

## The British United Provident Association Limited (Bupa): FULL YEAR STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

### Financial Headlines

- Revenue<sup>1</sup> of £12.9bn was up 8% at constant exchange rates (CER) (2020<sup>2</sup>: £12.0bn).
- Underlying profit<sup>3</sup> before taxation of £405m, was up 14% at CER (2020<sup>4</sup>: £354m) as the impact of reduced COVID-19 lockdowns meant our health provision and aged care businesses operated with fewer restrictions and customers were able to access services more easily. This was offset by increased insurance claim levels resulting from reduced disruption to elective procedures compared to 2020.
- Statutory profit before taxation of £423m was up 7% at AER (2020<sup>4</sup>: £396m), reflecting higher underlying profit, and gains made on acquisitions and divestments.
- Solvency II capital coverage ratio<sup>5</sup> remains strong at 179% (2020: 160%).

### Business context

- Full year 2021 results reflect strong customer growth across our insurance businesses, improving performance in health provision and aged care as we emerge from the pandemic.
- For health insurance, our largest business line, we undertook a range of actions to support our customers including announcing plans to return cash to Australian health insurance customers and processing payments to eligible UK Insurance customers following our 2020 return of premium pledge. In the UK, we were the first major health insurer to make such payments.
- There are major shifts in customer expectations and engagement, which have been accelerated by the pandemic, particularly in digital healthcare. We have refreshed our purpose, set a new ambition and launched a new strategy to address these changes. Our focus is on embedding this strategy and leveraging our strengths while we transform Bupa.

### Iñaki Ereño, Group CEO, commented:

*“Our 2021 results reflect the underlying strength of Bupa, with strong customer growth in several of our health insurance markets and activity in health provision returning to normal. This performance shows how we have been able to grow and provide high-quality care for our customers, patients and residents while we continue to navigate the pandemic.”*

*“I see transformation as our route to growth and it is at the heart of our new plans. As restrictions ease, we will build on Bupa’s strong platform and I’m confident that our new strategy will position us in the best way for success into the future.”*

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<sup>1</sup> Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.

<sup>2</sup> 2020 revenue has been restated by £24m for the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia.

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

<sup>4</sup> 2020 underlying profit and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for.

<sup>5</sup> The 2021 Solvency II capital coverage ratio is an estimate and unaudited.

## Market performance (all at CER)

- **Asia Pacific**<sup>6</sup>: Revenue increased by 4% to £5,498m mainly driven by volume growth across our businesses. Underlying profit was £222m, an increase of 69%, reflecting the non-recurrence of the six-month deferral of the premium increase for Australian Health Insurance customers which was implemented in 2020, and reduced losses in aged care.
- **Europe and Latin America**: Revenue grew by 12% to £4,004m from growth in our insurance portfolio and improved health provision and aged care results. Underlying profit was down 7% at £162m from increased insurance claim levels following reduced disruption to elective procedures compared to 2020 and challenges in our Chilean Isapre insurance business, where performance was affected by regulatory interventions impacting the whole sector.
- **Bupa Global and UK**: Revenue was up 10% to £3,396m. This was driven by higher health provision customer volumes and portfolio growth in our UK Insurance business. Underlying profit was down 44% to £62m, as improved dental results were more than offset by higher claims in UK Insurance and higher claim volumes, alongside products priced based on 2020 experience in Bupa Global, our International Private Medical Insurance (IPMI) business.
- **Other businesses**: Revenue was flat to 2020. Underlying profit was down 12% to £45m predominantly reflecting higher claims in our associate business in Saudi Arabia and the additional COVID-19 coverage included in policies in our associate business in India driving higher claims.

## Financial position

- Solvency II capital coverage ratio of 179% (2020: 160%).
- Leverage<sup>7</sup> is 27.0% (2020: 32.4%) when including IFRS 16 leases as liabilities. Excluding these liabilities, the leverage ratio is 19.7% (2020: 25.3%).
- Net cash generated from operating activities was £907m, down £429m on prior year as a result of higher claims as disruption to elective procedures reduced from 2020.

## Other highlights

- We successfully launched a new Restricted Tier 1 (RT1) subordinated bond offer to the market alongside the partial buy-back of a Tier 2 bond which matures in 2023. These transactions enable us to enhance Bupa's capital base and demonstrate the continued financial flexibility of the Group.
- We confirmed our ambition to be a net zero business across all emission scopes by 2040. We have set science-based targets which are aligned to Bupa's contribution to keep global warming to no more than 1.5°C.

## Enquiries

### Media

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### Investors

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<sup>6</sup> On 1 July 2021, we formed the new Bupa Asia Pacific Market Unit, incorporating our businesses in Australia, New Zealand and Hong Kong SAR. Results and comparatives are presented as the new Market Unit.

<sup>7</sup> Leverage is calculated based on gross debt (excluding RT1) divided by gross debt plus equity.

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## About Bupa

Bupa's purpose is helping people live longer, healthier, happier lives and making a better world.

We are an international healthcare company serving over 38 million customers worldwide. With no shareholders, we reinvest profits into providing more and better healthcare for the benefit of current and future customers.

We directly employ around 84,000 people, principally in the UK, Australia, Spain, Chile, Poland, New Zealand, Hong Kong SAR, Turkey, Brazil, Mexico, the US, Middle East and Ireland. We also have associate businesses in Saudi Arabia and India. For more information, visit [www.bupa.com](http://www.bupa.com).

### **Disclaimer: Cautionary statement concerning forward-looking statements**

This document may contain certain 'forward-looking statements'. Statements that are not historical facts, including statements about the beliefs and expectations of The British United Provident Association Limited (Bupa) and Bupa's directors or management, are forward-looking statements. In particular, but not exclusively, these may relate to Bupa's plans, current goals and expectations relating to future financial condition, performance and results.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur, many of which are beyond Bupa's control and all of which are solely based on Bupa's current beliefs and expectations about future events. These circumstances include, among others, global economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing, impact and other uncertainties of future mergers or combinations within relevant industries. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual future condition, results, performance or achievements of Bupa or its industry to be materially different to those expressed or implied by such forward-looking statements. Other than as required by law, Bupa expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements to reflect any change in the expectations of Bupa with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Forward-looking statements in this document are current only as of the date on which such statements are made. Neither the content of Bupa's website nor the content of any other website accessible from hyperlinks on Bupa's website is incorporated into, or forms part of, this document.

## **Group CEO's Review**

Across Bupa we navigated the impacts of the second year of the pandemic, and I am really proud of the care and commitment our people continue to show for our customers and for each other. In these results, we see the benefits of the easing of restrictions in many places, with improving performance in health provision and aged care, but I am also very pleased to see strong organic customer growth in health insurance. As vaccination programmes are rolled out across the world, I'm hopeful that we will soon return to a more normal way of life. However, it is clear that world events, particularly the conflict in Ukraine, create further uncertainty and we need to remain vigilant as the impacts become clear.

Like many people, I am very worried about the conflict in Ukraine. Across Bupa, we're doing everything we can to offer support to people in need. Our thoughts are with everyone affected and we all hope for peace to prevail as soon as possible.

Last year, we launched our ambitious new 3x6 strategy, which is summarised below. As part of this, I asked our people to 'run and change' – which means that we need to run Bupa and continue to deliver high standards of service for our customers at the same time as we transform the business. I am delighted with the enthusiasm and energy everyone has shown as we start this journey. We are focused on embedding this strategy throughout Bupa with intensive work in progress, including how we will achieve our ambition to be a net zero business across all emission scopes by 2040.

Our full year 2021 results reflect the underlying strength of Bupa, with significant customer growth in several health insurance markets and more normal activity levels in our health provision services. We have maintained our financial resilience with revenue at £12.9bn up 8% on 2020 and underlying profit up 14% to £405m at CER, while we focused on helping our

customers to access treatment as quickly and as safely as possible as COVID-19 restrictions eased. We continue to benefit from our diversified portfolio of businesses, and I am pleased with the strength of our overall performance.

In health insurance, a strong increase in customer numbers, particularly in the Europe and Latin America Market Unit, increased revenue from 2020. This was offset by increased claims levels in some markets as there was reduced disruption from the pandemic compared to 2020. We were particularly pleased with the growth in customer numbers in our health insurance businesses in Spain and Turkey, as well as in the UK.

