



# New Norms... New Imperatives

Annual Report 2021





## **New Norms...**

### **New Imperatives**

The challenges imposed by COVID-19 pandemic have disrupted the world and imposed a “new norm” on how things operates across multiple facets of our lives. With this new norm came new imperatives to how enterprises in every field conducted their operations, reached their customers, devised their products and services and more. Bupa Arabia stayed ahead of the curve, leveraging a competent digital platform to refashion and present a new-norm of a compliant health care offerings to its customers.







Over the past three hundred years, and under all circumstances, our country has proven its ability to overcome all challenges with determination and to emerge from them victorious with the grace of God.

Message from the Custodian of the Two Holy Mosques,  
King Salman bin Abdulaziz



**HRH Prince Mohammad  
bin Salman bin Abdulaziz Al-Saud**

Crown Prince, Deputy Prime Minister,  
Minister of Defense and Chairman of the  
Council of Economic and Development Affairs

**King Salman  
bin Abdulaziz Al-Saud**

Custodian of The Two Holy Mosques

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“Having weathered the worst turbulence of the pandemic, **Bupa Arabia has successfully navigated 2021**, emerged stronger, more vibrant, innovative, diverse, equitable, and displayed amazing resilience in the face of adversity.”

## Chairman's Message





## Steering Through Daunting Challenges

98% of our workforce effectively transitioned to the Home, Office and Mixed working arrangement, discharging their duties seamlessly and efficiently, while meeting customer needs effectively. The easing of pandemic-induced restrictions led to a gradual restoration of near-normalcy, and an improved operating environment.

The Kingdom's Vision 2030, and its focus on economic diversification, as well as the Government's judicious and substantial efforts towards further developing the economy, created a conducive business climate.

During the year, the insurance industry in the KSA registered a growth of 7.7%, overcoming the downturn caused by the exodus of expatriate workers, who comprised a significant component of the number of insured lives. Bupa Arabia achieved a gross written premium of SR 11.38 billion, which is an 8.9% increase over the previous year. This growth helped Bupa consolidate its leadership position in the health insurance segment with a record high volume share (insured lives) of 32% (+0.5 ppt vs. year ago). Our earnings per share was SR 5.23 in 2021.

During COVID-19 restrictions, demand for digital solutions surged phenomenally and Bupa responded promptly with highly digitalized operations, giving us a competitive edge in meeting customer demand, and improving our performance.

The physical and mental well-being of our colleagues was of utmost importance, as we implemented a series of online programs to ensure a successful adaptation to the new working environment. We also carried out a series of learning and development initiatives for our colleagues by harnessing the resources of top-notch international educational and consultancy institutions. This was done in order to optimize workforce efficiency, ensure business continuity, and to maintain a high-performance culture while continuing to develop future leaders.

## Regional and International Recognition

We are always pleased to see that our commitment to operational excellence and strong overall performance is recognized regionally and internationally.

### Overall

- Forbes List 2021 – Tal Nazer ranked as one of the Top 100 CEOs in the Middle East 2021
- 8th Middle East Insurance Industry Awards – Health Insurance Company of the years 2020 and 2021 – Saudi Arabia
- Brand Finance 2021 – Ranked as the Strongest Brand in Saudi Arabia in 2020 and 2021
- International Business Magazine Awards 2021 – Health Insurance Company of the Year – Saudi Arabia



### People

- Chartered Institute of Personnel and Development (CIPD)'s 2021 Middle East People Awards as Employer of Choice and Best Employee Engagement Initiative
- LinkedIn's Talent Awards as Best Employer Brand (for companies with 500-2,000 employees)

## Corporate social responsibility

- Awarded Best CSR Initiative for second consecutive year
- Best CSR Impact Initiative in Saudi Arabia awarded by the CSR Summit, KSA
- Best CSR Integrated Organization in Saudi Arabia awarded by the CSR Summit, KSA
- The Leading Company in Social Responsibility Program Related to Orphans

The Company has been active in building enduring partnerships with all stakeholders as well as the local community. Special attention has been given to relations with business partners and suppliers, especially local SMEs within the areas we operate. We have also cemented our partnerships with leading international business organizations and consultancies.

