Annual Report 2016

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 Defense

Bupa Arabia Annual Report 2016

Contents

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

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

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

Premiums in the Saudi health insurance market fell 2% in 2016, compared to a 20% rise in 2015.

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

Health Insurance Market

Premiums in the Saudi health insurance market fell 2% in 2016, compared to a 20% rise in 2015. We suspect this was largely due to significant staff layoffs in some industries (e.g. contracting). In addition, many companies have chosen to reduce expenditure on health insurance (for example, by choosing a lower cost network) or have been resistant to premium increases, irrespective of the rise in underlying medical costs. We don't see this changing in early 2017, but are confident that, as government expenditure increases in line with the Kingdom's 2017 budget, health insurance market growth will return in the second half of 2017.

On the competitive side, most insurance operators continued to focus on improving their underwriting results during 2016, particularly in Motor and the low value end of the Health segment, driving a record level of profitability.

The Health Insurance market has however become more price-driven with some insurance companies offering very low, and in our view unsustainable, prices. 2016 also witnessed proactive actions by the regulator to suspend some insurance companies for violations, as well as pushing two big changes in the market structure: 1) enforcement of unified policy and 2) the elimination of individual policies. Bupa Arabia welcomes this action, to protect the rights of consumers, and anticipates that this regulatory drive will continue during 2017. We therefore expect further regulatory measures to close the enforcement gap (estimated at 3-4m lives) and efforts to require additional segments of the market to be covered by health insurance, such as Umrah visitors or domestic help, to be considered. We thus remain optimistic about the medium to long-term health of our sector.

Saudi Economic Landscape

In 2016, the economy was significantly impacted by the steep fall in oil prices and the resulting decline in government revenue. Cancelled government capital expenditure, significant delays in the payment of government receivables, a banking funding deficit of US$20b, and rising SIBOR, meant that companies exposed to the government, and/or highly leveraged, suffered significantly. Additionally, with cuts in government benefits and rises in the cost of energy, many citizens saw declines in disposable income. As a result, retail sales were down 7% and this made life difficult for our business clients, and the non-oil sector was probably close to recession.

However, the government still has considerable 'fire-power' to manage its way out of this short-term fiscal crisis. It has significant levels of foreign reserves and very low levels of debt. In June 2016, the government published its National Transformation Plan for 2020. The plan covers over 500 projects and has 350 targets by which to measure its success in transforming the Kingdom.

We see great alignment between the vision/capabilities of Bupa Arabia and the Saudi transformation plans, which aim to increase private provision, "corporatize" public hospitals and enable foreign partnerships to build capacity and improve the quality of the Saudi healthcare system.

Transformation of Healthcare

The MOH has its own transformation program. We believe the desire is to ultimately cover all Saudi's with private health insurance in order to drive increases in customer satisfaction, shorter waiting times and greater efficiency. While we fully support this direction, we believe the MOH must first address the supply side; currently private providers are in short supply and operate at near full capacity.

To address this issue, the MOH intends to "corporatize" the public hospitals, transforming them into independent provider networks with operational autonomy. Whilst the capabilities and effort required for a public hospital to treat and bill private patients should not be underestimated, this will in time unlock huge capacity and is an essential first step before any major segment of the public sector can be moved to an insurance-based proposition.

Bupa Arabia Performance

In pursuit of our vision, Bupa Arabia's objective is to provide quality, cost-effective care for our members. In so doing, we also seek to make a sustainable return that enables us to invest in the future while retaining a solvent position.

Bupa Arabia has excelled in the health funding market based on world-class customer service (including Healthcare Operations and Point of Care hospital services) that set us apart from the rest of the industry. Customer satisfaction in 2016 held at 86%, up from 70% in 2011, even though we have trebled customer numbers since then. This combined with our superior health insurance management capabilities (e.g., claims and fraud management) enables Bupa Arabia to win in the market place whilst delivering solid margins.

In a tough trading environment, Bupa Arabia achieved an excellent 8% growth in written premium and an increase in total insurance market share of 1.5% to 21.6%. Overall pre-tax/zakat net income fell marginally to SR631m, yielding a margin of 8.2%. The flat profits in 2016, versus 2015, were predominantly driven by a deteriorating loss ratio due to our limited ability to pass on medical inflation. Investment income, however, rose significantly to offset what would have otherwise been a deteriorating operating performance.

Bupa Arabia Vision

Bupa Arabia's strategic vision was developed in 2013 and remains relevant:

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

At the heart of this vision is for Bupa Arabia to keep building on its status as a healthcare partner to millions of people in Saudi Arabia. To deliver this, Bupa Arabia's strategy aims to provide health insurance that leads the market in unlocking access to affordable, high-quality healthcare. We would also like to work in partnerships with government and other stakeholders to tackle the most pressing healthcare.

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

Risk

Maintaining a rigorous corporate governance environment is of the highest strategic priority for Bupa Arabia and we understand that risks must be understood, anticipated and proactively managed. Bupa Arabia continues to invest time and energy behind its corporate governance, including the continuous embracing of the "Three Lines of Defense" (3LoD) model and the on-going recruitment and development of appropriate capabilities to ensure a world class governance environment with word class controls. 2016 represented a watershed year for our Risk and Governance capability, through the appointment of a Chief Risk Officer and the significantly enhanced governance capability build during the year.

Corporate Social Responsibility (CSR)

Bupa Arabia continued its promise to support orphans in Saudi Arabia. 2016 is the sixth year of providing free health insurance and medical cover to those under the supervision of the Ministry of Social Affairs and we expanded the program to also cover those orphans under the Ministry of Labour and Social Development. We now cover orphans living in 46 orphanages kingdom wide, across 13 cities.

During 2016, the cover was extended to reflect a broader table of benefits and we started visiting orphanages to deliver onsite medical check–ups and blood tests. We also took several orphans to our supported football clubs (Al-Ittihad and Al-Hilal) where they spent a day touring the facilities and meeting star players.

Engr. Loay Hisham Nazer

2016 was a difficult trading year for the health insurance industry, reflecting the overall cautious economic climate in the country. The market for health insurance shrank 2% (in terms of premiums), mostly driven by workforce shrinkage (i.e. contracting), some policy "down trading" and general difficulty in passing on price increases.

However, against this backdrop Bupa Arabia achieved a very robust set of financial results:

- We delivered 8% growth in written premiums and an increase in total insurance market share of 1.5% to 21.6%.
- Overall, net income fell slightly, down 2%, to SR631m, predominantly driven by a deteriorating loss ratio, which increased from 77% in 2015 to nearly 81% in 2016. Bupa Arabia, along with the overall industry, struggled in 2016 to achieve much above a nominal price increase for renewing business, as we often had to hold prices constant, or even provide small discounts, to retain our most profitable clients.
- Operating costs increased 11%, to support top-line growth, to improve service and to build back office capability (for example, enhanced risk management, compliance and legal teams). With strong growth as we exited 2015, our earned premiums rose by more than operating costs, slightly improving our total expense ratio.
- Pre-tax/zakat profit margins were 8.2% in 2016, versus 9.6% in 2015. Our combined expense ratio of 92%, and profit margins, whilst not as good as 2015 (which was an exceptional year), are still our second best performance in the last seven years.
- Bad debt provision held steady at just over 13% of gross premiums receivable, with an impact slightly better than 2015. During 2016, we benefited from the collection of debt from a major government account that had lapsed in 2015, but this was essentially offset by strong GWP growth in Q3 2016 (which resulted in an Article 69 driven adverse BDP position at year-end) and a harsher collections climate, with many clients seeking extended payment terms.
- Investment income rose significantly. As Bupa Arabia has the majority of investment funds in time deposits, we benefited from the rise in SAIBOR, driven by the Kingdom's liquidity crunch. We also had healthy local equity gains in Q4 as oil price increases drove overall equity market improvement.
- Cash/Investments grew a further SR558m, an increase of 11% versus the prior year, representing growth of almost SR1.8 billion over the past two years. At the end of 2016, Bupa Arabia had cash and investments SR1.1b higher than its technical reserves (SR5.5b versus SR4.4b), resulting in a continued strong liquidity position.
- Despite the challenges, we were able to maintain our solvency position sufficiently to enable a cash dividend payment of SR160m relating to the 2015 fiscal year.

Service

We continued to invest in our customer proposition. In 2016, we focused on two main areas: a) delivering unmatched healthcare services under the "Tebtom" umbrella (launched towards the end of 2015) and b) emphasizing our unique "Point of Care" (POC) experience, at leading providers, to help customers at their most urgent time of need.

We have also further invested in our capability to manage health care costs on behalf of our customers. In 2016, we began to roll out our Health Risk Management (HRM) initiative, which involves deploying predictive analytics to provide an element of protection against fraudulent provider claims. Also a solution has been implemented to automate claims collection from providers, which provides increased efficiency and added data validation, and we now have over 200 providers operational on this solution.

Sales

On the sales front, we continued to enhance our position in all three main regions of the country, including the Central region, which has been a key area of growth over the past three years. We successfully secured significant new corporate accounts, such as the Saudi Commission for

Tourism and National Heritage (SCTH), the National Water Company (NWC), Sipchem, Arab National Bank (ANB) and Marafiq. We also renewed many significant corporate accounts, such as SABIC, Abdulatif Jameel Co. and Al-Rajhi Bank.

A major focus remains our new Customer Relationship Management (CRM) system. Several key modules have been deployed and others will be launched in phases through 2017.

In 2016, we continued to leverage our healthcare partnership with Al-Ittihad and Al-Hilal Football Club through ongoing activation campaigns, plus a refresh of the advertising with new commercials featuring star players from both clubs.

Information Technology

In support of Bupa Arabia's business strategy, the Technology Services and Business Transformation team provided technological support, including:

- Infrastructure modernization, which increase data storage capacity, accommodated customer growth, improved employee mobility, data archiving and retrieving solutions. Critically, it also advanced our cyber security.
- Monitoring and notification system, which provide preventive action and notifications. We use 'best of breed' integrated systems, such as Solarwinds, SIEM and ATD, to provide cover across the entire IT infrastructure including capacity, availability and security. These activities support key business continuity management requirements.
- Several systems have been implemented to increase operational efficiency and KPI monitoring:
- Work Force Management (WFM),
- 'In-house' developed Net Promoter Score (NPS) systems,
- Command centre content and presentation enhancement,
- Implementation of a new call centre agent and client experience monitoring solution (Spectrum),
- A special focus on digitizing the customer experience resulted in revamping the ecommerce and online services and enabling SME customer renewal online,
- "My Health Services" digital platform has been introduced as focal customer touch point for Tebtom services.

People

Bupa Arabia strives to attract, develop and retain the most talented people. In 2016, we attracted over 450 new employees, reduced the number of "leavers", continued targeted investment in training and development and used talent and succession planning reviews to increase promotions from within. Bupa Arabia also continued to receive recognition for its female workface.

Importantly, Bupa Arabia also maintained its Platinum status in Nitaqat, by maintaining a focus on attracting and retaining top Saudi talent.

Our employee "eNPS", which measures employees' willingness to advocate Bupa Arabia as a great place to work, and their willingness to recommend our products and services, improved. Additionally, we continued to receive external recognition, improving our ranking in the 'Great Place to Work in Saudi Arabia' survey to 7th place (our previous year rank was 10th).

In closing, I would like to personally thank everyone at Bupa Arabia for their efforts in 2016. 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 2016. As I have stated in past years, I believe Bupa Arabia has never been in a stronger or better place to grow. We constantly strive to deliver more for our customers, our partners and the Kingdom and I invite you to study this Annual Report to obtain a more detailed insight into our performance during 2016.

Tal Hisham Nazer

Board Members

1 **Eng. Loay Hisham Nazer,**
Chairman

Loay Hisham Nazer is the founder and Chairman of Nazer. Mr. Nazer started and continues to operate several companies in a variety of businesses including, health insurance, hospital procurement solutions, Dialysis Clinics, public relations, and asset management. He is also the Chairman of Bupa Arabia, 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 CEOs 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, and was elected by the Saudi Olympic General Assembly as a Board Member.

In 2014, Mr. Nazer was elected as Vice-Chairman of the Saudi Olympic Committee.

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

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

Mr. Tal Nazer is a Board member on various companies and committees. He is a Board member of Arabian Medical Marketing Co. Ltd Nawah, a current Board Member of the Human Resources Development Fund (HRDF), and a member of the Saudi Arabia Monetary Agency (SAMA)'s Insurance General Committee. Mr. Tal Nazer is the Chairman of Health and Life Insurance Sub-Committee and also a member of the Young Presidents Organization (YPO) and a member of Young Global Leaders (YGL). He joined Choate's Parent Advisory Committee in NY in 2014.

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

3 **Mr. David Martin Fletcher**
Vice - Chairman

Mr. David Fletcher is currently the Bupa Group Chief Risk Officer (since 1/1/17G) and member of its Executive Team after being the Managing Director of Bupa International Development Markets (IDM), is a UK citizen based in London, and in 1985 completed a BA Honor's in Modern History from the University of Durham, in the United Kingdom (UK).

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

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

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

4 **Mr. Abdulhadi A. Shayif,**
Board Member - Independent
(Non-Executive)

Mr. Abdulhadi A. Shayif has been an independent Board member, and the Chairman of the Audit Committee, at Bupa Arabia since 2008 and 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 Alawwal 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.

5 **Mr. Aamer Abdullah Alireza,**
Board Member - Independent
(Non-Executive)

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.

6 **Mr. Zaid Al Gwaiz,**
Board Member - Independent
(Non-Executive)

Mr. Zaid Al Gwaiz has been an Independent Non-Executive Board Member, and the Chairman of the Investment Committee, of Bupa Arabia, for the current Board term, since June 2014. During 2016 he also became a member of the Bupa Arabia Nomination and Remuneration Committee.

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

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

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

Mr. Al Gwaiz is licensed Financial Consultant and an Independent Board Member at several Companies, including Saudi AlRajhi Steel Industries and Al Yusr Finance company, and also acts as Member of the Audit and Risk committees in these companies.

7 **Mr. Martin Potkins**
Board Member
(Non-Executive)

Martin Potkins joined the Bupa Corporate Centre in London, United Kingdom, in January 2015 as Corporate Controller from Friends Life where he was Business Sponsor for the Solvency II programme having conducted other roles following his transfer from Resolution Operations LLP ("ROL") where he was Group Financial Controller until March 2013.

Previously Martin spent a year with Prudential plc as Head of Financial Control where he rebuilt the Group FP&A team having joined during the in autumn of 2008 Resolution where he was Group Financial Controller from 2006 up until the sale of the business to the Pearl Group in the Spring of 2008. At Resolution Martin recruited and developed a Group Finance team to deliver listed FTSE 100 company reporting supported by newly developed systems and processes. At Resolution, he was involved in a number of acquisitions and conducted financial due diligence on a wide range of potential targets.

Prior to joining Resolution plc in April 2006 Martin spent 6 years with Aviva plc working in both the UK General Insurance business (as Finance Control Director) and the UK Life and Pensions business (as Deputy Finance Director). During Martin's time with Aviva, Martin integrated finance functions across multiple sites, restructured the bulk of the Finance department within the UK Life business and led the successful off-shoring of a range of finance activities to Sri Lanka.

In 1982 Martin joined Ernst & Young where he qualified as an accountant before specialising in the audits of Lloyd's insurance syndicates, life insurance companies and aviation clients (most notably British Airways). In 1994 he transferred to the Norwich office of Ernst & Young to support Norwich Union through its demutualisation and privatisation. Prior to leaving Ernst & Young he was promoted to Executive Manager before joining Norwich Union Insurance as Financial Controller in 1999.

8 **Mr. Paul John Davis**
Board Member
(Non-Executive)

Mr. Paul John Davis is currently the Deputy Chief Risk Officer of Bupa having previously been the Risk and Compliance Director at Bupa International Development Markets (IDM), which position he assumed during 2015, where he was responsible for the effectiveness of the Risk function in the IDM market unit and for the design and implementation of the risk management framework.

Mr. Davis is an experienced senior executive with a proven track record of success in large complex organisations. He contributes considerable international experience, having held a number of senior management positions in India, the Middle East and Asia during his previous 13-year career with Standard Chartered Bank.

Over 25 years' experience in legal, risk and compliance roles, and previously with Grant Thornton, as Associate Director.

Competitive Advantages

We continue to focus on delivering sustainable value for our customers and for 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

We are proud of our 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, and our external awards 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 globally provides healthcare insurance for 16.5m insurance 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 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 medical insurer in the Kingdom and with approaching 20 years of Saudi market experience, Bupa Arabia is uniquely placed to provide clients with a growing range of specialized health care services. The Healthcare Operations unit engaged a significant number of Bupa Arabia members through the expansion and addition of health services that cater to the specific medical needs of a diverse range of customer segments, such as Chronic Disease Management Coaching, Maternity Care & Baby Vaccination, Home Lab Services and International Second Medical Opinions. In 2015 these services were combined under the banner of "Tebtom", meaning "be well". Also, Bupa Arabia supports clients with Wellness Programs, conducting seminars and education sessions on various health topics, including stress management, weight management and CPR.

Point of Care Service

During 2016 we launched our "Point of Care" (POC) service, supporting our members within some of our key hospitals with on the ground admin and clinical support, to ease their concerns at their most trying of moments, and Bupa Arabia now owns the end to end customer experience in a select group of hospitals across the Kingdom.

Staffed by over 100 medical care professionals our POC facilitates immediate access to care and we enhance our member journey through management of the patient care touch points in a structured and integrated way. As a result we have greatly improved key client experiences such as; appointments and patient file opening, waiting times, pre-authorisation related (either eliminated or greatly reduced), onsite customer care support, VIP services and overall client satisfaction.

Medical Claims Management

In addition to our customer service excellence, we also have a competitive advantage in managing the cost and appropriateness of medical claims, due to our scale and expertise in adjudication and fraud/abuse management. In 2016, we began to roll out our Health Risk Management initiative, which is deploying predictive analytics to provide an element of protection against fraudulent provider claims. Also, a solution has been implemented to automate claims collection from providers, which provides increased efficiency and added data validation; we have over 200 providers operational on this solution.

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 2016, Bupa Arabia's Technology Services and Business Transformation team provided technological support, including:

- Infrastructure modernization, which increases data storage capacity, accommodated customer growth, improved employee mobility, data archiving and retrieving solutions. Critically, it also advanced our cyber security.
- We use 'best of breed' integrated systems to provide cover across the entire IT infrastructure including capacity, availability and security. These activities support key business continuity management requirements.
- Several systems have been implemented to increase operational efficiency and KPI monitoring, such as Work Force Management (WFM) and implementation of a new call centre agent and client experience monitoring solution,
- A special focus on digitizing the customer experience resulted in revamping the e-commerce and online services and enabling SME customer renewal online,

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 mind set (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. Our flagship CSR initiative, providing all orphans in the Kingdom with free health insurance cover, continued to build momentum and during 2016, we expanded the program to also cover those orphans under the Ministry of Labour and Social Development. We now cover orphans living in 46 orphanages kingdom wide, across 13 cities. During 2016, the cover was extended to reflect a broader table of benefits and we started visiting orphanages to deliver on-site medical check–ups and blood tests.

We also donated more than 68,000 items to charities registered under the Ministry, for distribution to disadvantaged families as part of its Ramadan program.

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”. After more than 65 years, with millions of customers around the world , Bupa remains true to this core principle across all its businesses and geographies, from Europe, Asia, the Americas to Africa and the Middle East.

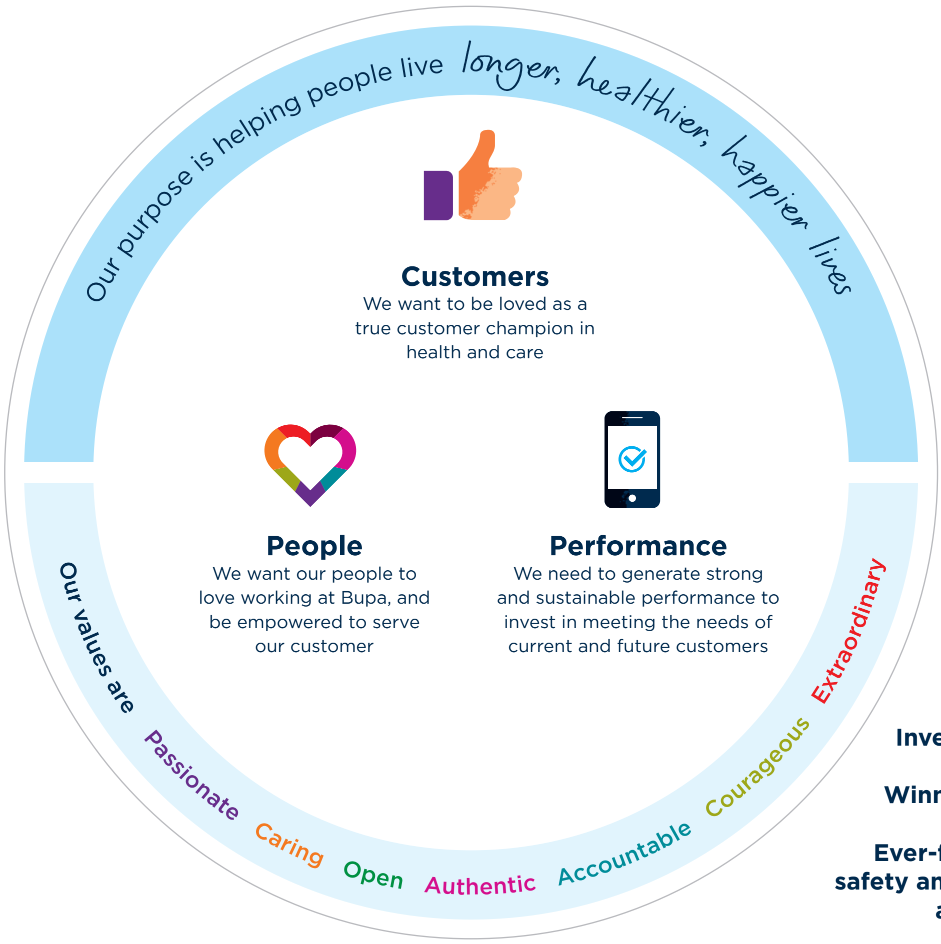
From private medical insurance, Bupa has grown to become an integrated health services provider with the single-minded aim of providing Bupa Group customers with high quality health and care products and services. Bupa lives up its purpose of ‘longer, healthier, happier lives’ and it does so in a manner that treats and cares for its customers as individuals.

