

Bupa Arabia for Cooperative Insurance Company
Board of Directors Report
for the period ended 31/12/2014:

The Board of Directors of Bupa Arabia for Cooperative Insurance Company is pleased to present the annual report covering the Company's financial results and achievements, followed by the audited financial statements and notes for the twelve month period ended 31 December 2014. This Board report includes the most important developments, financial results, operational activities and disclosures in compliance with the rules and regulations of the Kingdom of Saudi Arabia.

1. Main activities:

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

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

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

The current year financial statements, for the twelve month period ended 09/03/1436 H, 31/12/2014 G, represent the sixth statutory financial statements of the Company.

2. Asset purchase agreement and transfer of insurance portfolio:

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

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

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

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

Bupa Arabia received SAMA's approval to finalise the transfer of the insurance portfolio, from Bupa Middle East Limited E.C., through SAMA's letter no IS928 dated 07/07/1430H, 30/06/2009G and the insurance portfolio transfer agreement and formalities were completed during 2009. The insurance portfolio purchase/sale agreement provided for the payment of fees relating to the outstanding Goodwill consideration amounts and SR 3,355k, in accordance with this, were included in the 2011 results. The SR 3,355k fees were settled to the seller in 2013 after SAMA's approval was received via SAMA letter number 341000017461.



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

During 2014, on 28/07/1435H, 27/05/2014G, the company successfully renewed its SAMA license qualification for a further three year period to 07/08/1438H, 03/05/2017G, and announced this on Tadawul on 29/07/1435H, 28/05/2014G.

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

During 2014, on 23/05/1435 H, 24/03/2014 G, the company successfully renewed its three year CCHI license qualification for the further three year period to 19/05/1438H, 16/02/2017G and during 2014, on 23/05/1435H, 24/03/2014G, the company successfully renewed its one-year CCHI license qualification for the further one year period from 19/05/1435 H, 20/03/2014 G (the two renewals, one for three years and one for one year, being separate requirements of the CCHI). Bupa Arabia announced this on Tadawul on 24/05/1435H, 25/03/2014G.

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

Certain of Bupa Arabia's significant plans, decisions and developments, during 2014, are detailed within this section whilst others are described within the other relevant sections of this Board report. Key Board and Committee approval decisions, during the year, are reflected in sections 13 and 14.

• 5.1 Strategy review:

Bupa Arabia's strategic vision, is clear:

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

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

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

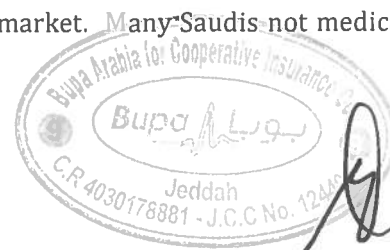
Outstanding delivery on these pillars will enable Bupa Arabia to achieve extraordinary business performance.

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

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

We made excellent progress in delivering our strategy in 2014 and aim to continue on this impressive trajectory in 2015. Our top strategic priorities (to ultimately drive extraordinary business performance) are:

- To continue to **build our differentiation** as the best provider of health insurance in Saudi Arabia by providing personalized healthcare services to customers, thus improving health outcomes, loyalty and retention.
- To protect our leadership position in Saudi health insurance by developing innovative service propositions to maintain strong bonds with our growing customer base, thus **improving retention** across all channels.
- To develop the underserved **"Family" segment** of the market. Many Saudis not medically covered by



their employers will benefit from access to private sector provision and we are developing the right talent, processes and products to serve these customers.

- To increase our visibility and success in the **Central Region**, by increasing our presence with our new Riyadh regional headquarter and equipping it with the right resources and tools (e.g., our Flagship City Store) to grow in this highly competitive region.
- To dramatically improve our **IT capabilities** by providing new technologies to support / drive significant business growth.
- Critically, to continuously **invest in our people**, by hiring, training and retaining the resources required to deliver quality services and to ensure our people love working at Bupa Arabia because of our amazing culture.

• 5.2 Corporate social responsibility (CSR):

Helping our communities through our Corporate Social Responsibility (CSR) programs is an integral part of our culture and represents an important way that we help people “live longer, healthier and happier lives”. In 2014, Bupa Arabia continued to provide free health insurance to all the orphans in Saudi who are under the supervision of the Ministry of Social Affairs; this included 3,000 orphans in 46 orphanages across 16 cities. Bupa Arabia completely revamped the CSR program’s operations to be more tailored to the orphans’ needs, which has increased the quality of the services provided.

Building from this program, an in-house training course was built and a trial test commenced in Q4 2014 to train a group of orphans who had dropped out of school. Our aim is to give these orphans better life opportunities and some of them were hired by Bupa Arabia after the training. This is an accomplishment of which we are very proud.

Through our CSR program, we also participated in many additional activities and events in 2014, such as the King Khalid Foundation Awards, Saudi Arabia’s CSR Summit and the International Finance Magazine Awards. Bupa Arabia won the following:

- The Best CSR initiative in Saudi Arabia (International Finance Magazine 2014).
- The Best CSR Impact Initiative award – Saudi Arabia CSR summit 2014.
- The Best CSR Integrated Organization award - Saudi Arabia CSR summit 2014.
- Top Rating in building a competitive “responsible employment standard” – King Khalid Foundation awards.

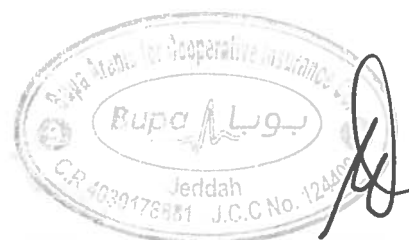
• 5.3 Corporate governance:

Maintaining rigorous corporate governance is of the highest priority at Bupa Arabia and we invest significantly in it. During 2014, the Company approved a number of additional resources to support this effort, including within the Internal Audit Services (Audit Committee approved) department and a Head of Legal. Bupa Arabia continues to invest time and energy behind its corporate governance, including the development of the “Three Lines of Defence” (3LoD) model, Risk Owner Workshops and Internal Control and Risk Management assessments. During 2015 Bupa Arabia will also further enhance its 3LoD model through improved Governance and Risk Management structures, additional dedicated resources and the enhancement of governance policies and procedures, including a review of the Bupa Arabia Risk Appetite statements and Key Risk Indicators.

Bupa Arabia also continued to progress compliance to our information governance framework to ensure the protection of corporate records and customer / employee data in a confidential and secure manner. In 2015, Bupa Arabia will also enhance Governance Committees and structures to ensure we are able to transition smoothly to the expected new SAMA Corporate Governance and Audit Committee regulations. This will include updating the Terms of References of each of the Board Committees which will be approved by the shareholders in a future Ordinary General Assembly meeting.

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

The Company continued its effort behind Business Continuity and Disaster Recovery Plans through the enhancement of system redundancy, through new Riyadh office premises, and by maintaining BCP, DR and Crisis Management policies and procedures. To consolidate all these developments and to ensure continued



preparedness in the future, Bupa Arabia aims to appoint a Manager of Business Continuity and Disaster Recovery during 2015.

• **5.5 Shariah compliance:**

During 2014, Bupa Arabia continued to move toward Shariah compliance and (on 14/10/2014G, 20/12/1435H) received the approval of the Shariah Review Bureau (SRB) for the continuation of its Shariah status in line with the approval received during 2013 (reference Bup-02-02-03-14). All Shariah certificates remain valid, as was announced on Tadawul on 14/10/2014G, 20/12/1435H, in line with the 2013 announcement of 25/11/2013G, 22/01/1435H, on the following functions:

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

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

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

A priority action for Bupa Arabia in 2014 was to enhance its career development of Saudi nationals and to increase its Saudisation level. The company was successful, improving from 56% at the end of 2013 to 62% (platinum) at the end of 2014 (refer section 12.3 for further details on the development of Bupa Arabia employees).

• **5.7 Chief Executive Team (CET):**

During 2014, the Bupa Arabia CET expanded with the addition of Arif Hunashi as Chief Operations Officer, to replace Haj Hichou who will, during 2015, be moving into a different role. The remaining members of the CET are: Chief Executive Officer, Tal Nazer (Saudi); Chief Financial Officer, Fraser Gregory; Chief Commercial Officer, Ali Sheneamer (Saudi) and the Chief Human Resources Officer, Thamer Al-Harathi, (Saudi).

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

During 2014, Bupa Arabia renewed its contract with the Ministry of Foreign Affairs (MOFA) and informed the market through its announcement, on Tadawul on 17/07/2014G, 20/09/1435H, as follows: "Bupa Arabia for Cooperative Insurance announces receiving a confirmation letter from the Ministry of Foreign Affairs on 20 Ramadan 1435H, corresponding to 17 July 2014, to provide health insurance for its employees and their families abroad for one year starting 20/7/2014. The company expects the contract revenues to be greater than 5% of its 2013 annual gross written premium and it is expected to have an impact on its 2014 financial results."

On 12/05/2014G, 13/07/1435H, Bupa Arabia received confirmation it had secured the SABIC account and informed the market through its announcement on Tadawul on 12/05/2014G, 13/07/1435H, as follows: "Bupa Arabia for Cooperative Insurance announces it has been awarded, on 12 May 2014, corresponding to 13 Rajab 1435, as the health insurance provider for the Saudi Basic Industries Corporation (SABIC) to provide health insurance for its employees and their families for one year starting 5/7/2014. The contract revenues are expected to be greater than 5% of the 2013 annual gross written premium of Bupa Arabia for Cooperative Insurance and it is expected to have an impact on its 2014 financial results."

6. Bupa Arabia future prospects, risks and developments:

• **6.1 Competition and market dynamics:**

Saudi Arabia's economy, as measured by gross domestic product, continued to grow in 2014, albeit at a lower rate (3.6%) than in recent history. An increase in oil production, by 0.8 percent year-on-year, meant that overall oil sector growth remained positive at 1.7 percent, while the non-oil sector maintained growth of over 5 percent for the eleventh consecutive year. Looking forward, we expect the Saudi Arabian non-oil sector to maintain robust growth in 2015, despite a projected slowdown in the Kingdom's overall GDP growth, driven by a contraction in the oil sector. Saudi non-oil private sector GDP growth in 2015 is forecast at 5.3 percent,



compared to an average of 7.2 percent for the last five years.