Bupa Arabia's Corporate Social Responsibility (CSR) program has been conducted under the "Helping Hands" theme which aims at providing a better future for the most deserving segments of our society. Under our flagship CSR project, we have collaborated with the Ministry of Human Resources and Social Development (MHRSD) in addressing the needs of orphans living in their centers. We are strongly committed to making a positive impact in their lives, physically and emotionally. Our colleagues have participated whole-heartedly in these initiatives.

With the emergence of cybersecurity as an area of prime concern in the industry, our Cybersecurity and Technology Risk Department carried out a total overhaul of all the BCM activities, based on an updated BCM Enterprise Policy.

On behalf of the Board of Directors, I would like to express my sincere appreciation to all our people, who have made an immense contribution to building Bupa Arabia. It is our people, including employees and members of Board Committees, who have enabled us to deliver exceptional results which stand out in the industry.

I also wish to thank all our stakeholders, including shareholders, clients, partners, regulators and service providers, for their continued support, and commitment in helping us overcome daunting challenges of the year. We remain committed as a Board, and as a Company, to our strategic and governance frameworks that enable us to retain our position of strength and leadership.

The achievements we made and the lessons learned during such difficult times could not have been in place without the resilience displayed by our loyal and motivated people, and I am confident that we will continue to excel and navigate challenges, and emerge stronger than ever before.

By order of the Board

**Eng. Loay Hisham Nazer**  
Chairman

“We believe that **our strategic choices helped us navigate the anticipated turbulences of 2021**, which impacted the entire sector, with solid results in absolute and in comparison to the sector. Furthermore, those choices will position us well for 2022.”

## Chief Executive Officer's Review



As we wrapped up the year 2020, with the strongest performance ever, we had anticipated serious challenges ahead of us. 1) We knew the lower claims of 2020, due to lockdown and decreased footfalls to medical providers, would surge higher in 2021 as delayed procedures would materialize and footfalls would intensify. 2) The implementation of Article-11 – announced at the end of 2020 – would bring in additional claims costs that were not in the base of 2020, where almost 200 government medical providers opened doors for insured people at unified imposed prices set by the regulators. 3) The migration to NPHIES system would not only add additional cost on both payers and providers; but put pressure on the development and integration capacities of our operation, and 4) A shrinking market, insured-wise, due to enforcement gap; would present growth challenges for us and the sector in large.

#### 2021 – FLAGGED CHALLENGES:

- Deferred claims from 2020 to 2021
- Article-11 implementation
- NPHIES system migration
- Shrinking insured population



Our response to these challenges, to stay the course on our 1Bupa growth strategy, were clear and sound: 1) be disciplined in our pricing strategy and to not be misguided by the low loss ratio of 2020, 2) continue investing in our value proposition to be the best in servicing our customers and members, 3) double down on digital transformation in terms of a) service/operation, b) digital sales and c) the creation of Bupa Arabia Ventures as a corporate venture capital arm to play a leading role within the insurtech and healthtech space, and 4) invest in our people, whom we believe are the reason we are what we are, with focused and tailor-made development programs for different levels and functions.

#### 2021 – GUIDING COMPASS:

- Disciplined pricing strategy
- Strengthen service proposition
- Double down on digital transformation
- Invest in our people



### Our Key Performance Indicators Snapshot

Very strong performance considering the challenges faced:

Gross written premiums:

**SR 11.38 billion**

+8.9% vs 2020

Profit before Zakat and income tax:

**SR 730.7 million**

-11.3% vs 2020

Investment income:

**a record SR 262 million**

+23% vs 2020

Assets under management:

**SR 9.4 billion**

+5% vs 2020

Net Promoter Score (NPS):

**54**

+2.8% vs 2020

Saudization:

**81%**

**Record collection performance**

in a challenging credit and liquidity environment

**Leading market share of 48%**

### Seeding for the Future

*Digital all the way...*

#### 2021 – KEY ACHIEVEMENTS IN DIGITAL

- App downloads: 1.7 million
- App transactions: 28 million
- App ratings: 4.5
- App NPS: 79
- AI Lives models: 4
- RPA: 56



Bupa Arabia will continue consolidating its leadership position in terms of digital transformation and building its digital ecosystem in order to enhance the digital offering to its members. We wrapped up 2021 with a transformed value proposition that put digital technologies at the centre of the most critical parts of the business and the customer journey. Indeed, last year saw the following components enhanced or changed dramatically to offer an excellent and customized experience to our members:

- **Digital Health:** All of our Tebtom services are now offered through our App.
- **Efficiency:** We deployed Robotic Process Automations (RPAs) in many critical processes to boost productivity.
- **Automation:** We increased the automation of the e-commerce platform to a major extent, which led to a breakthrough reduction in customer turnaround.
- **AI:** We kicked off the AI models to predict health outcomes and manage medical cost better.
- **Digital Finance:** We have initiated many initiatives to digitalize our finance processes and implement many ad hoc regulatory changes.
- **People:** We are designing and working on implementing the Human Capital Management platform which will allow a better employee experience.



During 2022, Bupa Arabia will be working on introducing game-changing initiatives such as electronic health record, AI symptom checker, medical chat bot as well as population health management. The aim of the latter is to achieve a breakthrough in reducing the inflation curve while enhancing the health outcomes of its members.

## CULTURE, THE FUEL OF HIGH PERFORMANCE



- Employees engagement: 83
- HR initiatives: 32
- Succession pipeline: 83%
- Learning programs: 80
- Average learning hours/person: +20
- Turnover: 9%

We understand that it is our people who deliver Bupa Arabia's exceptional customer experience, and we strive to create a culture that would attract and retain the most talented and highly engaged employees. For years, Bupa Arabia has been thriving towards becoming the most admired healthcare company that attracts, grows, engages, and retains the best talent in the industry. The year 2021 was no different as we have successfully planned and implemented more than 32 HR initiatives, 16 policies, and 12 practices for our people during challenging circumstances. More people applied and more joined us in 2021 and less people left with a lowest turnover rate of 9%. We offered our top talents who performed exceptionally well, more than 140 promotions and rotated more than 199 employees in cross functional opportunities thus maintaining a very healthy succession pipeline of 83%. We partnered with top learning schools (IMD, Hult, Harvard, Cornell etc.) to provide more than 80 learning programs, covering more than 1,400 employees with an average of 20+ learning hours per individual. More people joined, less people left, and in between we were successful in highly motivating and engaging our people through multiple cultural initiatives that were tracked through Glint, our external partner, and achieved a record engagement score of 83. All of these efforts have enabled us to achieve our financial targets, provide better customer experience and maintain our leadership position in the market.

## Looking ahead into 2022

We are cautiously optimistic about 2022 as we expect multiple events to have noticeable impact on the market:

- **Macroeconomic factors:** Pace and robustness of post-pandemic recovery, as restrictions are lifted and the impact of oil prices surge coupled with ongoing logistical challenges from prior year. These factors will have an impact on employment market which is the fuel for health insurance.
- **Regulatory factors:** 1) Current insured population is approximately 30% less than potential market when enforcement of the mandate was fully implemented by the regulator. We have seen initiatives kicked off on this front and we will need to see their outcomes to judge their effectiveness, 2) enforcement of domestic helpers health insurance will bring in a new segment to the market, 3) launch of an improved health insurance policy under the name of Essential Benefits Package by CHI, to be implemented as of July 2022, will provide better and higher benefits to insured members but will result in higher cost that the sector must price for to neutralize the utilization risk, 4) full impact of NPHIES roll-out which comes at a price tag of 2% of claims.
- **Behavioral factors:** 1) An emerging behavior from medical providers to cross-sell and up-sell their services, leading to higher utilization and geographical expansion of some, and 2) A noticeable pick-up in members utilization, frequency of visits to medical providers.

I believe that Bupa Arabia is well-equipped to deal with these challenges to bring about the desired outcomes. My confidence stems from the well-rooted performance culture we have built over years, from the technical readiness of our servicing and operational teams and our great customer-facing ambassadors who create, grow and maintain the best relationships with our key stakeholders.

### Tal Hisham Nazer

Chief Executive Officer and Executive Board Member



# Business Report

At Bupa Arabia, we believe in providing care that ensures the overall well-being of our members. Being part of the largest global health network in the world, we work every day to maintain our leading reputation. Our global network gives us **access to expertise gained for over 70 years** and provides insights on how to customize our care to best suit members in Saudi Arabia. Our health care solutions and services are forward-looking, and we have automated and digitized systems and processes to enable a continuous care.