Bupa Group Statistics

- Revenue GBP 11.0 billion
- Underlying profit before tax GBP 700.7 million
- Statutory profit befoe tax GBP 522.9 million
- 16.5 million insurance customers +6%
- 10.6 million provision customers +14%
- 33,100 aged care customers +2%

Our Refreshed Strategic Framework

Our strategy to drive the next phase of Bupa’s growth in today’s digital age

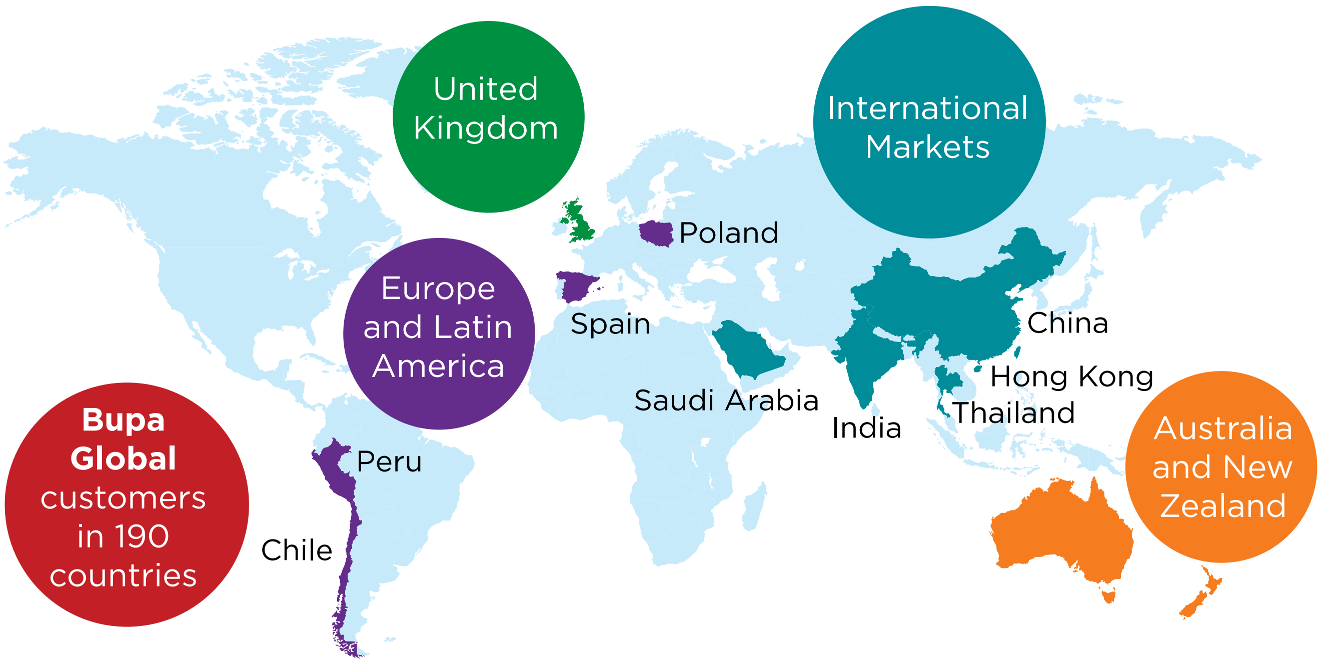


Investing in strength and depth

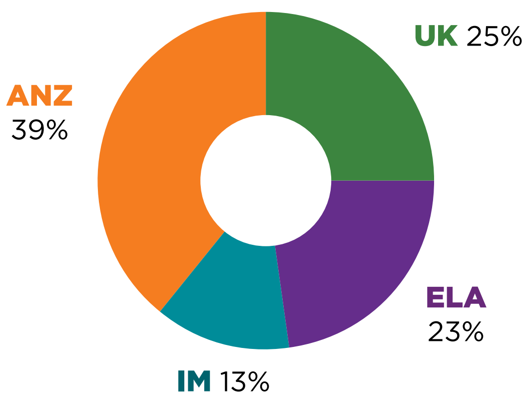
Winning locally, enabled globally

Ever-focused on quality, efficiency, safety and compliance. Disciplined in risk and capital management

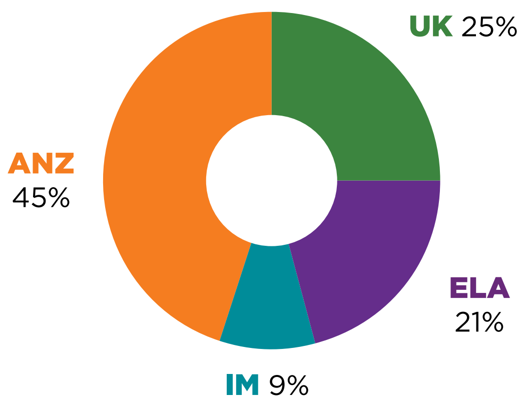
Bupa Around The World



Revenue £ 11.0bn



Underlying Profit £ 700.7m



ANZ Australia and New Zealand **UK** United Kingdom
ELA Europe and Latin America **IM** International Markets

Bupa Group Business Model

Funding and providing services to help people live

longer, healthier, happier lives

We fund

Helping customers fund health and care through domestic and international health insurance, as well as other funding models

We provide

Providing health and care services through primary care clinics, hospitals, dental centres, and aged care services

Our services

Underpinned by

Delivering for

Customers

Employees

Partners

Society

Tebtom Program Services

Over **two million** members have used our exclusive Tebtom Program, have you?

Maternity & Child Care
Our female doctors will guide you by providing you with all the answers you need for a healthy and happy maternity experience.

Chronic Care
'Chronic Care' helps you manage your chronic conditions by providing personalized solutions such as Home Based Lab check ups, medication refills and periodic tests.*

Elderly Care
We will ensure your elderly's comfort through tailor made healthcare such as counselling, nutritional consultations, medication refills and Home Based Lab check ups* and chronic conditions monitoring*.

Cancer Care
Providing our members and their caregivers the necessary guidance and advice about the treatment allowing them to navigate through the journey to recovery.

International Second Medical Opinion - ISMO
This service allows our doctors to evaluate cases based on pre-set medical criteria; helping you deal with complex health cases using world-class experts operating at internationally renowned centers.

Bupa Doctor
Get health advice and answers from our specialized doctors, around the clock (24/7). 'Bupa Doctor' is an exclusive service available to all members.

Wellness Services
Our goal is to enhance the health and wellbeing of our members by encouraging them to adopt a healthier lifestyle and embrace beneficial habits, through:

- Smoking Cessation
- Nutrition & Weight Management
- Stress Management

*Avilable for Bupa Arabia members covered in Network 5 and above

Recognizing Our Care

Showcasing our awards

2016

Best Healthcare
Insurance Provider
Saudi Arabia

2016

Best Medical Insurance
Company (KSA)

2016

Best CSR Initiative (KSA)

2015

Most Women-friendly
Employer

2015

Excellence In Learning
and Development

2014

Best CSR Impact Initiative
Best CSR Integrated Organization

2014

Most Innovative Healthcare
Partnership

2013

Best CSR Initiative

2013

INSIGHTS Middle East Call Centre Awards
• Call Center of the year
INSIGHTS Middle East Call Centre Awards
• Best Recruitment Program
• Flags Pioneer Contact Centre

2013

8th Best Saudi
Company within the
Large Companies
Category)

2013

Best Saudi Company to
work 'For Women'

2012

Best Large Call Centre,
INSIGHTS Middle East
Call Centre Awards

Board Report

Bupa Arabia for Cooperative Insurance Company

Board of Directors Report

for the period ended 31/12/2016G (02/04/1438H):

The Board of Directors of Bupa Arabia for Cooperative Insurance Company (the Company, or Bupa Arabia) is pleased to present the Annual Board Report (ABR) covering the Company's financial results and achievements for the twelve-month period ended 31 December 2016.

The 2016 ABR contents must be read in conjunction with all the Company's 2016 stock exchange announcements, as made on Tadawul, and with the 2016 Annual Financial Statements (AFS) and, where not repeated herein, so as to avoid duplication and repetition, the contents of this ABR shall be considered to include the contents of all Tadawul announcements, and all 2016 AFS contents, in fulfilment of the regulatory requirements of the contents of the Annual Board Report.

This Board Report includes the most important developments, financial results, operational activities, and outlook disclosures, in compliance with the rules and regulations of the Kingdom of Saudi Arabia (the Kingdom) and for comparative purposes uses the respective twelve month periods ending 31/12/2016G (02/04/1438H) and 31/12/2015G (09/03/1437H).

1. Main activities:

Bupa Arabia is a publicly listed Saudi joint stock company (listed 17/05/2008G (11/05/1429H)) registered in Saudi Arabia under Commercial Registration number 4030178881, issued 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.

The Company's first fiscal year commenced on the 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 31/12/2016G (02/04/1438H) represent the eighth statutory financial statements of the Company.

2. Bupa Arabia business results:

2016 was a difficult trading year; most clients suffered in the prevailing fiscal climate, be that long overdue debt from the Government, cancelled contracts or lower retail expenditure. In this context the total health market insurance premiums shrank in two quarters, with an overall full year decline of 2%, driven by what we believe to be workforce shrinkage, down-trading and general resistance to any renewal price increases. Against this backdrop Bupa Arabia achieved an excellent 8% growth in written premium and an increase in total insurance market share of 1.5% to 21.6%.

Despite the challenges we were able to maintain our solvency position during the year sufficient that, in the first half of the year, we were able to make dividend payments of SR160m relating to the 2015 fiscal year.

The market conditions did though impact our ability to pass medical inflation on to our renewing customers, particularly following our best loss ratio year of 2015. Hence we had a SR39m decrease in net underwriting result (2.6%) which fed through to our net income, which also fell, by SR14m (2.2%).

Cash/Investments grew a further SR558m, an increase of 11% versus the prior year, representing growth of almost SR1.8 billion over the past two years. At the end of 2016, we had Cash and Investments SR1.1b above our Technical Reserves (SR5.5b versus SR4.4b, cover greater than 25%), hence maintaining a strong liquidity position.

• 2.1 Summary profit results:

STATEMENT OF INSURANCE OPERATIONS	2011 SR000s 12 months	2012 SR000s 12 months	2013 SR000s 12 months	2014 SR000s 12 months	2015 SR000s 12 months	2016 SR000s 12 months
Gross written premiums (GWP)	1,993,251	2,194,301	3,177,480	5,740,449	7,328,016	7,938,630
Net earned premiums (NEP)	1,927,629	2,128,028	2,604,458	4,595,075	6,739,398	7,667,316
Total revenue	1,930,583	2,141,092	2,620,260	4,626,554	6,766,363	7,747,595
Gross claims paid	1,523,835	1,671,622	2,074,049	3,289,128	5,007,697	5,944,793
Net claims incurred	1,551,030	1,701,051	2,094,354	3,649,005	5,211,046	6,178,445
Total expenses	324,649	296,227	380,720	650,280	824,141	915,201
Surplus from insurance operations	54,904	143,814	145,186	327,269	731,176	653,949
Shareholders' net income	42,244	134,406	147,334	301,275	645,077	630,705

Net earned premiums revenue increased by SR928m, +14%, but the net underwriting result decreased by SR39m due to a deteriorating loss ratio. The net income also decreased, mainly due to the loss ratio deterioration, but the expense ratio was stable and the underwriting fall partially offset by the significantly improved investment income.

• 2.2 Summary balance sheets:

INSURANCE OPERATIONS' ASSETS	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s
Cash and cash equivalents	551,914	204,533	232,267	1,384,281	205,565	132,030
Murabaha deposits	58,000	732,340	956,230	1,213,027	3,047,529	3,057,816
FVIS investments	187,699	87,821	186,107	189,968	185,143	544,090
Prepayments and other assets	30,069	23,786	27,892	70,815	91,483	131,546
Premiums receivable - gross	403,936	279,807	462,645	676,545	863,715	1,123,540
Allowance for doubtful premiums receivable	(64,106)	(44,548)	(52,550)	(77,858)	(114,266)	(142,997)
Premiums receivable - net	339,830	235,259	410,095	598,687	749,449	980,543
Reinsurer's share of unearned premium	-	-	43,011	39,733	900	1,356
Reinsurer's share of outstanding claims	-	-	13,708	13,432	3,012	1,720
Deferred policy acquisition costs (DAC)	21,097	22,535	46,678	56,601	78,415	72,281
Total insurance operations' assets	**1,188,609**	**1,306,274**	**1,915,988**	**3,566,544**	**4,361,496**	**4,921,382**

SHAREHOLDERS' ASSETS	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s
Cash and cash equivalents	13,631	13,631	101,260	462,569	593,297	93,800
Murabaha deposits	-	-	126,993	44,730	500,000	987,494
FVIS investments	373,534	497,158	446,338	454,578	439,785	714,330
Other receivables	244	735	1,319	1,746	3,563	21,030
Amount due from insurance operations	-	-	-	-	-	148,477
Goodwill	98,000	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	41,565	48,918	43,059	60,667	77,167	90,945
Statutory deposit	40,000	40,000	40,000	40,000	80,000	80,000
Total Shareholders' assets	**566,974**	**698,442**	**856,969**	**1,162,290**	**1,791,812**	**2,234,076**
TOTAL ASSETS	**1,755,583**	**2,004,716**	**2,772,957**	**4,728,834**	**6,153,308**	**7,155,458**

INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s
Unearned premiums (UEP)	722,739	786,669	1,323,069	2,383,358	2,890,679	3,094,990
Outstanding claims (OCP)	381,265	413,509	450,096	812,530	1,054,369	1,321,622
Reinsurance balance payable	702	443	505	3,253	-	15,117
	1,104,706	**1,200,621**	**1,773,670**	**3,199,141**	**3,945,048**	**4,431,729**
Accrued expenses and other liabilities	59,503	63,619	79,113	263,468	262,149	171,292
Obligation under Long-Term Incentive Plan (LTIP)	4,846	8,099	14,751	22,754	-	-
	1,169,055	**1,272,339**	**1,867,534**	**3,485,363**	**4,207,197**	**4,603,021**
Amount due to Shareholders' operations	-	-	-	-	-	148,477
Policyholders' share of surplus from insurance operations	19,554	33,935	48,454	81,181	154,299	169,884
Total insurance operations' liabilities and surplus	**1,188,609**	**1,306,274**	**1,915,988**	**3,566,544**	**4,361,496**	**4,921,382**

SHAREHOLDERS' LIABILITIES AND EQUITY	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s
Accrued expenses and other liabilities	21,352	26,532	31,419	42,398	50,494	65,725
Accrued Zakat and income tax	15,437	30,306	35,000	23,903	42,577	116,953
Amount due to a related party in respect of goodwill	3,355	3,355	-	-	-	-
Amount due to related parties	4,400	4,041	59,490	44,490	32,201	24,344
Total Shareholders' liabilities	**44,544**	**64,234**	**125,909**	**110,791**	**125,272**	**207,022**
Share capital	400,000	400,000	400,000	400,000	800,000	800,000
Statutory reserve	32,143	59,024	88,491	148,746	277,761	403,902
Share based payment	-	-	-	-	9,600	16,931
Shares held under Employees' Share Scheme	(2,910)	(4,988)	(7,052)	-	(13,101)	(23,404)
Retained earnings	93,197	180,172	249,621	502,753	592,280	829,625
Total Shareholders' equity	**522,430**	**634,208**	**731,060**	**1,051,499**	**1,666,540**	**2,027,054**
Total Shareholders' liabilities and equity	**566,974**	**698,442**	**856,969**	**1,162,290**	**1,791,812**	**2,234,076**
TOTAL LIABILITIES INSURANCE OPERATONS' SURPLUS AND SHAREHOLDERS' EQUITY	**1,755,583**	**2,004,716**	**2,772,957**	**4,728,834**	**6,153,308**	**7,155,458**

Investments and cash grew during 2016, increasing by SR0.5b to SR5.5b, an increase of 10% from the 2015 close of SR5.0b. This follows the 2015 increase of SR1,2b, an increase of 33% from the closing SR3.7b, at the end of 2014. Cash-flow has slowed in 2016 due to lower growth (2016 GWP grew 8% versus growth of 28% in 2015) more flexible payment terms and a tougher collections environment.

3. Bupa Arabia financial highlights:

- 3.1 Summary key performance indicators (KPIs):

Description	2015 SR000s (12 Months)	2016 SR000s (12 Months)	2016 Change SR000s	2016 Change %
Gross written premiums (GWP)	7,328,016	7,938,630	610,614	8%
Net earned premiums (NEP)	6,739,398	7,667,316	927,918	14%
Total expenses	829,408	923,163	93,755	11%
Total operating expense ratio	12.3%	12.0%	(0.3%)	2%
Surplus of insurance operations	731,176	653,949	(77,227)	(11%)
Policyholders' share of insurance operations' surplus	73,118	65,395	(7,723)	(11%)
Net Shareholders' income	645,077	630,705	(14,372)	(2%)
Weighted average no of ordinary shares (thousands)	79,981	79,826	(155)	0%
Basic earnings per share (Saudi Riyals)	8.07	7.90	(0.17)	(2%)

In 2016 we achieved GWP growth of 8%, increasing our total insurance market share to 21.6%, from the 20.1% of 2015. This was a strong performance in a difficult market; with many clients resistant to any increase in premiums, some laying off staff, some trading down (hospital networks) and some attracted to short term competitive pricing (which may not be sustainable). With an increase in earned premiums, but a deteriorating loss ratio (80.6% in 2016 versus 77.3% in 2015) this resulted in a decrease in the net underwriting result of SR39m (2.6%) for 2016.

Operating costs increased 11% due to supporting top-line growth (levies, commission), improving service (full year costs of staff taken on in 2015, plus additional headcount for 2016) and building back office capability (enhanced risk, compliance and legal teams, for example). With the business benefiting from the strong written growth as we exited 2015, our earned premium rose by more than our operating costs, hence slightly improving our expense ratio.

The Bad Debt Provision (BDP) expense was slightly favourable year on year, but investment income climbed significantly, from SR19m to SR131m, as Murabaha (Time Deposit) rates soared with the liquidity crunch in the Kingdom. Overall net income fell marginally to SR631m, a margin of 8.2%, versus the 9.6% of 2015.

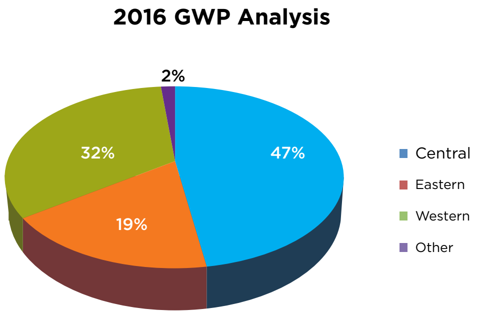
Description	2015 SRm	2016 SRm	2016 Change SRm	2016 Change %
Reported results	645.1	630.7	(14.4)	(2%)
Adjustment for BDP expense	38.6	35.3	(3.3)	(9%)
Less Investment Income and Other Income	(19.3)	(130.4)	(111.1)	576%
"Underlying" results	**664.4**	**535.6**	**(128.8)**	**(19%)**

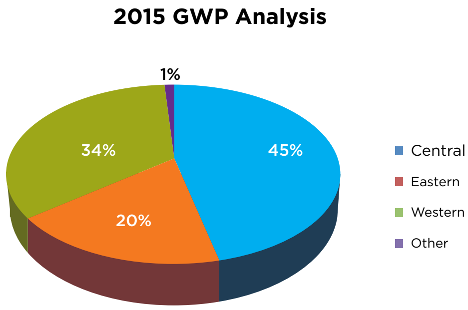
Our "Underlying" results reduced, by SR129m, representing an underlying margin of 7.0%, compared to 9.9% for 2015. Our underlying results represent the net of premiums earned, claims incurred and operating expenses. However, 2015 was an exceptional year with our best ever loss ratio of 77%, and in the current difficult fiscal crisis we have defended our portfolio well, gaining market share and still holding to a loss ratio in line with our historical average. The 2016 result still reflects a solid financial result and an excellent return on capital.