Our health provision businesses are coming back strongly compared to 2020 as customers were able to access services more easily following a reduction in lockdown restrictions.

Occupancy improved in our aged care businesses as restrictions eased and more residents were able to be admitted to our homes. Protecting residents and staff remains our absolute focus and we continue to invest in safety equipment, staff training and support.

These results are a credit to our hard-working, dedicated people. Now we need to build on these solid foundations, adapt to changes in customer expectations for their healthcare and what people expect from businesses and embed our new strategy. This will enable us to transform Bupa and position ourselves for continued success into the future.

## **New strategy**

- The environment we operate in is dynamic and fast-changing. This was true even before the pandemic, but the scale and pace of change in the healthcare sector has now been accelerated. In response, we launched a new business-wide strategy to drive Bupa's transformation and take Bupa into a new era.
- We refreshed our **purpose**: helping people live longer, healthier, happier lives, and making a better world, and introduced an **ambition** to be the world's most customer-centric healthcare company. We felt this ambition reflected our commitment to excellent customer experience, through great service and value, frictionless access and quality healthcare.
- We set **3 ambition KPIs** for our strategy:
  - 40% of our customers' care touchpoints will be owned by Bupa through our physical and digital provision
  - At least 60% of our customers will fully interact with us digitally
  - Our Net Promoter Score will be 80, in line with the most customer-centric organisations in the world.
- **Six strategic and enabling pillars** define how we will fulfil our purpose and achieve our ambition and give focus to our activities:
  - Customers: obsession with our customer's experience
  - Growth: strong performance and governance
  - Transformation: continuous innovation and preparation
  - Sustainability: making a positive impact on the world
  - Data: enhanced data-driven decision-making
  - Agile Culture: the best, most diverse people and a great place to work
- This what we are calling the **3x6 strategy**.

## **2021 highlights**

- We launched the start of a series of emblematic projects which will underpin the pillars of the new strategy. Under the transformation pillar we are beginning to roll out a **digital health platform** first developed in our Spanish business as **Blua**.

- As part of our commitment to sustainability, we confirmed our ambition to become a **net zero business by 2040** across all our operations. To underpin this ambition, we have set science-based targets which are aligned to keep Bupa's contribution to global warming to no more than 1.5°C.
- We launched **eco-Disruptive**, a global talent and innovation programme which brings together three elements of the new strategy: agile culture, transformation and sustainability. Through this, Bupa teams in Australia, Spain, Chile and the UK worked with eco start-ups to develop solutions to help meet environmental and human health challenges.
- Strengthening our technology, digital and data capabilities is crucial to realising our ambition and we launched a **Digital Skills Academy** to support our people's development. We delivered our first **Global Hackathon**, through which teams were challenged to design data-driven solutions to improve customers' experiences. As a step towards building a more agile culture, we also improved how our people connect and collaborate with each other by introducing a new global **internal engagement platform**.

## Outlook

Although several of our markets have reached the advanced stages of vaccine deployment, we are still navigating the medium to long-term impact of COVID-19 in all our business lines. As restrictions are increasingly being lifted across the world, the vaccine rollout is progressing steadily, and economic activity is accelerating, we are positive about our future prospects. We know that the pandemic is not yet over and that conditions in some markets remain challenging, with the recruitment of healthcare workers an ongoing sector-wide issue, and with rising inflation increasing costs for our businesses. Specifically in Chile, we anticipate regulatory and political dynamics to affect our Isapre insurance business. While Bupa does not have businesses in either Ukraine or Russia, the macro-economic and human consequences of the conflict in that region are uncertain.

By focusing on the pillars of the new 3x6 strategy - customers, growth, transformation, sustainability, enabled by agile culture and data - we are adapting well to the changing external environment and transforming Bupa to meet changing customer expectations. Our digital transformation is continuing at pace so that we can offer more services where and when our customers need them.

We are well placed to navigate challenges and take opportunities because of our underlying financial strength, resilience and our diversified business model. We are focused on embedding the new strategy, driving growth and transformation so that we can run and change.

## MARKET UNIT PERFORMANCE

### Asia Pacific

	Revenue	Underlying profit
<b>2021</b>	<b>£5,498m</b>	<b>£222m</b>
<b>2020 (AER)<sup>8,9</sup></b>	<b>£5,249m</b>	<b>£130m</b>
<b>% growth</b>	<b>5%</b>	<b>71%</b>
<b>2020 (CER)</b>	<b>£5,292m</b>	<b>£131m</b>
<b>% growth</b>	<b>4%</b>	<b>69%</b>

On 1 July 2021, we formed the new Bupa Asia Pacific Market Unit, comprising our businesses in Australia, New Zealand and Hong Kong SAR. These results and comparatives are presented as the new Market Unit.

Revenue increased by £206m to £5,498m at CER. Underlying profit was £222m, an increase of 69% at CER mainly driven by volume growth across our businesses and the non-recurrence of the six-month deferral of the premium increase for Australian Health Insurance customers, which was implemented in 2020. We began to see the benefits of transformation programmes, with an enhanced focus on operational efficiency and investing in digital to support better customer outcomes. Profitability increased as a result of changes in product mix and improved customer retention. This was partially offset by COVID-19 restrictions, temporary store and clinic closures in our Health Services business and the continued rebound of claims in Hong Kong Health Insurance.

In Australian Health Insurance, revenue grew with the non-recurrence of the six-month deferral of the premium increase implemented in 2020 - and the application, therefore, of a full year of premium rate increases - together with the delivery of business transformation initiatives. Underlying profit was up from a low base in 2020, driven by strong revenue, margin remediation initiatives from product migrations and better operational performance, including retention. During the pandemic we have provided over AUD\$315m of support to customers, which included premium deferral, discounts, financial assistance and policy suspensions. We also announced plans to return £66m (AUD\$120m) in cash to around 3.5m customers. The combined operating ratio (COR)<sup>10</sup> was 92%<sup>11</sup> (2020: 95%). We launched our Apple Digital card, which more than 420,000 customers have added to their digital wallets.

Health Services in Australia delivered revenue growth from improved volumes, mainly in the Australian Defence Force contract, with volumes maintained in our dental and optical businesses. Underlying profit declined significantly due to temporary COVID-19 closures. Lockdowns and border closures reduced volumes and profitability in our Bupa Medical Visa Services business. In December, we launched our new digital telehealth platform, Blua, which enables customers to attend appointments remotely with health professionals. We also

<sup>8</sup> 2020 revenue and underlying profit have been restated by £24m in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia.

<sup>9</sup> 2020 underlying profit has been restated by £(14)m following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for.

<sup>10</sup> Combined operating ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums.

<sup>11</sup> Bupa HI Pty Ltd (Australia): Based on S.05.01 Prudential Regulation Authority (SII) form (estimated and unaudited).

announced the sale of our portfolio of 22 dental practices in New Zealand, previously managed under the Australian Health Services business.

Revenue in our Australian aged care business reduced due to the sale of four homes and closure of a further five homes as part of planned portfolio optimisation initiatives. Underlying losses improved, driven by an increase in occupancy to 87% (2020: 85%), portfolio optimisation and operating efficiency initiatives undertaken as part of an overall business transformation programme that began in 2019.

In our New Zealand aged care business, revenue improved, reflecting strong village sales. Closing occupancy was down to 88% (2020: 91%) due to COVID-19 restrictions. The underlying loss reflects higher operating costs. As part of our portfolio optimisation, we sold seven rehabilitation sites, one care home and announced the closure of three care homes.

In December, following an extensive proactive pay compliance review in Australia and New Zealand, we have quantified historical underpayments of employee entitlements affecting some current and former employees.

In Hong Kong SAR, revenue increased driven by the reopening of services and improved volumes in both provision and insurance. The continued rebound of claims led to overall underlying losses in Hong Kong Insurance, partially offset by the improved performance in Health Services from increased demand and the launch of new COVID-19-related services.

## Europe and Latin America

	Revenue	Underlying profit
2021	£4,004m	£162m
2020 (AER)	£3,765m	£184m
% growth/(decline)	6%	(12)%
2020 (CER)	£3,569m	£174m
% growth/(decline)	12%	(7)%

Revenue grew by 12% with underlying profit decreasing by 7% at CER. Performance was driven by the normalisation of claims after exceptionally low levels in 2020 across all our insurance businesses, alongside challenges in our Chilean Isapre insurance business. This was offset by increased insurance volumes as new business sales continued to grow, as well as higher provision volumes with activity returning to historically normal levels.