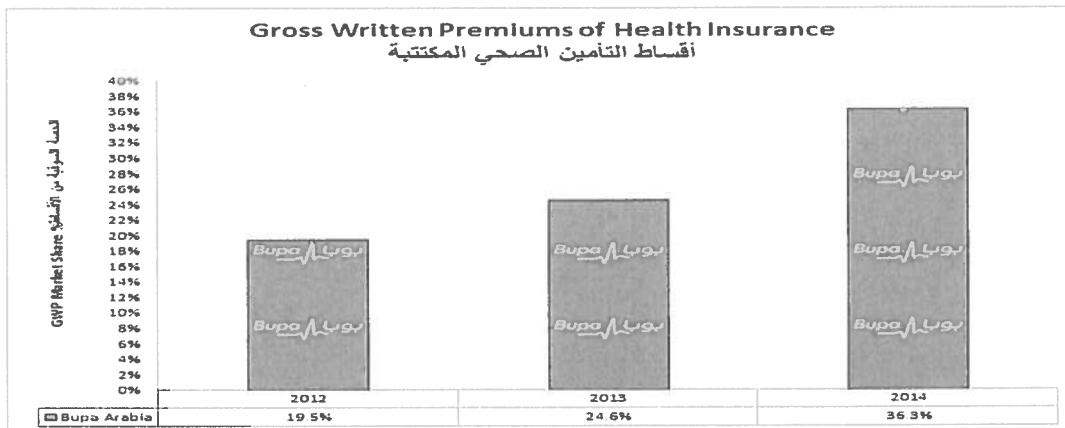
For 2015, Health and Social Affairs was awarded a 48 percent rise in its annual budget, to SR160 billion, accounting for 19 percent of total spending, up from 13 percent of last year's total. Across the country, 27 new hospitals and health facilities will be built in addition to continuing construction at 117 hospitals and eight medical cities. Upon completion of all facilities currently under construction, total capacity in the country will increase by more than 24,000 beds.

Thanks to government intervention preventing the pricing of health insurance below risk cost, the extreme price pressure in the private medical insurance market abated from the first quarter of 2014 and price increases more consistent with historical norms have returned to the health insurance industry. While we are hopeful this will continue, it is a variable that Bupa Arabia continues to monitor closely.

Economic growth, along with population growth and continued increases in the prevalence of lifestyle/chronic diseases will result in a positive backdrop for the health insurance market. As a result, healthcare provision in the private sector will continue to run at high utilization rates for the foreseeable future, despite the increase in provision capacity announced by the government. There is a risk that this will result in a lack of innovation in consumer experience and further increases in the price of healthcare from providers. Specifically, high provision utilization rates means that price management at high-end tertiary care hospitals remains a key challenge, as does abuse and fraud at lower end primary care centres. On the positive side, capacity issues in the public sector will increasingly lead Saudi citizens to buy private health insurance in order to more quickly access high-quality health provision in the private sector.

During 2014, the Bupa Arabia provision network was enhanced by the addition of 107 new providers within Saudi Arabia and 84 new providers in our International provider network to support significant growth in our Corporate and Retail sectors. There was also the closure/network removal of 118 providers, for a variety of reasons ranging from license concerns to fraud.

On the competitive side some insurance operators, during 2014, partially recovered some of their 2013 losses with improved underwriting results on all lines of businesses. That said, Bupa Arabia has claimed market leadership in health insurance for the first time with significant, double-digit, gaps versus its major competitors, during 2014 the Bupa Arabia health insurance market share grew from 25% to 36% ,based on published segmented results, refer chart below:



• 6.2 Financial strength:

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

In 2014, Bupa Arabia continued to strongly underpin this objective. The Company maintained its loss ratio, for the fourth successive year, whilst giving full and fair coverage where due to its members. During 2014, Bupa Arabia paid its second dividend, SR20m in the second quarter. The Company also reported a significant growth



in post-tax/post-zakat profits, up to SR300m in 2014, an increase of SR167m and more than double the SR133m post-tax/post-zakat profits of 2013. This enabled Bupa Arabia to maintain its position as the most profitable player in the health insurance sector. This was driven by an 81% growth in written premium, a SR436m increase in Net underwriting result, representing an increase of 85%, and a 138% increase in underlying profits.

Cash/Investments grew a further SR1.7 billion, an increase of 121% versus the prior year, representing growth of almost SR2 billion over the past two years. At the end of 2014, Bupa Arabia had surplus cash and investments of SR0.6b versus its technical reserves (SR3.8b versus SR3.2b, +18%). However, due to significant growth in written premiums and associated technical reserves growth (impacted by the interpretation of article 69), the company closed 2014 with a slight technical solvency gap. As a result of this solvency pressure, Bupa Arabia maintained its growth in cash/investments mainly in admissible assets, which suppressed the investment income.

• 6.3 Risks:

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

- Irrational competitor pricing below claims costs (somewhat lower now due to Regulatory intervention)
- Overtreatment and fraudulent claims by some providers
- Continuously escalating prices by providers underpinned by market imbalance of supply and demand
- Solvency risk management
- Availability of qualified professionals in a tight labour market
- Zakat risk associated with long term investment portfolios
- Crisis management and disaster recovery capabilities

7. Financial statements presentation:

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

For comparative purposes, the results contained within this Board Report use the twelve month period ended 09/03/1436H, 31/12/2014G as a comparative versus the results for the twelve month period ended 28/02/1435H, 31/12/2013G.

8. Unqualified opinion of the independent external auditors:

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

9. Bupa Arabia business results:

• 9.1 Summary profit results:

	2010	2011	2012	2013	2014
	SR000s	SR000s	SR000s	SR000s	SR000s
	12 months	12 months	12 months	12 months	12 months
Gross written premiums (GWP)	1,749,390	1,993,251	2,194,301	3,177,480	5,740,449
Net earned premiums	1,608,908	1,927,629	2,128,028	2,604,458	4,595,075
Total revenue (Insurance Op.)	1,613,109	1,930,583	2,141,092	2,620,260	4,626,554
Gross claims paid	1,232,218	1,523,835	1,671,622	2,074,049	3,289,128
Net claims incurred	1,308,103	1,551,030	1,701,051	2,094,354	3,649,005



Total expenses (Insurance Op.)	223,888	324,649	296,227	380,720	650,280
Surplus from insurance operations	81,118	54,904	143,814	145,186	327,269
Shareholders' net income	70,798	42,244	134,406	147,334	301,275

The net earned premiums revenue increased by 76%, the net underwriting result grew by 85%, net income more than doubled, up 104%, and the "Underlying" result for 2014 also more than doubled, up 138% (refer section 10.1).

• 9.2 Summary balance sheets:

INSURANCE OPERATIONS' ASSETS	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s
Cash and cash equivalents	346,908	551,914	204,533	232,267	1,407,665
Murabaha deposits	-	58,000	732,340	956,230	1,213,027
FVIS investments	257,178	187,699	87,821	186,107	189,968
Prepayments and other assets	20,881	30,069	23,786	27,892	47,431
Premiums receivable - gross	520,004	403,936	279,807	462,645	676,545
Allowance for doubtful premiums receivable	(30,164)	(64,106)	(44,548)	(52,550)	(77,858)
Premiums receivable - net	489,840	339,830	235,259	410,095	598,687
Reinsurer's share of unearned premium	-	-	-	43,011	39,733
Reinsurer's share of outstanding claims	-	-	-	13,708	13,432
Deferred policy acquisition costs	15,470	21,097	22,535	46,678	56,601
Total insurance operations' assets	1,130,277	1,188,609	1,306,274	1,915,988	3,566,544
SHAREHOLDERS' ASSETS	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s
Cash and cash equivalents	13,631	13,631	13,631	101,260	462,569
Murabaha deposits	-	-	-	126,993	44,730
FVIS investments	299,462	373,534	497,158	446,338	454,578
Other receivables	-	244	735	1,319	1,746
Amount due from insurance operations	48,761	-	-	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	38,703	41,565	48,918	43,059	60,667
Statutory deposit	40,000	40,000	40,000	40,000	40,000
Total shareholders' assets	538,557	566,974	698,442	856,969	1,162,290
TOTAL ASSETS	1,668,834	1,755,583	2,004,716	2,772,957	4,728,834

INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s
Unearned premiums	659,819	722,739	786,669	1,323,069	2,383,358
Outstanding claims	352,379	381,265	413,509	450,096	812,530
Reinsurance balance payable	1,269	702	443	505	3,253
	1,013,467	1,104,706	1,200,621	1,773,670	3,199,141
Accrued expenses and other liabilities	50,508	59,503	63,619	79,113	263,468
Obligation under Long-Term Incentive Plan (LTIP)	3,477	4,846	8,099	14,751	22,754
	1,067,452	1,169,055	1,272,339	1,867,534	3,485,363
Amount due to shareholders' operations	48,761	-	-	-	-



Policyholders' share of surplus from Insurance Op.	14,064	19,554	33,935	48,454	81,181
Total insurance operations' liabilities and surplus	1,130,277	1,188,609	1,306,274	1,915,988	3,566,544
SHAREHOLDERS' LIABILITIES AND EQUITY	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s
Accrued expenses and other liabilities	13,855	21,352	26,532	31,419	42,398
Accrued Zakat and income tax	7,905	15,437	30,306	35,000	23,903
Amount due to a related party in respect of goodwill	20,990	3,355	3,355	-	-
Amount due to related parties	2,818	4,400	4,041	59,490	44,490
Total shareholders' liabilities	45,568	44,544	64,234	125,909	110,791
Share capital	400,000	400,000	400,000	400,000	400,000
Shares held under Employees' Share Scheme	(2,709)	(2,910)	(4,988)	(7,052)	-
Statutory reserve	23,694	32,143	59,024	88,491	148,746
Retained earnings	72,004	93,197	180,172	249,621	502,753
Total shareholders' equity	492,989	522,430	634,208	731,060	1,051,499
Total shareholders' liabilities and equity	538,557	566,974	698,442	856,969	1,162,290
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	1,668,834	1,755,583	2,004,716	2,772,957	4,728,834

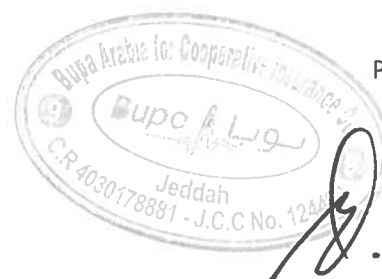
Investments and cash grew significantly during 2014, increasing by SR1,684m to SR3,773m, an increase of 81% from the 2013 close of SR2,089m. This follows the 2013 increase of SR514m, an increase of 33% from the closing SR1,575m, at the end of 2012. Investments and cash have therefore more than doubled over the past two years, growing SR2.2b (from SR1.6b to SR3.8b).