- 3.2 Gross written premiums (GWP) and geographical analysis:

Description	2015 SR000s (12months)	2016 SR000s (12months)	2016 Change SR000s	2016 Change %
Central	3,270,733	3,763,385	492,652	15%
Eastern	1,447,979	1,514,082	66,103	5%
Western	2,499,208	2,546,162	46,954	2%
Other	110,096	115,001	4,905	4%
Total gross written premiums (GWP)	7,328,016	7,938,630	610,614	8%

We write only health insurance in Saudi Arabia and our revenue is currently concentrated in the main Central, Western and Eastern regions (collectively comprising 98.6% of our 2016 annual GWP). Solid growth results were achieved by Bupa Arabia, an increase of SR611m, +8%, particularly in a health insurance market that has been in decline for a large part of 2016. The 2016 geographical premium mix was very similar to the 2015 position (increases in the Central, +2% and “Other”, +1%, and reductions in the Western and Eastern regions of 2% and 1%, respectively, refer charts below).





• 3.3 Net claims incurred and net claims incurred ratio:

Description	2015 SR000s (12 Months)	2016 SR000s (12 Months)	2016 Change SR000s	2016 Change %
Net claims incurred (NCI)	5,211,046	6,178,445	967,399	19%
Net claims incurred to NEP ratio	77.3%	80.6%	3.3%	4%

The 19% increase in net claims incurred was due to a combination of business growth (earned up 14%) and higher medical inflation (due to provider price increases, enhanced CCHI benefits implemented from July 2015 and rising claims frequency/fraud). This growth in claims has not been matched by similar increases in premiums, due mainly to client issues in the fiscal climate, and compounded by some aggressive competitor pricing with some of our bigger clients. With a prior year loss ratio of 77% we brought forward many clients on an excellent loss ratio, which had to be defended in a tough economic and competitive climate; in some instances this has led to some holding of rates, or even small discounts. The achieved loss ratio of 80.6% is more in line with our historical average, a solid result given the ‘headwinds’ against us in 2016.

• 3.4 Total operating expenses:

Description	2015 SR000s (12 Months)	2016 SR000s (12 Months)	2016 Change SR000s	2016 Change %
Insurance operations' operating expenses	824,141	915,201	91,060	11%
Shareholder operations' operating expenses (G&A)	5,267	7,962	2,695	51%
Total operating expenses	**829,408**	**923,163**	**93,755**	**11%**
Total operating expense ratio to net earned premium	12.3%	12.0%	(0.3%)	2%

The total operating expense ratio to NEP improved versus the prior year, reducing to 12.0%, and the absolute increase was mainly driven by business growth and improvements to our service offering. The increase in the Shareholder operations’ operating expenses was mainly due to an increase in the costs associated with the Board, and Board Committee, members remuneration, an increase of SR1.9m (refer the Board member remuneration table in section 12.4) and related to the CSR programs, mainly from higher claims by the orphans covered, an increase of SR1.2m (refer section 9.2 for more details on the CSR programs). The increase in the Insurance Operations’ expenses is further described in section 3.5.

• 3.5 Total insurance operations' operating expenses:

Description	2015 SR000s (12 Months)	2016 SR000s (12 Months)	2016 Change SR000s	2016 Change %
CCHI and SAMA levies	109,920	119,079	9,159	8%
BDP expense	38,571	35,326	(3,245)	(8%)
Other sales and marketing expenses	356,876	381,305	24,429	7%
Total S&M expenses-Insurance operations	**505,367**	**535,711**	**30,344**	**6%**
Total G&A expenses-Insurance operations	318,774	379,490	60,716	19%
Total Insurance operations operating expenses	**824,141**	**915,201**	**91,060**	**11%**

• 3.5.1 Total Sales & Marketing (S&M) expenses - Insurance operations:

- The 2016 CCHI levy, and SAMA levy, expenses increased by a combined SR9m, due to the 8% higher GWP of 2016.

- The BDP expense held steady at just over 13% of gross premiums receivable. During 2016 we benefited from the collection of a major government account debt, which had lapsed in 2015, but this was almost equally offset by two main factors;
  - Strong GWP growth in the 2016 third quarter, and the associated Article 69 (aged from inception BDP application after 90 days) impact resulted in a higher than prior year BDP requirement for the 2016 year-end BDP level.
  - The general collections climate was harsher, with many clients struggling with liquidity/ seeking extended payment terms, and sometimes struggling to meet payment commitments. We also had new government account debts still fully outstanding at year-end, albeit much smaller than the 2015 government account's lapsed debt.

- The increase in other S&M expenses of 7% was due to increased marketing, as well as commission and full year staff costs, in support of the brand development and the enhancement of our regional presence and infrastructure. The combined increase was SR22m from just the increases of commission, staff and marketing costs.

• 3.5.2 Total General and Administration (G&A) expenses – Insurance operations:

- The Insurance operations' G&A expense increased 19% related mainly to the full year staff and infrastructure costs bought forward from the prior year. Extra expenditure was also incurred due to enhancing the organisational capability in support of the Company's customer growth and customer service initiatives (Health Care Operations and Point of Care service in hospitals). Of the SR61m increase in G&A expenses the most significant increase was in staff costs, which increased by SR34m.

• 3.6 Surplus from insurance operations:

Description	2015 SR000s (12 Months)	2016 SR000s (12 Months)	2016 Change SR000s	2016 Change %
Surplus from insurance operations	731,176	653,949	(77,227)	(11%)

The decrease in the surplus from insurance operations was mainly due to the decrease of the net underwriting result of SR39m, due to the deteriorating loss ratio. Total expenses increased SR91m (up 11% against an earned increase of 14%), due to higher growth related expenses, such as levies and commissions, staff and infrastructure costs, as described in sections 3.4 and 3.5. Partially offsetting these two adverse movements was an increase in investment income of SR54m, leaving the surplus from insurance operations SR77m lower.

• 3.7 Investment income:

Description	2015 SR000s (12 Months)	2016 SR000s (12 Months)	2016 Change SR000s	2016 Change %
Insurance operations' investment income	26,261	80,188	53,927	205%
Shareholder operations' investment income / (loss)	(7,714)	50,237	57,951	751%
Total investment income	**18,547**	**130,425**	**111,878**	**603%**

Investment income has significantly increased as a result of the enhanced interest rates (mainly due to scarce liquidity and therefore higher SAIBOR rates) and the 2016 fourth quarter improvement of the local equity markets, in which we had a small portfolio. These factors have significantly improved our overall yield and investment income from all instruments within the portfolio, resulting in exceptional investment income from both the shareholder operations' and insurance operations, up by more than 600% combined. 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) we maintained a predominantly risk averse investment strategy during the year.

• 3.8 Net shareholders' income:

Description	2015 SR000s at 31/12/15	2016 SR000s at 31/12/16	2016 Change SR000s	2016 Change %
Net Shareholders' income	645,077	630,705	(14,372)	(2%)

The decrease in the net shareholders' income was driven mainly by the decreased surplus from insurance operations, due to the decrease in the net underwriting result (premium increases not matching medical inflation) of SR39m, and the increased costs associated with growth (levies and commission costs) and customer service investments of SR91m. However, the adverse year on year movement was significantly offset by an increase in investment income of SR112m, leaving a net adverse movement, after co-operative distribution, of SR14m.

• 3.9 Summary statement of financial position:

Description	2015 SR000s at 31/12/15	2016 SR000s at 31/12/16	2016 Change SR000s	2016 Change %
Insurance operations' assets	4,361,496	4,921,382	559,886	13%
Shareholder operations' assets	1,791,812	2,234,076	442,264	25%
Total assets	**6,153,308**	**7,155,458**	**1,002,150**	**16%**
Insurance operations' liabilities and surplus	4,361,496	4,921,382	559,886	13%
Shareholders' liability	125,272	207,022	81,750	65%
Shareholders' equity	1,666,540	2,027,054	360,514	22%
Total liabilities, surplus and Shareholders' equity	**6,153,308**	**7,155,458**	**1,002,150**	**16%**

The increase in liabilities was due mainly to the increase in the insurance operations' liabilities driven by an increase in the technical reserves (OCP and UEP) associated with the growth in written and earned premiums (technical reserves grew 12%, versus earned up 14% and written up 8%).

During 2016, we generated SR728m, versus 2015 at SR1,299m, of net cash from our operating activities, representing a decrease of SR572m (down 44%). This was due to a slowing down of growth (8% GWP growth in 2016 versus 28% in 2015), and the economic impact on collections (more requests for extended payment terms and a slight deterioration in the timeliness of collections).

• 3.10 Total assets:

Description	2015 SR000s at 31/12/15	2016 SR000s at 31/12/16	2016 Change SR000s	2016 Change %
Total assets	6,153,308	7,155,458	1,002,150	16%

The increase in total assets was due mainly to the net increase of cash and cash equivalents/investments (a combined net increase of SR558m, refer 3.11 and 3.12) and the increase in net premiums receivable of SR231m, refer 3.13.

• 3.11 Cash and cash equivalents:

Description	2015 SR000s at 31/12/15	2016 SR000s at 31/12/16	2016 Change SR000s	2016 Change %
Insurance operations' cash and cash equivalents	205,565	132,030	(73,535)	(36%)
Insurance operations' murabaha deposits	3,047,529	3,057,816	10,287	0%
Shareholder operations' cash and cash equivalents	593,297	93,800	(499,497)	(84%)
Shareholder operations' murabaha deposits	500,000	987,494	487,494	97%
Total cash and cash equivalents	**4,346,391**	**4,271,140**	**(75,251)**	**(2%)**

The slight decrease in cash and cash equivalents was due mainly to a more efficient allocation of excess cash into multiple investments as highlighted, in section 3.12, by a sizable increase in the FVIS portfolio. This combined net increase, of SR558m across both categories, is supported by our GWP growth, combined with a strong collections and debt management performance in a difficult market. The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date and during 2016 insurance operations transferred cash of SR189m to shareholders' operations, versus SR601m in 2015.

• 3.12 Investments:

Description	2015 SR000s at 31/12/15	2016 SR000s at 31/12/16	2016 Change SR000s	2016 Change %
Insurance operations' investments	185,143	544,090	358,947	194%
Shareholder operations' investments	439,785	714,330	274,545	62%
Total investments	**624,928**	**1,258,420**	**633,492**	**101%**

During 2016 Bupa Arabia changed its investment strategy significantly, divesting from one significant fund with one specific investment institution, and its associated multi-asset discretionary mandate, to a more diverse spread of financial institutions, and also moving more investment decision making in-house (through creating an Asset Management Team of experienced finance professionals). The increase in investments, of SR633m during the year, to more than double the prior year, was an outcome of this diversification strategy and entailed a move from deposits to other fixed income instruments (such as Sukuk and money market funds) in order to capitalize on the improved rates available in the market, due to a shortage of liquidity. The strategy proved very successful and resulted in a significantly improved investment income outcome for the year, as reflected within section 3.7.

• 3.13 Premiums receivable, net:

Description	2015 SR000s at 31/12/15	2016 SR000s at 31/12/16	2016 Change SR000s	2016 Change %
Total premiums receivable, net	749,449	980,543	231,094	31%

The increase in total net premiums receivable was due to a combination of factors. We have been more flexible with trusted clients, offering them extended payment terms, to help them with their liquidity problems. When combined with a stronger growth in the 2016 third quarter GWP, this has increased our Premium Written Not Invoiced (PWNI) at year-end within the gross receivables. Gross Debtors have also increased, partly because of the business growth, but also because collections have become harder in this fiscal climate; DSO (days sales outstanding), on our normal active business, deteriorated from 2015's 19 days to 22 days by the end of 2016. A sizeable government account, written in the 2016 third quarter, is also predominantly still outstanding at year-end. Our BDP has also increased, within this net receivables number, by 25%, but remains at circa 13% of the gross premium receivable.

• 3.14 Technical reserves:

Description	2015 SR000s at 31/12/15	2016 SR000s at 31/12/16	2015 Change SR000s	2015 Change %
Unearned premium reserves (UEP)	2,890,679	3,094,990	204,311	7%
Claims reserves (OCP)	1,054,369	1,321,622	267,253	25%
Technical reserves	**3,945,048**	**4,416,612**	**471,564**	**12%**

The growth in the technical reserves is mainly due to the growth in the written premium, of 8%, and a change in seasonality of the growth (stronger third quarter, lower first half, than the prior year) combined with a higher loss ratio in the fourth quarter of 2016. As a result of the written growth, the UEP, at 31/12/2016G, increased by SR204m to SR3,095m and represents a stable 39% of the 2016 GWP (versus 39.5% as at 31/12/2015G). The claims reserves increased by SR267m to SR1,322m and represent 21.4% of the annual net claims incurred during 2016 (versus 2015 at 20.2% and 2014 at 22.3%), reflecting the higher loss ratio in the fourth quarter of 2016, but still in line with the average of the previous two years' loss ratio. The technical reserves increased by 12% and 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.

4. Statutory payments and payable to regulatory bodies, and regulatory licenses:

As required in terms of the Capital Market Authority (CMA) disclosure requirements of Article 43, paragraph 21, during 2016 the Company made payments, and has amounts payable, to the various Saudi Arabia regulatory bodies as detailed:

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

Description	Paid		Paid Change	Payable		Payable Change
	2015 SR000s	2016 SR000s	2015 vs 2016 SR SR000s	2015 SR000s	2016 SR000s	2015 vs 2016 SR SR000s
Zakat and income taxes	31,081	62,978	31,897	42,577	116,953	74,376
Levies and license fees	92,652	181,566	88,914	78,780	16,293	(62,487)
GOSI	20,050	24,338	4,288	1,780	1,989	209
Total	**143,783**	**268,882**	**125,099**	**123,137**	**135,235**	**12,098**

The driver of the increase in amounts paid and payable to the regulatory bodies is due to the growth of the business and an additional contingency provision for zakat during the current year against prior year appeal matters as a result driving an increase in Zakat and Income taxes payable to the General Authority of Zakat and Tax (GAZT). Written premium growth drove an increased levy expense (SAMA and the CCHI) but with a reduced payable to the CCHI driven by the CCHI changing from the annually in arrears payment terms of prior years to quarterly in arrears, from 1/1/2016G. GOSI increases, paid and payable, were due to the increase in staff, required to support business growth and service activities. Refer below, and section 3.5.1, for details on the levy increases.

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

The total paid to the GAZT during the year, for Zakat and Income Tax, was SR62,978k (SR35,464k for the 2015 GAZT return (SR12,640k for Zakat and SR22,824k for Corporate Income Tax)), SR27,104k as 2016 advance tax, and other payments for Zakat (SR323k) and Tax (SR87k) related to prior years. The SR116,953k payable includes a SR47,552k provision for the 2016 GAZT return (SR12,359k Zakat and SR35,193k Corporate Income Tax) and this will be paid to the GAZT before 30/04/2017G, 04/08/1438H, (as per the GAZT regulations). The payable also includes contingency provision for Zakat, of SR89,801k, for matters under appeal. In addition to the amounts specified SR9,328k was paid to the GAZT during 2016 for withholding tax and a delay fine of SR546k (refer 4.7 below), and a withholding tax amount of SR3,507k is also provided for in the 2016 results.

•4.3 The Saudi Arabian Monetary Authority (SAMA):

The total paid to SAMA during the year was SR39,762k for SAMA levies, SR34,262k for the first three quarters of 2016 and SR5,500k for the fourth quarter of 2015, which was fully provided in the 2015 results. The 2016 results include a provision for the 2016 fourth quarter SAMA levies of SR5,431k.

•4.4 The Council of Cooperative Health Insurance (CCHI):

The total paid to CCHI during the year was SR141,804k for CCHI levies, SR68,524k for the first three quarters of 2016 and SR73,280k for the full year 2015 CCHI levies, which was fully provided in the 2015 results. The 2016 results include a provision for the 2016 fourth quarter CCHI levies of SR10,862k.

•4.5 The General Organisation for Social Insurance (GOSI):

The total paid to GOSI during the year was SR24,338k which included a payment of SR1,780k for 2015 and which was fully provided in the 2015 results. An amount of SR1,989k is provided in the 2016 results for the 2016 related GOSI amount which is payable in 2017.

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

The Company paid SR425k to Tadawul during 2016 for services. The SR425k for services included SR400k as service fees, in support of the stock exchange related administrative services/public reporting regulatory requirements and activities, and SR25k as other service fees, that enables Bupa Arabia to publish issuer information on its website, directly from the Tadawul website. During 2015 the company paid SR455k to Tadawul for services; SR300k service fees, SR15k license fees and SR140k as service fees for the 2015 Share Capital Increase, as well as associated basic fees for the share registry maintenance and updates.

•4.7 Regulatory penalties:

During 2016 the company paid SR546k, to the GAZT, being a penalty for late withholding tax settlement.

•4.8 Approval of the renewal license from SAMA:

The company's SAMA license qualification remains in place, SAMA insurance license number 20088/18/TMN, dated 10/08/2008G (09/08/1429H), having been successfully renewed previously, on 27/05/2014G (28/07/1435H), for a further three year period to 03/05/2017G (07/08/1438H), as announced on Tadawul on 28/05/2014G (29/07/1435H).

•4.9 Approval of the renewal license from the CCHI:

During 2016, on 29/02/2016G (19/05/1437H), the company successfully renewed its one-year CCHI license, number 102, qualification for the further one year period from 29/02/2016G (19/05/1437H), as announced on Tadawul on 01/03/2016G (21/05/1437H).

5. Financial statements presentation:

In compliance with the 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 are 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 the financial statements have not been materially affected by this practice.

On 03/08/2016G (27/11/1437H) Bupa Arabia announced on Tadawul that International Accounting Standards (IAS) have been applied to its financial statements, as has been indicated in the 'auditors' report' notes relating to the financial statements of the company, and that it does not require any transition plan for the preparation of financial statements, in accordance with the international accounting standards, due to it already applying the IAS.

6. 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.

7. 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.

8. Dividends and the 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.

During the year the Company paid dividends relating to the fiscal year 2015, as per the SAMA no-objection letter number 371000079631, as distributed by the Company on 27/06/2016G (22/09/1437H), as announced on Tadawul, on 06/06/2016G (01/09/1437H). The dividend amount distributed was SR160,000,000, representing SR2.00 per share, 20% of the nominal share value.

9. Key other functional activities during the year:

• 9.1 Our proposition and marketing:

We continued investing in improving our value proposition focussing on unmatched healthcare services under the "Tebtom" umbrella, launched towards the end of 2015. We are continuing to emphasise our unique "Point of Care" (POC) experience at leading providers with strong branding across all touch points, from the physical location of POC stations, to staff uniforms and signage inside the providers' premises. We also improved our direct marketing activities with existing customers to improve retention and customer satisfaction.

In 2016 we leveraged our latest healthcare partnership with Al-Ittihad Football Club, which we signed in 2015, with activation campaigns and a refresh of the advertising campaigns with new commercials featuring star players from both Al-Ittihad and Al-Hilal football clubs, and which aired during the third quarter of 2016.

On the sales front, we continued enhancing our position in all three main regions, specifically in the Central region, which has been a growth area during the past three years. We successfully secured significant new corporate accounts during 2016, such as the Saudi Commission for Tourism and National Heritage (SCTH), the National Water Company (NWC), Sipchem, Arab National Bank and Marafiq, and also successfully renewed many significant corporate accounts, such as SABIC, Abdulatif Jameel Co. and Rajhi Bank.

• 9.2 Our corporate social responsibility (CSR):

Bupa Arabia continued its promise to help, change and support the lives of all orphans under the supervision of the Ministry of Social Affairs (MOSA). 2016 is the sixth successive year of providing free health insurance and medical cover to these orphans and now includes cover to all orphans under Ministry of Labour and Social Development (MLSD), covering all orphans living in 46 orphanages kingdom wide, across 13 cities.

During 2016 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. Orphans also visited both football clubs (Al-Ittihad and Al-Hilal) where they spent a day touring the clubs facilities and meeting the star players.

We also donated more than 68,000 items to charities registered under the Ministry, for distribution to disadvantaged families as part of its Ramadan program.

In early 2016 our employees donated over 120 pints of blood, through Bupa Arabia's blood donation campaign, so volunteering to help people who have a desperate medical need.

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

We continue to invest in our service delivery by continuously enhancing our capabilities, systems and service proposition, and the operations unit succeeded with the below significant outcomes during the year:

- Improved Net Promoter Score (NPS) to a record high of 57.0% (versus 2015 at 45.0%)
- Customer Satisfaction continued at the record high of 86.0%
- Implemented POC in 13 of the top hospitals
- Continued to strengthen the Health Care Operations (HCO) differentiation through more focused services and touched more than 1.6m customers,
- Launched the Health Risk Management (HRM) initiative (will transform claims management in 2017)
- Continued to extend the retention model to additional customers
- Total Quality Management (TQM) quality assurance drove a quality index improvement of 30%
- Introduced a 'Lean management' concept to optimize key end-to-end processes throughout the business
- A strong focus throughout 2016 on claims cost to bend the medical inflation curve
- Continued to strengthen the service platform "Up Your Service Passion" focusing on cultural and service excellence activities.

• 9.4 Our technology:

In support of Bupa Arabia's business strategy the Technology Services & Business Transformation (TSBT) team provided technological business support for key solutions based on a clear strategy of viable solutions:

- Infrastructure modernization projects, which covered data storage capacity, customer base growth, mobility, user access capacity, data archiving, retrieving solutions and an advanced cyber security setup. We currently run our operations on mainly a virtual environment allowing seamless capacity growth, greater stability and faster processing.

- A monitoring and notification system has been implemented to provide preventive action and notifications. We use 'best of breed' integrated systems, such as Solarwinds, SIEM and ATD to provide cover across the IT infrastructure span including capacity, availability and security. These activities support the foundation of key business continuity management requirements.