Sanitas Seguros, our health insurance business in Spain, delivered good revenue growth driven by strong sales, with a net gain of 121,000 new customers, while underlying profit declined due to the impact of higher claims as restrictions were lifted and COVID-19 coverage was added to certain policies. The COR for the full year was 88%<sup>12</sup> (2020: 84%). We continued to enhance our digital offer with the launch of Conecta tu salud allowing customers to monitor their health through the Mi Sanitas app. There was strong growth of 22% in video consultations through BluaU.

Our Dental business in Spain delivered good results with revenue and underlying profit up, driven by higher activity following the lifting of restrictions. Customer numbers increased by 26% compared to 2020 to 202,000.

In our Hospitals and New Services business in Spain, revenue and underlying profit grew year on year with activity gradually returning to normal levels and government-related pricing uplifts. The number of video consultations increased to 24% of total consultations. In August, following a strategic review we sold our fertility business, Ginemed.

In Sanitas Mayores, our aged care business in Spain, revenue was broadly in line with 2020. Underlying profit was up driven by the recovery of occupancy post lockdown and the sale of three care homes and closure of one. Closing occupancy improved to 87% (2020: 76%).

In Chile, there was good revenue growth due to higher volumes and outpatient activity in our health provision business. Underlying profit was up in health provision which was more than offset by increased underlying losses in our insurance businesses. The performance of the Isapre insurance business was affected by regulatory interventions impacting the whole sector, which included preventing premium adjustments and mandating significant extensions to cover. To mitigate the impact of these regulatory changes, we restructured our business and reduced our operating costs. We expect the regulatory and political landscape to continue adversely impacting the Isapre business in 2022 and will continue to monitor this closely and engage with relevant stakeholders. We continued to enhance our digital offer, enabling customers to access networks of doctors and monitor their health.

In Poland, LuxMed delivered good revenue growth from new corporate subscriptions with increased underlying profit as activity gradually returned to historically normal levels. We

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<sup>12</sup> Sanitas S.A. de Seguros (Spain): Prepared under local GAAP (unaudited).



opened four clinics, one imaging diagnostic facility and one mental health clinic. We also acquired three healthcare providers, reinforcing our leading position in the market.

In Turkey, our health insurance business Bupa Acibadem Sigorta, delivered strong revenue growth driven by increased customer volumes, with a net increase of more than 332,000 customers. We ended the year with around 986,000 customers. Underlying losses were driven from higher claim volumes.

Care Plus in Brazil delivered strong revenue and customer growth while underlying profit was down due to the reduction of claims disruption.

Bupa Mexico's revenue and underlying profit were up, driven by the launch of our first outpatient product distributed through BBVA, as well as a distribution agreement with HDI, higher volumes from Vitamedica, a third-party administrator we acquired in January 2021, and the reopening of provision services.

Bupa Global Latin America made an underlying loss as the claims disruption seen in 2020 did not recur. We expanded our digital offer with the launch of our app, Mi Bupa Latinoamérica and our first domestic insurance products in Ecuador.

## Bupa Global and UK

	Revenue	Underlying profit
<b>2021</b>	<b>£3,396m</b>	<b>£62m</b>
<b>2020 (AER)</b>	<b>£3,122m</b>	<b>£110m</b>
<b>% growth/(decline)</b>	<b>9%</b>	<b>(44)%</b>
<b>2020 (CER)</b>	<b>£3,098m</b>	<b>£110m</b>
<b>% growth/(decline)</b>	<b>10%</b>	<b>(44)%</b>

Revenue was up 10% while underlying profit decreased by 44% at CER, driven by the insurance businesses as claims activity increased compared to 2020, with customers being able to access private healthcare more easily. This was exacerbated in Bupa Global, our IPMI business, where pricing of experience-rated products referencing the lower claims seen in 2020 led to reduced profitability.

UK Insurance revenue was up, as we added 135,000 new customers in UK PMI, Dental and Cash Plan, improving performance year-on-year. Underlying profit decreased due to the reduced claims disruption arising from COVID-19, partly offset by higher revenues. We announced in March 2021 that eligible health insurance customers would receive a share of £125m<sup>13</sup> in return of premium following the pledge we made to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. To date, we have made cash payments to around 99% of eligible customers, the first major health insurer to do so. We are yet to determine a final settlement as we continue to monitor claim patterns and, as at 31 December 2021, we continue to hold a premium provision of £71m. This consists of the net disruption to claims due to the impact of COVID-19, including deduction of related costs and impact to profit, deferred claims we expect to rebound in the future and the payments we have already made. It represents the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021. We extended our women's health support by launching a new Menopause HealthLine offering advice from specially trained nurses. We continued to expand our digital offer with almost 400,000 customers now registered on Bupa Touch, giving them online access to their cover and benefits.

In Bupa Global, revenue was flat and underlying losses occurred both from the reduced claims disruption as COVID-19 restrictions eased, and where experience-rated products had been necessarily priced by reference to the lower claims seen in 2020. We saw lower new business volumes, although this was partially offset by strong retention. We launched Private Client, a new product tailored for Ultra-High Net Worth individuals, combining direct access to private medical specialists, wellbeing therapies and a dedicated concierge manager.

The COR for Bupa Insurance Limited, the UK-based insurance entity that underwrites both domestic and international insurance, worsened to 97%<sup>14</sup> due to reduced claims disruption in our PMI business and unfavourable claims experience in our IPMI business (2020: 92%).

In UK Dental, the underlying result improved as our practices remained fully open for the year compared to 2020. This allowed us to increase the number of private and NHS patients, although productivity was still limited due to strict COVID-19 safety measures. We completed

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<sup>13</sup> The £125m payment to customers comprises £110m of rebate payments under our pledge and £15m related to COVID-19 impacts within contractual payments under risk and profit share arrangements.

<sup>14</sup> Bupa Insurance Limited: Prepared under local GAAP. Excludes our associate Highway to Health (GeoBlue).

the rollout of a new IT infrastructure to strengthen resilience across all practices in our network and launched Dentally, a new practice management system.

Revenue and underlying profit in UK Care Services were up due to a recovery in occupancy. Our closing occupancy rate was up to 84% (2020: 82%). Our Richmond Villages have seen strong growth with both occupancy up and strong sales of our retirement housing. Our journey transforming aged care through digital innovation has continued with the launch of eCare, an electronic care planning system, across Richmond Villages with the wider rollout to care homes in 2022. Sector-wide staffing pressures have continued, and we implemented the government regulation to mandate vaccines across all our care settings.

In Health Services, revenue and underlying profit increased, driven by higher customer numbers in clinics and increased demand for preventative wellbeing, alongside strong growth in mental health support services and COVID-19 testing services. In our clinics we launched a Menopause Plan offering women access to specially trained GPs. Cromwell Hospital continues to be impacted from reduced international business, and increased costs due to the pandemic.

## Other businesses

	Revenue	Underlying profit
<b>2021</b>	<b>£5m</b>	<b>£45m</b>
<b>2020 (AER)</b>	<b>£6m</b>	<b>£55m</b>
<b>% decline</b>	<b>(17)%</b>	<b>(18)%</b>
<b>2020 (CER)</b>	<b>£5m</b>	<b>£51m</b>
<b>% growth/(decline)</b>	<b>0%</b>	<b>(12)%</b>

On 1 July 2021, Hong Kong SAR entities were incorporated into a new Market Unit called Bupa Asia Pacific. The 'Other businesses' segment now includes our associate businesses Niva Bupa (formerly known as Max Bupa) in India, and Bupa Arabia, in Saudi Arabia. These results and comparatives are presented excluding the Hong Kong SAR entities.

In 2021, we saw increased customer volumes in both Niva Bupa and Bupa Arabia. Underlying profit was £45m, down 12% at CER, largely driven by the higher claim volumes in both associate businesses as COVID-19 continued to have an impact throughout Saudi Arabia and India.

## FINANCIAL REVIEW

### Overview

Revenue was £12.9bn, up 8% (2020: £12.0bn<sup>15</sup> at CER), and underlying profit was £405m, up 14% (2020: £354m<sup>16</sup> at CER). The Group's underlying results reflect strong customer growth across our insurance businesses and improving results in health provision and aged care as we emerge from the pandemic. This is offset by increased insurance claim levels following reduced disruption to elective procedures compared to 2020.