# Our Global Presence

## Bupa Group

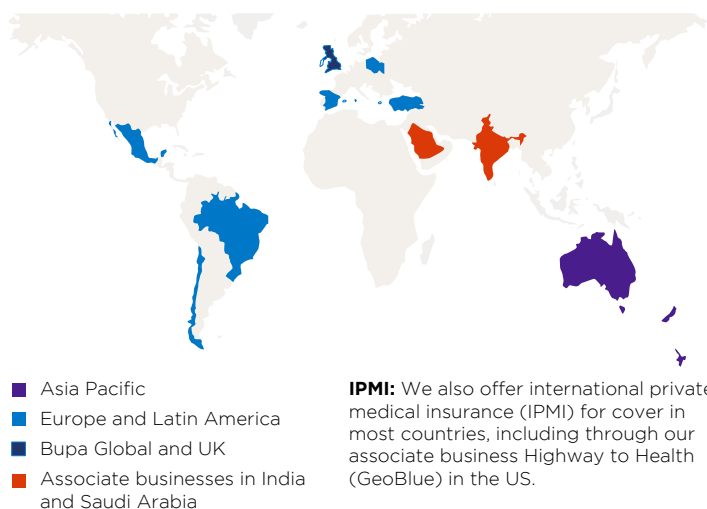
Bupa is an international healthcare company serving over 38 million customers worldwide and directly employing around 84,000 people. Founded in the UK in 1947, Bupa has expanded internationally to include businesses in Australia, Spain, Chile, Poland, New Zealand, Hong Kong SAR, Turkey, Brazil, Mexico, the US, Middle East and Ireland. We also have associate businesses in Saudi Arabia and India.

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

- Founded in 1947, Bupa is a private company limited by guarantee. With no shareholders, we reinvest profits into providing more and better healthcare for the benefit of current and future customers.
- We are an international healthcare company serving over 38 million customers worldwide.
- Over the past 75 years, our global footprint has grown from our origins in the UK to Australia, Spain, Poland, Chile, Brazil, Mexico, Turkey, the Middle East, the US, Hong Kong SAR, New Zealand and Ireland. We also have associate businesses in Saudi Arabia and India.

Health insurance accounts for the largest part of the business, with 21.1 million customers accounting for 71% of the Group's revenue. In some of its markets, Bupa also provides healthcare services to 16.9 million customers through its own clinics, dental centres, and hospitals. The Group also cares for around 20,000 residents in its aged care businesses in the UK, Australia, New Zealand, and Spain.

Bupa Group is organized into three Market Units: Asia Pacific, Europe and Latin America and Bupa Global and UK. The Group also has associate health insurance businesses in the Kingdom of Saudi Arabia (KSA) and in India (Niva Bupa).



**75 years**  
of healthcare and wellness



**84,000**  
employees

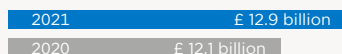


**38 million**  
customers

## 2021 financial results

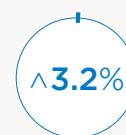
Revenue in 2021:

**£ 12.9 billion**



Statutory profit before tax:

**£ 423 million**



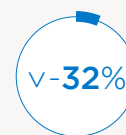
Underlying profit before tax:

**£ 405 million**



Net cash generated:

**£ 907 million**



We believe in people, in helping them feel better and helping them to stay that way. That, simply put, is how we work every day to maintain **our leading reputation in Global Health and Care.**

## Our Purpose and Ambition



**Purpose** – Helping people live longer, healthier, happier lives, and making a better world

**Ambition** – To be the world's most customer-centric healthcare company

### Values



**Brave** – Make new possibilities happen



**Caring** – Act with empathy and respect



**Responsible** – Own your decisions and actions

As a healthcare **company with a worldwide presence**, Bupa has its business operations, resources, systems and processes geared towards meeting the distinctive healthcare systems, customer needs and regulatory environment prevailing in the countries and markets in which it serves.

## Bupa Group Business Model





## What we do

### Health insurance

**71%**  
of revenue

**21.1 million**  
insurance customers  
worldwide

- Health insurance revenue accounts for 71% of our business, with 21.1m customers. We have a strong domestic health insurance presence via our businesses in the UK, Australia, Spain, Chile, Hong Kong SAR, Turkey, Brazil and Mexico, and our associate businesses in Saudi Arabia and India.
- We offer additional health funding products, such as subscriptions and cash plans. We also offer international private medical insurance (IPMI) through our Bupa Global businesses.