- Systems have been implemented to increase operational efficiency and KPI monitoring:
  - Work Force Management (WFM)
  - An 'In-house' developed Net Promoter Systems (NPS)
  - Command centre content and presentation enhancement
  - Implementation of a new call centre agent and client experience monitoring solution (Spectrum)
  - A special focus on digitizing the customer experience resulted in revamping the ecommerce and online services and enabling SME customer renewal online
  - My Health Services has been introduced as focal customer touch point for Tebtom services.

- A major focus remains our new Customer Relationship Management (CRM) system; several key modules were deployed and others will be progressed during 2017.

- The update of the Financial systems is currently being implemented using Microsoft AX as a platform.

- The HRM initiative is fully supported through advanced and predictive analytics and the claims management automation is progressing well. A solution (MediSwitch) has been implemented to automate claims collection from providers and provides added data validation value, with currently over 200 providers operational on this solution. We have also implemented advanced analytics, using our Data warehouse and Business Intelligence solutions, and which provide insight on fraudulent provider claiming scenarios.

- TSBT has supported new regulatory requirements including; the travel products, CCHI new requirements for data upload, and also compliance with the "Unified Policy" per sponsor.

- Some HR processes were automated including the expansion of the performance management system, to include talent development, and other employee related services.

During 2017 TSBT will be focus on extending the use of implemented systems, to drive improved operational efficiency and increased customer satisfaction and will play a lead role in coordination with the Saudi Heath Information Hub (SHIB) project, with the CCHI. TSBT will also explore opportunities to increase integration with government e-services and information portals.

• 9.5 Our people:

We strongly believe 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 our business growth and our success.

We strive to attract, develop and retain talented people and in 2016 we implemented a number of initiatives to bring a wide range of benefits to the organisation. We also maintained our Platinum status in Nitaqat (the Saudisation program introduced by the Saudi Ministry of Labour), by maintaining a focus on attracting and retaining top Saudi talent, and 65% of our employees are Saudi nationals.

During 2016 we attracted over 450 new employees, had a reduction in leavers, continued our targeted investment training and development programs (which provided over 290 training sessions), and continued talent and succession planning reviews (which increased the deployment of talent and promotions from within).

Our employees' eNPS, which measures employees' advocacy of both 'Place to Work', and also 'Product and Services', improved and additionally we received external recognition, improving our ranking in the 'Great Place to Work in Saudi Arabia' survey to 7th place (in the previous year we were ranked 10th).

• 9.6 Our Chief Executive Team (CET):

During 2016 the CET changed through the addition of a Chief Risk Officer (CRO), the move of the Chief Financial Officer (CFO) to the Chief Strategy Officer (CSO) role, and the appointment of a new CFO. The CET members at the end of the financial period comprised:

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

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

Mr. Tal Nazer is a Board member on various companies and committees. He is a Board member of Arabian Medical Marketing Co. Ltd Nawah, a current Board Member of the Human Resources Development Fund (HRDF), and a member of SAMA's Insurance General Committee. Mr. Tal Nazer is the Chairman of Health and Life Insurance Sub-Committee and also a member of the Young Presidents Organization (YPO) and a member of Young Global Leaders (YGL). He joined Choate's Parent Advisory Committee in NY in 2014.

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

• Chief Strategy Officer, (CSO) Fraser Gregory

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 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). Fraser joined Bupa Arabia as CFO during 2010 and moved into the CSO role at the end of 2016.

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

Thamer Al Harthi has over 17 years' experience in Human Resources management. His experience was built through his association with prominent local and multinational organizations. Before joining Bupa Arabia, in 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 HR 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 both the UAE and Saudi Arabia. In 1996 Thamer graduated with a Bachelor degree in Law from the King Abdulaziz University, Saudi Arabia.

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

Ali Mohammed Sheneamer has 18 years' collective experience in marketing, sales and general management of which 4 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 of SAGIA for five years. Prior to this Ali was employed as group marketing head at the National Commercial Bank for two years and in various marketing assignments at Procter & Gamble for eight years. Ali currently serves as a 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

Arif Hunashi joined Bupa Arabia during 2014, as COO, 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 four 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 Risk Officer, (CRO) Ali Fawzi Hamdan

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

• Chief Financial Officer, (CFO) Nader Ashoor

Nader Ashoor has more than 15 years' finance experience and recently joined Bupa Arabia, in November 2016, as CFO, having spent over 14 years with Saudi Aramco, with whom he undertook a variety of professional, supervisory and leadership roles. Nader's last role at Saudi Aramco was as Director, Finance readiness-IPO. Nader also served as a board investment committee member of the Saudi Aramco Entrepreneurship Ventures Company. Nader holds an MBA degree, achieved with distinction, in leadership from IMD International, Lausanne, Switzerland, and a Bachelor's degree in Accounting (first class honours) from KFUPM. Nader also holds the CMA and CIA certifications, and has successfully completed the CPA rigorous examination requirements. He has been the recipient of multiple renowned awards, including the IMA's Distinguished Performance Award and the IIA's William S. Smith Certificate of Honour Award.

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

Certain elements of Bupa Arabia's significant plans, decisions and developments, during 2016, are detailed within this section whilst others are described throughout this Board report.

• 10.1 Our Strategy review:

Bupa Arabia's strategic vision is still clear, increasingly relevant in the Kingdom , and largely unchanged since early 2013:

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

At the heart of this vision is for Bupa Arabia to keep building on 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 affordable, high-quality healthcare,
- Provision (e.g. primary care, clinics and hospitals) sufficient to shift the industry to a patient-centric, outcomes-focussed paradigm, subject to the legal and regulatory environments,
- Partnerships with government and other stakeholders in Saudi society to tackle the most pressing healthcare needs, also 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.

We know we cannot deliver this vision without a healthy and highly engaged workforce; we must have employees that love working at Bupa Arabia because of our '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 have made steady progress in delivering our strategy in 2016, in a turbulent economy and market place, and this has delivered a very robust financial performance. Our aim is to continue on this impressive trajectory in 2017. As such, our top strategic priorities are:

- To continue building our differentiation as the best provider of health insurance in Saudi Arabia. In 2017, 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. We will extend our POC delivery program beyond the 13 hospitals serviced 2016, providing very visible and accessible personnel on the ground to support and advise our members at the time of their greatest need.
- To protect our leadership position in Saudi health insurance by maintaining strong bonds with our significant customer base, proactively streamlining, automating and deepening our retention services across all channels,
- in light of the prevailing regulatory enforcement drive, to continue to develop our product portfolio, distribution and service proposition to dramatically improve our ability to serve the Small Medium Enterprises (SME) segment, a lower priced segment where we see potential for significant growth,
- To continue improving our IT capabilities by providing new technologies, that underpin our continued business growth. We have deployed a new CRM platform in 2016, and will build on this with a "Lean" program in 2017 to review and improve our key processes. We believe we can reduce cycle times to improve customer outcomes and satisfaction, plus reduce unit operating costs and give us more scalability for the future.
- HRM - we will also be leveraging best practice from other Bupa businesses and will be upgrading our capabilities by automating the receipt, processing and adjudication of claims. The "rules engine" we are

developing will increasingly allow us to identify and tackle fraud and abuse real time, as well as build efficiency and scalability.

- We will also continue to:
  - Improve Bupa Arabia as a Risk Intelligent Organisation. This spans the areas of company secretarial, corporate governance and legal affairs, compliance, internal audit, risk management, business continuity management, and integration with our Enterprise Policy suite.
  - Invest 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 2017, we will continue our physical expansion into additional workspace in Jeddah as well as a new office building in Khobar, to accommodate our growing workforce and remain close to our customers,
  - 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.

We remain committed to working with all the Saudi health authorities and regulators to identify and address the biggest health challenges facing Saudi society. As is proposed in the Saudi Vision 2030 and the National Transformation Program (NTP), we also believe that partnerships between the public sector and the private sector remain a very valuable tool in improving the healthcare of the nation.

• 10.2 Our Corporate social responsibility (CSR):

The continuous and ongoing development of our CSR programs remains a core element of our strategy and we will continue to explore opportunities of enhancement of our community activities in our areas of operation (refer section 9.2 for our 2016 CSR related activities and achievements).

• 10.3 Our Corporate governance and risk intelligence:

Building and maintaining a Risk Intelligent organisation is of the highest strategic priority for 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 and the ongoing recruitment and development of appropriate capabilities to ensure a world class governance environment with word class controls.

2016 represented a water-shed year in our Risk and Governance developments, through the appointment of a CRO and the significantly enhanced capability build during the year (refer section 15, for the Bupa Arabia Corporate governance developments during the year, and section 10.4 for Business continuity management strategy and progress).

• 10.4 Our Business continuity management (BCM):

In 2016, Bupa Arabia committed to invest in the appropriate infrastructure to communicate the importance of establishing, implementing, operating and continually improving a BCM Program, in compliance with regulatory requirements as well as leading industry and sector practices.

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

An integrated crisis management/incident response structure is being developed encompassing all plans required to respond to a disruptive incident, including the following plans:
- Emergency Response Plans
- Crisis Management Plan
- IT Disaster Recovery Plan
- Business Continuity Plans

In tandem with these plans an annual training plan will be developed and rolled out to ensure all relevant stakeholders are aware of their respective roles and responsibilities relating to the BCM Program.

• 10.5 Our Shariah compliance:

Bupa Arabia maintained its Shariah compliance and, on 13/07/2016G (08/10/1437H), received the approval of the Shariah Review Bureau (SRB) for its Shariah status (reference Bup-03-03-04-15) in line with the approval received during 2013. All Shariah certificates remain valid, as announced on Tadawul, on 13/07/2016G (08/10/1437H), 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.

• 10.6 Our development of Saudis and Saudisation:

Bupa Arabia continues to prioritise the recruitment, development and enhancement of the careers of Saudi nationals and to increase its Saudisation level. The company was successful in maintaining its Saudisation at circa 60% and therefore maintaining its platinum status. Bupa Arabia also continued to receive recognition for its female workface mix, (refer section 9.5 for further details on the development of our employees).

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

• 11.1 Competition and market dynamics:

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

In 2016 the economy was significantly impacted by the steep fall in oil prices. The budget deficit was some SR300b (10% of GDP) and GDP growth was circa 1%, mainly driven by the recovery of oil prices in the second half of the year. The non-oil sector was probably closer to recession, with a liquidity crunch adversely impacting many companies and citizens. Cancelled government capital expenditure, significant delays in the payment of government receivables, a banking funding deficit of US$20b and rising SIBOR meant that companies exposed to the government and/or highly leveraged were going to suffer. Additionally, with cuts in government salaries/benefits, rising energy and food costs, the majority of citizens had less disposable income (retail sales were down 7%).

However, the government still has considerable 'fire power' to manage its way out of this short term fiscal crisis. It has significant levels of foreign reserves (US$500b), and a very low level of debt (13% at the end of 2016). The recent US$17.5b international bond was four times oversubscribed and was the largest ever raised in an emerging market, which gives confidence for future debt raising. In June 2016 the government published its National Transformation Plan (NTP) for 2020. This extensive document covers over 500 projects and has 350 targets by which to measure its success in transforming the finances of the Kingdom.

Bupa Arabia welcomes the drive to enhance the role and impact of the private sector (contribution to GDP to rise from 40% to 65% by 2020) and we see many opportunities to work in collaboration with the government and MOH specifically. The 2017 budget has a planned 8% increase in expenditure, with the Health & Social Affairs budget rising from SR100b to SR120b, but still significantly less than the SR160b spent in 2015. We are confident that the government and authorities will move decisively to address the cost effectiveness, quality and accessibility of the healthcare system in the Kingdom. Bupa Arabia welcomes this urgency.

The Saudi market for health insurance gross premiums written (GWP) fell marginally in 2016, compared to a 20% rise in 2015. Predominantly this would be due to the significant staff layoffs that occurred in some industries (e.g. contracting). In addition, some companies have chosen to reduce their costs (picking a lower cost hospital network) or are just generally resistant to any increase in their premiums, irrespective of the rise in underlying medical inflation. We do not see this changing in early 2017, but are quietly confident that as government debts are paid, and capital projects are initiated, then the malaise should lift in the second half of 2017.

An enforcement program was started in July 2016 to prevent the sale of low priced, in contravention of the health insurance pricing regulations, 'improper' health insurance. These are policies sold, by some, at very low levels, as low as SR250 and below, to facilitate Iqama renewal only, where in some instances claiming is prevented, hence loss ratios can be extremely low (20-40%). SAMA and the CCHI are trying to prevent this being a "tax" on Iqama renewal and want a genuine product to be sold, at sustainable prices. Over four stages, concluding April 2017, people will not be able to purchase health insurance as an individual, but only through their employer (one insurance company per employer – the 'unified policy'). SAMA and the CCHI will need to ensure that customers can use their product and that prices are viable, otherwise the problem will just shift from a business to consumer (B2C) to business to business (B2B) segment.

There are also a further 2.5 million Saudis working in the private sector (including dependents) who do not have health insurance, despite a legal requirement to do so. We expect an announcement shortly from the regulator to more tightly enforce this significant leakage (the burden of which falls upon the MOH). As enforcement bites, we expect these uninsured, private sector Saudis to enter the market for health insurance, fuelling further growth.

We anticipate that containing medical price inflation will become even more challenging during 2017. Medical health provider costs will be rising with inflating energy costs and visa/staff costs and reduced government (MOH) patients, at lower fees, will also hurt the health providers, in addition to the challenge of any overdue government receivables. Additional capacity, from either private sector players, or the 'corporatisation' of public sector hospitals is critical to tackle the undersupply in the healthcare industry, but this will take time.

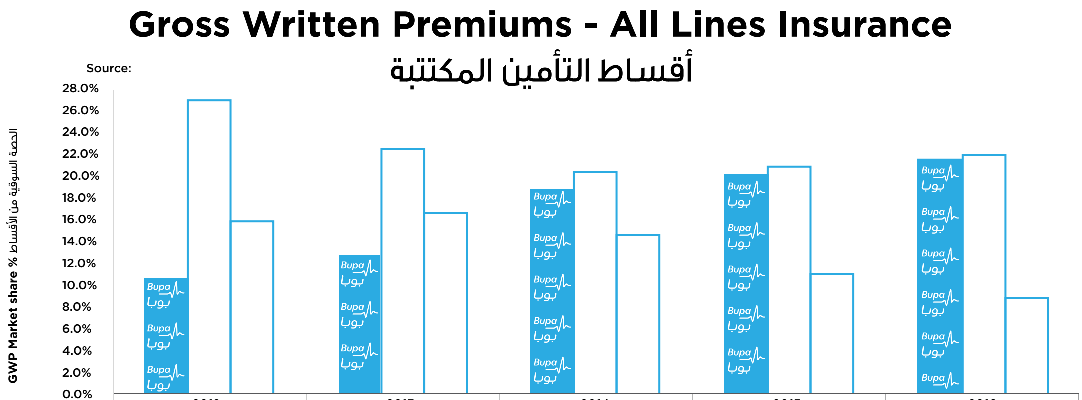
We are investing in our HRM to help detect and reduce fraud, fraud abuse, as well as continuing to manage our network providers to give us, as health insurance market leader, the best prices, whilst still presenting networks of high quality and coverage to our members.

The removal of the 'improper' insurance (and its associated low loss ratios), will further question the survival of some of the other 30 plus insurance companies. This will be compounded by a tough economic and competitive climate on growth (most of the contracting companies are insured by the smaller players) and collections.

At the end of 2016 Bupa Arabia has a total insurance market share of 21.6%, up from the 20.1% of 2015, and our GWP grew by 8%, versus a 2% health insurance premium decline. We are less exposed to the low-end contracting companies, which would have had significant lay-offs, as we have more of the mid to premium-end clients, who are more reluctant to trade down networks or deteriorate key medical benefits for their staff. Our retention levels held solid during 2016, with new business wins marginally up across SME and Corporate business.

On the competitive side, most insurance operators continued to focus on improving their underwriting results during the first half of 2016. Then with the start of enforcement of unified policy, coupled with stopping the individual policies in phases, the market has become more price-driven with medium and small companies offering very low, and in our view not sustainable, prices given rising medical costs which will lead to loss ratio deterioration. 2016 has also witnessed proactive actions by the regulators, whether SAMA or the CCHI, which led to the suspension of some insurance companies (in various insurance business lines) due to their violations, and Bupa Arabia anticipates this regulatory proactivity to continue during 2017.

The insurance market share of the most significant insurers, in terms of GWP, is reflected below:



	2012	2013	2014	2015	2016
Bupa Arabia	10.5%	12.7%	18.9%	20.1%	21.6%
Tawuniya	27.0%	22.4%	20.4%	20.7%	21.9%
Medgulf	15.9%	16.5%	14.5%	11.0%	8.7%

• 11.2 Key Risks:

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

- Slowdown in the non-oil sectors of the economy with negative effects on consumer and business confidence, potentially adversely impacting Bupa Arabia written premiums and growth.
- Insufficient provision capacity to cope with the increasing healthcare demands of the Kingdom, resulting in material increases in medical inflation.
- An increase in unsustainable competitor practices (e.g., irrational pricing) resulting from a change in competition due to regulatory changes (e.g. Saudi nationals in private sector, individual market, CCHI unified policy).
- Adverse risk of relevance, usability and timeliness of existing BCM and Disaster Recovery capabilities and infrastructure, including cyber resilience.
- Shrinking dependencies of the private healthcare providers on high profit margins generated from government spending (i.e. MOH reducing fees for public sector patients treated privately), resulting in incremental cost pressure being passed to insurance companies.
- Loss of market share due to aggressive competitor pricing, neither in accordance with actuarial and underwriting practice, nor in compliance with regulatory requirements.
- A new entrant to the market (i.e. government insurance fund/company) changing the nature of the competition, potentially disrupting the current market landscape of existing players or adversely impacting the ability of existing insurers to compete.
- Challenges in achieving our SME strategy in 2017 due to delay in regulatory enforcement and/or market practices taking time to self-regulate longer than expected.
- Over treatment and/or fraudulent claims by providers.
- Inability to profitably retain large accounts, impacting Bupa Arabia share in the market place.

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

12-13 Board and Board Committees:

In support of the Company achieving its strategic aims the Board of Directors constitutes Board Committees, with responsibilities and membership aligned with the regulatory requirements so as to support it in the execution of its responsibilities. The following sections contain information relating to the Board and Board Committees, their membership and more significant activities during the year.

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

Board Committee recommendation approvals, where followed by Board approvals, are only detailed within the Board approvals section (refer section 12.9) and are not repeated under the Board Committee sections.

12. Board of Directors:

• 12.1 Board purpose, composition and meetings:

Board Purpose	Board Composition	Board Meetings
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 in an ethical and transparent manner. The Board is responsible for the Company's values, mission and long-term vision and for providing strategic direction and guidance for the Company's operations, including the ultimate responsibility of ensuring the Company follows exemplary corporate governance and ethics and for the provision of a robust system of internal controls and procedures to be in place to fulfil compliance of the Company, in both content and timeliness, with all the requirements of all the applicable laws and regulations of the jurisdictions in which it operates. The Board is responsible for establishing Board Committees, as required by regulations, to support the Board in achieving its responsibilities, and to support the Executive Management 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 Schedule of Board Reserved Matters and the Delegation of Authorities Framework).	The Board comprises one Executive member and seven Non-Executive members (of which three are independent Board members - the Board therefore has more than one third of its members as independent members).	The Board convened six (6) times during 2016 (2015 six (6) times)

Amongst matters reserved for Board approval, , subject to regulatory, public shareholder, or Board Committee recommendation, approval, where applicable, include, but are not limited to:

- Strategy, vision and mission
- Long-term plans, annual operating plans, and material deviations from Board approved plans,
- Annual Board Report (ABR), Annual Financial Statements (AFS), Interim Financial Results (IFS), appointment of the external auditors
- Appointment of the Board roles (Chairman, Vice-Chairman, CEO and Company Board Secretary),
- Appointment of Board, and Board Committee, members and the associated Board and Board Committee Member Nomination and Appointment Policy and Procedure
- Board, and Board Committee, Member Remuneration Policies
- 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 Charters, Company Employee Remuneration Policy
- 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
- Board Charter and Schedule of Board Reserved Matters
- Board Delegated Authorities Framework
- Changes to capital, the corporate structure, the company organisation 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.