Our statutory profit before taxation was £423m, up 7% (2020: £396m at AER), reflecting higher underlying profit, and gains made on acquisitions and divestments, including a one-off gain arising upon the transfer of customers from CS Healthcare into our UK Insurance business and divestment of our rehabilitation business in New Zealand, partially offset by a small number of goodwill and intangible impairments.

We generated cash from operating activities of £907m, down £429m, primarily as a result of higher claims as disruption to elective procedures reduced from 2020.

Our Solvency II capital coverage ratio of 179% at 31 December 2021 (2020: 160%) remains strong and is above our target working range of 140-170%.

We repaid a £350m senior bond on its maturity in June 2021 and issued a £300m Restricted Tier 1 bond in September, alongside a successful £250m tender offer on the 2023 £500m Tier 2 bond. This enhanced our capital position. Additionally, in December our £800m revolving credit facility (RCF) with a maturity in August 2022 was refinanced and replaced with a new facility of £900m, expiring in 2026, improving our liquidity position. As at 31 December 2021, the RCF was drawn down by £150m.

### Revenue (CER)

Revenue was up 8% through portfolio growth and price rises in our insurance businesses, alongside increased activity in our health provision businesses.

Insurance customer growth year on year was 18% (6% year-on-year growth when excluding our associate businesses' customers), driven by our Europe and Latin America Market Unit, especially in Spain and Turkey. Group insurance revenue grew 5%<sup>17</sup> as a result of the customer growth, and premium rate increases, including in Australia where an agreed change was deferred by six months in 2020. This was offset by our announcement in Australia Health Insurance to return £66m (AUD\$120m) in cash to around 3.5m customers and a top-up to the return of premium pledge provision in UK Insurance.

Our health provision businesses saw revenue growth of 20% reflecting higher customer numbers as the impact of reduced COVID-19 lockdowns in 2021 meant our businesses operated with fewer restrictions than 2020 and customers were able to access services more easily.

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<sup>15</sup> Balances have been restated by £24m for a gross up between other revenue and financial expense (included within central expenses and net interest margin) in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia.

<sup>16</sup> Underlying and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for.

<sup>17</sup> Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.

In our aged care businesses, revenue was broadly in line with 2020, with closing occupancy rates 3.5 percentage points higher as restrictions eased and more residents were admitted to our homes. This was offset by some targeted disposals of homes as part of portfolio management in Australia, New Zealand and Spain.

### **Underlying profit (CER)**

Group underlying profit increased by 14% to £405m (2020: £354m at CER), reflecting the continued emergence of our businesses from the pandemic. This has resulted in increased profits in health provision and aged care from reduced restrictions across our Market Units as well as lower COVID-19-related costs. This is partly offset by insurance profits reducing as strong customer growth could not offset the return to normalised levels of claims versus the disruption seen in 2020.

For our largest line of business, health insurance, despite good revenue growth, underlying profit decreased as insurance claim levels increased following reduced disruption to elective procedures compared to 2020. Incurred claims are gradually returning towards more normalised levels, with a higher volume of claims in some businesses; however, the volume and timing of these varies by market.

In Australia, we continue to hold a deferred claims liability provision of £163m at 31 December 2021 (2020: £171m at AER). Although broadly in line with the prior period, the provision was strengthened in the year due to the continued domestic claim disruptions caused by the pandemic. This was offset by a release coinciding with the announcement on 6 October 2021 that we would return £66m (AUD\$120m) in cash to around 3.5m customers as a result of claim savings made. We will continue to monitor claim patterns to assess the impact of any further disruption to claims.

In the UK, we announced in March 2021 that eligible health insurance customers would receive a share of £125m in return of premium following the pledge we made to pass back any exceptional financial benefit ultimately arising from the temporary disruption to some medical treatments in 2020. To date, we have made cash payments to around 99% of eligible customers, the first major health insurer to do so. We are yet to determine a final settlement as we continue to monitor claim patterns and as at 31 December 2021 we continue to hold a premium provision of £71m. This consists of the net disruption to claims due to the impact of COVID-19, including deduction of related costs and impact to profit, deferred claims we expect to rebound in the future and the payments we have already made to these customers. It represents the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021.

We returned to profitability in our health provision businesses, as restrictions in the majority of our markets reduced allowing customers to access these services. This is in contrast to 2020 when there were a number of temporary closures due to localised government restrictions.

The underlying loss in aged care reduced significantly year-on-year, with revenue and customer levels broadly in line, but with lower costs, as the cost of maintaining high standards of health and safety and the need for agency staff reduced. We have taken targeted actions to optimise our care home portfolio with divestments in Australia, New Zealand and Spain, helping our occupancy rates, which have increased by 3.5 percentage points from 2020. As restrictions continue to ease, we expect the aged care business to move back towards profitability.

Central expenses and net interest margin of £86m were lower than prior year (2020: £112m at CER) as higher investment returns, particularly in Turkey, were partly offset by the additional one-off costs for the partial buyback of a Tier 2 bond maturing in 2023.

### Statutory profit (AER)

Statutory profit before taxation was £423m up 7% (2020: £396m<sup>18</sup>). This reflects the increase in underlying profit signifying the continued emergence of our businesses from the pandemic.

	2021 £m	2020 £m
Asia Pacific at CER	222	131
Europe and Latin America at CER	162	174
Bupa Global and UK at CER	62	110
Other businesses at CER	45	51
<b>Underlying profit for reportable segments at CER</b>	<b>491</b>	<b>466</b>
Central expenses and net interest margin at CER	(86)	(112)
<b>Consolidated underlying profit before taxation at CER</b>	<b>405</b>	<b>354</b>
Foreign exchange re-translation on 2020 results (CER/AER)	-	20
<b>Consolidated underlying profit before taxation at AER</b>	<b>405</b>	<b>374</b>
Impairment of intangible assets and goodwill arising on business combinations	(18)	(12)
Net gains/(losses) on disposal of businesses and transaction costs on business combinations	13	(1)
Net property revaluation gains	16	26
Realised and unrealised foreign exchange gains/(losses)	5	(2)
Other Market Unit non-underlying items	13	(7)
Group non-underlying items	(14)	3
Gains on return-seeking-assets, net of hedging	3	15
<b>Total non-underlying items</b>	<b>18</b>	<b>22</b>
<b>Statutory profit before taxation at AER</b>	<b>423</b>	<b>396</b>

In 2021, non-underlying items totalled £18m profit, compared to a £22m profit in 2020. The key drivers for non-underlying items in 2021 were property revaluation gains in our New Zealand retirement villages, gains made on the divestment of our rehabilitation business in New Zealand and a one-off gain on acquisition, arising upon the transfer of customers from CS Healthcare into our UK Insurance business (£40m). This was partially offset by an impairment of intangible assets in Bupa Villages and Aged Care Australia in relation to unused bed licences following the government announcement to deregulate bed licences from 2024 and costs associated with the debt buyback earlier in the year.

### Taxation

The Group's effective tax rate for the period was 15% (2020: 44%), which is lower than the current UK corporation tax rate of 19%. This is due to a prior year credit of £43m following a favourable court decision in Spain. If this exceptional item was removed, the Group's effective

<sup>18</sup> Underlying and statutory profit have been restated by £(14)m at AER following the quantification of historical underpayments of employee entitlements in Bupa Asia Pacific Market Unit and for how costs incurred in implementing a Software as a Service (SaaS) arrangement are accounted for.

tax rate would be 25%, due mainly to profits arising in jurisdictions with a higher rate of corporate income tax than the UK. The 2020 tax rate of 44% was mainly due to a one-off deferred tax charge (£68m) as a result of the change in the basis of recognition of the pension surplus following the closure of the UK defined benefit scheme to future accrual, with the deferred tax liability on the UK defined benefit pension surplus revalued from 17% to 35% (being the UK tax rate which would apply in the event of a cash refund on a wind-up of the scheme). The change in the enacted UK tax rate from 19% to 25% (which applies from 1 April 2023) did not have a material impact on the effective tax rate for the period, as this only impacted the smaller remaining net deferred tax asset in the UK.