10. Bupa Arabia financial highlights:

• 10.1 Summary key performance indicators:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Gross written premiums (GWP)	3,177,480	5,740,449	2,565,969	81%
Net earned premiums	2,604,458	4,595,075	1,990,617	76%
Total expenses	384,094	654,351	270,257	70%
Total operating expense ratio	14.7%	14.2%	(0.5%)	(3%)
Surplus of insurance operations	145,186	327,269	182,083	125%
Policyholders' share of insurance operations' surplus	14,519	32,727	18,208	125%
Net shareholders' income	147,334	301,275	153,941	104%
Weighted average no of ordinary shares (thousands)	39,741	39,796	55	0%
Basic earnings per share (Saudi Riyals)	3.71	7.57	3.86	104%

In 2014, the Company achieved significant growth with gross written premium increasing by 81%. The increase in earned premiums, combined with an improved (reduced) loss ratio (79.4% in 2014 versus 80.4% in 2013) resulted in an increase in the net underwriting result of SR436m, or 85%. Part of the GWP growth was due to the commencement, during the third quarter, of the new SABIC account (refer section 5.8).



The overheads of the business increased due to top-line growth, an increase in the required allowance for the bad debts provision, as well as higher levies and commissions directly associated with the increased premiums. Regulatory levies alone, 1.5% of the gross written premiums or SR86m for 2014, were SR38m higher (81%) than the prior year.

Excluding year on year bad debt provision movement and the additional levies, overheads increased versus the prior year due to the full year costs of the prior year infrastructure and resource capability build (Riyadh office rental, additional headcount to support growth) and the current year additional costs associated with the increased volume of customers and extra investment in capability (distribution, brand, infrastructure, operations and other key activities).

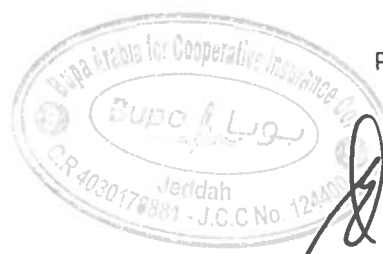
Description	2013 SRms (12 Months)	2014 SRms (12 Months)	2014 Change SRms	2014 Change %
Net income for the period (before Tax and Zakat)	147.3	301.3	154.0	104%
Adjust for BDP (Release)/Expense	8.0	25.3	17.3	216%
Less Investment/Other Income	(35.8)	(42.3)	(6.5)	18%
"Underlying" results	119.5	284.3	164.8	138%

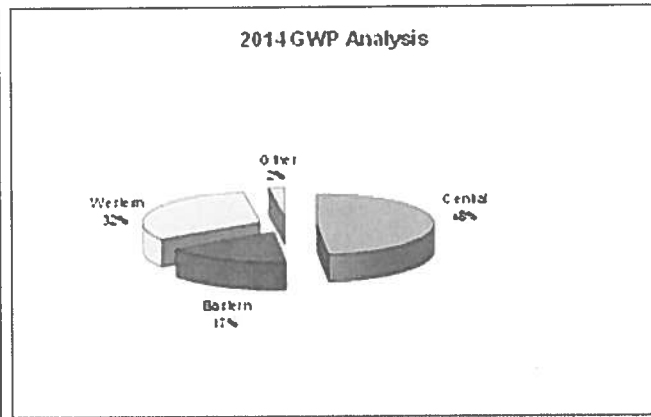
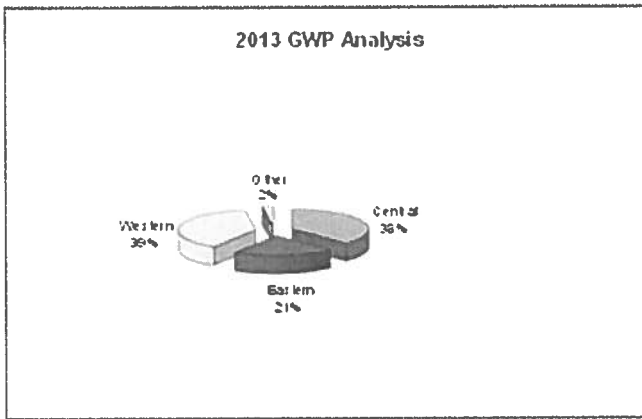
The "Underlying" results improved, by SR165m during the year, more than double the previous year. We focus on "Underlying" as this represents our key competence of underwriting, pricing and claims management. The "Underlying" margin improved from 4.6% in 2013 to 6.2% in 2014.

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

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Central	1,198,417	2,778,577	1,580,160	132%
Eastern	678,425	990,345	311,920	46%
Western	1,228,360	1,844,414	616,054	50%
Other	72,278	127,113	54,835	76%
Total gross written premiums (GWP)	3,177,480	5,740,449	2,562,969	81%

The Company writes only health insurance in Saudi Arabia and its revenue is currently concentrated in the main Central, Western and Eastern regions (collectively comprising 97.8% of Bupa Arabia's annual GWP). Significant growth results were achieved in all main regions, but this was particularly strong in the Central region which increased by SR1.6b to SR2.8b. As a result, the Bupa Arabia geographical mix changed significantly, from a 2013 position of the Western region having the most significant mix share to a 2014 position of the Central region the highest mix. The 2014 geographical GWP mix changes were: an increase in the Central (+10.6%) reductions in the Western (-6.6%) and Eastern (-4.0%) regions and the "Other" unchanged versus the prior year at a stable 2% of the annual GWP.





• 10.3 Net claims incurred:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Net claims incurred	2,094,354	3,649,005	1,554,651	74%

The increase in net claims incurred was due to the significant business growth, medical inflation, provider price increases and the enhanced CCHI benefits, but was offset by an improved loss ratio due to strong management of medical claims and improved price increases. As a result the Company was able to improve its loss ratio to 79% for 2014, from the stable circa 80% loss ratio levels of 2013 and 2012.

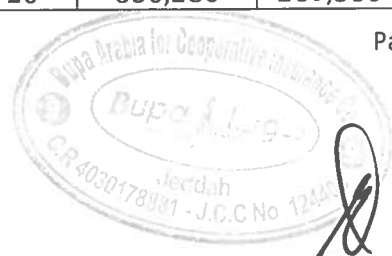
• 10.4 Total operating expenses:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Insurance operations' operating expenses	380,720	650,280	269,560	71%
Shareholder operations' operating expenses (G&A)	3,374	4,071	697	21%
Total operating expenses	384,094	654,351	270,257	70%
Total operating expense ratio to earned	14.7%	14.2%	(0.5%)	(3%)

The total operating expense ratio improved versus the previous twelve month period and was mainly driven by the increase in GWP and (excluding levies, commissions and regulatory required allowances for doubtful debts) improved business efficiency. The increase in the Shareholder operations' operating expenses was mainly due to 2013 expenses being low due to Shareholder net operating expenses being net of a 2012 Board fees accrual reversed in the 2013 results. The increase in the Insurance Operations' expenses is further described in section 10.5.

• 10.5 Total insurance operations' operating expenses:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
CCHI and SAMA levies	47,662	86,107	38,445	81%
Bad debt provision (release)/expense	8,789	25,626	16,837	192%
Other sales and marketing expenses	153,394	249,004	95,610	62%
Total S&M expenses-Insurance operations	209,845	360,737	150,892	72%
Total G&A expenses-Insurance operations	170,875	289,543	118,668	69%
Total Insurance operations operating expenses	380,720	650,280	269,560	71%



- 10.5.1 Insurance operations' sales and marketing expenses (S&M):
 - The 2014 CCHI and SAMA levies increased by SR38m versus the prior year due to the higher written premium of 2014 (refer 10.1).
 - The increase in the year on year allowance for doubtful premiums receivable, of SR17m for the twelve month period ended 31/12/2014, was due mainly to the 2014 growth (Article 69 written aged basis of provisioning) and the timing of collections.
 - The increase in the other Sales and Marketing expenses was due to increased commission costs, marketing spend and staff costs in support of the brand development and the enhancement of the Company's regional presence and infrastructure.

- 10.5.2 Insurance operations' general and administrative expenses (G&A):
The Insurance operation's general and administration expense increase during the year related mainly to the full year staff and infrastructure costs resulting from the prior year capability build (including Riyadh office full year office rental), and the current year additional expenditure incurred due to enhancing the organisational capability in support of the Company's customer growth and strategic initiatives.

• 10.6 Surplus from insurance operations:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Surplus from insurance operations	145,186	327,269	182,083	125%

The increase in the surplus from insurance operations was mainly due to the higher underwriting result, due to the higher earned premium, combined with the improved loss ratio, but offset by an unfavourable year on year increase in levies and BDP, and higher growth related expenses, such as levies and commissions. An increase in underwriting contribution of SR436m was achieved, but this was partially offset by an increase in operating expenses as described in sections 10.4 and 10.5.