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

The Board member details, relevant experience, and membership in Saudi joint-stock companies, at 31 December 2016, comprised the below (for more detailed information on the Board members please refer the detailed profiles within the Board Members section of the Annual Report and Accounts):

Name	More Relevant Experience	More significant qualifications	Board Membership in other Saudi PLCs
Eng. Loay Hisham Nazer	Chairman and Board member of Bupa Arabia since inception in 2008. Founder and Chairman of the Nazer Group and Board member of various Nazer companies. Current Vice-Chairman of the Saudi Olympic Committee and previously a CCHI Board member.	MBA, Anderson Graduate School of Management, UCLA, USA (1989), B.Sc. Mechanical Engineering, UCLA, USA (1987)	Not applicable
David Fletcher	Bupa Arabia Board member since 2014. Currently Bupa Group Chief Risk Officer (since 1/1/17G) and member of its Executive Team after being MD of Bupa International Development Markets (IDM), since 2014, and having joined Bupa as Chief Internal Auditor. Prior to that was President Director/CEO, for 4 ½ years, of Permata Bank, Indonesia, an affiliate of Standard Chartered, after an extensive banking career at Standard Chartered. Has extensive international experience in banking, having held various senior positions with Standard Chartered and Citibank, and including Head of Audit and CEO roles.	B.A. Honours Modern History, Durham University, UK (1985).	Not applicable
Tal Hisham Nazer	Bupa Arabia CEO and Board member since inception in 2008. Refer CEO profile (section 9.6) for other current roles	Bachelor Economics, UCLA, USA (1996) and MBA Finance and Buyouts, Wharton, USA (2001)	Not applicable
Abdulhadi Shayif	Bupa Arabia Independent Board member and Audit Committee Chairman since 2011. Board member and Chairman of various committees at the SHB, SGS, and Deutsche Securities. Is Chairman of FWU International advisory Board, Munich, Germany. Previously GM and Board member of NCB.	Bachelor Economics, American University of Beirut, Lebanon (1970).	Alawwal Bank, Saudi Ground Services Co. (SGS)
Zaid Al-Gwaiz	Bupa Arabia Independent Board member, and Investment Committee Chairman, since 2014, and joined the Nomination and Remuneration Committee during 2016. Spent many years in the banking sector and was Deputy Managing Director of HSBC Saudi Arabia. A Board and Committee member for a variety of Companies.	Bachelor Accounting , King Saud University , KSA (1987).	Alawwal Invest Company, until 31/03/16G, (not a Saudi listed company but 100% owned by Alawwal Bank (a Saudi listed company))
Aamer Ali-Reza	Bupa Arabia Independent Board member since inception in 2008. Board member of the Xenel Group of Companies and MD of its Services Division. Is the CEO of Red Sea Gateway Terminal (RSGT) and its affiliate, Saudi Trade & Export Development Company (Tusdeer), also the Chairman of the Board of AECOM Arabia Co. Ltd.	Bachelor of Economics and Political Science, Pitzer College , California, USA (1994). Advanced Management Program at Harvard University (2016)	Saudi Industrial Services Company (SISCO)

Martin Potkins	Bupa Arabia Board member since 2016. Bupa Group Corporate Controller, since 2015, after having spent many years in a variety of Senior Finance roles at reputable Finance and Insurance Companies, such as Friends Life, Resolution Operations LLP, where he was Group Financial Controller, Prudential plc, as Head of Financial Control, and prior to that spent 6 years with Aviva plc working in both the UK General Insurance business (as Finance Control Director) and the UK Life and Pensions business (as Deputy Finance Director).	Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) (FCA). Bachelor of Science (Joint Honours) Computer Science & Mathematics, University Of Manchester, UK (1982).	Not applicable
Paul Davis	Bupa Arabia Board member since 2016. Over 25 years' experience in legal, risk and compliance roles, currently Risk & Compliance Director in Bupa, since 2015, previously with Grant Thornton, as Associate Director. Extensive international experience having held a number of senior management positions in India, the Middle East and Asia during a 13-year career with Standard Chartered Bank.	Solicitor, England and Wales, College of Law, Chester, Law Society Finals (1988-89) and LLB (Hons), University of Reading, London, UK (1985-88).	Not applicable

• 12.3 Board member changes during the year:

During 2016 two of the Non-Executive Board members representing Bupa Investments Overseas Limited (BIOL) resigned from the Bupa Arabia Board, as announced on Tadawul on 14/03/2016G (05/06/1437H) and were replaced, after SAMA no-objection, and Board approval, as announced on Tadawul on 14/04/2016G (07/07/1437H):

Outgoing and date	Incoming and date	Representing
Mr. Edward George Fitzgerald Hannan (resigned effective 13/03/2016G)	Mr. Martin Potkins SAMA no-objection and Board approval 13/04/2016G General Assembly Meeting approval 01/06/2016G	BIOL
	Mr. Paul John Davis	
Mr. Ignacio Peralta Gracia (resigned effective 13/03/2016G)	SAMA no-objection and Board approval 13/04/2016G General Assembly Meeting approval 01/06/2016G	BIOL

• 12.4 Benefits and emoluments of board members and senior executives:

The table below details salaries, emoluments, allowances and bonuses received and/or provided for within the 2016 results, by/for, the board members and the top five senior executives, which includes the CEO and CFO, from 01/01/2016G to 31/12/2016G:

Description	**Executive Board Member**	**Non-Executive Board Members / Independents**	**Top Five Senior Executives (including CEO and CFO)**		
	2016 SR000s	**2016 SR000s**	**2016 SR000s**	**2015 SR000s**	**2016 Change**
Salaries and emoluments	300	2,600	12,604	12,026	578
Board Allowances	12	84	N/A	N/A	N/A
Bonuses	N/A	Nil	6,450	6,179	271
LTIP and EOS	N/A	Nil	7,929	5,548	2,381
2016	**312**	**2,684**	**26,983**	**23,753**	**3,230**
2015	135	1,002	23,753		
2016 Change SR000s	**177**	**1,682**	**3,230**		

The amounts reflected for the Executive Board Member, who is also the CEO, are the attendance fees and allowances for the Board and Board 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 2016 AFS note 26).

The analysis by individual Board member, of the Board member remuneration fees and Board allowances is detailed in the following table, and for 2016 includes provisions per the new Board, and Board Committee, Member Remuneration policies, which includes the Board Chairman at SR500k p.a., a Board member who is a Committee Chairman at SR375k and a Board member who is a Committee member at SR300k, which approved by the Board in 2016 and is subject to public shareholder approval in the next General Assembly meeting of 2017:

	2016			2015		
Board Members' Board and Board Committee Membership Remuneration Fees & Allowances 2016 versus 2015	**Fees SR000s**	**Allowance SR000s**	**Total SR000s**	**Fees SR000s**	**Allowance SR000s**	**Total SR000s**
Mr. Tal Hisham Nazer (Executive Member)	300	12	312	120	15	135
Executive Board Member (CEO)	**300**	**12**	**312**	**120**	**15**	**135**
Eng. Loay Hisham Nazer (Chairman)	500	12	512	180	15	195
Mr. David Martin Fletcher (Vice-Chairman)*	300	12	312	120	15	135
Mr. Abdulhadi Shayif (Independent)	375	12	387	120	12	132
Mr. Aamer Alireza (Independent)	375	12	387	120	15	135
Mr. Zaid Al-Gwaiz (Independent)	375	12	387	120	15	135
Mr. Martin Potkins (Non-Executive)*	300	12	312	0	0	0
Mr. Paul John Davis (Non-Executive)*	375	12	387	0	0	0
Mr. Ignacio Peralta Gracia	0	0	0	120	15	135
Mr. Edward George Fitzgerald Hannan	0	0	0	120	15	135
Non-Executive Members / Independents	**2600**	**84**	**2684**	**900**	**102**	**1,002**
Totals	**2900**	**96**	**2996**	**1,020**	**117**	**1,137**

*To note that the Board, and Board Committee, member remuneration fees for the Bupa employee representatives who are Bupa Arabia Board, or Board Committee, members are received by the legal entity BIOL, and not by the individual persons in their personal capacity (refer sections 12.11 and 20).

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

As at 31/12/2016G the significant shareholders of Bupa Arabia were: BIOL, which owns 26.25% (21m shares) and Nazer Holding Company which collectively controls 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 31/12/2016G:

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

	Opening 31/12/2015		Closing 31/12/2016		Change	
Name of Board Member	**No of shares**	**Debt Instruments**	**No of shares**	**Debt Instruments**	**In shares**	**%**
Eng. Loay Hisham Nazer	2,000	-	2,000	-	-	-
Mr. Tal Hisham Nazer^	2,000	-	2,000	-	-	-
Mr. Aamer Abdullah Ali Reza	7,128	-	7,128	-	-	-
Mr. Abdulhadi Ali Saif Shayif	352,074	-	352,074	-	-	-
Mr. Zaid Abdulrahman Al-Gwaiz	2,000	-	2,000	-	-	-
Mr. David Fletcher (BIOL*)	-	-	-	-	-	-
Mr. Martin Potkins (BIOL*)	-	-	-	-	-	-
Mr. Paul John Davis (BIOL*)	-	-	-	-	-	-

* BIOL 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 previous CMA regulations). During December 2015 the company issued bonus shares, one bonus share for each share held, and the closing shares relating to BIOL increased to 2,000 shares. 150,050 (75,025 before the bonus shares issue of 2015) 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.

• 12.6 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 CET members, Company Board Secretary and leaders of control functions (Risk leads, Actuarial lead, Compliance and Internal Audit Department leads), and their immediate family members, in their personal capacity, are as detailed below:

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

Name of Executive/Senior Manager	Opening 31/12/2015		Closing 31/12/2016		Change	
	No of shares	Debt Instrum.	No of shares	Debt Instrum.	In shares	%
Mr. Tal Hisham Nazer^	2,000	-	2,000	-	-	-
Mr. Fraser David Gregory	14,000	-	-	-	(14,000)	(100%)
Mr. Ali Sheneamer	4,106	-	4,106	-	-	-
Mr. Arif Hunashi	16,000	-	-	-	(16,000)	(100%)
Mr. Thamer Al-Harthi	-	-	-	-	-	-
Mr. Ali Fawzi Hamdan	-	-	-	-	-	-
Mr. Nader Ashoor	-	-	-	-	-	-
Mr. Mark Lance Sutcliffe	8,614	-	8,614	-	-	-
Mr. Ziyad AlJabali	-	-	-	-	-	-
Mr. Ahmed Jaber	-	-	-	-	-	-
Mr. Abdullah Magboul	-	-	-	-	-	-

^ The Mr. Tal Nazer shares reflected are the same shares per the Board members' equities table in 12.5.

• 12.7 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 sections 12.5 and 12.6, 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.

• 12.8 Board meetings, Board member roles, membership and attendances:

As required in terms of the CMA disclosure requirements of Article 43, paragraph 16, the Board meeting details are reflected below:

Board member name, role and period	Membership	Board 1 15/02	Board 2 12/04	Board 3 23/05	Board 4 07/09	Board 5 12/10	Board 6 20/12	Overall
Eng. Loay Hisham Nazer Chairman of the Board (full year)	Non-Executive	Y	Y	Y	Y	Y	Y	100%
Mr. David Martin Fletcher Vice-Chairman of the Board (full year)	Non-Executive	Y	Y	Y	Y	Y	Y	100%

Mr. Tal Hisham Nazer CEO and Board member (full year)	Executive	Y	Y	Y	Y	Y	Y	100%
Mr. Aamer Abdullah Ali Reza (full year)	Independent	Y	Y	Y	Y	Y	Y	100%
Mr. Abdulhadi Ali Saif Shayif (full year)	Independent	Y	Y	Y	Y	Y	Y	100%
Mr. Zaid Abdulrahman Al-Gwaiz (full year)	Independent	Y	Y	Y	Y	Y	Y	100%
Mr. Martin Potkins (from 13/4/16)	Non-Executive	N/A	N/A	Y	Y	Y	Y	100%
Mr. Paul Davis (from 13/4/16)	Non-Executive	N/A	N/A	Y	N	Y	Y	75%
Mr. Edward George Fitzgerald Hannan (to 13/3/16)	Non-Executive	N	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Ignacio Peralta Gracia (to 13/3/16)	Non-Executive	N	N/A	N/A	N/A	N/A	N/A	N/A

• 12.9 Major board approvals/resolutions:

Amongst major Board resolutions/approvals were the following:

- The 2015 Annual Financial Statements (AFS) and the 2015 Annual Board Report (ABR), per the AC recommendation, as announced on Tadawul on 17/02/2016G (08/05/1437H)
- The 2015 fourth quarter, and 2016 first, second and third quarters' Interim Financial Statements (IFS), following the recommendation of the AC and, after the approval of SAMA, thereafter announced on Tadawul on respectively; 19/01/2016G (09/04/1437H), 19/04/2016G (12/07/1437H), 21/07/2016G (16/10/1437H) and 16/10/2016G (15/01/1438H)
- The 2016 fourth quarter's IFS, as announced on Tadawul, on 18/01/2017G (20/04/1438H), following the recommendation of the AC
- The approval of dividends for the 2015 fiscal year, following the recommendation of the EC
- The conflicts of interests, and related party transactions, as reflected within the relevant annual results reports, and general assembly meeting minutes, as recommended by the AC, subject to the public shareholders' approval in the Ordinary General Assembly Meeting
- The Corporate Governance Framework, update of the Code of Corporate Governance, the Board Charter and Schedule of Board Reserved Matters, and the Charters of each of the Board Committees, as recommended by each of the respective Board Committees
- The significantly enhanced Company Code of Conduct, as recommended by the RMC
- The Ordinary General Assembly meeting agenda items and respective content, the agendas and the invitations, as announced on Tadawul on 26/05/2016G (19/08/1437H) and on 08/12/2016G (09/03/1438H)
- The appointment of the joint external Auditors as Ernst & Young and KPMG Al Fozan & Partners, and the setting of the external auditors' fees, for the company's financial statements for the year ending 31/12/2016G (02/04/1438H), in line with the recommendation of the AC
- The changed Zakat provisioning practice, as recommended by the AC during 2016
- The 2016 Annual Operating Plan (AOP)
- The 2017 AOP
- The appointments/changes in the Board, and the Board Committee, members during the year, as recommended by the N&RC, where required and applicable,
- The update of the Investment Strategy, and Investment Policy Statement, as recommended by the IC, subject to SAMA approval
- The appointment of Jadawa Investment, as financial advisor on the Company's investment activities, as announced on Tadawul on 20/07/2016G (15/10/1437H), as recommended by the IC

Refer section 12.11, the 2016 AFS note 12, and the General Assembly meeting minutes of the Tadawul announcements for further details of the related party transactions and conflicts of interests. Where any Board, or

Board Committee, member has any conflict of interest the matter is addressed through the voting of the Board, or Board Committee, members excluding the Board, or Board Committee, member(s) which have the related party conflict and/or conflict of interest.

• 12.10 New Board Term, effective 22/01/2017G (24/04/1438H): Board Members

The Board term is three years and the current term is from 05/06/2014G (07/08/1435H) to 21/01/2017G (23/04/1438H). As a result, during 2016, the Company announced Board nomination periods on Tadawul, on 03/08/2016G (29/10/1437H), and again on 20/09/2016G (19/12/1437H), and thereafter completed all the approval processes for the new term Board membership (as per the below table), which new term will be effective from 22/01/2017G (24/04/1438H) to 20/12/2019G (23/04/1441H), as per the approval of the General Assembly meeting of 20/12/2016G (21/03/1438H), as announced on Tadawul on 21/12/2016G (22/03/1438H):

Membership	Board Member name	Representing
Non-Executive	Eng. Loay Hisham Nazer	Nazer
	Mr. David Martin Fletcher	BIOL
	Mr. Martin Potkins	BIOL
	Mr. Aamer Abdullah Ali Reza	Nazer
Independent	Mr. Abdulhadi Ali Saif Shayif	Not applicable
	Mr. Zaid Abdulrahman Al-Gwaiz	Not applicable
	Dr. Adnan Abdulfattah Soufi *	Not applicable
Executive	Mr. Tal Hisham Nazer	Not applicable

*Dr. Adnan Soufi is a former Board Member of the CMA, a Royal Decree appointment, and he has a PH.D. Business Administration, from the George Washington University, Washington D.C., USA, (1984) and other qualifications include; MBA, Seattle University, USA (1979), and Bachelor, Electrical Engineering, Seattle University, USA (1979).

• 12.11 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. Further details are reflected within the 2016 AFS: 'Statement of changes in shareholders' equity', note 12 'Transactions with related parties' and note 29 'Dividends'. Please refer the below summary table, and within the minutes of the 2015 results general assembly meeting, of 01/06/2016G (25/08/1437H), as published on Tadawul on 02/06/2016G (26/08/1437H), for further information on related party transactions, both historic and expected future.

Legal Entity	Related parties	Description	Period	2015 SR000s	2016 SR000s	2016 SR000s Change
Bupa Investments Overseas Limited (BIOL)	Bupa	Tax recovered from the overseas shareholder	Annual - full year	23,220	31,304	8,084
Bupa Middle East Holdings W.L.L.	Bupa and Nazer	Trade mark fee	Annual - full year	16,948	19,331	2,383
Nazer Medical Clinics Company	Nazer	2015: Mainly Bupa Arabia staff expenses recharged to Nazer Medical Clinics	Annual - full year	5,519		(5,519)
Nazer Medical Clinics Company	Nazer	2016: Mainly shared building reinforcement costs recharged by Nazer Medical Clinics to Bupa Arabia	Annual - full year		1,397	1,397
Nazer for Dialysis and Healthcare Services Co. Ltd (Diaverum)	Nazer	Claims paid to medical provider	Annual - full year	751	779	28
Shariah Review Bureau	Mr. Abdulhadi Shayif	Shariyah consulting	Annual - full year	150	150	-
Total these listed				**46,588**	**52,961**	**6,373**

The Company has entered into health insurance contracts, and other contracts, and other related party transactions, 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 arm's length basis and in line with the Company's agreed targeted pricing and loss ratio requirements and that these contracts carry no special arrangements to that which is provided to any of the Company's other clients.

To note that the Board, and Board Committee, member remuneration fees for the Bupa employee representatives who are Bupa Arabia Board, or Board Committee, members are received by the legal entity BIOL, and not by the individual persons in their personal capacity (refer section 12.4, section 13 and section 20).

The Company also confirms that other than the above referred 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. Board Committees:

During 2016 Bupa Arabia, due to changed regulatory requirements:

- Expanded its Board Committees – introducing a Risk Management Committee (RMC), after having received SAMA no-objection for the proposed RMC members, during the 2016 fourth quarter,
- Changed the membership of some of the Board Committees to align with the new regulations, for the Audit Committee (AC) and the Nomination and Remuneration Committee (N&RC),
- Updated the Charter of each Board Committee.

Board Committee members were paid only attendance fees during the year, as per the Company By-Laws, but the amounts reflected within the 2016 AFS reflect fees provided for in accordance with the Board approved Board, and Board Committee, Member Remuneration policies, which are within the parameters of the new draft Company Law, and will be presented for shareholder approval at the next General Assembly meeting in 2017 (refer section 12.4).

As a result of the significant changes in membership composition of the Board Committees during the year, and the provisioning of the remuneration and fees on the basis of the new Board Committee Member Remuneration Policy, and that the Board Committee members have not received the new fees, (as pending shareholder approval), the Board Committee remuneration fees are reflected on a by Board Committee basis, as opposed to by Committee member basis, and are reflected within the table below. For details on the respective member names of the different Board Committees please refer the respective Board Committee sections (13.1 to 13.5).

Non-Board Member Committee Member Fees & Allowances 2016 versus 2015	2016			2015		
	Fees SR000s	Allowance SR000s	Total SR000s	Fees SR000s	Allowance SR000s	Total SR000s
Audit Committee (AC)	170	25	195	84	-	84
Executive Committee (EC)*	-	-	-	-	-	-
Investment Committee (IC)	132	25	157	75	-	75
Nomination & Remun. Committee (N&RC)	100	25	125	6	-	6
Risk Management Committee (RMC)	100	25	125	-	-	-
Total Non-Board Member Committee Members Remuneration	**502**	**100**	**602**	**165**	**-**	**165**

* Due to all the EC members being Board members there were no separate EC member remuneration fees paid, provided for, nor were payable, as these fees form part of the Board members' remuneration reflected within section 12.4.

• 13.1 Audit Committee (AC):

AC Purpose	AC Member Names	AC Meetings
The principal role of the Audit Committee is to monitor the integrity of the Company's financial statements, in accordance with the relevant financial reporting standards, compliance with laws and regulations, to review and, where appropriate, make recommendations to the Board on internal financial controls, Compliance, Internal Audit and to review the External Audit process and External Auditors performance. The Committee shall also have oversight, through the Company's RMC, for ensuring that the Company's risk management processes are adequate and effective, particularly with regard to the impact on the Company's financial reporting and its code of business conduct. A further lead role responsibility of the AC is the monitoring of the effectiveness, performance and objectivity of the Compliance function and the Internal Audit function, through the Compliance and Internal Audit functions reporting directly to the AC Chairman.	Mr. Abdulhadi Shayif (AC Chairman and Independent Board member (since 2011)) Mr. David Hunt (Independent, non-Board, Committee member) Mr. Khalid Al-Soliman (Independent non-Board, Committee member) (The composition of the AC, as at 31/12/16, is therefore 100% Independent Members and a majority non-Board members	The AC convened six (6) times during 2016 (2015 five (5) times)

During 2016, in accordance with new regulatory requirements, the AC membership changed, following receipt of the SAMA no-objection and the Board's approval, with new AC members (Mr. David Hunt and Mr. Khalid Al-Soliman) replacing, effective 1 December 2016, the former AC members (Mr. Gareth Evans and Mr. Mohamed El-Ayouty) who resigned effective 30 November 2016.

To enhance the AC results review processes, during 2016, the AC meetings convened in alignment with the quarterly reporting processes and the additional AC meeting versus the previous year, the sixth meeting , on 20/12/16G, was the AC meeting with the Board of Directors, as required by the new regulations.