## **Cash flow**

Net cash generated from operating activities decreased by £429m to £907m primarily as a result of higher claims as disruption to elective procedures reduced from 2020.

Net cash used in investing activities decreased by £661m to £235m in 2021 with lower deposits being made as a result of the increased claims activity. In addition, we have received a £34m dividend from Bupa Arabia, whereas in 2020 we made an investment in Bupa Arabia to increase our holding by 4%.

Net cash used in financing activities increased by £338m to £548m, primarily due to the repayment of a £350m senior bond upon maturity and partial buyback of £250m of Tier 2 bonds. This is partially offset by cash generation from the issuance of the Restricted Tier 1 bonds.

## **Funding**

The key developments in 2021 were the Restricted Tier 1 bond issuance and partial buyback of the Tier 2 bonds in addition to the refinancing of the Group's RCF. A £350m senior bond was repaid on its maturity in June 2021.

At 31 December 2021, our £900m RCF was drawn by £150m (2020: £nil). During 2021, we also put in place a €30m bank facility in Spain to further support Group liquidity. This was fully undrawn at the year end.

We focus on managing our leverage in line with our credit rating targets. Leverage excluding operating leases at 31 December 2021 was 19.7% (2020: 25.3%). Leverage is 27.0% (2020: 32.4%) when IFRS 16 lease liabilities are taken into account.

Coverage of financial covenants, which reflect interest cover and debt/net worth, remains well within the levels required in our bank facility.

We manage our funding prudently to ensure a strong platform for continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating for Bupa Finance plc, the main issuer of Bupa's debt.

Our Bupa Finance plc senior debt ratings are A3 (negative) by Moody's and BBB+ (stable) by Fitch. Fitch and Moody's reviewed Bupa's credit ratings during 2021 with no changes.



## Solvency

Our solvency coverage ratio of 179% remains strong and is above our target working range of 140-170%.

The Group holds capital to cover its Solvency Capital Requirement (SCR), calculated on a Standard Formula basis, considering all our risks, including those related to non-insurance businesses. As at 31 December 2021, the estimated SCR of £2.5bn is flat to 2020 and Own Funds of £4.5bn was £0.4bn higher when compared to 31 December 2020.

Our surplus capital was estimated to be £2.0bn, compared to £1.5bn at 31 December 2020, representing a solvency coverage ratio of 179% (2020: 160%). Our business continued to generate capital through our underlying profitability. This capital generation was largely offset by capital expenditure, debt financing activities and negative FX movements during the period as sterling appreciated against some of our major currencies.

We have performed an analysis of the relative sensitivity of our estimated solvency coverage ratio to changes in market conditions and underwriting performance. Each sensitivity is an independent stress of a single risk and before any management actions. The selected sensitivities do not represent our expectations for future market and business conditions. A movement in values of properties that we own and lease continues to be the most sensitive item, with a 10% decrease having a 11 percentage point reduction to the solvency coverage ratio.

Our capital position is resilient in the face of the individual risks, illustrating the strength of our balance sheet.

<b>Risk sensitivities</b>	<b>Solvency II coverage ratio</b>
Solvency coverage ratio	179%
Property values -10%	168%
Loss ratio worsening by 2%	172%
Sterling depreciates by 20%	172%
Interest rate -100bps	177%
Group Specific Parameter (GSP) <sup>19</sup> +0.2%	177%
Pension risk +10%	179%
Credit spreads +100bps (no credit transition)	179%
Equity markets -20%	179%

We include a Group Specific Parameter (GSP) in respect of the insurance risk parameter in the Standard Formula. We apply a premium recognition adjustment to the GSP loss ratio data to allow for the distorting impact of the COVID-19 pandemic. The PRA have confirmed its approval of this approach.

<sup>19</sup> Group Specific Parameter (GSP) is substituted for the insurance premium risk parameter in the standard formula, reflecting the Group's own loss experience.

## BUSINESS RISKS

We described our main risks in the Risk section of the Annual Report and Accounts 2021, which will be published in March and made available on [www.bupa.com](http://www.bupa.com). In the period to 31 December 2021, we are still seeing impacts from the COVID-19 pandemic which has continued to result in significant uncertainty for society as a whole and for Bupa, but the principal risks and themes previously identified at the 2020 year-end remain. With a new strategy and a refreshed purpose, we also place significant emphasis on the risks associated with these. Across Bupa we continue to take action to address ongoing operational risks and challenges regarding the management of the pandemic. Governments continue to use varying levels of restrictions to control the infection rate. We are prepared for the operational impacts, including the potential closures of health provision facilities, restrictions on aged care resident visitation rights and changes in restrictions across our markets.

While Bupa does not have businesses in either Ukraine or Russia, the global macro-economic risks and human consequences of the conflict are uncertain and we will continue to monitor any potential impacts on Bupa's businesses.

### *Strategic and financial risks and risks impacting our ability to deliver for our customers:*

The macroeconomic environment is challenging in most markets, and this is compounded by COVID-19. It is uncertain how severe the impacts will be and how long they will last but any reduction in consumer or government spending may impact our businesses. In many markets we are seeing heightened inflationary pressures. Medical inflation continues to increase at a higher rate than income inflation and this is likely to be exacerbated by weakened economic environments.

Although claims have increased compared to 2020 as a result of reduced disruption to elective procedures, disruptions still exist in some markets and the cost of claims could increase in the long run due to the continued delay in the treatment of under-treated illnesses.

We continue to utilise stress and scenario analyses on our businesses to understand the potential impact of the pandemic on our business performance, solvency capital and liquidity position. This has helped us understand and mitigate the impact of the pandemic as far as possible and develop appropriate targeted actions to respond to these challenges.

### *Governmental and regulatory policy risks:*

Changes in governmental and regulatory policy has consistently been one of our top risks given the nature of our businesses and this remains true. The significant governmental and regulatory responses to the pandemic have shown that future legislation, regulations and government funding decisions could have a material impact on the Group. Specifically, in Chile, we anticipate regulatory and political dynamics to affect our Isapre insurance business. We continue to engage governments and regulators in the markets we operate in to understand and influence potential changes to ensure we are able to continue to deliver quality and value for our customers.

### *Operational Risks:*

Information Security and Privacy remain key risks for the Group. Our focus on information security, technology and operational resilience in recent years, supported by significant investment to uplift capability and capacity in this area across the Group, has been critical in our response to this crisis. This investment has equipped us to effectively enhance digital and telehealth services and enabled our people to work remotely.

Following the pandemic, we are likely to see extensive and wide-ranging reviews into all aspects of the public and private response. These responses will often be judged in hindsight and this increases the risk of potential future litigation for all participants in the healthcare sector, including Bupa.

*Social and environmental risks:*

The pandemic has further demonstrated the importance of managing our reputation, with higher scrutiny on the actions of businesses in respect of customers, employees; and their contributions to society. It is more important now than ever that we continue to deliver on our purpose and serve and support our customers, our people and the communities we operate in.

Climate change remains one of the major risks we face as a society and is a key area of focus for us as Sustainability is a core pillar of our new 3x6 strategy. We closely manage our environmental impacts and promote positive environmental practices. A key focus is our commitment to become a net zero business by 2040, across all our operations and throughout our value chain, underpinned by our 1.5 degree aligned science-based targets.

We have identified our key climate-related risks over the short, medium and long term. The principal risks we have identified are reputational and regulatory compliance risk (short term), acute and chronic physical risk impacting our property portfolio and aged care businesses (medium to long term), and transition risk impacts in the wider economy impacting affordability of our products and services (medium to long term). There are also likely to be health impacts from climate change which will impact health insurance claims in the longer term (long term). We do not expect climate change to have a material impact on our investment and insurance risk exposures in the short term.

We have performed a range of climate related stress testing, including a 2 degree aligned disorderly transition scenario and will continue to explore further potential scenario analysis and stress tests, including 4 degree aligned scenarios. The results of these tests have strengthened our understanding of our risk profile and will form a key input into future strategic decision making.

We have established a Group-wide Environment and Climate Action programme to consider and take appropriate action for Bupa both in terms of managing the risks climate change poses to Bupa but also the risk Bupa poses to the environment based on our operations. In addition, our Board Sustainability Committee advises the Board and Executive on the environment and climate change risk.

