

**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 OPERATIONS' 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.

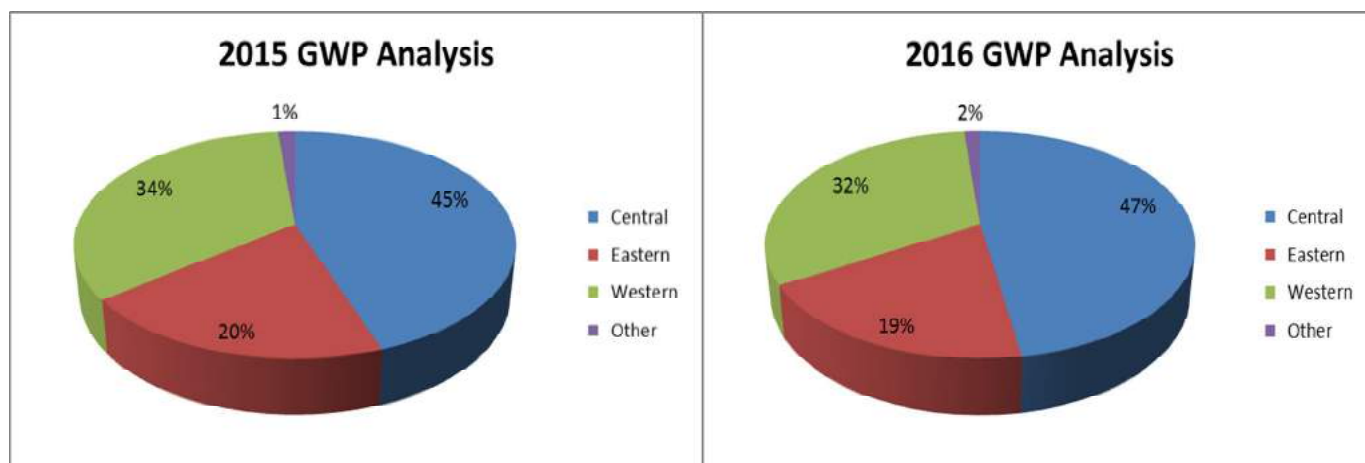
Description	2015 SRm	2016 SRm	2016 Change SRm	2016 Change %
Reported results	645.1	630.7	(14.4)	(2%)
Adjustment for BDP expense	38.6	35.3	(3.3)	(9%)
Less Investment Income and Other Income	(19.3)	(130.4)	(111.1)	576%
"Underlying" results	664.4	535.6	(128.8)	(19%)

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).



On 30/06/2016G (25/09/1437H) we on Tadawul announced the renewal of our SABIC (Saudi Basic Industries Corporation) contract, as the contract revenues were expected to be greater than 5% of our 2015 annual GWP, having received, on 29/06/2016G (24/09/1437H) the SABIC renewal confirmation.

• 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:

	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 Health 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-Harathi, (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 world 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 workforce 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.

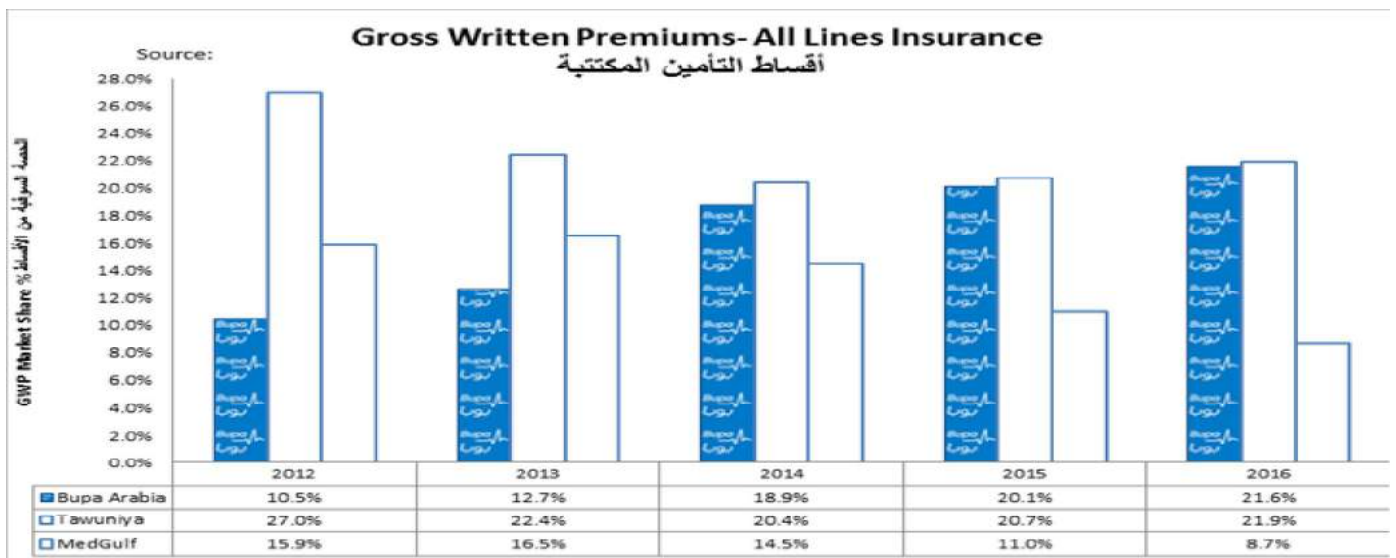
We are investing in our HRM to help detect and reduce fraud, fraud abuse, as well as continuing to manage our network providers to give us, as health insurance market leader, the best prices, whilst still presenting networks of high quality and coverage to our members.