AC member name and period	Relevant experience and qualifications	AC 1 8/2	AC 2 11/4	AC 3 11/7	AC 4 11/10	AC 5 11/12	AC 6 20/12	Overall
Mr. Abdulhadi Shayif (full year)	Refer Board section 12.2	Y	Y	Y	Y	Y	Y	100%
Mr. David Hunt (from 1/12/16)	B.Sc. Banking & Finance, Loughborough University of Technology, UK (1987). 30 years banking and insurance experience, more recently as CEO of Gulf Finance (KSA and UAE), 25 years' experience with the HSBC Banking Group, including as MD for SABB Takaful (2007-2011).	N/A	N/A	N/A	N/A	Y	Y	100%
Mr. Khalid Ali-Soliman (from 1/12/16)	B.Sc. Accounting, King Saud University, (1986) and CPA (1994). Variety of senior NCB roles including, Senior Fin. Controller (2004-2014), Head of the Accounting Dept. (2001-2003), and Head of Finance (1997-2000).	N/A	N/A	N/A	N/A	Y	Y	100%
Mr. Mohammed El-Ayouty (to 30/11/16)	N/A	N	Y	N	Y	N/A	N/A	50%
Mr. Gareth Evans (to 30/11/16)	N/A	Y	Y	Y	Y	N/A	N/A	100%

Amongst other major AC approvals during the year, other than the recommendation approvals to the Board, refer section 12.9, were:

- The 2016 and 2017 Internal Audit Department's (IAD) internal audit plans
- The 2017 Compliance Department's compliance inspection plans
- The 2016 and 2017 Audit Committee plans

• 13.2 Executive Committee (EC):

EC Purpose	EC Member Names, roles and period	EC Meetings
The purpose of the EC is to support the Board with the management of the business through the review, and monitoring, of all aspects of the operational performance of the Company on a routine basis to ensure that there are no barriers to achieving the strategy and objectives set. It recommends to the Board the annual income targets, and proposed dividends, accounting for solvency requirements, and also reviews and approves, as required per the Schedule of Board Reserved matters, certain aspects of a commercial nature, including its Charter. It also supports the Board and the business in ensuring that the Company is compliant with regulatory requirements.	Eng. Loay Nazer (EC Chairman and Board Chairman) (Full Year) Mr. David Fletcher (Vice-Chairman of the Board) (Full Year) Mr. Martin Potkins (from 13/04/16) (Board Member) Mr. Edward Hannan (to 13/03/16) (former Board Member) Mr. Tal Nazer (CEO and Board Member) (Full Year) For EC Members' main experience and qualifications please refer Board section 12.2.	The EC convened six (6) times during 2016 (six (6) times during 2015)

During 2016, the membership of the EC changed with Mr. Martin Potkins replacing Mr. Edward Hannan, due to change in the Board members (refer Board section 12.3 and OGM section 14).

EC member name	EC 1 15/2	EC 2 12/4	EC 3 23/5	EC 4 7/9	EC 5 12/10	EC 6 20/12	Overall
Eng. Loay Hisham Nazer	Y	Y	Y	Y	Y	Y	100%
Mr. David Martin Fletcher	Y	Y	Y	Y	Y	Y	100%
Mr. Tal Hisham Nazer	Y	Y	Y	Y	Y	Y	100%
Mr. Martin Potkins	N/A	N/A	Y	Y	Y	Y	100%
Mr. Edward George Fitzgerald Hannan	N	N/A	N/A	N/A	N/A	N/A	N/A

• 13.3 Investment Committee (IC):

IC Purpose	IC Member Names	IC Meetings
The purpose of the IC 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 IC will also monitor investment performance and act as the liaison between third party investment managers and Bupa Arabia to ensure investments are in line with its IPS, SAMA's regulations and are fully Shariah compliant. Among other duties, the committee also provides investment advice to the business and the Board of Directors and will approve institutions to be used for significant investment placements.	Mr. Zaid Al-Gwaiz (IC Chairman (since 2014) and Independent Board member) Mr. Khaled Alkhattaf (independent Committee member (since 2013) and non-Board member) Mr. Niall Dooner (Committee member (since 2013) and non-Board member)	The IC convened four (4) times during 2016 (2015 three (3) times)

The IC membership did not change during the year and the meeting details are reflected below:

IC member name and period	Relevant experience and qualifications	IC 1 23/02	IC 2 18/04	IC 3 23/06	IC 4 14/12	Overall
Mr. Zaid Al-Gwaiz (full year)	Refer Board section 12.2	Y	Y	Y	Y	100%
Mr. Khaled Al-Khattaf (full year)	Over 20 year's investment/banking experience, more recently Nomura CEO & MD, since 2010, and Gulf Investment Corp. (GIC) Chairman, since 2008. M.Sc. Finance (1996), and M.Sc. Accounting (1995) (both University of Colorado), B. Art Accounting King Saud University (1989), and CPA 1998.	Y	Y	Y	Y	100%
Mr. Niall Dooner (full year)	Head of Asset Management for the Bupa Group (2015), prior to that Portfolio Management Expert for the European Central Bank and Senior Investment Dealer for the Central Bank of Ireland. B.Sc. Financial and Actuarial Mathematics (2007) from Dublin City University and Fellow of the UK's Institute and Faculty of Actuaries (2011).	Y	Y	Y	Y	100%

• 13.4 Nomination and Remuneration Committee (N&RC):

N&RC Purpose	N&RC Member Names	N&RC Meetings
• To effectively manage Board, and Board Committee, member appointments, in accordance with both regulations and the approved policies and procedures, through recommendation to the Board, or regulators, where required, including ensuring the independence of the independent members, the absence of any conflict of interest, and that there are no reasons, versus the regulatory requirements, preventing the proposed membership(s), of Board, and Board Committee, members, prior to submission to SAMA by the Company. • To evaluate the structure and composition of the Board, and the Board Committees, and recommend changes for the Board approval. • To annually review the requirements of suitable skills for membership of the Board, and Board Committees, and reflect updates of the same within the Nomination and Appointment Policy and Procedure, for the approval of the public shareholders. • To develop clear policies regarding the compensation and remuneration of the Board, and Board Committee, members, following industry and market benchmarking, and to recommend them to the Board for its approval, • To recommend the Company's Employee Remuneration Policy to the Board for its approval. • To review and approve the remuneration, and incentive payments (short term incentives/bonuses and Long-Term Incentive Plan (LTIP)) of the CEO, CET and the Company. • To recommend succession plans for the Board and the Board Committees, to the Board for its approval. • To establish and monitor succession plans for the CEO and the CET. • To annually assess and evaluate the performance of the Board, the Board Committees, and their respective members.	Mr. Aamer Ali Reza (N&RC Chairman and Independent Board member) Mr. Zaid Al-Gwaiz (Committee member and Independent Board member) Ms. Cathryn Owens (Committee member and non-Board member)	The N&RC convened twice (2) during 2016, (twice (2) during 2015)

During 2016 the N&RC members changed, as approved by the Board, after SAMA no-objection approval had been received where required, as follows:

- Mr. Aamer Ali-Reza, independent Board member and existing N&RC member, appointed as Chairman of the N&RC as replacement of outgoing N&RC Chairman, Eng. Loay Hisham Nazer (changed as the new regulations do not allow the Chairman of the Board to be the Chairman of the N&RC),
- Mr. Zaid Al-Gwaiz, independent Board member, replacing Mr. Edward Hannan (Mr. Edward Hannan having left the employ of Bupa, London, and so as to implement a majority of independent members on the N&RC, as required by the new regulations).

At 31/12/2016G the N&RC comprised a majority of independent members, having as Chairman a person not the Chairman of the Board, and the 2016 meeting details are reflected below:

N&RC member name, role and period	Relevant experience and qualifications	N&RC 1 21/01/16	N&RC 2 20/12/16	Overall
Mr. Aamer Ali-Reza (full year)	Refer Board section 12.2	Y	Y	100%
Mr. Zaid Al-Gwaiz	Refer Board section 12.2	N/A	Y	100%
Ms. Cathryn Owens (full year)	Over 10 years HR experience, the 3 most recent as People Director at Bupa, UK, and most recently the Bupa Corporate Centre, People Director, B. Business, Human Resource Management and Marketing Management, double major (1999), Australia.	Y	N	50%
Eng. Loay Nazer Board Chairman (previous N&RC Chairman)	Refer Board section 12.2	Y	N/A	100%
Mr. Edward Hannan (Previously a Board and Committee Member)	N/A	Y	N/A	100%

• 13.5 Risk Management Committee (RMC):

During the fourth quarter of the year, as required by the SAMA Insurance Corporate Governance Regulations, the RMC was constituted after having received SAMA's no objection, on 29/09/2016G (28/12/1437H), for the RMC members, and after which the RMC Charter could be developed and its activities commenced. Details of the RMC purpose, members (their experience and qualifications), main activities, and meeting attendance are reflected below:

RMC Purpose	RMC Member Names	RMC Meetings
The main purpose of the RMC is to assist the Board in its risk management strategy and oversight of risk across Bupa Arabia. This includes overseeing the current risk exposures and risk strategy, development of the overall risk appetite and tolerance, monitoring the effectiveness of the risk management framework including risk policies, process and controls, and the promotion of a risk aware culture throughout Bupa Arabia. The Committee is also committed to excellence in risk management and enhancing Bupa Arabia by: • Being sighted on risk and engaging risk management to deliver sustainable performance • Owning the whole of Bupa Arabia's risk profile and acting on risk themes holistically • Recognizing emerging risks and proposing risk appetite changes to the Board, as needed • Defining and owning Bupa Arabia's risk culture and the mechanisms for installing this • Recommending policies for the approval of the Board, in terms of its Charter	Mr. Paul Davis (RMC Chairman and Non-Executive Board member) Mr. Tal Nazer (Committee member and Executive Board Member, CEO) Mr. Rami Makarem (Committee member and Non-Board Member)	The RMC met twice (2) during 2016 (2015: N/A)

RMC member name, role and period	Relevant experience and qualifications	RMC 1 03/10/16	RMC 2 20/12/16	Overall
Mr. Paul Davis (Committee Chairman and Board member)	Refer Board Section 12.2	Y	Y	100%
Mr. Tal Nazer (Committee member and Executive Board member, CEO)	Refer Board Section 12.2	Y	Y	100%
Mr. Rami Makarem (Committee member and Non-Board member)	Nazer COO since 2013 and the CFO of a UAE holding Co the 5 years prior to that. MBA London Business School, Post Graduate Diploma in Financial Strategy, Said Business School, Oxford University, UK, completed CPA and CMA exams (USA), and B.Sc. Business Admin., Lebanon.	Y	Y	100%

14. General Assembly Meetings:

During 2016 the Company held two Ordinary General Assembly Meetings (OGM); 1) mainly for the routine approval of the prior year results and appointment of two new Board members, and 2) to conclude the approval of the new Board term membership, new term AC membership and constitution, and other regulatory requirements per the new corporate governance regulations.

Shareholders are entitled to peruse the minutes of the General Assembly and the Company shall provide the authority with a copy of these minutes within ten days of the concluding of such meeting and the stock exchange immediately informed of the results of the General Assembly.

For ease of Shareholder reference we refer within this report to the highlights of all our 2016 stock exchange announcements and the summary of the resolutions approved during the 2016 General Assembly meetings are detailed below but, as opposed to the complete repetition of the full minutes of the General Assembly meetings, and all of the 2016 announcements within this report, we refer our Shareholders to the respective announcements on Tadawul, and the 2016 AFS, as we feel they contain sufficiently full information to enable the Shareholders to be fully informed about the Company so as to make their decisions:

14.1 OGM on 01/06/2016G (25/08/1437H):

The results, as announced on Tadawul on 02/06/2016G (26/08/1437H), comprising the approvals of:
Resolution (1): The Annual Board Report for the year ended 31/12/2015G.
Resolution (2): The External Auditors Report for the year ended 31/12/2015G.
Resolution (3): The Annual Financial Statements for the year ended 31/12/2015G.
Resolution (4): The selection of the external auditors, for 2016, and their fees.
Resolution (5): The appointment of the new Board members: Mr. Martin Potkins and Mr. Paul Davis.
Resolution (6): The ratification/advance approval of the related party transactions/Board member interests.
Resolution (7): The dividend distribution of SR2/share, SR160m, representing 20% of the paid up capital.
Resolution (8): The remuneration paid to the Board members, at SR1,020K, for the year ended 31/12/2015G.
Resolution (9): The absolving of the Board of Directors of their responsibility for managing the company for the year ended 31/12/2015G.

14.2 OGM on 20/12/2016G (21/03/1438H):

The results, as announced on Tadawul on 21/12/2016G (22/03/1438H), comprising the approvals of:
Resolution (1)#: The appointment of the Board members, for the future Board term, the fourth Board term, from 22/01/2017G (24/04/1438H), to 20/12/2019G (23/04/1441H), through accumulative voting (refer section 12.10 for details of the new term Board members)
Resolution (2): The formation of the future Audit Committee, its future members, its Charter, and the members' remuneration, for the new term, and the AC members appointed as:
- Dr. Adnan Abdulfattah Soufi.
- Mr. David Hunt.
- Mr. Khalid Al-Soliman.

Resolution (3): The update of the Company's Code of Corporate Governance, including the Board Charter, Schedule of Board Reserved Matters, and all the Charters of all the other Board Committees.
Resolution (4): The Board and Board Committee member Nomination and Appointment Policy and Procedure.
Resolution (5): The proposed changes to the Company's Trade-Mark related Agreements.

In accordance with regulatory requirements the specific voting for the new term Board members was completed on an accumulative voting basis, as opposed to the vote for each share basis as per Article 34 of the current Bupa Arabia Company By-Laws.

14.3 OGM attendance by Board Members:

Board member name	Board Membership	OGM 1 01/06/16	OGM 2 20/12/16	Overall
Eng. Loay Hisham Nazer	Non-Executive (Board Chairman)	Y	Y	100%
Mr. David Martin Fletcher	Non-Executive (Board Vice-Chairman)	N	Y	50%
Mr. Tal Hisham Nazer	Executive, CEO	Y	Y	100%
Mr. Abdulhadi Ali Saif Shayif	Non-Executive – Independent	Y	Y	100%
Mr. Aamer Abdullah Ali Reza	Non-Executive – Independent	Y	Y	100%
Mr. Zaid Abdulrahman Al-Gwaiz	Non-Executive – Independent	Y	Y	100%
Mr. Martin Potkins	Non-Executive	N	N	0%
Mr. Paul Davis	Non-Executive	Y	Y	100%
Overall Board Member OGM Attendances	**Board Members**	**75.0%**	**87.5%**	**81.3%**

15. Bupa Arabia Corporate Governance and Risk Management:

• 15.1 Corporate Governance and Bupa Arabia Commitment:

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

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

Bupa Arabia has created a formal Corporate Governance Framework (CGF), of which a Code of Corporate Governance (CCG) constitutes certain elements, in alignment with international best practice, and in adherence to the regulators' Corporate Governance regulations, and the CGF and CCG have been approved by the Board, on 12 October 2016, and thereafter by the public shareholders in the General Assembly meeting, on 20 December 2016.

During 2016 the Company continued to invest and enhance its corporate governance through:

- The establishment of a dedicated Risk Division, including the appointment of a CRO as functional lead and reporting directly to the CEO.
- The creation of a dedicated Corporate Governance Department, covering Corporate Governance, Company Secretarial and Governance Relations; and
- The strengthening and reinforcement of the second and third lines of defence (in accordance with the adopted Three Lines of Defence model in Bupa Arabia).

Control Functions:

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

Compliance Department (COD):

The COD is responsible for monitoring the Company's compliance, at all times, with all applicable laws, regulations, and rules issued by SAMA and other related regulatory bodies, and to take necessary actions to enhance the regulatory compliance.

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

Senior Manager – Compliance, Abdullah Magboul
Abdullah joined Bupa Arabia, as Senior Manager – Compliance, during the first quarter of 2016 and holds a Bachelor degree in Finance from the University of Business and Technology, Jeddah. He has worked in various disciplines of leading multinational organisations, such as Ernst & Young, Price Waterhouse Coopers and, prior to Bupa Arabia, was Compliance Manager of Gulf General Cooperative Insurance Company (GGI) for four years. Abdullah has over-seen the implementation of many compliance related policies and procedures including, anti-money laundering, financial crime, conflicts of interest and others. At GGI, during 2014, his support of business services earned the accolade of '2014 best team player award'.

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

The CGD reports to the CRO and is responsible for ensuring the Company's compliance and adherence with the laws and relevant regulations. The CGD also manages the Capital Market Authority (CMA) and stock exchange (Tadawul) related as lead function managing the CMA and Tadawul regulatory relations and requirements. During 2016 it was led by the Director – Corporate Governance and whose profile is below:

Director – Corporate Governance, Mark Sutcliffe
Mark Sutcliffe has a collective 29 years' experience in a variety of Senior Finance roles in a variety of internationally renowned, or listed, companies, including the most recent, more than 16 years, in Saudi Health insurance, having joined the Bupa business in Saudi Arabia, during 2000. Amongst the significant experience at Bupa Arabia, Mark has managed all the financial statements and regulatory reporting related of the business, as well as all the Company Secretariat related, since its inception. Mark has tertiary qualifications from the Nelson Mandela Metropolitan University (NMMU), Port Elizabeth, South Africa, in the form of a Diploma Cost & Management Accounting (1988), achieved with an Academic Merit Award, and a Higher Diploma in Management (1990), for which Academic Colours, and also the Best Student Prize award, were achieved.

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

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

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

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

Head of Internal Audit Department (IAD), 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.

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

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

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

Head of Risk Management, Ahmed Jaber

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

16 – 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, including the SAMA Insurance Corporate Governance Regulations, and draft new CMA Corporate Governance regulations. Certain elements of the new 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 this ABR will, where-ever possible, be included within the Bupa Arabia Annual Report & Accounts (ARA) which will be presented to the shareholders during the General Assembly meeting which approves the 2016 results and other related matters.

16. Other disclosures in accordance with laws and regulations:

- 16.1 Provision of corporate governance:

Bupa Arabia is committed to, and is in full compliance with, the full adherence to the provisions of the SAMA Insurance Corporate Governance Regulations, point number 20 'Corporate Governance' and in Compliance with the requirements of these SAMA regulations, as well as with that of the requirements of the Company's Code of Corporate Governance, and also is in compliance with the CMA Corporate Governance Regulations, as issued by the CMA's council, in its bulletin No. 1-1-2009, dated 05/01/2009G (08/01/1430H) 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."

* During the General Assembly meeting, of 20/12/16G (21/03/1438H), at the request of the CMA, Bupa Arabia followed the accumulative voting basis for the appointment of the Board members for the new Board term, which commences 22/01/2017G (24/04/1438H), refer section 14.

Article Number	Article section and narrative	Reason for non-compliance
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's policies were approved by the Board during 2014 and will be enhanced during 2017 to ensure a stronger alignment with the pending new regulations and latest best practice.

Bupa Arabia is also committed to the, currently draft, new CMA Corporate Governance Regulations, and the new Company Law and, where-ever practicable, Bupa Arabia has accounted for aspects of these new regulations within this ABR.

17. 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 Bupa Arabia has no subsidiaries and therefore no issued shares, nor any debt instruments, for any subsidiary.

18. 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 that it has no borrowings or loans outstanding at the end of the current twelve month period and nor has it been required to make any payments against borrowings or loans during this twelve month period.

19. 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.

20. 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, other than that the Board, and Board Committee, member remuneration fees for the Bupa employee representatives who are Bupa Arabia Board, or Board Committee, members are received by the legal entity BIOL, and not by the individual persons in their personal capacity (refer sections 12.4 and 12.11).
- That there have been no instances of any arrangements or agreements under which any shareholder of the Company has waived any rights to any dividends.

21. 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 LTIP, and which concluded through completion settlement of the proceeds of the associated shares liquidated, after all the required approvals, during early 2015, in terms of the original LTIP scheme rules.

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 the relevant approvals. Refer the AFS “Statement of changes in shareholders’ equity” and AFS note 20 “Share Based Payment”.

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 01/06/2016G (25/08/1437H), for the financial statements for the fiscal year ended 31/12/2016G (02/04/1438H), were Ernst & Young and KPMG Al-Fozan & Partners. This represents a change in the joint external auditors, from those appointed for the previous financial period, due to the Company’s desire to have two “Big-4” auditing firms as external auditors, as per the Board and AC recommendations.

Conclusion:

The Board of Directors would like to thank all our 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.