*Our approach to risk management:*

In line with the principles set out in the UK Corporate Governance Code, the Board completed an annual review of the Group's systems of risk management and internal controls in 2021, covering the Group's material controls including financial, operational and compliance, and the impact of COVID-19 on the control environment. This review took into consideration the work of the Board's Audit and Risk committees during the year, including reports provided to those Committees from the first, second and third lines of defence. In making its assessment, the Board received and reviewed an integrated assurance report which set out an overall assessment of the Group's systems of risk management and internal control in 2021. The Board recognised the progress made by Bupa, including resilience in dealing with COVID-19, and has concluded that Bupa has a sound system of risk management and internal control, with some weaknesses which are being addressed by management and monitored by the Risk and Audit Committees.

## **BUPA AROUND THE WORLD**

### **Asia Pacific**

- Bupa Health Insurance, with 3.9m customers, is a leading health insurance provider in Australia and also offers health insurance for overseas workers and visitors.
- Bupa Health Services in Australia and New Zealand is a health provision business, comprising dental, optical, audiology, medical visa assessment services, and healthcare for the Australian Defence Force.
- Bupa Villages and Aged Care Australia cares for around 5,300 residents across 59 homes and 1 retirement village.
- Bupa Villages and Aged Care New Zealand cares for around 3,300 residents across 49 care homes and 37 retirement villages.
- Bupa Hong Kong comprises a health insurance business, with around 468,000 customers, and a health provision business operating 89 medical centres providing services to around 890,000 customers.

### **Europe and Latin America**

- Sanitas Seguros is the second largest health insurance provider in Spain, with 1.9m customers.
- Sanitas Dental provides dental services through 200 centres and third-party networks in Spain.
- Sanitas Hospitales and New Services comprise four private hospitals, 29 private medical clinics and one public hospital under a public-private partnership model.
- Sanitas Mayores cares for around 5,300 people in 43 care homes and operates six day-care centres in Spain.
- LuxMed is a leading private healthcare business in Poland operating in both health funding and provision, with 124,000 insurance customers and 7.6m health provision customers through 13 hospitals and 258 private clinics.
- Bupa Chile includes a leading health insurer serving around 860,000 customers and health provision services for around 2.8m customers across four hospitals and 36 medical clinics.
- Bupa Acibadem Sigorta is Turkey's second largest health insurer, with products for corporate and individual customers, and has 986,000 customers.
- Care Plus is a leading health insurance company in Brazil, with around 143,000 customers, concentrated in São Paulo.
- Bupa Mexico is a health insurer offering international and local private medical insurance to individuals and corporates, with around 77,000 customers. In 2021, Bupa acquired Vitamedica, a health administrator company with around 273,000 customers.
- Bupa Global Latin America provides international health insurance, local health insurance, and travel insurance across Latin America to around 72,000 customers.

## **Bupa Global and UK**

- Bupa UK Insurance is a leading health insurer, with 2.3m customers.
- Bupa Global serves over 510,000 IPMI customers and administers medical assistance for individuals, small businesses and corporate customers.
- Bupa Dental Care is a leading provider of private dentistry, providing dental services through over 480 centres across the UK and Ireland.
- Bupa Care Services cares for around 6,100 residents in 123 care homes and 10 Richmond care villages.
- Bupa Health Services comprises 50 health clinics, and the Cromwell Hospital.

# **BUPA GROUP**

**Preliminary Announcement**

**Financial Information**

**Year ended 31 December 2021**

## Consolidated Income Statement for the year ended 31 December 2021

	2021 £m	2020 restated <sup>1</sup> £m
<b>Revenues</b>		
Gross insurance premiums	9,227	8,908
Premiums ceded to reinsurers	(102)	(95)
Net insurance premiums earned	9,125	8,813
Care, health and other customer contract revenue	3,699	3,230
Other revenue	79	99
<b>Total revenues</b>	<b>12,903</b>	<b>12,142</b>
<b>Claims and Expenses</b>		
Insurance claims incurred	(7,294)	(6,712)
Reinsurers' share of claims incurred	79	57
<b>Net insurance claims incurred</b>	<b>(7,215)</b>	<b>(6,655)</b>
Share of post-taxation results of equity accounted investments	42	56
Impairment of goodwill and intangible assets	(27)	(19)
Other operating expenses	(5,237)	(5,024)
Other income and charges	49	1
<b>Total claims and expenses</b>	<b>(12,388)</b>	<b>(11,641)</b>
<b>Profit before financial income and expense</b>	<b>515</b>	<b>501</b>
<b>Financial income and expense</b>		
Financial income	97	92
Financial expense	(185)	(182)
Net impairment loss on financial assets	(4)	(15)
<b>Net financial expense</b>	<b>(92)</b>	<b>(105)</b>
<b>Profit before taxation expense</b>	<b>423</b>	<b>396</b>
<b>Taxation expense</b>	<b>(62)</b>	<b>(175)</b>
<b>Profit for the year</b>	<b>361</b>	<b>221</b>
<b>Attributable to:</b>		
Bupa	358	219
Non-controlling interests	3	2
<b>Profit for the year</b>	<b>361</b>	<b>221</b>

1. Balances have been restated a) for an £8m increase in other operating expenses and £2m increase in finance expenses for the historic underpayment of employee entitlements in the Bupa Asia Pacific Market Unit, b) for a £24m gross up between other revenue and financial expense in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia, c) for a £4m increase in operating expenses as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement', and for a net £5m related taxation impact.

## Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

	2021 £m	2020 restated <sup>1</sup> £m
<b>Profit for the year</b>	<b>361</b>	<b>221</b>
<b>Other comprehensive income/(expense)</b>		
<b>Items that will not be reclassified to the Income Statement</b>		
Unrealised losses on revaluation of property	(26)	(5)
Remeasurement losses on pension schemes	(5)	(128)
Taxation credit on income and expenses recognised directly in other comprehensive income	8	11
<b>Items that may be reclassified subsequently to the Income Statement</b>		
Foreign exchange translation differences on goodwill	(126)	63
Other foreign exchange translation differences	(240)	39
Net gain/(loss) on hedge of net investment in overseas subsidiary companies	62	(62)
Share of other comprehensive income of equity accounted investments	6	13
Change in fair value of financial investments through other comprehensive income	(6)	7
Realised loss on disposal of financial investments at fair value through other comprehensive income	1	-
Change in cash flow hedge reserve	(21)	-
Taxation credit on income and expenses recognised directly in other comprehensive income	-	2
<b>Total other comprehensive expense</b>	<b>(347)</b>	<b>(60)</b>
<b>Comprehensive income for the year</b>	<b>14</b>	<b>161</b>
<b>Attributable to:</b>		
Bupa	14	159
Non-controlling interests	-	2
<b>Comprehensive income for the year</b>	<b>14</b>	<b>161</b>

1. Balances have been restated as a result of the net £(9)m profit impact arising on the historic underpayment of employee entitlements in the Bupa Asia Pacific Market Unit and the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement and the related £(3)m adjustment to other foreign exchange translation differences.



## Consolidated Statement of Financial Position for the year ended 31 December 2021

	2021 £m	2020 restated <sup>1</sup> £m
<b>Assets</b>		
Goodwill and intangible assets	3,577	3,890
Property, plant and equipment	3,816	4,144
Investment property	666	627
Equity accounted investments	905	868
Post-employment benefit net assets	542	547
Restricted assets	158	149
Financial investments	2,911	2,865
Derivative assets	41	61
Deferred taxation assets	89	49
Current taxation assets	24	12
Assets arising from insurance business	1,374	1,345
Inventories	93	126
Trade and other receivables	624	613
Cash and cash equivalents	1,739	1,706
Assets held for sale	38	8
<b>Total assets</b>	<b>16,597</b>	<b>17,010</b>
<b>Liabilities</b>		
Subordinated liabilities	(997)	(1,247)
Other interest-bearing liabilities	(822)	(1,191)
Lease liabilities	(921)	(1,016)
Post-employment benefit net liabilities	(69)	(76)
Provisions arising from insurance contracts	(3,233)	(3,212)
Derivative liabilities	(35)	(77)
Provisions for liabilities and charges	(279)	(283)
Deferred taxation liabilities	(295)	(331)
Current taxation liabilities	(55)	(117)
Other liabilities arising from insurance business	(213)	(162)
Trade and other payables	(2,216)	(2,149)
Liabilities associated with assets held for sale	(4)	(1)
<b>Total liabilities</b>	<b>(9,139)</b>	<b>(9,862)</b>
<b>Net assets</b>	<b>7,458</b>	<b>7,148</b>
<b>Equity</b>		
Property revaluation reserve	655	699
Income and expenditure reserve	6,502	6,147
Cash flow hedge reserve	-	21
Foreign exchange translation reserve	(13)	263
<b>Equity attributable to Bupa</b>	<b>7,144</b>	<b>7,130</b>
Restricted Tier 1 notes	297	-
Non-controlling interests	17	18
<b>Total equity</b>	<b>7,458</b>	<b>7,148</b>

1. Balances have been restated to include a £51m provision for the historic underpayment of employee entitlements in the Bupa Asia Pacific Market Unit and for an £18m reduction in intangible asset amounts capitalised as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement', and £19m of related taxation impacts on deferred taxation liabilities.