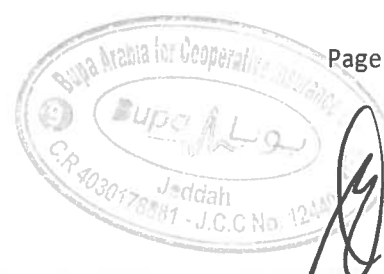
• 10.7 Investment income:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Insurance operations' investment income	15,485	18,844	3,359	22%
Shareholder operations' investment income / (loss)	19,989	10,804	(9,185)	46%
Total investment income	35,474	29,648	(5,826)	(16%)

Investment income during the year decreased versus the previous year as a result of the prior year containing a one-off IPO investment income gain of SR8m, within Shareholder operations' investment income, which did not repeat in 2014. The increase in the Insurance operations' investment income versus 2013 was due to an increased average cash balance, but offset by lower average rates. As with prior years, due to the challenging admissibility factors associated with higher yield investments and the need to maintain investments in high admissibility asset classes (predominantly cash) Bupa Arabia maintained a risk averse investment strategy during the year.

• 10.8 Other income:

The Insurance operations' surplus includes SR12.6m of other income related to Bupa Arabia health consultancy support (2013 nil).



• 10.9 Net shareholders' income:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Net shareholders' income	147,334	301,275	153,941	104%

The increase in the net shareholders' income for the twelve month period was driven mainly by the increased surplus from insurance operations, due to the improvement in the net underwriting result, but offset by the increase in the allowance for doubtful premiums receivable and the increased costs associated with growth (levies and commission costs). The net shareholders' income was adversely impacted by the investment income SR9m lower than the previous year (refer 10.7).

• 10.10 Summary statement of financial position:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Insurance operations' assets	1,915,988	3,566,544	1,650,556	86%
Shareholder operations' assets	856,969	1,162,290	305,321	36%
Total assets	2,772,957	4,728,834	1,955,877	71%
Insurance operations' liabilities and surplus	1,915,988	3,566,544	1,650,556	86%
Shareholders' liability	125,909	110,791	(15,118)	(12%)
Shareholders' equity	731,060	1,051,499	320,439	44%
Total liabilities, surplus and shareholders' equity	2,772,957	4,728,834	1,955,877	71%

The increase in liabilities during the twelve month period was due mainly to an increase in the technical reserves associated with the growth in written premiums (technical reserves and the GWP both grew by +80% during the period).

During 2014, the Company generated SR1,718m, versus 2013 at SR532m, of net cash from its operating activities, representing a significant increase of SR1,186m, up 223%, being SR1,430m and SR288m from insurance operations and shareholder operations respectively, versus 2013 at SR274m and SR258m respectively.

• 10.11 Total assets:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Total assets	2,772,957	4,728,834	1,955,877	71%

The increase in total assets during the twelve month period was due mainly to the net increase of cash and cash equivalents/investments (a combined net increase of SR1,711m, refer 10.12) and the increase in net premiums receivable of SR189m, refer 10.14.

• 10.12 Cash and cash equivalents:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Insurance operations' cash and cash equivalents	232,267	1,407,665	1,175,398	506%
Insurance operations' murabaha deposits	956,230	1,213,027	256,797	27%
Shareholder operations' cash and cash equivalents	101,260	462,569	361,309	357%



Shareholder operations' murabaha deposits	126,993	44,730	(82,263)	(65%)
Total cash and cash equivalents	1,416,750	3,127,991	1,711,241	121%

The increase in cash and cash equivalents was due mainly to significant gross written premium growth, combined with an excellent collections and debt management performance, which included full settlement of the SABIC contract inception premium.

• 10.13 Investments:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Insurance operations' investments	186,107	189,968	3,861	2%
Shareholder operations' investments	446,338	454,578	8,240	2%
Total investments	632,445	644,546	12,101	2%

The original SR550 million investment placement remains under the management of the same external third party as originally approved by the Board and Investment Committee during 2010. A 2014 total amount of SR277m, 2013 total amount of SR201m, was payable to the shareholders' operations by insurance operations and was settled by transfer of SR277m cash (SR201m 2013 settlement was settled via SR127m murabaha deposits and SR74m cash) to shareholders' operations as at 31/12/2014.

• 10.14 Total premiums receivable, net:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Total premiums receivable, net	410,095	598,687	188,592	46%

The increase in total net premiums receivable was due to the significant growth during the year but, due to a strong collections performance, the growth in net premiums receivable was below the level of GWP growth (46% versus 81%).

• 10.15 Technical reserves:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Unearned premium reserves	1,323,069	2,383,358	1,060,289	80%
Claims reserves	450,096	812,530	362,434	81%
Technical reserves	1,773,165	3,195,888	1,422,723	80%

The growth in the technical reserves is mainly due to the growth in the written premium, of 81%, combined with a stable seasonality of written towards the second half of the year. As a result of the significant growth, the unearned premium reserves, at 31/12/2014, increased by SR1,060m to SR2,383m and represent 41.5% of the 2014 annual gross written premium (therefore stable versus the 41.6% as at 31/12/2013). The claims reserves increased by SR362m to SR813m and represent 22.3% of the annual net claims incurred during 2014 (versus 2013 at 21.5% and 2012 at 24.3%), therefore broadly in line with the prior year's ratios. The technical reserves, as at 31/12/2014, increased by 80%, therefore broadly in line with the GWP growth of 81%, and, as was the case in prior years', were correctly calculated and provided for in accordance with SAMA's implementing regulations, as well as having been verified as accurate by an independent external actuary.

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

As required in terms of the CMA disclosure requirement of Article 43, paragraph 9, article 44 of the Company's code of business conduct states the following with respect to the calculation and distribution of profits:

- The exclusion of Zakat and Income Tax.



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

12. Key sales, operations and other functional activities:

• 12.1 Sales and marketing:

Bupa Arabia continued to strengthen its distribution capability in 2014 and also developed valued products and services that yield a positive healthcare outcome for its members. In the Corporate sector, we achieved an enhanced presence in all three regions; specifically the Central region where Bupa Arabia significantly grew market share (in terms of total Gross Written Premium). Bupa Arabia also expanded its international capability and secured significant new domestic accounts, such as SABIC and Abdullatif Jamil.

A significant marketing milestone for Bupa Arabia, during 2014, was the partnership with Al-Hilal Football Club (FC) in becoming their healthcare partner. This built on the successful partnership formed between Bupa Sanitas, in Spain, and Real Madrid FC. Under the agreement, which extends for a period of five sports seasons, Bupa Arabia will be the first in the region to provide unique, integrated health and fitness services to the club. These services, provided uniquely to Al-Hilal FC, will include private health insurance and the best medical care, supported by a long list of the latest and best medical centres and hospitals in the Kingdom of Saudi Arabia, the Gulf, and Spain. Bupa Arabia will conduct specialised tests in sports medicine, based on studies conducted by its Spanish counterpart, Sanitas, for new players when they sign with the club. The company will also monitor the progress of player injuries using the global expertise it has gained in this field, in conjunction with the best domestic and international healthcare centres. In addition, Bupa Arabia will provide a dedicated team to manage the health insurance of the players and their families so that medical services and procedures are carried out smoothly and comfortably.

Furthermore, Bupa Arabia will provide consulting and technical support services for the development and improvement of the medical facilities of the club. This partnership, between Bupa Arabia and Al-Hilal FC, the best-known Saudi Arabia football club, will cement the company's leadership position as the regional counterpart of Bupa in Spain (Sanitas), with its special partnership with Real Madrid.

Bupa Arabia invested heavily in the transition to the new CCHI policy, implementing the changes in systems, training and communicating the same to current customers and business prospects in time for the transition deadline set by CCHI of July 1st, 2014. Bupa Arabia ran comprehensive marketing initiatives across all segments (Corporate, SME and Family) to generate business leads and prospects in Q4, 2014.

• 12.2 Operations management and customer service:

Bupa Arabia continues to invest in its service delivery by continuously enhancing its capabilities, systems and service proposition, aligned with a high performance culture and service excellence mindset (a continuation of the "Up Your Service Passion" program launched in 2011).

The Healthcare Operations (HCO) unit managed to engage significant numbers of existing Bupa Arabia members through the expansion and addition of new HCO services that cater to diverse segments and to more specific medical needs, such as:

- Chronic Disease Management Coaching
- Maternity Care & Baby Vaccination



- iii. Expanding Home Lab service
- iv. International Second Medical Opinion

Another milestone for the Healthcare Operations unit was the launching of the wellness program initiative delivering on Bupa Arabia's promise of being a healthcare partner, conducting various seminars and education sessions on such topics as stress management, weight management, CPR etc.

• 12.3 Bupa Arabia's people:

Bupa Arabia believes in the value of a healthier and more engaged workforce. The Company believes that engaged, positive employees, who are treated fairly and with respect, will better serve its customers and drive business growth and success.

To ensure Bupa Arabia attracts, retains, motivates and develops its people effectively, Bupa Arabia implemented a number of initiatives during 2014, including new recruiting and training processes to ensure the build and development of a workforce that can support the significant growth. In 2014, the workforce increased by 30%, reaching approximately 1,300 employees. Bupa Arabia has also developed rigorous people processes, such as Talent Management reviews and follow-up actions, as a core part of the people agenda, to ensure its people are the best in the industry and so that succession and career plans are in place.

In 2014, Bupa Arabia conducted its third detailed survey of its people (the "Bupa Global People Survey (GPS)") to understand how its employees rate the Company in the critical areas of leadership and people management. An employee participation rate of 96% was achieved and the business showed further improvement in all its key indices.

Bupa Arabia continued to strive to attract, develop and retain Saudis, from its Executive Management to all levels within the organization and, during 2014 the company achieved increases in its overall Saudisation level, up to 62% (platinum) from 2013 at 56%. Also, the Saudi proportion of Bupa Arabia's Executive Management (comprising Chiefs and Directors) increased to 56% in 2014, from 2013 at 47%.