Financial Statements

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

Building a better working world

Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

INDEPENDENT AUDITORS' 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 2016, 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 33 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"), the requirements of the Regulations for Companies and the Company's by-laws 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 statements 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 2016 and the results of its operations and its cash flows for the year then ended in accordance with IFRS; 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 IFRS and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

Jeddah, Kingdom of Saudi Arabia
25 Jumada Al Awal 1438 H
Corresponding to 22 February 2017

كي. بي. ام. جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

ERNST & YOUNG

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

Statement of Financial Position

As at 31 December 2016

	Notes	2016 SR'000	2015 SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	**132,030**	205,565
Murabaha deposits	5	**3,057,816**	3,047,529
FVIS investments	6	**544,090**	185,143
Premiums receivable - net	7	**980,543**	749,449
Reinsurer's share of unearned premiums	14	**1,356**	900
Reinsurer's share of outstanding claims	15	**1,720**	3,012
Prepayments and other assets	8	**131,546**	91,483
Deferred policy acquisition costs	9	**72,281**	78,415
Total insurance operations' assets		**4,921,382**	4,361,496
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	**93,800**	593,297
Murabaha deposits	5	**987,494**	500,000
FVIS investments	6	**714,330**	439,785
Other receivables	8	**17,445**	1,691
Furniture, fixtures and equipment	10	**90,945**	77,167
Due from insurance operations		**148,477**	--
Goodwill	3	**98,000**	98,000
Accrued interest on statutory deposit	11	**3,585**	1,872
Statutory deposit	11	**80,000**	80,000
Total shareholders' assets		**2,234,076**	**1,791,812**
TOTAL ASSETS		**7,155,458**	**6,153,308**

The accompanying notes 1 to 33 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 2016

	Notes	2016 SR'000	2015 SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	14	3,094,990	2,890,679
Outstanding claims	15	1,321,622	1,054,369
Reinsurance balances payable	13	15,117	--
Accrued expenses and other liabilities	16	171,292	262,149
Due to shareholders' operations		148,477	--
Total insurance operations' liabilities		**4,751,498**	**4,207,197**
Insurance operations' surplus			
Policyholders' share of accumulated surplus from insurance operations		169,884	154,299
Total insurance operations' liabilities and accumulated surplus		**4,921,382**	**4,361,496**
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	16	62,140	48,622
Accrued Zakat and income tax	18	116,953	42,577
Accrued interest on statutory deposit	11	3,585	1,872
Amount due to related parties	12	24,344	32,201
Total shareholders' liabilities		**207,022**	**125,272**
Shareholders' equity			
Share capital	19	800,000	800,000
Statutory reserve	21	403,902	277,761
Share based payments	20	16,931	9,600
Shares held under employees share scheme	20	(23,404)	(13,101)
Retained earnings		829,625	592,280
Total shareholders' equity		**2,027,054**	**1,666,540**
Total shareholders' liabilities and equity		**2,234,076**	**1,791,812**
TOTAL LIABILITIES, INSURANCE OPERATIONS' ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY		**7,155,458**	**6,153,308**

The accompanying notes 1 to 33 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

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the year ended 31 December 2016

	Notes	2016 SR'000	2015 SR'000
REVENUE			
Gross written premiums	14	**7,938,630**	7,328,016
Premiums ceded to reinsurers	14	**(67,459)**	(42,464)
Net written premiums		**7,871,171**	7,285,552
Movement in net unearned premiums		**(203,855)**	(546,154)
Net earned premiums		**7,667,316**	6,739,398
CLAIMS			
Gross claims paid	15	**5,944,793**	5,007,697
Claims recovered	15	**(34,893)**	(48,910)
Net claims paid		**5,909,900**	4,958,787
Movement in net outstanding claims		**268,545**	252,259
Net claims incurred		**6,178,445**	5,211,046
Net underwriting result		**1,488,871**	1,528,352
EXPENSES			
Selling and marketing	22	**(535,711)**	(505,367)
General and administration	23	**(379,490)**	(318,774)
Investment and commission income	24	**80,188**	26,261
Other income		**91**	704
SURPLUS FROM INSURANCE OPERATIONS		**653,949**	731,176
Shareholders' share of surplus from insurance operations	2(ii)	**(588,554)**	(658,058)
Policyholders' share of surplus from insurance operations	2(ii)	**65,395**	73,118
Policyholders' share of accumulated surplus from insurance operations at beginning of the year		**154,299**	81,181
Distribution of surplus during the year		**(49,810)**	--
Policyholders' share of accumulated surplus from insurance operations at end of the year		**169,884**	154,299

The accompanying notes 1 to 33 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 2016

	Notes	2016 SR'000	2015 SR'000
REVENUE			
Shareholders' share of surplus from insurance operations	2(ii)	588,554	658,058
EXPENSES			
General and administration	23	(7,962)	(5,267)
		580,592	652,791
Investment and commission income / (losses)	24	50,237	(7,714)
Other losses		(124)	--
Net income for the year		630,705	645,077
Weighted average number of ordinary shares outstanding (in thousands)	31	79,826	79,981
Basic and diluted earnings per share (in Saudi Arabian Riyals)	31	7.90	8.07

The accompanying notes 1 to 33 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 2016

	Notes	2016 SR'000	2015 SR'000
Net income for the year		**630,705**	645,077
Other comprehensive income / (expense)			
Items that will not be reclassified to statement of shareholders' operations			
Provision for zakat	18	**(102,160)**	(13,602)
Provision for income tax	18	**(35,194)**	(36,153)
Income tax recovered from foreign shareholders during the year	28	**31,304**	23,220
Amount payable to foreign shareholders	28	**(1,169)**	--
Total comprehensive income for the year		**523,486**	618,542

The accompanying notes 1 to 33 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 2016

	Notes	Share capital SR'000	Statutory reserve SR'000	Share based payments SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2015		**800,000**	**277,761**	**9,600**	**(13,101)**	**592,280**	**1,666,540**
Total comprehensive income							
Net income for the year		--	--	--	--	**630,705**	**630,705**
Provision for Zakat for the year	18	--	--	--	--	**(102,160)**	**(102,160)**
Provision for income tax for the year	18	--	--	--	--	**(35,194)**	**(35,194)**
Dividend	28	--	--	--	--	**(160,000)**	**(160,000)**
Income tax recovered from foreign shareholders	28	--	--	--	--	**31,304**	**31,304**
Amount payable to foreign shareholders		--	--	--	--	**(1,169)**	**(1,169)**
Transfer to statutory reserve	21	--	**126,141**	--	--	**(126,141)**	--
Transactions with owners of the Company							
Purchase of shares under LTIP	20	--	--	--	**(10,303)**	--	**(10,303)**
Provision for LTIP	20	--	--	**7,331**	--	--	**7,331**
Balance at 31 December 2016		**800,000**	**403,902**	**16,931**	**(23,404)**	**829,625**	**2,027,054**

The accompanying notes 1 to 33 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 2016

	Notes	Share capital SR'000	Statutory reserve SR'000	Share based payments SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2014		400,000	148,746	--	--	502,753	1,051,499
Total comprehensive income							
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 foreign shareholders	28	--	--	--	--	23,220	23,220
Transfer to statutory reserve	21	--	129,015	--	--	(129,015)	--
Transactions with owners of the Company							
Bonus shares issued		400,000	--	--	--	(400,000)	--
Purchase of shares under LTIP	20	--	--	--	(13,101)	--	(13,101)
Provision for LTIP	20	--	--	9,600	--	--	9,600
Balance at 31 December 2015		**800,000**	**277,761**	**9,600**	**(13,101)**	**592,280**	**1,666,540**

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

The accompanying notes 1 to 33 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 2016

	Notes	2016 SR'000	2015 SR'000
Operating Activities			
Policyholders' share of surplus for the year		65,395	73,118
Adjustments for:			
Distribution of surplus		(49,810)	--
Depreciation	10,23	14,561	14,341
Allowance for doubtful premiums receivable - net	7,22	35,326	38,571
Investment income		(2,379)	2,408
Realised losses/(gains) on investments	6	614	(7,031)
Unrealised (gains)/losses on investments	6	(2,238)	6,184
Unearned premiums		204,311	507,321
Reinsurer's share of unearned premiums		(456)	38,833
Deferred policy acquisition costs		6,134	(21,814)
		271,458	651,931
Changes in operating assets and liabilities:			
Premiums receivable		(266,420)	(189,333)
Prepayments and other assets		(40,063)	(20,668)
Outstanding claims		267,253	241,839
Reinsurer's share of outstanding claims		1,292	10,420
Due to/(from) shareholders' operations		133,916	(14,341)
Reinsurance balances payable		15,117	(3,253)
Accrued expenses and other liabilities		(90,857)	(1,319)
Obligation under Long-Term Incentive Plan		--	(22,754)
Net cash from operating activities		291,696	**652,522**
Investing Activities			
Purchase of FVIS investments	6	(504,582)	(418,557)
Proceeds from disposal of FVIS investments	6	149,638	421,821
Proceed from Murabaha deposit matured during the year	5	4,709,070	1,637,352
Placement in Murabaha deposits	5	(4,719,357)	(3,471,854)
Net cash used in investing activities		(365,231)	(1,831,238)
Net decrease in cash and cash equivalents		(73,535)	(1,178,716)
Cash and cash equivalents at beginning of the year		205,565	1,384,281
Cash and cash equivalents at end of the year	4	132,030	**205,565**

The accompanying notes 1 to 33 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 2016

	Notes	2016 SR'000	2015 SR'000
Operating Activities			
Net income for the year		630,705	645,077
Adjustment for:			
Share based payment expense	20	7,331	9,600
Investment income		(3,750)	--
Realised losses/(gains) on investments	6	1,264	(3,588)
Unrealised losses on investments	6	8,589	18,381
Employee end of service benefit expense	16	15,335	12,276
Losses on disposal of furniture, fixtures and equipment		124	230
		659,598	681,976
Changes in operating assets and liabilities:			
Other receivables		(15,754)	(1,817)
Accrued expenses and other liabilities		2,274	150
Amounts due to related parties		(9,026)	(12,289)
Due (from) / to insurance operations		(133,916)	14,341
		503,176	682,361
Employee end of service benefits paid	16	(4,091)	(4,330)
Zakat and income tax paid	18	(62,978)	(31,081)
Net cash from operating activities		**436,107**	**646,950**

The accompanying notes 1 to 33 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 2016

	Notes	2016 SR'000	2015 SR'000
Investing Activities			
Purchase of furniture, fixtures and equipment	10	**(28,498)**	(31,088)
Proceeds from disposal of furniture, fixtures and equipment		**35**	17
Purchase of investments	6	**(865,827)**	--
Proceeds from disposal of investments	6	**585,179**	--
Increase in statutory deposit		**--**	(40,000)
Proceed from Murabaha deposit matured during the year	5	**1,670,104**	44,730
Placement in Murabaha deposits	5	**(2,157,598)**	(500,000)
Purchase of shares held under LTIP	20	**(10,303)**	(13,101)
Net cash used in investing activities		**(806,908)**	(539,442)
Financing Activities			
Dividends paid	28	**(160,000)**	--
Tax recovered from foreign shareholders	28	**31,304**	23,220
Net cash (used in)/from financing activities		**(128,696)**	23,220
Net (decrease)/increase in cash and cash equivalents		**(499,497)**	130,728
Cash and cash equivalents at beginning of the year		**593,297**	462,569
Cash and cash equivalents at end of the year	4	**93,800**	593,297
Non-cash transactions			
Zakat and income tax charged to comprehensive income		**137,354**	49,755
Amount payable to foreign shareholder		**1,169**	--

The accompanying notes 1 to 33 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 2016

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 Fasial 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 their Commercial Registrations numbers:

Branch	Commercial Registration Numbers:
Riyadh	1010274696
Khobar	2051041274
Makkah	4031068486
Khamis Mushayt	5855036547
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 and the associated return on investments /accrued return on investment in the statutory deposit and obligation under LTIP, 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%
	100%

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 Authority (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 2015 except for the new and amended standards and interpretations adopted which are effective for annual period beginning on or after 1 January 2016. The new standards, amendments to standards and interpretation which are effective for annual periods beginning after 1 January 2016 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:

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, FVIS investments, premiums receivable, reinsurance share of outstanding claim, due from insurance operations, statutory deposit, other receivables. Financial liabilities consist of outstanding claims, reinsurance balances payable, due to shareholders' operations, 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.

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) Share Based Payment

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is date at which the entity and 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, an 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:

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

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

Financial liability
A financial liability is derecognised when the obligation under the liability is discharged 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.

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)\; and
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

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.

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. 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.

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/ Amendments	Description
IFRS 14	IFRS 14 – "Regulatory Deferral Accounts", applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.
IFRS 10 IFRS 11 IFRS 12 IAS 28	Amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 28 – "Investments in Associates", applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Amendments to IFRS 11 – "Joint Arrangements", applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – "Business Combinations" and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be re-measured if the joint operator retains joint control.
IAS 1	Amendments to IAS 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to; · The materiality requirements in IAS 1. · That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated. · That entities have flexibility as to the order in which they present the notes to financial statements. · That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.
IAS 16 & IAS 38	Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 38 – "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
IAS 16, IAS 41 & IAS 20	Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 41 – "Agriculture", applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance", instead of IAS 41.
IAS 27	Amendments to IAS 27 – "Separate Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

IFRS 5	Amendments to IFRS 5 – “Non-current Assets Held for Sale and Discontinued Operations”, applicable for the annual periods beginning on or after 1 January 2016, amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
IFRS 7	Amendments to IFRS 7 – “Financial Instruments: Disclosures”, applicable for the annual periods beginning on or after 1 January 2016, has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
IAS 19	Amendments to IAS 19 – “Employee Benefits” , applicable for the annual periods beginning on or after 1 January 2016, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
IAS 34	Amendments to IAS 34 – “Interim Financial Reporting”, applicable for the annual periods beginning on or after 1 January 2016, clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

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 7	Amendments to IAS 7 Disclosure Initiative	1 January 2017
IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised losses	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and measurement of Share Based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	See Below
IFRS 16	Leases	1 January 2019

The implementation of IFRS 9 is expected to result in a significant portion of a company's financial assets classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. The Company continues to monitor the IASB progress on amendments to IFRS 4 which also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021.

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 Company's management has annually carried out an annual impairment test in respect of the abovementioned goodwill. The management conducted the impairment exercise for the year ended 31 December 2016. 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 as follows:

- An average discount rate of 10 % was used to discount future cash flows.
- Budget EBTIDA growth rate of 12-13% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.

4. Cash And Cash Equivalents

Cash and cash equivalents comprised the following:

	2016 SR'000	2015 SR'000
Insurance Operations		
Cash in banks (see note 6 (a))	132,030	205,565
Shareholders' Operations		
Cash in banks (see note 6 (a))	93,800	593,297

5. Murabaha Deposits

The murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three months to one year and yield financial income at rates ranging from 2.75% to 4.15% per annum (2015: 0.9% to 2.5% per annum).

The movements in the murabaha deposits during the year ended 31 December 2016, and 31 December 2015, are as follows:

	2016 SR'000	2015 SR'000
Insurance Operations		
Balance at beginning of the year	3,047,529	1,213,027
Matured during the year	(4,709,070)	(1,637,352)
Placed during the year	4,719,357	3,471,854
Balance at end of the year	3,057,816	3,047,529

	2016 SR'000	2015 SR'000
Shareholders' Operations		
Balance at beginning of the year	500,000	44,730
Matured during the year	(1,670,104)	(44,730)
Placed during the year	2,157,598	500,000
Balance at end of the year	987,494	500,000

6. FVIS Investments

Insurance operations

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

	2016 SR'000	2015 SR'000
Investment in discretionary portfolio	--	147,863
Mutual funds – money market fund	300,437	--
Sukuk	243,653	37,280
	544,090	185,143

During the year ended 31 December 2016, the Company has withdrawn discretionary portfolio management mandate (DPM) given to external Investment Manager and accordingly investments of Insurance operations under this mandate amounting to SR 147.8 million are now being managed directly by the Company. The discretionary portfolio of insurance operations was invested in following type of securities and investments at the year end.

	2016 SR'000	2015 SR'000
Mutual funds	--	50,987
Bonds/Sukuks	--	82,766
Equities	--	12,540
Other assets, net	--	1,570
	--	147,863

The movements in the investments during the year ended 31 December 2016 and 31 December 2015 are as follows:

	2016 SR'000	2015 SR'000
Balance at beginning of the year	185,143	189,968
Purchased during the year	504,582	418,557
Disposed during the year	(149,638)	(421,821)
Income earned/(received) during the year, net	2,379	(2,408)
Realised (losses)/gains during the year	(614)	7,031
Unrealised gains/(losses) during the year	2,238	(6,184)
Balance at end of the year	544,090	185,143

Shareholders' operations

FVIS investments of shareholders' operations are designated as such upon initial recognition and comprised the following:

	2016 SR'000	2015 SR'000
Investment in discretionary portfolio	100,370	439,785
Mutual funds – money market fund	251,887	--
Sukuk	362,073	--
	714,330	439,785

The discretionary portfolio of shareholders' operations is invested in following type of securities and investments at the year end.

	2016 SR'000	2015 SR'000
Mutual funds	--	149,236
Bonds/Sukuks	--	248,250
Equities	92,277	37,619
Other assets, net	8,093	4,680
	100,370	439,785

The movements in the investments during the year ended 31 December 2016 and 31 December 2015 are as follows:

	2016 SR'000	2015 SR'000
Balance at beginning of the year	439,785	454,578
Purchased during the year	865,827	--
Disposed during the year	(585,179)	--
Income earned during the year, net	3,750	--
Realised (losses)/gains during the year	(1,264)	3,588
Unrealised losses during the year	(8,589)	(18,381)
Balance at end of the year	714,330	439,785

a) Amounts payable to/receivable from shareholders' operations are settled by transfer of cash or an equivalent amount of assets (at fair value) between the operations at each reporting date. During the year ended 31 December 2016, the insurance operations transferred cash of SR 188.6 million (2015: SR 600.52 million) to the shareholders' operations.

All FVIS investments are denominated in Saudi Arabian Riyals and US Dollars.

7. Premiums Receivable - Net

	2016 SR'000	2015 SR'000
Insurances Operations		
Gross premiums receivable	1,123,540	863,715
Allowance for doubtful premiums receivable	(142,997)	(114,266)
Premiums receivable – net	980,543	749,449

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

	2016 SR'000	2015 SR'000
Balance at beginning of the year	114,266	77,858
Provision made during the year (note 22)	35,326	38,571
Utilised during the year	(6,595)	(2,163)
Balance at end of the year	142,997	114,266

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
31. December 2016	493,284	334,879	139,964	12,416	980,543
31 December 2015	469,274	183,486	78,068	18,621	749,449

Premium receivable includes amount of SR 2.1 Million (2015: 0.5 Million) due from related parties (see note 12).

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. Prepayments and Other Assets

	2016 SR'000	2015 SR'000
Insurance Operations		
Prepayments	40,118	28,717
Accrued income	44,425	27,897
Restricted deposit (refer note 29 (b))	15,676	17,121
Other receivables	31,327	17,748
	131,546	91,483

Shareholders' Operations		
Other receivables	17,445	1,691

9 Deferred Policy Acquisition Costs

	2016 SR'000	2015 SR'000
Balance at beginning of the year	**78,415**	56,601
Paid and accrued during the year	**151,171**	174,313
Amortisation for the year	**(157,305)**	(152,499)
Balance at end of the year	**72,281**	78,415

10. Furniture, Fixtures And Equipment

	Furniture, fixtures and office equipment SR'000	Computer applications SR'000	Motor vehicles SR'000	Capital work in progress SR'000	Total SR'000
Shareholders' Operations					
Cost:					
At 1 January 2015	63,224	72,991	212	8,139	144,566
Additions during the year	6,116	12,680	--	12,292	31,088
Disposal during the year	(405)	--	--	--	(405)
At 1 January 2016	**68,935**	**85,671**	**212**	**20,431**	**175,249**
Additions during the year	**4,376**	**8,677**	**--**	**15,445**	**28,498**
Disposal during the year	**(353)**	**--**	**--**	**--**	**(353)**
At 31 December 2016	**72,958**	**94,348**	**212**	**35,876**	**203,394**
Accumulated depreciation:					
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)
At 1 January 2016	**31,798**	**66,093**	**191**	**--**	**98,082**
Charge for the year (see note (a) below)	**5,908**	**8,632**	**21**	**--**	**14,561**
Disposal during the year	**(194)**	**--**	**--**	**--**	**(194)**
At 31 December 2016	**37,512**	**74,725**	**212**	**--**	**112,449**
Net book value:					
At 31 December 2016	**35,446**	**19,623**	**--**	**35,876**	**90,945**
At 31 December 2015	37,137	19,578	21	20,431	77,167

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.

11. Statutory Deposit

	2016 SR'000	2015 SR'000
Shareholders' Operations		
Statutory deposit	**80,000**	80,000

As required by Saudi Arabian Insurance Regulations designated by SAMA, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 80 million in a bank account designated by SAMA. Commission accruing on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

12. Transactions With Related Parties

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions and are approved by management.

In addition to transactions disclosed in notes 25 and 26, following are the details of the major related party transactions during the year and the related balance at the end of the year:

		Amount of transactions		Receivable/(payable) balance as at	
Related party	**Nature of transaction**	**Year ended 31 December 2016 SR'000**	Year ended 31 December 2015 SR'000	**31 December 2016 SR'000**	31 December 2015 SR'000
Insurance Operations					
Shareholders	Gross written premiums	**29,145**	34,465	**2,156**	521
Shareholders	Premium ceded	**18,813**	19,980	**(3,844)**	(15,252)
Shareholders	Claims paid	**12,585**	10,629	**(763)**	--
Shareholders	Medical costs charged by providers	**779**	751	**(779)**	(295)
Shareholders	Expenses recharged to/from a related party-net	**1,397**	5,519	**--**	--
Shareholders	Tax equalisation - net	**31,304**	23,220	**(1,169)**	--
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (refer note 17)	**19,331**	16,948	**(19,331)**	(16,948)
Board member (related party)	Sharia review services	**150**	150	**--**	--

13. Reinsurance Balances Payable

Reinsurance payable represents amounts payable to reinsurers SR 15 million (2015: SR Nil), based in France and Germany, for the excess of loss (XOL) reinsurance contract.

