# Bupa Arabia For Cooperative Insurance Company (A Saudi Joint Stock Company)

## Notes To The Financial Statements

At 31 December 2015

the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the company.

The fair values of financial instruments are not materially different from their carrying values. At 31 December 2015 and 31 December 2014, apart from the investments which are carried at fair value (note 6), there were no other financial instruments held by the company that were measured at fair value.

b) 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 instrument (i.e., without modification or repackaging);

**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.

As at 31 December 2015 and 31 December 2014, all financial instruments which are fair valued are Level 2 instruments. The company determines level 2 fair value of FVIS investments based on net asset value of investments at period end as communicated by Fund Manager. There were no transfers between levels during the years ended 31 December 2015 and 31 December 2014.

### 34. Comparatives

Following amounts have been reclassified in order to conform with current year presentation.

Financial statement line item	From	To	Amount SR '000
Restricted deposits	Cash and cash equivalents	Prepayments and other assets	23,384

### 35. Approval of The Financial Statements

The financial statements were authorized for issue by the Board of Directors on 8 Jumada Al Awal 1437H, corresponding to 17 February 2016.





# Bupa Arabia Branches

## Riyadh Branch

Tel: 920000456 Ext. 8393  
Al Moraba'a District,  
Al Tabri Street,  
In front of Jawazat head office  
in Riyadh [north side]

## Medina Branch

Tel: 0148654297  
Fax: 0148654298  
Shoran District,  
Ali bin abi Talib Street,  
near to the new labor office

## Taif Branch

Tel: 0127606846 ,0127606844  
0127606845 ,0127606843  
Fax: 0126837889  
Taif Branch,  
Al Ghumriyah District,  
In front of Jawazat office

## Makkah Branch

Al Hojoon Street,  
in front of Jawazat gate direct

## Jeddah Branch

Tel: 92000456 Ext. 8351  
Fax: 026919591  
Al Kandarrah District,  
Old Airport Street,  
next Passport Office

## Buraidah Branch

Tel: 920000456 Ext: 8399  
Fax: 0163249806  
Buraidah 40 Street,  
In front of Jawazat

## Jizan Branch

Tel: 920000456 Ext: 8961  
Fax: 0173173850  
Next to Jawazat branch Next,  
behind Shifa Jazan Polyclinic

## Abha Branch

Tel: 0551131544  
Abha, Al Khashe District,  
Next to Fransi Banque

## Dammam Branch

Tel: 0547827973  
Rabei District,  
King Khalid Street,  
in front of Dammam  
Passports Office.

## Al Hasa Branch

Tel: 0555832270  
Al Ahssa, Mojamaa Al  
Dawaer Al Hokomeyah

## Khamis Mushait Branch

Tel: 0172227985  
Fax: 0172227986  
Side of the office,  
80th Street, Nashwan District





# Regional Offices

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## RIYADH

Bupa Arabia Building,  
King Fahad Road  
Olaya District  
Riyadh 11351, Saudi Arabia

**Tel: 920 000 456**

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## JEDDAH

Bupa Arabia Building,  
Prince Saud AlFaisal St.,  
Al Khalediyah P.O. Box  
23807, Jeddah 21436,  
Saudi Arabia

**Toll free: 800 244 0307**

**Fax: 920 000 724**

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## KHOBAR

Eastern Cement Tower,  
8th Floor Khobar Dammam  
Express Way  
P.O. Box 75920 Al Khobar  
31952, Saudi Arabia

**Tel. No. 013 881 2230**

**Fax: 013 881 2240**

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## JUBAIL

Al Shati Rd. Al Fanateer  
District. Chamber of  
Commerce building  
P.O Box 75920 Al Jubail 8028

**Tel No: 920 000 456**