In addition Bupa Arabia won the following awards during 2014:

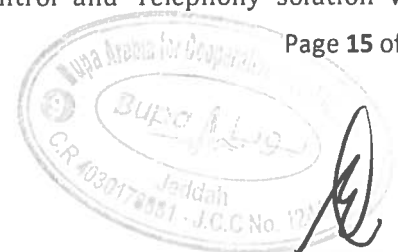
- Ranked 10th "Great Place to Work" in Saudi Arabia - large corporation category
- Best Saudi Company to Work For – female category
- Best CSR initiative in KSA (International Finance Magazine 2014)
- Best Innovative Healthcare Partnership in KSA for Al Hilal FC

• 12.4 Technology Services & Business Transformation:

In 2014 Bupa Arabia was successful in advancing and modernizing the Information Technology foundation of Bupa Arabia and in developing and acquiring additional IT talent; this will directly contribute to achieving the company's strategic goals and vision. Importantly, in 2014 we took the strategic decision to introduce Microsoft CRM to further improve functionality and enable Bupa Arabia's commercial and operational functions. This will result in the improvement of lead conversion and customer retention, customer service and our HealthCare Operations. It will also ensure the benefits of the new CRM platform will be felt by customers, staff and management.

The Three Year IT Strategy plan is progressing very well, where functions and capabilities have been restructured to better support the Bupa Arabia strategy; the "Demand and Release" and "Data Warehouse and Business Intelligence" capabilities have been restructured and additional expertise appointed to yield real business benefit. Additionally, significant automation and operational performance improvements were successfully implemented, particularly for HealthCare Operations, which reported a remarkable 30% efficiency improvement.

Core elements of the Bupa Arabia IT Infrastructure were upgraded and several technical audit exercises were successfully conducted. A monitoring solution was successfully implemented providing proactive visibility and improving the level of responsiveness. Also, a centralized Access Control and Telephony solution was



successfully implemented for Jeddah and Riyadh. 2014 also witnessed the achievements of several projects and initiatives in close cooperation with Finance and other business units, including Collections auto-identification (VIBAN) and the integration with SIMAH systems (for uploading client debtor defaulters). In addition and with the support of the Bupa Arabia teams, the company met its Information Governance target (72% compliance).

In 2015, the execution journey of the agreed three Year IT strategy will continue with the prime focus on CRM implementation and providing further innovative solutions, including key initiatives covering CRM, Customer Service, High Availability and Online Services, Mobile Applications, the Saudi Family business segment and our Riyadh City store, all of which have been identified as very promising segments.

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

• 13.1 Board of directors and membership in other joint stock companies' Boards:

During the year, the Board of Directors commenced its new three year term, on 05/06/2014G, 07/08/1435H, as announced on Tadawul, as part of the General Assembly meeting minutes announcement of 08/06/2014G, 10/08/1435H, having previously announced the start of the start of the Board nomination period on Tadawul on 23/04/2014G, 23/06/1435H. Subsequent to the commencement of the new Board term, as a result of their resignations from Bupa in the United Kingdom, two of the Non-Executive Board members representing Bupa Investments Overseas Limited resigned from the Bupa Arabia Board and were replaced during the year. These appointments were approved by SAMA and the Bupa Arabia Board during the year and will be tabled for the approval of the shareholders in the 2014 General Assembly meeting taking place during 2015 (refer section 13.2 for further details).

Membership	Director name	Membership of other joint stock company Boards
Non-Executive	Eng. Loay Hisham Nazer	Not applicable
	Mr. David Martin Fletcher	Not applicable
	Mr. Edward George Fitzgerald Hannan	Not applicable
	Mr. Ignacio Peralta Gracia	Not applicable
Independent	Mr. Aamer Abdullah Ali Reza	Saudi Industrial Services Company (SISCO)
	Mr. Abdulhadi Ali Saif Shayif	Saudi Hollandi Bank, The Arabian Cement Company
	Mr. Zaid Abdulrahman Al-Gwaiz	Middle East Specialized Cables (MESOC), Rajhi Steel company
Executive	Mr. Tal Hisham Nazer	Not applicable

• 13.2 Board of director changes during the year:

The Board of Directors on 13/11/1435H, 08/09/2014G, approved the foreign shareholder's (Bupa Investment Overseas Limited) request to change its representatives on the Board and accepted the resignations of its existing Board representatives effective from 13/11/1435H, 08/09/2014G. The Board approved the proposed replacement Board members, Mr. Edward George Fitzgerald Hannan and Mr. David Martin Fletcher, on 08/09/2014G, 13/11/1435H, as announced on Tadawul on 09/09/2014G, 14/11/1435H, subject to the approval of SAMA, which was received on 25/12/2014G, 03/03/1436H, and was announced on Tadawul on 28/12/2014G, 06/03/1436H, and will be subject to the approval of the General Assembly meeting, which will take place during 2015. The new Board members will complete the new three year Board cycle which commenced on 05/06/2014G.

Outgoing and date	Incoming and date	Representing
Mr. Saleh Nasser Al-Jassar (to 04/06/14, previous Board term completion)	Mr. Zaid Abdulrahman Al-Gwaiz (from 05/06/14, new Board term)	Public shareholders (Independent Board Member)



	commencement)	
Mr. James Gordon Wheaton (resigned 08/09/2014)	Mr. Edward George Fitzgerald Hannan Board approval 08/09/2014 SAMA approval 25/12/2014	Bupa Investments Overseas Limited
Mrs. Elizabeth Alison Platt (resigned 08/09/2014)	Mr. David Martin Fletcher Board approval 08/09/2014 SAMA approval 25/12/2014	Bupa Investments Overseas Limited

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

The table below details salaries, emoluments, allowances and bonuses received by board members and the top five senior executives, which includes the CEO and CFO, from 01/01/2014 to 31/12/2014:

Description	Executive Member	Non-Executive Members / Independents	Top Five Senior Executives (including CEO and CFO)		
	2014 SR000s	2014 SR000s	2014 SR000s	2013 SR000s	2014 Change
Salaries and emoluments	120	900	9,572	8,546	1,026
Board Allowances	12	84	N/A	N/A	N/A
Bonuses	N/A	Nil	6,121	620	5,501
LTIP and EOS	N/A	Nil	7,309	3,195	4,114
2014	132	984	23,002	12,361	10,641
2013	132	525	12,361		
2014 Change	0	459	10,641		

The amounts reflected for the Executive Member, who is also the CEO, are the attendance fees and allowances for the Board and Committee meetings attended. The CEO bonus, LTIP and EOS amounts are contained within the 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.

The Non-Executive Members / Independents 2013 SR525k was net of a 2012 accrual reversal in 2013 of SR477k, without which the 2013 figure would have been SR1,002k (SR900k Salaries and emoluments, as per 2014, and SR102k Board Allowances, versus 2014 at SR84k).

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

The Bupa Arabia equities held by the Board members, and their immediate family members, of Bupa Arabia are as detailed below at 31/12/2014:

Interest of the Company's Board members and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries			
	Opening 31/12/2013	Closing 31/12/2014	Change



Name of Director	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Eng. Loay Hisham Nazer	1,000	-	1,000	-	-	0%
Mr. Tal Hisham Nazer	1,000	-	1,000	-	-	0%
Mr. Aamer Abdullah Ali Reza	6,000	-	6,000	-	-	0%
Mr. Abdulhadi Ali Saif Shayif	100,025	-	152,357	-	52,332	52%
Mr. Zaid Abdulrahman Al-Gwaiz	1,000	-	1,000	-	-	0%
Mr. Ignacio Peralta Gracia (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
Mr. Edward George Fitzgerald Hannan (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
Mr. David Martin Fletcher (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-

Bupa Investments Overseas Limited has registered 1,000 shares with the CMA for each Board member as guaranteed shares for its representatives on the Bupa Arabia Board (as required by the CMA regulations). 75,025 of the shares reflected as the opening shares for Mr. Abdulhadi Shayif are shares which were already owned by Mr. Abdulhadi Shayif prior to his commencement of any term period as a Director of Bupa Arabia.

• 13.5 Description of the Bupa Arabia equities of the senior executives and their immediate family members: The Bupa Arabia equities held by the senior executives, and their immediate family members, of Bupa Arabia are detailed below:

Interest of the Company's Senior Executives and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries						
Name of Senior Executive	Opening 31/12/2013		Closing 31/12/2014		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Fraser David Gregory	7,000	-	7,000	-	-	0%

• 13.6 Description of any interest in a class of voting shares held by other persons: Other than the equities and interests of the Board members and their immediate family members, and the equities and interests of the senior executives and their immediate family members, as detailed within the preceding sections 13.4 and 13.5, Bupa Arabia is not aware of any other interest in a class of voting shares held by persons that have notified Bupa Arabia of their holdings pursuant to Article 45 of these rules.