14. Movement in Net Unearned Premiums

	2016			2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR'000	SR'000	SR'000	SR›000	SR›000	SR›000
Balance, January 1	2,890,679	(900)	2,889,779	2,383,358	(39,733)	2,343,625
Premiums written during the year	7,938,630	(67,459)	7,871,171	7,328,016	(42,464)	7,285,552
Premiums earned during the year	(7,734,319)	67,003	(7,667,316)	(6,820,695)	81,297	(6,739,398)
Balance, December 31	3,094,990	(1,356)	3,093,634	2,890,679	(900)	2,889,779

a) Movement in unearned premium comprises of the following:

	2016 SR'000	2015 SR'000
Gross premium written during the year	(7,938,630)	(7,328,016)
Gross premium earned during the year	7,734,319	6,820,695
	(204,311)	(507,321)

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

	2016 SR'000	2015 SR'000
Reinsurance premium ceded during the year	67,459	42,464
Reinsurance premium expensed during the year	(67,003)	(81,297)
	456	(38,833)

15. Movement in Outstanding Claims

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

	2016			2015		
	Gross	**Due from reinsurers**	**Net**	Gross	Due from reinsurers	Net
	SR'000	**SR'000**	**SR'000**	SR›000	SR›000	SR›000
Balance at 1 January Represented by:						
Outstanding claims including incurred but not reported	**1,038,445**	**(3,012)**	**1,035,433**	798,857	(13,432)	785,425
Claim handling provision	**15,924**	**--**	**15,924**	13,673	--	13,673
	1,054,369	**(3,012)**	**1,051,357**	812,530	(13,432)	799,098
Claims paid	**5,944,793**	**(34,893)**	**5,909,900**	5,007,697	(48,910)	4,958,787
Claim incurred	**6,212,046**	**(33,601)**	**6,178,445**	5,249,536	(38,490)	5,211,046
Balance, 31 December	**1,321,622**	**(1,720)**	**1,319,902**	1,054,369	(3,012)	1,051,357
Balance at 31 December Represented by:						
Outstanding claims including incurred but not reported	**1,302,333**	**(1,720)**	**1,300,613**	1,038,445	(3,012)	1,035,433
Claim handling provision	**19,289**	**--**	**19,289**	15,924	--	15,924
Total	**1,321,622**	**(1,720)**	**1,319,902**	1,054,369	(3,012)	1,051,357

Claims Triangulation Analysis by treatment year

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

Treatment year – gross outstanding claims	2014	2015	2016	Total
SR '000				
Estimate of ultimate claims cost:				
At the end of treatment year	3,687,583	5,399,170	6,319,632	**15,406,385**
One year later	3,648,518	5,275,355	--	**8,923,873**
Two years later	3,635,368	--	--	**3,635,368**
Current estimate of ultimate claims	3,635,368	5,275,355	6,319,632	**15,230,355**
Ultimate payments to date	(3,634,725)	(5,252,495)	(5,040,802)	**(13,928,022)**
Liability recognized in statement of financial position	643	22,860	1,278,830	**1,302,333**
Claims handling provision				**19,289**
Balance 31 December				**1,321,622**

Treatment year – net outstanding claims	2014	2015	2016	Total
SR '000				
Estimate of ultimate claims cost:				
At the end of treatment year	3,673,378	5,348,275	6,317,912	**15,339,565**
One year later	3,648,451	5,275,355	--	**8,923,806**
Two years later	3,635,368	--	--	**3,635,368**
Current estimate of ultimate claims	3,635,368	5,275,355	6,317,912	**15,228,635**
Ultimate payments to date	(3,634,725)	(5,252,495)	(5,040,802)	**(13,928,022)**
Liability recognized in statement of financial position	643	22,860	1,277,110	**1,300,613**
Claims handling provision				**19,289**
Balance 31 December				**1,319,902**

16. Accrued Expenses and Other Liabilities

	2016 SR'000	2015 SR'000
Insurance Operations		
Accrued expenses	96,248	166,706
Advances from policyholders	35,903	53,232
Other liabilities	39,141	42,211
	171,292	262,149
Shareholders' Operations		
Accrued expenses	2,824	550
Employees' end of service benefits (see note (a) below)	59,316	48,072
	62,140	48,622

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

	2016 SR'000	2015 SR'000
Balance at beginning of the year	48,072	40,126
Charged during the year	15,335	12,276
Paid during the year	(4,091)	(4,330)
Balance at end of the year	59,316	48,072

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.

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 19.3 million (2015: SR 16.9 million) payable to a related party has been accrued for in these financial statements (see note 12 and 22).

18. Zakat and Income Tax

a) Zakat

Charge for the year

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:

	2016 SR'000	2015 SR'000
Share capital	590,000	295,000
Opening retained earnings, reserve and surplus	523,655	540,352
Opening provisions	119,725	87,013
Adjusted net income	494,378	507,856
Furniture, fixtures and equipment and goodwill	(65,045)	(111,734)
Investments	(3,955,750)	(3,049,563)
Others	(131,275)	(29,500)
	(2,424,312)	(1,760,576)
Adjusted income for the year (see note below)	670,343	688,619
Zakat base	670,343	688,619
Attributable to Saudi shareholders and the general public @ 73.75%	494,378	507,856

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

The Zakat charge relating to the Saudi shareholders consists of:

	2016 SR'000	2015 SR'000
Provision for the year		
Provision for zakat @ 2.5%	12,359	12,696
Adjustment for assessment of zakat	25,927	--
Adjustment for the previous years	63,874	906
Charge for the year	102,160	13,602

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

	2016 SR'000	2015 SR'000
Balance at beginning of the year	19,745	12,529
Charge for the year	102,160	13,602
Payment made during the year	(12,963)	(6,386)
Balance at end of the year	108,942	19,745

b) Income Tax

Charge for the year

	2016 SR'000	2015 SR'000
Income tax charge for the year	35,194	36,153

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

	2016 SR'000	2015 SR'000
Balance at beginning of the year	22,832	11,374
Charge for the year	35,194	36,153
Payment made during the year	(50,015)	(24,695)
Balance at end of the year	8,011	22,832

c) Accrued Zakat and Income Tax

	2016 SR'000	2015 SR'000
Zakat payable (note (a) above)	108,942	19,745
Income tax payable (note (b) above)	8,011	22,832
	116,953	42,577

d) Status of Assessments

The Company has filed its Zakat and income tax returns for the financial years up to and including the year 2015 with the General Authority of Zakat and Tax (the "GAZT"). The Company has received final assessments for the fiscal periods 2008 through 2012 and initial assessments for the periods 2013 through 2014 raising additional demands aggregating to SR 40 million, principally on account of disallowance of FVIS investments and statutory deposits from Zakat base. The Company has filed appeals against these assessments and the response from the GAZT is still awaited. The Company's management strongly believes in their stance and expects the decision to be received in their favour but has also accrued additional contingent provision for Zakat during the current year amounting to SR 89.8 million.

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

The Company has recorded tax/zakat provision based on the recent circular No. 12746/16/1438 dated 20/4/1438H (18 January 2017) issued by the GAZT, in which Saudi public listed companies are to provide for tax and zakat based on the shareholding percentage of Saudi and non-Saudi shareholders as per the Articles of Association. This circular was issued, subsequent to an earlier circular No. 6768/16/1438 dated 5/3/1438H (4 December 2016), which stated that all Saudi public listed companies are required to provide for tax/zakat based on the nationality of the shareholders at year end and as such the tax and zakat provided at year end as reported in the reviewed financial statements for the twelve-month period ended 31 December 2016 have been adjusted in these financial statements to reflect this change.

19 Share Capital

The share capital of the Company is SR 800 million divided into 80 million shares of SR 10 each (2015: SR 80 million shares of SR 10 each) and subscribed by the following:

	Percentage holding	**2016 SR'000**	Percentage holding	2015 SR'000
Major shareholders	**52.5%**	**420,000**	52.5%	420,000
General public	**47.5%**	**380,000**	47.5%	380,000
	100.0%	**800,000**	100.0%	800,000

20. Share Based Payment

The Company offers a Long-Term Incentive Plan (LTIP), to certain eligible executives The purpose of the scheme is 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.

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

The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the plan ('the vesting date'). The expense, 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 consolidated statement of income 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 is included in the 'salaries and employee related expenses' with a corresponding increase in the consolidated statement of changes in equity, as per the requirements of International Financial Reporting Standard (IFRS) 2 'Share Based Payments'. Any dividend distributions on the award shares during the vesting period are accumulated and transferred to the participants upon vesting. The Company has a practice to purchase shares at each grant date and retain it with investment Broker, currently NCB Capital.

During 2015, the Company completed the required approvals for the launching of current LTIP scheme, 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 quarter ended 31 March 2016, the Company purchased a 89,855 shares for the 2016-2018 LTIP cycle, in accordance with the approvals, rules and entitlements of the new LTIP scheme. The grant date of the new LTIP shares purchased is 14 March 2016 and the grant date fair value was SR 115 per share. Following these purchases a total of 192,061 Bupa Arabia shares are being held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" on behalf of the LTIP participants.

Notes to The Financial Statements

At 31 December 2016

21. Statutory Reserve

As required by Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside from net income as a statutory reserve until this reserve amounts to 100% of the paid up share capital. Accordingly, during the year, the Company has transferred SR 126.14 million (2015: SR 129.02 million) to the statutory reserve. The statutory reserve level of SR 403.9 million represents 50.49% of the paid up share capital (2015: SR 277.76 million represented 34.72%).

22. Selling And Marketing Expenses

	2016 SR'000	2015 SR'000
Employees' costs	**118,833**	105,491
Marketing expenses	**30,746**	49,381
Fulfilment costs	**11,203**	12,217
Commission expenses	**181,050**	161,798
Statutory levies	**119,079**	109,920
Trade mark fee (see note 12 and 17)	**19,331**	16,948
Allowance for doubtful premiums receivable (note 7)	**35,326**	38,571
Others	**20,143**	11,041
	535,711	505,367

23. General and Administration Expenses

	2016 SR'000	2015 SR'000
Insurance Operations		
Employees' costs	**270,759**	236,529
Repairs and maintenance costs	**26,036**	19,472
Travelling expenses	**11,024**	12,073
Depreciation (see note 10 (a))	**14,561**	14,341
Communication expenses	**11,399**	9,536
Others	**45,711**	26,823
	379,490	318,774

	2016 SR'000	2015 SR'000
Shareholders' Operations		
Board expenses (see note 26)	**3,772**	1,544
Corporate Social Responsibility (CSR) expenses	**3,674**	2,516
Others	**516**	1,207
	7,962	5,267

24. Investment And Commission Income / (Loss)

	2016 SR'000	2015 SR'000
Insurance Operations		
- Profit on murabaha deposits/sukuk	78,564	25,414
- Realized / unrealised gains on investments – net	1,624	847
	80,188	26,261
Shareholder's Operations		
- Profit on murabaha deposits/sukuk	60,090	7,079
- Realized / unrealised losses on investments – net	(9,853)	(14,793)
	50,237	(7,714)

25. Information Relating To Key Management Personnel

	2016 SR'000	2015 SR'000
Compensation to key management personnel:		
Short-term benefits	19,054	18,205
Long-term benefits	7,929	5,548
	26,983	23,753

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

26. Board Of Directors' Remuneration And Related Expenses

	2016 SR'000	2015 SR'000
Board of Directors' remuneration	2,900	1,020
Board attendance fees	96	117
Other board and sub-committees expenses	776	407
	3,772	1,544

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.

27. 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.

Segment assets do not include cash and cash equivalents, murabaha deposits, FVIS investments and prepayments and other assets. Segment liabilities do not include reinsurance balances payable, accrued expenses and other liabilities, obligations under LTIP and policyholders' share of surplus from insurance operations.
Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

	For the year ended 31 December 2016		
	Major	**Non-major**	**Total**
	SR'000	**SR'000**	**SR'000**
Gross written premiums	**4,871,984**	**3,066,646**	**7,938,630**
Premiums ceded	**(38,689)**	**(28,770)**	**(67,459)**
Net written premiums	**4,833,295**	**3,037,876**	**7,871,171**
Movement in net unearned premiums	**(130,467)**	**(73,388)**	**(203,855)**
Net earned premiums	**4,702,828**	**2,964,488**	**7,667,316**
Claims paid	**3,723,910**	**2,220,883**	**5,944,793**
Claims recovered	**(20,936)**	**(13,957)**	**(34,893)**
Net claims paid	**3,702,974**	**2,206,926**	**5,909,900**
Net movement in outstanding claims	**165,889**	**102,656**	**268,545**
Net claims incurred	**3,868,863**	**2,309,582**	**6,178,445**
Net underwriting result	**833,965**	**654,906**	**1,488,871**
Unallocated income			**80,279**
Unallocated expenses			**(915,201)**
Surplus from insurance operations			**653,949**

	For the year ended 31 December 2015		
	Major	Non-major	Total
	SR'000	SR'000	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)
Surplus from insurance operations			731,176

	As at 31 December 2016		
	Major	**Non-major**	**Total**
	SR'000	**SR'000**	**SR'000**
Insurance operations' assets			
Premiums receivable – net	**615,851**	**364,692**	**980,543**
Reinsurer's share of unearned premiums	**--**	**1,356**	**1,356**
Reinsurer's share of outstanding claims	**1,560**	**160**	**1,720**
Deferred policy acquisition costs	**57,173**	**15,108**	**72,281**
Unallocated assets			**3,865,482**
Total			**4,921,382**
Insurance operations' liabilities and surplus			
Unearned premiums	**1,346,496**	**1,748,494**	**3,094,990**
Outstanding claims	**837,479**	**484,143**	**1,321,622**
Unallocated liabilities and surplus			**504,770**
Total			**4,921,382**

	As at 31 December 2015		
	Major	Non-major	Total
	SR'000	SR'000	SR'000
Insurance operations' assets			
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
Total			4,361,496
Insurance operations' liabilities and surplus			
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
Total			4,361,496

28. Dividends

On 17 Rajab 1437H (corresponding to 24 April 2016), the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2015, of SR 2 per share totalling SR 160 million to its shareholders (30 June 2015: Nil). This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 25 Sha'baan 1437H (corresponding to 1 June 2016). Accordingly, the dividend payment was made on 22 Ramadan 1437H (corresponding to 27 June 2016).

During the year, the Company recovered tax from a foreign shareholder amounting to SR 31.3 million (31 December 2015: SR 23.2 million) relating to 2015 tax equalisation. However, amount payable to a foreign shareholder is SR 1.169 million relating to equalisation of tax for the year ended 31 December 2016.

29. Commitments and Contingencies

a) Operating lease commitments:

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

	2016 SR'000	2015 SR'000
Within one year	13,911	10,611
After one year but no more than five years	47,361	37,765
More than five years	29,422	11,289
	90,694	59,665

b) As at 31 December 2016, performance guarantees amounting to SR 15.7 million (2015: SR 17 .1 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.

30. 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.

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.

	Change in assumptions	Increase / (decrease) in net liabilities	Decrease / (increase) in insurance operations and accumulated surplus
		SR'000	SR'000
Ultimate loss ratio – Insurance Operations			
2016	**3 5%**	**3 383,366**	**3 383,366**
2015	3 5%	3 336,970	3 336,970

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, 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 1.7 million (2015: SR 3 million) (see note 15) and in respect of reinsurance balances payable is SR 15.1 million (2015: reinsurance balances receivable of SR 15.6 million).

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 2016, 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:

	2016 SR'000	2015 SR'000
Minimum regulatory capital	**1,259,387**	1,166,761

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 27.2 million (2015: SR 9.2 million) and SR 35.7 million (2015: SR 22 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 Sukkuk.

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 bearing securities as at 31 December are as follows:

Insurance Operations

			2016 SR'000	
	Less than 3 months	**3 months to 1 year**	**No fixed maturity**	**Total**
Murabaha deposits	921,481	2,136,335	--	3,057,816

			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

Shareholders' Operations			**2016 SR'000**	
	Less than 3 months	**3 months to 1 year**	**No fixed maturity**	**Total**
Murabaha deposits	288,327	699,167	--	987,494

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

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:

	2016	2015
Insurance Operations		
Saudi Riyal denominated murabaha deposits	**3.62%**	1.64%
Shareholders' Operations		
Saudi Riyal denominated murabaha deposits	**3.13%**	2.15%

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.

	2016 SR'000	2015 SR'000
Insurance Operations		
Increase in commission rates by 100 basis points	**30,572**	30,475
Decrease in commission rates by 100 basis points	**(30,572)**	(30,475)
Shareholders' Operations		
Increase in commission rates by 100 basis points	**9,889**	5,000
Decrease in commission rates by 100 basis points	**(9,889)**	(5,000)

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 or above).

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

	2016 SR'000	2015 SR' 000
Insurance' Operations		
Cash and cash equivalents	132,030	205,565
Murabaha deposits	3,057,816	3,047,529
FVIS investments	544,090	185,143
Premiums receivable – net	980,543	749,449
Reinsurer's share of outstanding claims	1,720	3,012
Other receivables	31,327	17,748
	4,747,526	4,208,446

	2016 SR'000	2015 SR' 000
Shareholders' Operations		
Cash and cash equivalents	93,800	593,297
Murabaha deposits	987,494	500,000
FVIS investments	714,330	439,785
Other receivables	17,445	1,691
Accrued interest on statutory deposit	3,585	1,872
Statutory deposit	80,000	80,000
	1,896,654	1,616,645

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.

Insurance Operations' Financial Assets

	Investment grade	Non-investment grade		Total
		Satisfactory	Past due but not impaired	
	SR'000	SR'000	SR'000	SR'000
Cash and cash equivalents	**132,030**	--	--	**132,030**
Murabaha deposits	**3,057,816**	--	--	**3,057,816**
FVIS investments	**544,090**	--	--	**544,090**
Premiums receivable – net	--	**493,284**	**487,259**	**980,543**
Reinsurer's share of outstanding claims	**1,720**	--	--	**1,720**
Other receivables	**15,676**	--	--	**15,676**
31 December, 2016	**3,751,332**	**493,284**	**487,259**	**4,731,875**
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	17,121	--	--	17,121
31 December, 2015	**3,458,370**	**469,274**	**280,175**	**4,207,819**

Notes to The Financial Statements

At 31 December 2016

Shareholders' Operations' Financial Assets

	Non-investment grade			
	Investment grade	Satisfactory	Past due but not impaired	Total
	SR'000	SR'000	SR'000	SR'000
Cash and cash equivalents	**93,800**	--	--	**93,800**
Murabaha deposits	**987,494**	--	--	**987,494**
FVIS investments	**714,330**	--	--	**714,330**
Other receivables	--	**17,445**	--	**17,445**
Accrued interest on statutory deposit	**3,585**	--	--	**3,585**
Statutory deposit	**80,000**	--	--	**80,000**
31 December, 2016	**1,879,209**	**17,445**	--	**1,896,654**
Cash and cash equivalents	593,297	--	--	593,297
Murabaha deposits	500,000	--	--	500,000
FVIS investments	439,785	--	--	439,785
Other receivables	--	1,691	--	1,691
Accrued interest on statutory deposit	1,872	--	--	1,872
Statutory deposit	80,000	--	--	80,000
31 December , 2015	**1,614,954**	**1,691**	--	**1,616,645**

In respect of gross premiums receivable, the 5 largest accounts outstanding accounted for 14% of the closing gross premiums receivable balance of 31 December 2016 (2015 the 5 largest accounted for 14.4% of the closing gross premiums receivable). Gross written premium from one of the major customers of the Company amounts more than 5% of Gross written premium.

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.

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:

2016	**Up to one year**	**More than one year**	**Total**
	SR'000	**SR'000**	**SR'000**
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Outstanding claims	**1,321,622**	**--**	**1,321,622**
Reinsurance balances payable	**15,117**	**--**	**15,117**
Accrued expenses and other liabilities	**171,292**	**--**	**171,292**
Due to shareholders' operations	**148,477**	**--**	**148,477**
	1,656,508	**--**	**1,656,508**
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	**2,824**	**59,316**	**62,140**
Accrued zakat and income tax	**27,152**	**89,801**	**116,953**
Accrued interest in a statutory deposit	**--**	**3,585**	**3,585**
Amount due to related parties	**24,344**	**--**	**24,344**
	54,320	**152,702**	**207,022**
TOTAL FINANCIAL LIABILITIES	**1,710,828**	**152,702**	**1,863,530**

2015	Up to one year	More than one year	Total
	SR'000	SR'000	SR'000
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Outstanding claims	1,054,369	--	1,054,369
Reinsurance balances payable	--	--	--
Accrued expenses and other liabilities	262,149	--	262,149
	1,316,518	--	1,316,518
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	550	48,072	48,622
Accrued zakat and income tax	42,577	--	42,577
Accrued interest in a statutory deposit	--	1,872	1,872
Amount due to related parties	32,201	--	32,201
	75,328	49,944	125,272
TOTAL FINANCIAL LIABILITIES	1,391,846	49,944	1,441,790

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.

31. 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 weighted average number of shares are calculated after deducting the shares purchased for share based payment.

32. Fair Values Of Financial Instruments

a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction 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 2016 and 31 December 2015, 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 2016 and 31 December 2015, 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 2016 and 31 December 2015.

33. Approval of The Financial Statements

The financial statements were authorized for issue by the Board of Directors on 25 Jumada Al Awal 1438 H, corresponding to 22 February 2017.

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Fax: 0126919591
Al Kandarah District,
Old Airport Street,
next Passport Office

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

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

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

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

Al Hasa Branch
Tel: 0555832270
Al Ahssa, Mojamaa Al
Dawaer Al Hokomeyah

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With you for better health