### Health provision

**21%**  
of revenue

**16.9 million**  
provision customers  
worldwide

- We are also a health provider. Health provision accounts for 21% of our total revenue, comprising 370 health clinics, 23 hospitals and around 1,000 dental centres, serving around 16.9m people globally.
- Health services include health assessments, GP services and physiotherapy. We also have outpatient and speciality clinics.
- Digital provision services include digital GP services, care triage and consultation, mental health coaching and support, and chronic care management. We run hospitals in Spain, Chile and Poland and one in the UK.

### Dental

**1,000**  
Dental centres

- We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong, Brazil and through Bupa Global.
- We also have around 1,000 dental centres across the UK, Ireland, Australia, Spain, Chile, Poland, Brazil and Hong Kong SAR.

## Footprint and participation

		Asia Pacific				
		Australia	New Zealand	Hong Kong	Spain	Poland
Funding	Health insurance					
	Pay as you go					
	Dental insurance					
	Travel insurance					
	Cash plans					
Health provision	Clinics					
	Hospitals					
	Dental centres		3			
	Optical and audiology					
Aged care provision	Care homes				4	
	Retirement villages					

- Global international insurance available in most countries. Includes 49% stake in Health (GeoBlue) in the US.
- Bupa Arabia and Niva Bupa are associate businesses.
- In December 2021, we announced the sale of our NZ dental clinics.
- In Spain, we also have daycare centres.
- We also operate dental clinics in the Republic of Ireland managed through Bupa Global and UK.

#### Australia:

Bupa Health Insurance  
Bupa Health Services  
Bupa Villages and Aged Care Australia

#### New Zealand:

Bupa Villages and Aged Care New Zealand  
Bupa Hong Kong:  
Health Insurance and provision

#### Spain:

Sanitas Seguros  
Sanitas Hospitales  
And New Services  
Sanitas Dental  
Sanitas Mayores

#### Poland:

LuxMed

**8%**  
of revenue

**20,000**  
residents in  
our care homes

## Who we create value for



We work to:

- deliver exceptional customer service
- harness digitalisation, data, and analytics to drive improvements
- innovate to meet and exceed customer expectations
- keep our customers' data safe
- promote a positive, inclusive working environment
- create opportunities for people to grow and develop
- enable people to manage their health and well-being



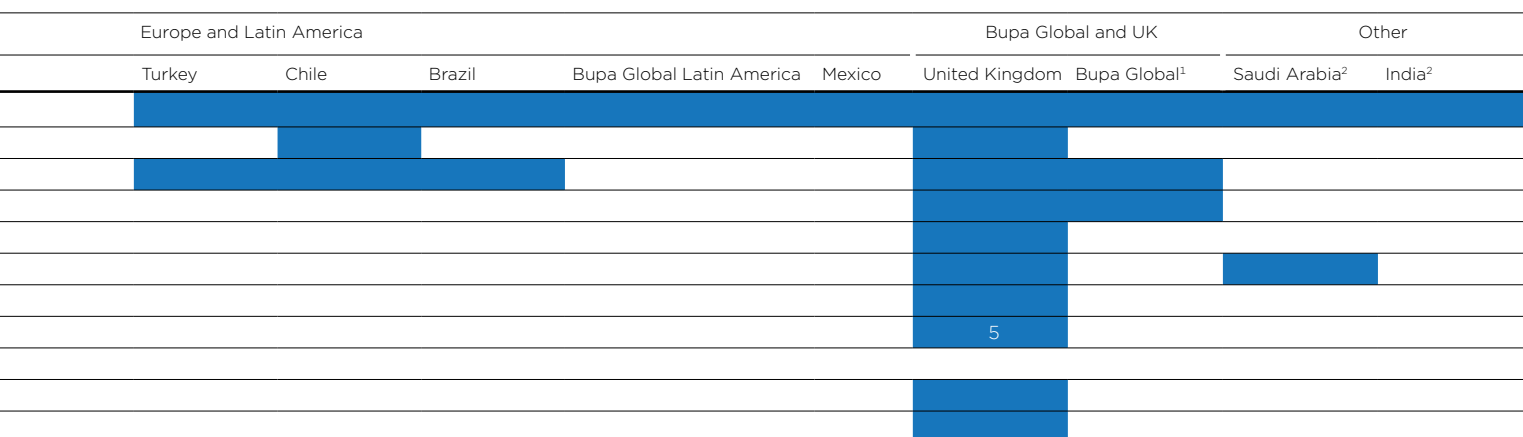
We work to:

- create shared value for our partners including health providers, brokers, and distributors



We work to:

- make a difference through volunteering, community partnerships, and contributions
- take care of the environment and address climate change and its health impacts



**Mexico:**  
Bupa Mexico

**IPMI:**  
Bupa Global  
Latin America

**UK:**  
Bupa UK Insurance  
Bupa Dental Care  
Bupa Care Services  
Bupa Health Services

**IPMI:**  
Bupa Global

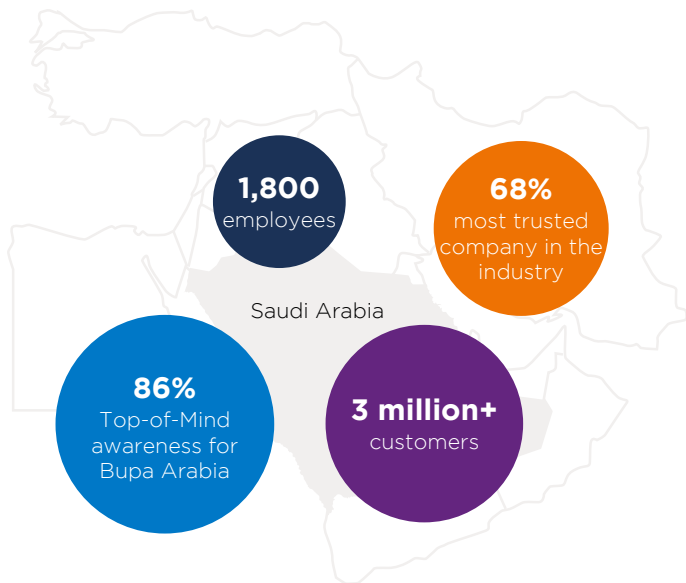
**Saudi Arabia:**  
Private health insurer, Bupa Arabia<sup>2</sup>, in which we have a 43.25% stake. We also have an interest in MyClinic.

**Niva Bupa<sup>2</sup>:**  
Private health insurer in India, in which we hold a 44.75% stake

# Our Landscape

## Bupa Arabia

Bupa Arabia was inceptioned in Saudi Arabia as a joint venture between Bupa and the Nazer Group in 1997. The business went public just 11 years later, with the most successful Insurance IPO in Saudi history. Today, we are the leading healthcare insurance company in the Kingdom, taking care of millions of people who rely on us for their healthcare needs.



As the first specialized health insurance company in the Kingdom, we strive to be our customers' healthcare partner. We provide quality services that not only grant our customers access to the best healthcare facilities but also facilitate their comfort and safety. Our products and services represent a lifetime of care, beginning at the prenatal stage of life, through maternity, and on to later stages of life, where we seek to assist our members in making healthier life choices through carefully designed offerings, such as Bupa Click, Bupa Tebtom, Bupa Rahatkom, and Bupa Live Right.

### 2021 financial results

Revenue in 2021:

**SR 10.9 billion**

Net claims incurred:

**SR 9 billion**

Before Zakat and income tax profit:

**SR 731 million**

Earnings per share:

**SR 5.23**





# Our Year at a Glance



Record high Net Promoter Score

**(NPS) of 54**

Basic earnings per share

**SR 5.23**

Gross Written Premiums (GWP) of

**SR 11.4 billion**

+9% growth vs 2020

Total shareholders' equity

**SR 4,186,049**



Visits to our e-commerce based  
Digital Sales platform

**1.3 million**

Digitizing the customer experience  
journey through our mobile app, with

**1.7 million+**

app downloads with

**28.6 million**

transactions



**Employee highlights**

**83**

people engagement score

**83%**

succession rate

**9%**

turnover rate

**Won CIPD  
Employer of  
Choice,**

Best Employee Engagement Initiative,  
and LinkedIn Best Employer Brand

**Launch of Bupa  
Arabia Ventures –**

our own Healthcare Venture  
Capital arm

Cybersecurity maturity

**level 3**



# Bupa Arabia's Strategic Framework

## Bupa Arabia's Strategic Framework

**Purpose** – Helping people live longer, healthier, happier lives, and making a better world

**Ambition** – To be the world's most customer-centric healthcare company

### Our Pillars

#### People Make the Difference

- Attracting, developing and retaining outstanding people and leaders
- Taking responsibility and accountability
- Creating safe and healthy workplaces
- Celebrating diversity and inclusion

#### Passionate About Our Customers

- Cementing our partnerships with key customers
- Pursuing breakthrough differentiation and innovation in product and service offerings
- Harnessing digitalization in customer service, claims management and operational efficiencies
- Developing new distribution channels while delivering on a seamless customer experience

#### Strong and Sustainable Performance

- Driving net customer growth, revenue and profit
- Protecting and growing our core customer base
- Enhancing robust risk management and controls
- Embedding corporate responsibility and sustainability to create shared value
- Keeping data safe