• 13.7 Board meetings and attendances: As required in terms of the CMA disclosure requirements of Article 43, paragraph 16, the Board meetings, and Directors' attendance record, for the year are reflected below:

Director name and period	Position	Membership	Board 1 25/02/2014	Board 2 07/05/2014	Board 3 09/07/2014	Board 4 08/09/2014	Board 5 5-6/11/2014
Eng. Loay Hisham	Member	Non-Executive	Y	Y	Y	Y	Y

Nazer (full year)								
Mr. Tal Hisham Nazer (full year)	Member	Executive	Y	Y	Y	Y	Y	Y
Mr. Aamer Abdullah Ali Reza (full year)	Member	Independent	Y	Y	Y	Y	Y	Y
Mr. Saleh Nasser Al-Jassar (to 04/06/14, term completion)	Member	Independent	Y	Y	N/A	N/A	N/A	N/A
Mr. Zaid Abdulrahman Al-Gwaiz (from 05/06/14, new term)	Member	Independent	N/A	N/A	Y	Y	Y	Y
Mr. Abdulhadi Ali Saif Shayif (full year)	Member	Independent	Y	Y	Y	Y	Y	N
Mr. Edward George Fitzgerald Hannan (from 08/09/2014)	Member	Non-Executive	N/A	N/A	N/A	Y	Y	Y
Mr. David Martin Fletcher (from 08/09/2014)	Member	Non-Executive	N/A	N/A	N/A	Y	Y	Y
Mrs. Elizabeth Alison Platt (to 08/09/2014, Resigned)	Member	Non-Executive	Y	Y	Y	N/A	N/A	N/A
Mr. James Gordon Wheaton (to 08/09/2014 Resigned)	Member	Non-Executive	Y	Y	Y	Y	Y	N/A



Mr. Ignacio Peralta Gracia (full year)	Member	Non-Executive	Y	Y	Y	Y	Y
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• 13.8 Major board resolutions during the year:

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

- The 2013 Annual Financial Statements and the 2013 Annual Board Report, per the Audit Committee approval recommendation to the Board, as announced on Tadawul on 20/02/2014G, 20/04/1435H,
- The recommendation, as announced on Tadawul on 23/04/2014G, 23/06/1435H, subject to the approval of SAMA and the Ordinary General Assembly Meeting, and thereafter the Board approval, of Dividends of SR20m, for the 2013 year, all of which approvals were subsequently obtained (refer section 13.9),
- The 2013 fourth quarter, and 2014 first, second and third quarters', interim financial statements, the results as announced on Tadawul on 21/01/2014G, 16/04/2014G, 17/07/2014G and 19/10/2014G,
- The conflicts of interests, subject to the shareholder approval in the Ordinary General Assembly Meeting, and as reflected in this Board report,
- The Ordinary General Assembly meeting agenda and invitation, as announced on Tadawul on 07/05/2014G, 08/07/1435H,
- The appointment of the joint external Auditors as PricewaterhouseCoopers and Deloitte & Touche, for the 2014 financial year, per the Audit Committee approval recommendation to the Board, subject to the shareholder approval in the Ordinary General Assembly Meeting, and subsequently approved by the Ordinary General Assembly meeting (refer section 13.9)
- The appointment of Mr. Gareth Evans to the Audit Committee, in place of Mr. James Wheaton, for the remainder of the term, subject to the approval of SAMA, and subsequently approved by SAMA,
- The appointment of Mr. Edward Hannan to the Nomination and Remuneration Committee, in place of Mr. James Wheaton, for the remainder of the term,
- The appointments of Mr. David Fletcher, and Mr Edward Hannan, to the Executive Committee, in place of Ms. Alison Platt, and Mr James Wheaton,
- The appointment of Mr Zaid Al-Gwaiz, as Investment Committee Chairman, in place of Mr. Saleh Al-Jasser, subject to the approval of SAMA, and subsequently approved by SAMA,
- The approval of the appointments of the Chairman of the Board, the Vice-Chairman, the CEO and the formation of the Board Committees, as announced on Tadawul on 12/06/2014G, 14/08/1435H,
- The approval of the change in Chief Executive Officer (CEO) package, as per the recommendation approval of the Nomination and Remuneration Committee,
- The approval of the liquidation of the shares held on behalf of the scheme members under the Long-Term Incentive (LTIP) scheme, as per the recommendation approval of the Nomination and Remuneration Committee, due to the in-progress development of an enhanced scheme effective from the commencement of the 2015 financial period (as disclosed in note 20 of the annual financial statements and refer section 20 of this Board report).

• 13.9 General assembly meeting during the year:

Bupa Arabia's Annual Ordinary General Assembly Meeting (the seventh Ordinary General Assembly Meeting) of the shareholders convened on 07/08/1435 H, 05/06/2014 G, during which the following outcomes were concluded:

- Resolution 1: The approval of the Board of Directors report for the year ended 28/02/1435 H, 31/12/2013 G (12 months),
- Resolution 2: The approval of the Annual Financial Statements, and the report of the external auditors, for the year ended 28/02/1435 H, 31/12/2013 G (12 months),
- Resolution 3: The approval of the selection and appointment of the joint external auditors (PricewaterhouseCoopers and Deloitte & Touche), and the setting of the external auditors' fees, for the company's financial statements for the year ending 09/03/1436 H, 31/12/2014 G, in line with the recommendation of the Audit Committee,



- Resolution 4: The election of the new Board of Directors, from the nominees, for the new term period of three years, which will commence on 07/08/1435 H, 05/06/2014 G. The election was based on a vote for each share (normal voting) and the appointed Board members were as follows:
 - 1- Eng. Loay Hisham Nazer
 - 2- Mrs. Elizabeth Alison Platt
 - 3- Mr. James Gordon Wheaton
 - 4- Mr. Ignacio Peralta Garcia
 - 5- Mr. Abdulhadi Ali Shayif
 - 6- Mr. Aamer Abdullah Ali Reza
 - 7- Mr. Zaid Abdul Rahman Al Gwaiz
 - 8- Mr. Tal Hisham Nazer
- Resolution 5: : The Clearance authorisation for absolving the directors of their responsibilities and duties that the Board has been performing during the period from the end of the previous term to the day of the General Assembly meeting,
- Resolution 6: Approve the ratification of Business and Contracts where a Board member has a direct or an indirect interest during the year 2013, and during 2014 if applicable, as per the below:
 - Al Majd Al Rraqi Company for Medical Care and Health Services Limited (providing services associated with Diaverum), is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided services at a cost estimated at SR415k for the full period, and as at 31/12/2013G SR237k was estimated as payable, as well as continued services, and associated fees, until the end of 2014,
 - Mr. Abdulhadi Shayif owns a 1% shareholding in the Shariah Review Bureau (SRB), a company providing Shariah Consulting Services to Bupa Arabia and to which payment of SR 150k was made during the 2013 year, as well as continued services, and associated fees, until the end of 2014,
 - Trans Arabian Creative Communications (TRACCS) is 45% owned by Nazer Group Holding, and those whom have a direct interest are; Eng. Loay Nazer, Chairman and Mr. Tal Nazer, Chief Executive Officer, where these are fees for handling the Public Relation matters related to the company with a sum of SR211k in 2013, as well as continued services, and associated fees, until the end of 2014,
 - Bupa Arabia received SAMA's approval to finalise the transfer of the insurance portfolio, from Bupa Middle East Limited E.C., through SAMA's letter no IS928 dated 07/07/1430H, 30/06/2009G and the insurance portfolio transfer agreement and formalities were completed during 2009. The insurance portfolio purchase/sale agreement provided for the payment of fees relating to the outstanding Goodwill consideration amounts and SR3,355k, in accordance with this, were included in the 2011 results. The SR3,355k fees were settled to the seller in 2013 after SAMA's approval was received via SAMA letter number 341000017461,
 - In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430H, corresponding to 9/09/2009G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the Company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement the related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. During 2013 the trade mark fee payable amounted to SR9,714k, as well as continued services, and associated fees, until the end of 2014,
 - The Company on 28/2/1435H, corresponding to 31/12/2013G, entered into a reinsurance contractual agreement with Bupa Insurance Limited, a related party, to reinsure part of the written premium related to its customers, and their dependents, outside the Kingdom. Bupa Insurance limited is a subsidiary of the Bupa Group and which is represented on the Bupa Arabia Board of Directors by Mr. Ignacio Peralta Garcia, Ms. Elizabeth Alison Platt and Mr. James



Gordon Wheaton. During 2013 the ceded premium amounted to SR76,661k, which represents approximately 3% of the 2012 annual written premium, as well as continued services with this reinsurance contractual agreement, and associated fees, until the end of 2014,

- During 2013 the Company has with companies entered into health insurance contracts in which certain of the Bupa Arabia Board members have an interest or an association and can confirm that these contracts have been priced on an arms-length basis and in line with the Company's agreed targeted pricing and loss ratio requirements. The Company further confirms that these contracts carry no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other customers, as well as continued services under these contracts, if applicable, or upon renewal, during 2014,
- During 2014, certain employees of the Company worked on a project owned by the Nazer Group Limited, a related party as one of the shareholders of the Company. As a result, the related costs of these employees, for the period they worked on the related party project, will be recharged to the related party. The recharged expense, for the three month period ended 31/03/2014, was SR536k, as well as the continued recharge of such services, where applicable, during 2014.

- Resolution 7: Approve the recommendation of the Board of Directors to pay a dividend, for the year ending 31/12/2013G, of SR0.50 per share totaling SR twenty million (SR 20,000,000), representing 5% of the paid up capital, to shareholders registered at the date of the ordinary General Assembly Meeting on Thursday 7 SHa,baan 1435H, corresponding to 5th June 2014G. The date of the cash dividend payment will be confirmed at the ordinary General Assembly Meeting and will be within 30 days of the General Assembly meeting. This proposed cash dividend payment represents 5% of the nominal value of each share.
- Resolution 8: Approve the recommendation of the Board of Directors to set the specific and explicit policies, standards and procedures as required by Article 10 e listed in the Corporate Governance regulations as issued by the Capital Market Authority (CMA) and other policies as required by other regulatory authorities as applicable as per the below:
 - Fit & Proper Persons Policy
 - Corp Social Responsibility (CSR) & Sustainability Policy
 - Corp Governance Framework
 - Employee Code Of Conduct Policy
 - Information Governance Framework
 - Information Governance & Confidentiality Policy
 - Outsourcing Policy & Procedures
 - Complaint Management System
 - IT Security Policy
- Resolution 9: The approval of SR591k as the remuneration for the members of the Board of Directors for the year ended 31/12/2013 G in accordance with article 17 of the company by-laws.
- Resolution 10: The absolving of the Board of Directors of their legal and financial responsibility for managing the company for the year ended 28/02/1435 H, 31/12/2013 G (12 months),

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

• 13.10 Related party transactions:

The company has related party transactions, due mainly to the ownership in a few of the companies Bupa Arabia deals with, by Bupa and Nazer, and a summary of which is reflected in the table immediately below, with further details associated with these transactions covered in sections 13.11, 13.12 and 13.13:



Legal Entity	Related parties	Description	Period	2013 SRk	2014 SRk	2014 Change
Bupa Global Market Unit	Bupa Group	Reinsurance premiums ceded	Annual - full year	76,661	74,858	- 1,803
Bupa Middle East Holdings W.L.L.	Bupa Group and Nazer	Trade mark fee	Annual - full year	9,714	11,505	1,791
Nazer Medical Clinics Company	Nazer	Bupa Arabia staff expenses recharged	Annual - full year	-	2,517	2,517
Nazer for Dialysis and Healthcare Services Co. Ltd	Nazer	Claims paid to medical provider	Annual - full year	415	609	194
TRACCs	Nazer	Public relations consulting	Annual - full year	211	168	- 43
Shariah Review Bureau (SRB)	Mr. Abdulhadi Shayif	Shariyah consulting	Annual - full year	150	150	-
Total these listed				87,151	89,807	2,656

• 13.11 Insurance contracts with companies related to Board members:

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

• 13.12 Other contracts with companies related to Board members:

During the financial period the Company contracted with Trans-Arabian Creative Communications (TRACCs) for public relations services. TRACCs is a company in which the Nazer Group Limited has a stake holding of forty-five percent. The Company confirms that proper arm's length tendering processes for the services took place and that the expense of the Company, with TRACCs, amounted to SR168k during the 2014 financial year (2013 SR211k). The contractual arrangement was approved during the 2011, 2012 and 2013 Annual Ordinary General Assembly meetings which took place during 2012, 2013 and 2014. Its approval will also form part of the 2014 Annual Ordinary General Assembly meeting, which will take place during 2015, for the approval of the shareholders (in accordance with Article 18 of the CMA Corporate Governance regulations) and will be provided to the Bupa Arabia Board of Directors for approval during 2015 (the related party Board members will not vote on this matter). The External Auditors will be requested to provide a full report on this agreement and this will be presented to the 2014 Annual Ordinary General Assembly meeting during 2015.

Since the second quarter of 2012 the Company has contracted with a Damman based provider of dialysis services, Al Majd Al Rraqi Company for Medical Care and Health Services Limited (a company providing services associated with Diaverum), and which is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. The related party relationship therefore exists due to the ownership/Board memberships of Eng. Loay Nazer and Mr. Tal Nazer (Chairman and Executive Director/CEO of Bupa Arabia respectively). The contract is a provider relations contract for the duration of twelve months for every year, and is expected to continue each year, subject to the approval of the shareholders in the General Assembly meeting each year. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided dialysis services to Bupa Arabia patients at a cost to the Company estimated at SR609k for full year 2014 (versus



SR415k estimated for the full year 2013). At 31/12/2014 SR281k was estimated as payable to Al Majd Al Rraqi Company for Medical Care and Health Services Limited (SR237k estimated as payable for 2013 as at 31/12/2013). Bupa Arabia confirms that the contract was priced on an arm's length basis and in line with the same procedures as the Company's other hospital providers and clinics. The Company further confirms that the contract carries no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other hospital providers and clinics. During the year Al Majd Al Rraqi Company for Medical Care and Health Services Limited changed its name to Nazer for Dialysis and Healthcare Services Co. Ltd so the related party changes accordingly.

Mr. Abdulhadi Shayif, independent Board member, owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia and which represented an operating expense to Bupa Arabia in 2014 of SR150k (2013 year was SR150k). The contract is an annual contract for the provision to Bupa Arabia of Shariah review services and is expected to continue each year, subject to the approval of the general assembly meeting each year.

In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430 H, 9/09/2009 G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the Company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement the related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. The trade mark fee is payable at different rates linked to the results of the Company. Consequent to the increase in the results a higher rate of trade mark fees is payable. Accordingly, during 2014 the trade mark fee amounted to SR11,505k, compared to 2013 of SR9,714k.

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

During the preceding year the Company signed a reinsurance agreement, on 28/2/1435 H, 31/12/2013 G, with Bupa Insurance Limited (a Related Party) to reinsure part of the written premium related to its customers outside the Kingdom, and their dependents. Bupa Insurance limited is a subsidiary of the Bupa Group which is represented on the Company's Board through Bupa Investments Overseas Limited by Mr. David Fletcher, Mr. Edward Hannan and Mr. Ignacio Peralta Gracia. The premium ceded at 31/12/2014 was SR75m (at 31/12/2013 was SR 77 million), which represents around 1.3% of the 2014 annual gross written premiums (it was 2.4% of the 2013 annual gross written premium). Bupa Arabia will seek the shareholders' approval at the 2014 Annual Ordinary General Assembly meeting, which will take place during 2015.

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

The Company confirms that other than the above, and below (in section 13.13), specific contracts there are no other contracts to which the Company is a party and in which a Director, the CEO, the CFO or any associate is or was materially interested.

• 13.13 Other related party transactions:

A shareholder, not related to the Board members of the Company, used to also be a hospital provider. The written premium, and medical cost payments, and estimated medical costs payable as at 31/12/2013, associated with this shareholder hospital provider, were reflected in the related parties note 12b) in the annual financial statements. During 2014, this shareholder related party sold its holding in the Company and therefore is not a related party as of 31/12/2014.

During 2014 certain employees of Bupa Arabia worked on a project owned by a Nazer Group company, Nazer Medical Clinics Company, whilst this company is in the process of being created. The related costs of these employees, for the period worked on the project, were recharged to the related party, amounting to SR2.5m, and were settled by the related party during the current period. This was reflected in the related parties note 12d) in the annual financial statements.

During the current year there were no further transactions between Bupa Arabia and Bupa Middle East Limited E.C. as, during 2013 Bupa Arabia received SAMA's approval letter, number 341000017461, for the full and final settlement of the SR3,355k final payment, related to the transfer of the insurance portfolio, as was provided in the 2011 and 2012 results, to Bupa Middle East Limited E.C..

14. Other disclosures in accordance with laws and regulations:

• 14.1 Provision of corporate governance:

Bupa Arabia is committed to, and is in full compliance with, the full adherence to the provisions of the corporate governance regulations as issued by the CMA's council in its bulletin No. 1-1-2009, dated 08/01/1430 H, 05/01/2009 G, with the following minor exceptions:

Article Number	Article section and narrative	Reason for non-compliance
6 - Voting Rights	b) In voting in the General Assembly for the nomination to the Board members, the accumulative voting method should be applied.	The company follows the regulations of Article 93 of the Ministry of Commerce, and Article 34 of the Bupa Arabia company by-laws. Article 34 of the Company's by-laws states: "the company counts the votes in the established assembly of the Ordinary General Assembly and the Extraordinary Assembly based on a vote for each share."

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

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

• 14.2 Corporate governance and risk management:

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

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



processes are recommended and monitored for implementation effectiveness and timeliness.

During 2015 the Company will seek to further enhance its corporate governance through the development/enhancement of its Corporate Governance related codes and specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly meeting. The afore-mentioned in support of the CMA regulations as contained within article 10 clauses c and d.

During 2014, there were changes in the members of the Board of Directors through the formal approval of the appointment of the new Board and Committees for the new three year term, commencing from 08/06/2014. Subsequent to the new Board member appointments the members of the Board representing Bupa Investments Overseas Limited, as reflected in section 13.9, Resolution 4, were implemented following the resignations of two of the previous Board member representatives. Subsequent to the commencement of the new term of the Board and its Committees the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Mrs. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors. Mr. Edward Hannan also replaced Mr. James Wheaton on the Nomination and Remuneration Committee. The 2014 membership changes, and the activities of the different Board Committees, and independent control functions, are summarised in the sections below:

• 14.3 Audit Committee and internal controls:

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

During 2014 the Audit Committee membership changed, following the new Board term, and the resignation of previous Audit Committee member Mr. James Wheaton from the Board, the Board approved the appointment of Mr. Gareth Evans to the Audit Committee, subject to the approval of SAMA, which approval was subsequently received from SAMA. SAMA also approved the continuation of Audit Committee membership of Mr. Mohamed Ayouty, an independent non-Board member, and Mr. Abdulhadi Shayif (independent Board member) as the Audit Committee Chairman, both of whom were in place throughout the full year.

- **The Risk and Compliance Committee (R&CC)** is a sub-committee of the Audit Committee and its members are the chief executive team of the business. The Chief Financial Officer is the Chairman of the R&CC. The purpose of the committee is to ensure that Bupa Arabia adopts a robust, consistent, proportionate and cost effective approach towards the identification, analysis and control of the key risks that could threaten the Company. This committee supports the Audit Committee by giving a dedicated focus to embedding effective policies and procedures into the organisation regarding Internal Audit, Risk Management and Regulatory Compliance. Additionally this committee has oversight of



Business Continuity and Disaster Recovery Planning, Health and Safety, Financial Crime and Anti-Bribery/corruption. The Compliance Officer and the Internal Audit Services Manager both formally report to the Chairman of the Audit Committee to ensure appropriate independence. The R&CC met four times during 2014.