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:



• 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
<p>The purpose of the Board is to set strategy and deliver value to shareholders and stakeholders, in compliance with the regulations and laws of the Kingdom in an ethical and transparent manner. The Board is responsible for the Company's values, mission and long-term vision and for providing strategic direction and guidance for the Company's operations, including the ultimate responsibility of ensuring the Company follows exemplary corporate governance and ethics and for the provision of a robust system of internal controls and procedures to be in place to fulfil compliance of the Company, in both content and timeliness, with all the requirements of all the applicable laws and regulations of the jurisdictions in which it operates.</p> <p>The Board is responsible for establishing Board Committees, as required by regulations, to support the Board in achieving its responsibilities, and to support the Executive Management of the business. The Board is responsible for establishing and approving matters it deems significant enough to be reserved for only the Board's decision and for those matters which it delegates to the relevant Board Committees (both as specified within the Board approved Schedule of Board Reserved Matters and the Delegation of Authorities Framework).</p>	<p>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).</p>	<p>The Board convened six (6) times during 2016 (2015 six (6) times)</p>

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	Bachelor Accounting, King Saud University, KSA (1987).	Alawwal Invest Company, until 31/03/16G, (not a Saudi listed company but 100%

	member for a variety of Companies.		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. Ignacio Peralta Gracia (resigned effective 13/03/2016G)	Mr. Paul John Davis 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:

Board Members' Board and Board Committee Membership Remuneration Fees & Allowances 2016 versus 2015	2016			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						
Name of Board Member	Opening 31/12/2015		Closing 31/12/2016		Change	
	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-Harhi	-	-	-	-	-	-
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	Allowanc e 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	<p>Eng. Loay Nazer (EC Chairman and Board Chairman) (Full Year)</p> <p>Mr. David Fletcher (Vice-Chairman of the Board) (Full Year)</p> <p>Mr. Martin Potkins (from 13/04/16) (Board Member)</p>	The EC convened six (6) times during 2016 (six (6) times during 2015)

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.	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.
---	---

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	Meet 1 15/2	Meet 2 12/4	Meet 3 23/5	Meet 4 7/9	Meet 5 12/10	Meet 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	Over 20 year's investment/banking experience, more recently Nomura CEO & MD, since 2010, and Gulf Investment	Y	Y	Y	Y	

(full year)	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.					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
<ul style="list-style-type: none"> 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. 	<p>Mr. Aamer Ali Reza (N&RC Chairman and Independent Board member)</p> <p>Mr. Zaid Al-Gwaiz (Committee member and Independent Board member)</p> <p>Ms. Cathryn Owens (Committee member and non-Board member)</p>	<p>The N&RC convened twice (2) during 2016, (twice (2) during 2015)</p>

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
<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>Mr. Paul Davis (RMC Chairman and Non-Executive Board member)</p> <p>Mr. Tal Nazer (Committee member and Executive Board Member, CEO)</p> <p>Mr. Rami Makarem (Committee</p>	<p>The RMC met twice (2) during 2016 (2015: N/A)</p>

for installing this • Recommending policies for the approval of the Board, in terms of its Charter	member and Non-Board Member)	
---	------------------------------	--

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:

• 15.2 Corporate Governance and Bupa Arabia Commitment:

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

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

Bupa Arabia 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.