# Consolidated Statement of Cash Flows

## for the year ended 31 December 2021

	2021 £m	2020 restated <sup>1</sup> £m
<b>Operating activities</b>		
Profit before taxation expense <sup>1</sup>	423	396
<i>Adjustments for:</i>		
Net financial expense <sup>1</sup>	92	105
Depreciation, amortisation and impairment <sup>1</sup>	532	524
Other non-cash items <sup>1</sup>	(135)	(94)
<i>Changes in working capital and provisions:</i>		
Increase in provisions and other liabilities arising from insurance contracts	238	442
(Increase)/decrease in assets arising from insurance business	(73)	16
Funded pension scheme employer contributions	(1)	(9)
(Increase)/decrease in trade and other receivables, and other assets	(25)	21
Increase in trade and other payables, and other liabilities <sup>1</sup>	65	103
<b>Cash generated from operations</b>	<b>1,116</b>	<b>1,504</b>
Income taxation paid	(200)	(136)
Increase in cash held in restricted assets	(9)	(32)
<b>Net cash generated from operating activities</b>	<b>907</b>	<b>1,336</b>
<b>Cash flow from investing activities</b>		
Acquisition of subsidiary companies, net of cash acquired	(19)	(25)
Investment in equity accounted investments	(14)	(109)
Dividends received from associates	34	-
Disposal of subsidiary companies and other businesses, net of cash disposed of	104	-
Divestment in equity accounted investments	7	-
Purchase of intangible assets <sup>1</sup>	(108)	(141)
Purchase of property, plant and equipment	(193)	(184)
Proceeds from sale of property, plant and equipment	18	101
Purchase of investment property	(37)	(59)
Disposal of investment property	-	1
Purchases of financial investments, excluding deposits with credit institutions <sup>1</sup>	(1,070)	(1,609)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions	750	1,302
Net withdrawals from/(investments into) deposits with credit institutions <sup>1</sup>	231	(224)
Interest received	62	51
<b>Net cash used in investing activities</b>	<b>(235)</b>	<b>(896)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of Restricted Tier 1 notes	297	-
Proceeds from issue of interest-bearing liabilities and drawdowns on other borrowings	391	648
Repayment of interest-bearing liabilities and other borrowings	(983)	(578)
Principal repayment of lease liabilities	(130)	(126)
Repayment of interest on lease liabilities	(47)	(54)
Interest paid <sup>2</sup>	(83)	(103)
Net receipts on settlement of hedging instruments	8	4
Dividends paid to non-controlling interests	(1)	(1)
<b>Net cash used in financing activities</b>	<b>(548)</b>	<b>(210)</b>
<b>Net increase in cash and cash equivalents</b>	<b>124</b>	<b>230</b>
Cash and cash equivalents at beginning of year	1,705	1,451
Effect of exchange rate changes	(91)	24
<b>Cash and cash equivalents at end of year<sup>3</sup></b>	<b>1,738</b>	<b>1,705</b>

- Balances have been restated a) for an £8m increase in other operating expenses and £2m increase in finance expenses for the historic underpayment of employee entitlements in the Bupa Asia Pacific Market Unit, b) for a £24m gross up between other revenue and financial expense in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia, c) for a £4m increase in operating expenses as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement'; d) a net £5m related taxation impact; and e) a reclassification of £169m between deposits with credit institutions and corporate debt securities.
- Includes other bank fees and charges of £2m (2020: £3m).
- Includes bank overdrafts of £1m (2020: £1m) which are not considered as a component of cash and cash equivalents within the consolidated statement of financial position and cash balances classified as held for sale of £nil (2020: £nil).

## Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Property revaluation reserve	Income and expenditure reserve	Cash flow hedge reserve	Foreign exchange translation reserve	Total attributable to Bupa	Restricted Tier 1 Notes	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
<b>2021</b>								
Balance as at 1 January 2021	699	6,147	21	263	7,130	-	18	7,148
<b>Profit for the year</b>	-	358	-	-	358	-	3	361
<b>Other comprehensive income/(expense)</b>								
Unrealised loss on revaluation of property	(26)	-	-	-	(26)	-	-	(26)
Realised revaluation profit on disposal of property	(4)	4	-	-	-	-	-	-
Remeasurement loss on pension schemes	-	(5)	-	-	(5)	-	-	(5)
Foreign exchange translation differences on goodwill	-	-	-	(126)	(126)	-	-	(126)
Other foreign exchange translation differences	(20)	(6)	-	(211)	(237)	-	(3)	(240)
Net gain on hedge of net investment in overseas subsidiary companies	-	-	-	62	62	-	-	62
Share of other comprehensive income of equity accounted investments	-	6	-	-	6	-	-	6
Change in fair value of financial investments through other comprehensive income	-	(6)	-	-	(6)	-	-	(6)
Realised loss on disposal of financial investments at fair value through other comprehensive income	-	1	-	-	1	-	-	1
Change cash flow hedge reserve	-	-	(21)	-	(21)	-	-	(21)
Taxation credit/(charge) on income and expense recognised directly in other comprehensive income	6	3	-	(1)	8	-	-	8
<b>Other comprehensive expense for the year, net of taxation</b>	<b>(44)</b>	<b>(3)</b>	<b>(21)</b>	<b>(276)</b>	<b>(344)</b>	-	<b>(3)</b>	<b>(347)</b>
<b>Total comprehensive (expense)/income for the year</b>	<b>(44)</b>	<b>355</b>	<b>(21)</b>	<b>(276)</b>	<b>14</b>	-	-	<b>14</b>
Issue of Restricted Tier 1 notes	-	-	-	-	-	297	-	297
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1)	(1)
<b>Balance as at 31 December 2021</b>	<b>655</b>	<b>6,502</b>	-	<b>(13)</b>	<b>7,144</b>	<b>297</b>	<b>17</b>	<b>7,458</b>

## Consolidated Statement of Changes in Equity (continued) for the year ended 31 December 2021

	Property revaluation reserve	Income and expenditure reserve	Cash flow hedge reserve	Foreign exchange translation reserve	Total attributable to Bupa	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
2020							
Balance as at 1 January 2020, as previously reported	692	6,059	21	237	7,009	17	7,026
Opening balance adjustments <sup>1</sup>	-	(38)	-	-	(38)	-	(38)
Balance as at 1 January 2020, as restated	692	6,021	21	237	6,971	17	6,988
Profit for the year <sup>1</sup>	-	219	-	-	219	2	221
Other comprehensive income/(expense)							
Unrealised loss on revaluation of property	(5)	-	-	-	(5)	-	(5)
Realised revaluation profit on disposal of property	(8)	8	-	-	-	-	-
Remeasurement loss on pension schemes	-	(128)	-	-	(128)	-	(128)
Foreign exchange translation differences on goodwill	-	-	-	63	63	-	63
Other foreign exchange translation differences <sup>1</sup>	16	(1)	-	24	39	-	39
Net loss on hedge of net investment in overseas subsidiary companies	-	-	-	(62)	(62)	-	(62)
Share of other comprehensive income of equity accounted investments	-	13	-	-	13	-	13
Change in fair value of financial investments through other comprehensive income	-	7	-	-	7	-	7
Taxation credit on income and expense recognised directly in other comprehensive income	4	8	-	1	13	-	13
Other comprehensive income/(expense) for the year, net of taxation	7	(93)	-	26	(60)	-	(60)
Total comprehensive income for the year	7	126	-	26	159	2	161
Dividends paid to non-controlling interests	-	-	-	-	-	(1)	(1)
Balance as at 31 December 2020	699	6,147	21	263	7,130	18	7,148

1. Opening balances have been restated as a result of recognising a £38m provision for the historic underpayment of employee entitlements in the Bupa Asia Pacific Market Unit and for a £14m reduction in historic software capitalisation as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation Costs in a Cloud Computing Arrangement, net of the related tax impacts of £14m. Profit for the financial year has been restated by £(9)m as a result of 2020 movements in the historic underpayment of employee entitlements (£(6)m) and historic software capitalisation (£(3)m).