- **Internal Audit Services (IAS)** - The IAS department completes a variety of internal audits during each year, covering the majority of operational processes and controls and the arising recommendations are monitored by the IAS department for implementation and reports communicated and reviewed by the Audit Committee, the R&CC, and also discussed at the Committee meetings (refer section 14.3.1 for the current year audits completed).
 - **Compliance** - The Compliance department completed a number of varied internal inspections during the year, covering key processes/controls and recommendations arising from the same were thereafter monitored by the Compliance department for implementation and reported to the R&CC, and Audit Committee on a routine basis.
 - **Risk Management** - the Company, through the Finance Reporting & Control department's Risk Officer, undertakes a formal structured risk review process which comprises a Quarterly Risk Assessment (QRA) of the business risks for reviewing the risk items, the risk materiality, the appropriateness of existing mitigating controls and for setting risk action plans where risk mitigation controls are considered inadequate. The QRA process followed by the Company is part of the Bupa Group's worldwide standard and four QRAs were completed during 2014 with risk recommendations arising progressed. The key risks that management are currently reviewing and managing closely are itemised in section 6.5.
 - The reports, findings and recommendations arising from the activities of each of the internal audit, compliance and risk management processes are communicated to the external Audit Committee as well as the R&CC. Key issues and actions arising are formally discussed during the Audit Committee, and R&CC, meetings and progress against required completion of recommendations monitored.
- 14.3.1 Results of the annual audit of the effectiveness of the internal control procedures:

- The IAS department successfully completed, in accordance with the Audit Committee approved 2014 IAS schedule, the below more significant internal audits during the current year:
 - Provider contracting processes
 - Claims fraud management processes
 - Individual and new product pricing processes
 - Intermediaries processes
 - Information Governance
 - Payroll processes
 - Marketing management and processes
 - Technology services processes

The overall findings of the IAS department, based on its internal audits completed during 2014, were that the internal control procedures were effective.

- The results of the annual external audit, as performed by the joint external auditors, of the effectiveness of the internal control procedures of the Company, found that Bupa Arabia's internal control procedures and independent control functions are effective. There were no significant audit adjustments required and no material weaknesses in internal controls identified. This outcome illustrates that the internal control and risk management procedures followed by the Company are appropriate and effectively executed in a manner so as to ensure the accuracy of financial reporting, and also compliance with regulations.

- 14.4 Executive Committee:



Executive Committee Purpose	Member Names	Meetings
The purpose of the Executive Committee is to set the annual income target of Bupa Arabia which is thereafter ratified by the Board. The Executive Committee supports the Board with the management of the business through the review, and monitoring, of all aspects of the operational performance of the company on a monthly basis (to ensure that there are no barriers to achieving the objectives set). It also reviews and approves, as required per its terms of reference, certain aspects of a commercial nature, and ensures the company is fully compliant with all regulatory requirements.	Eng. Loay Nazer (Chairman) Mr. David Fletcher Mr. Edward Hannan Mr. Tal Nazer	The Executive Committee convened eight (8) times during 2014

Subsequent to the commencement of the new term of the Board and its Committees the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Ms. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors.

• 14.5 Nomination and Remuneration Committee:

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

The Board of Directors approved the appointment of Mr. Edward Hannan, to the Nomination and Remuneration Committee, in place of Mr. James Wheaton, for the remainder of the term.

• 14.6 Investment Committee:

Investment Committee Purpose	Member Names	Meetings
The purpose of the Investment Committee is to assist the business in developing its investment policy and to thereafter supervise its adherence to the same. To manage the company's investments to achieve the best return for the business, within the given risk parameter as approved by the Board, taking into account liquidity requirements and solvency constraints. The Committee will also monitor investment performance and act as the liaison between third party investment managers and Bupa Arabia to ensure investments are in line with SAMA's regulations	Mr. Zaid Al-Gwaiz (Chairman and independent Board member) Mr. Khaled Alkhattaf (independent member) Mr. Evantz Perodin	The Investment Committee convened three (3) times during 2014



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.		
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During the year, due to the new term of the Board and Committees, the Audit Committee membership changed with Mr. Zaid Al-Gwaiz, new independent Board member, replacing Mr. Saleh Nasser Al-Jassar, as Chairman of the Audit Committee, and Mr. Evantz Perodin replacing Mr. Gareth Evans. Mr. Khaled Alkhataf continued as independent committee member on the new term.

15. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 43, paragraphs 7 and 8, the Company, and the Board of Directors, confirms it has no subsidiaries and therefore no issued shares, nor any debt instruments, for any subsidiary.

16. No borrowings or loans:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 12, the Company, and the Board of Directors, confirms it has no borrowings or loans outstanding at the end of the current twelve month period and nor has it been required to make any payments against borrowings or loans during this twelve month period.

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

As required in terms of the CMA disclosure requirements of Article 43, paragraphs 13, 14 and 15, the Company, and the Board of Directors, confirms the below declarations:

That it has not issued, nor granted, any convertible debt instruments, options, warrants or similar rights during the financial year and accordingly has not received any consideration for the same,

That it has not converted, nor issued, nor granted, any subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights during the financial year,

That it has not redeemed, purchased or cancelled any redeemable debt instruments during the financial year. The Company has no such securities outstanding so the value of the same is nil.

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

As required in terms of the CMA disclosure requirements of Article 43, paragraphs 19 and 20, the Company, and the Board of Directors, confirms the below declarations:

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

That there have been no instances of any arrangements or agreements under which any shareholder of the Company has waived any rights to any dividends.

19. Statutory payments and payable to regulatory bodies:

As required in terms of the CMA disclosure requirements of Article 43, paragraph 21, during 2014 the Company made payments, and has amounts payable, to the various Saudi Arabian regulatory bodies as detailed within the table, and thereafter explained in the narrative, below:

•19.1 Table of payments and payable to regulatory bodies:

	Paid SR000s	Payable SR000s
Zakat and income taxes	12,743	23,903
Levies and license fees	59,243	61,511
GOSI	13,020	1,468



Total	85,006	86,882
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•19.2 The Department of Zakat and Income Tax (DZIT):

The total paid to the DZIT during the year, for Zakat and Income Tax, was SR12,743k (SR6,568k for the 2013 DZIT return (SR 2,892k for Zakat and SR3,676k for Income Tax) and SR6,175k as a 2014 advance Income Tax payment). The SR23,903k payable includes a SR16,575k provision for the 2014 DZIT return (SR6,332k for Zakat and SR10,243k for Income Tax) and this will be paid to the DZIT before 11/07/1436 H, 30/04/2015 G (as per the DZIT regulations). In addition to the Zakat and Income Tax payments an amount of SR5,759k was paid to the DZIT during the 2014 year for withholding tax (SR6,890k is provided in the results for 2014 related withholding tax, which is payable to the DZIT in 2015).

•19.3 The Saudi Arabian Monetary Agency (SAMA):

The total paid to SAMA during the year was SR27,467k for SAMA levies, SR24,595k for the first three quarters of 2014 and SR2,872k for the fourth quarter of 2013, which was fully provided in the 2013 results. The 2014 results include a provision for the 2014 fourth quarter SAMA levy of SR4,107k.

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

The total paid to the CCHI during the year was SR31,775k for the 2013 CCHI levies, which was fully provided in the 2013 results. The 2014 results include a provision for the 2014 CCHI levies of SR57,405k.

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

The total paid to GOSI during the year ended was SR13,080k which included payments of SR826k for 2013, which was fully provided in the 2013 results, and SR60k as a penalty related to a payment delay (refer 19.7). An amount of SR1,468k is provided in the 2014 results for the 2014 related GOSI amounts payable in 2015.

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

The Company paid SR315k to Tadawul which included SR300k as service fees in support of the stock exchange related administrative services/public reporting regulatory requirements and activities and SR15k as annual license fees that enable Bupa Arabia to publish issuer information on its website, directly from the Tadawul website. During the third quarter of 2014 Bupa Arabia received a SR10k penalty from the CMA, associated with the Bupa Arabia 2013 fourth quarter results announcement of January 2014, driven by the CMA different interpretation of the Bupa Arabia 2013 Q4 vs. 2013 Q3 results improvement, morning announcement of 21/01/14G "improved claims experience" required to be changed to "increase in net earned" on the afternoon of the same day (refer 19.7).

•19.7 Regulatory penalties:

The Company paid the General Organisation for Social Insurance (GOSI) an amount of SR60k as a penalty related to a payment delay (refer 19.5) and to the CMA an amount of SR10k due to CMA requiring a change to one of Bupa Arabia's Tadawul announcements (refer 19.6).

20. Long term incentive plan (LTIP):

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

During 2014, after obtaining the related internal approvals, and regulatory clarification, the Company, prior to 1st December 2014, disposed of all remaining shares held under the LTIP scheme and recorded the obligation under the LTIP scheme equivalent to the current year annual LTIP cash entitlement, as at 31st December 2014, as per the proceeds of the associated shares liquidated. These LTIP obligations will be settled on completion of the required internal approvals, during early 2015, in terms of the rules per the original LTIP scheme.

The Company is currently in the process of launching a new enhanced LTIP scheme, which it intends will be starting effective 1st January 2015, subject to obtaining all relevant internal approvals followed thereafter by



the required external regulatory approvals.

Profit on the disposal of LTIP shares of SR27.6m (proceeds SR38,4m) has been credited directly to the retained earnings. As at 31st December 2014 the number of LTIP shares held is nil (at 31st December 2013 LTIP shares held was 280,318 shares) due to the current year shares disposal associated with the existing LTIP scheme termination. Further details are reflected in the annual financial statements LTIP note 20, and within the annual financial statements' Statement of changes in Shareholders' Equity.

21. Maintenance of proper records and books of account:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point a), and as required by Saudi Arabian insurance regulations, the Company, and the Board of Directors, confirms that proper books of account have been maintained and that it maintains separate accounts for each of Insurance Operations and Shareholder Operations, within its accounting records, and can confirm that it has maintained proper accounting records during the financial year.

22. Internal control system and effectiveness:

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

23. Continuation as a going concern:

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

24. External auditors:

The joint external auditors of the Company, as approved per the Ordinary General Assembly meeting held on 05/06/2014G, 07/08/1435H, for the financial statements for the fiscal year ended 31/12/2014G, 09/03/1436H, were PricewaterhouseCoopers and Deloitte & Touche. This represents a change in the joint external auditors, from those appointed for the previous financial period, which external auditor firms were Ernst & Young and Deloitte & Touche, due to the completion by Ernst & Young of five successive years as external auditors of Bupa Arabia. As per the Board and Audit Committee recommendations, the Company sought to continue having its joint external auditors as two "big four" external auditing firms to further facilitate the external review and enhancement of the Company's processes.

Conclusion:

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