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2021

### Segmental information

The organisational structure of the Group is managed through three Market Units based on geographic locations and customers. The Group announced an update to the organisational structure in 2021, with the incorporation of Bupa Hong Kong into the previous Australia and New Zealand Market Unit to form Bupa Asia Pacific. The three Market Units are now Bupa Asia Pacific; Europe and Latin America; and Bupa Global and UK. Management monitors the operating results of the Market Units separately to assess performance and make decisions about the allocation of resources. Bupa China and the Group's associate investments, Bupa Arabia and Niva Bupa are reported within Other businesses. The segmental disclosures below are reported consistently with the way the business is managed and reported internally.

Comparative information has been restated to reflect the change in organisational structure.

Reportable segments	Services and products
<b>Bupa Asia Pacific</b>	<p>Bupa Health Insurance: Health insurance, international health cover in Australia.</p> <p>Bupa Health Services: Health provision services relating to dental, optical, audiology and medical assessments and therapy.</p> <p>Bupa Villages and Aged Care Australia: Nursing, residential, respite care and residential villages.</p> <p>Bupa Villages and Aged Care New Zealand: Nursing, residential, respite care and residential villages.</p> <p>Bupa Hong Kong: Domestic health insurance, primary healthcare and day care clinics including diagnostics.</p>
<b>Europe and Latin America</b>	<p>Sanitas Seguros: Health insurance and related products in Spain.</p> <p>Sanitas Dental: Insurance and dental services through clinics and third-party networks in Spain.</p> <p>Sanitas Hospitales and New Services: Management and operation of hospitals and health clinics in Spain.</p> <p>Sanitas Mayores: Nursing, residential and respite care in care homes and day centres in Spain.</p> <p>LuxMed: Medical subscriptions, health insurance, and the management and operation of diagnostics, health clinics and hospitals in Poland.</p> <p>Bupa Acibadem Sigorta: Domestic health insurance in Turkey.</p> <p>Bupa Chile: Domestic health insurance and the management and operation of health clinics and hospitals in Chile.</p> <p>Care Plus: Domestic health insurance in Brazil.</p> <p>Bupa Mexico: Domestic health insurance in Mexico.</p> <p>Bupa Global Latin America: International health insurance.</p>
<b>Bupa Global and UK</b>	<p>Bupa UK Insurance: Domestic health insurance, and administration services for Bupa health trusts.</p> <p>Bupa Dental Care: Dental services and related products.</p> <p>Bupa Care Services: Nursing, residential, respite care and care villages.</p> <p>Bupa Health Services: Clinical services, health assessment related products and management and operation of a private hospital.</p> <p>Bupa Global: International health insurance to individuals, small businesses and corporate customers.</p> <p>Associate: Highway to Health (United States of America) (operating as GeoBlue)</p>
<b>Other businesses</b>	<p>Bupa China: Clinical services.</p> <p>Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Niva Bupa (India): Health insurance.</p>

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2021

### (i) Revenues

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated <sup>1,2</sup> £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 restated <sup>1</sup> £m	2021 £m	2020 restated <sup>2</sup> £m
Gross insurance premiums	4,241	4,050	2,663	2,658	2,323	2,200	-	-	9,227	8,908
Premiums ceded to reinsurers	(5)	(3)	(22)	(24)	(75)	(68)	-	-	(102)	(95)
Internal reinsurance	(53)	(48)	-	-	53	48	-	-	-	-
<b>Net insurance premiums earned</b>	<b>4,183</b>	<b>3,999</b>	<b>2,641</b>	<b>2,634</b>	<b>2,301</b>	<b>2,180</b>	<b>-</b>	<b>-</b>	<b>9,125</b>	<b>8,813</b>
Care, health and other customer contract revenue	1,264	1,174	1,354	1,124	1,081	932	-	-	3,699	3,230
Other revenue <sup>1</sup>	51	76	9	7	14	10	5	6	79	99
<b>Total revenues for reportable segments</b>	<b>5,498</b>	<b>5,249</b>	<b>4,004</b>	<b>3,765</b>	<b>3,396</b>	<b>3,122</b>	<b>5</b>	<b>6</b>	<b>12,903</b>	<b>12,142</b>
<b>Consolidated total revenues</b>									<b>12,903</b>	<b>12,142</b>

- 2020 amounts have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit following the updated organisational structure implemented during 2021. Bupa Hong Kong was previously reported under Other businesses.
- Balances have been restated for a £24m gross up between other revenue and financial expense (included within central expenses and net interest margin) in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia.

### (ii) Segmental result

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2021 £m	2020 restated <sup>1,2</sup> £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 restated <sup>1</sup> £m	2021 £m	2020 restated <sup>2</sup> £m
Underlying profit for reportable segments <sup>3</sup>	222	130	162	184	62	110	45	55	491	479
Central expenses and net interest margin <sup>2</sup>									(86)	(105)
<b>Consolidated underlying profit before taxation expense</b>									<b>405</b>	<b>374</b>
<b>Non-underlying items:</b>										
Impairments of intangible assets and goodwill arising on business combinations	(18)	(11)	-	(1)	-	-	-	-	(18)	(12)
Net gain/(loss) on disposal of businesses and transaction costs on business combinations <sup>4</sup>	8	-	3	26	2	(27)	-	-	13	(1)
Net property revaluation gain/(loss)	17	30	-	-	(1)	(4)	-	-	16	26
Realised and unrealised foreign exchange (loss)/gain <sup>5</sup>	-	-	(3)	-	7	(2)	1	-	5	(2)
Other Market Unit non-underlying items <sup>6</sup>	-	-	(9)	-	22	(7)	-	-	13	(7)
Group non-underlying items <sup>7</sup>									(14)	3
Gain on return-seeking assets, net of hedging									3	15
<b>Total non-underlying items</b>									<b>18</b>	<b>22</b>
<b>Consolidated profit before taxation expense</b>									<b>423</b>	<b>396</b>

- 2020 amounts have been restated to report Bupa Hong Kong as part of the Bupa Asia Pacific Market Unit following the updated organisational structure implemented during 2021. Bupa Hong Kong was previously reported under Other businesses.
- Balances have been restated for a) a £24m gross up between other revenue and financial expense (included within central expenses and net interest margin) in relation to the remeasurement of imputed revenue and interest in respect of interest-free refundable accommodation deposits received by the Group as payment for aged care units in Bupa Villages and Aged Care Australia; b) a £10m increase in the provision for the historic underpayment of employee entitlements in the Bupa Asia Pacific Market Unit; and c) for £4m related to intangible asset amounts capitalised as a result of the IFRS Interpretations Committee decision on 'Configuration or Customisation in a Cloud Computing Arrangement'.
- Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. Other businesses includes Bupa Arabia and Niva Bupa. Bupa Global and UK includes Highway to Health.
- 2020 net gain/(loss) on disposal and restructuring of businesses includes a £26m gain relating to the reclassification of a provision business in the Europe and Latin America segment out of held for sale and losses of £26m in Bupa Global and UK relating to ongoing completion costs in respect of the disposal of UK care homes.
- Includes the foreign exchange impact of treating unearned premiums and deferred acquisition costs as non-monetary items.
- £22m within the Bupa Global and UK segment includes a £40m net gain on the acquisition of the membership and business of CS Healthcare and restructuring costs. Includes £18m loss recognised following the early redemption of £250m of unguaranteed subordinated bonds during the year.
- Includes £18m loss recognised following the early redemption of £250m of unguaranteed subordinated bonds during the year.

### General information

The information in this announcement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006 for the years ended 31 December 2021 or 2020. Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2021 will be delivered in due course. The report of the auditor on those accounts is unqualified and did not draw attention to matters by way of emphasis.