### Values



Brave



Caring



Responsible

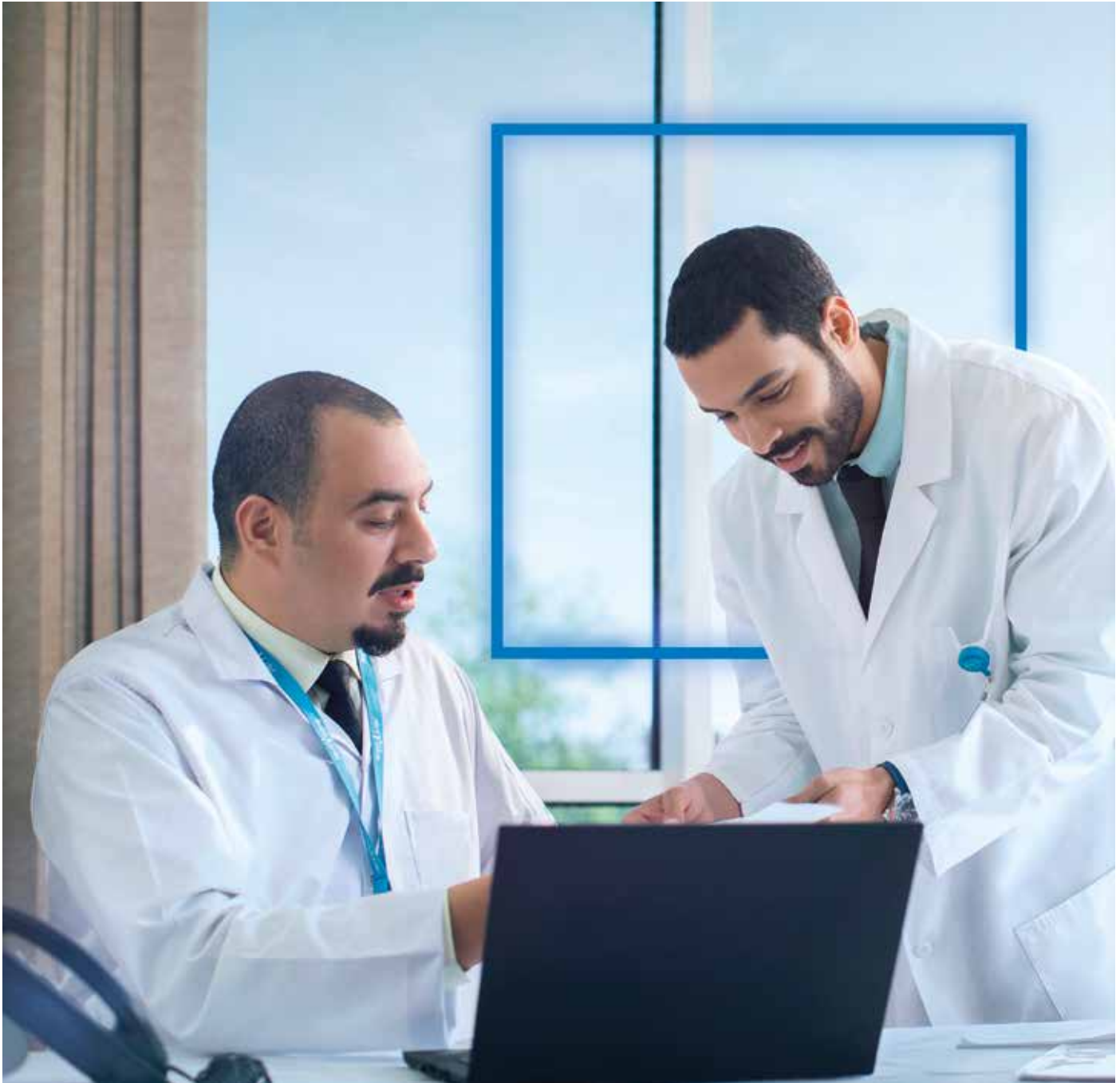
# Bupa Arabia's 1Bupa Strategy

Formally launched across the Organization in 2020, the 1Bupa strategy builds on our long-standing purpose of “helping people live longer, healthier, happier lives, and making a better world”, and fully aligns with the vision of being “The most trusted health insurer in Saudi Arabia”. 1Bupa focuses on six strategic pathways in order to accelerate the Company’s growth through 2023.



Saudi Economy in 2021 has grown above expectations and **we forecast higher momentum in 2022.** Since COVID-19 restrictions are being relaxed, it will also have a positive impact in boosting religious travel.

## External Environment and Market Dynamics





Conducive government policies, including Vision 2030, focusing on economic diversification, are expected to propel the economic growth of the Saudi economy. The Government's planned expenditure for 2022 stands at SR 955 billion, while total public revenues are forecast to reach SR 1,045 billion, on the strength of domestic economic recovery and higher oil prices.

The Saudi economy grew by 6.8% in Q4 of 2021 compared to same quarter 2020. After contraction in Q1 and Q2, GDP expanded in Q3 and Q4, mainly driven by growth in oil activities. In Q4, 2021 the positive growth was due to the high increase in oil activities by 10.8%, non-oil activities increased by 5.0% and government services activities by 2.4%, compared to same quarter last year.

## 2022 Economy Outlook

Saudi economy is expected to grow by another 7% YOY in 2022, fueled by considerable oil sector growth, improved non-oil growth, and the Government's continued investments in driving economic growth. The major risk in the foreseeable future would be the unpredicted trajectory of COVID-19, especially the emergence of new variants.

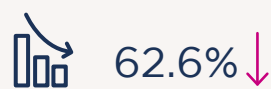
## The Insurance Market in Saudi Arabia

(Note: Overall results from Q4 2021 have not been published yet)

Insurance companies in the Kingdom have displayed a continuous growth trajectory in recent years, with the aggregate Gross Written Premiums (GWP) by the end of Q3 2021 amounting to SR 31.81 billion, which is an increase of 7.7%. This period also witnessed a higher demand from customers for digital solutions due to the adoption driven by the lockdown the year before. As a consequence; digitally-ready insurance companies were able to make full use of their digital capabilities in meeting customer demand. Bupa Arabia, with its highly digitised operations and services, was able to benefit from this trend the most.

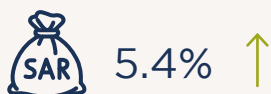
Below is an overall view of the insurance industry in KSA as per 2021 Q3 data.

### Net profit after Zakat and tax



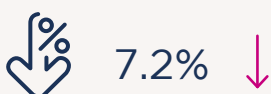
Q3 - 2021: SR 537.65 million  
Q3 - 2020: SR 1,438.62 million

### Total assets



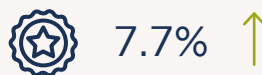
As of Q3 - 2021: SR 68.03 billion  
YE - 2020: SR 64.55 billion

### Loss ratio



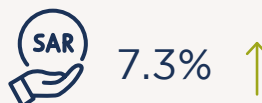
Q3 - 2021: 80.9%  
Q3 - 2020: 73.7%

### Gross written premiums



Q3 - 2021: SR 31.81 billion  
Q3 - 2020: SR 29.53 billion

### Total investment



As of Q3 - 2021: SR 32.97 billion  
YE - 2020: SR 74 billion

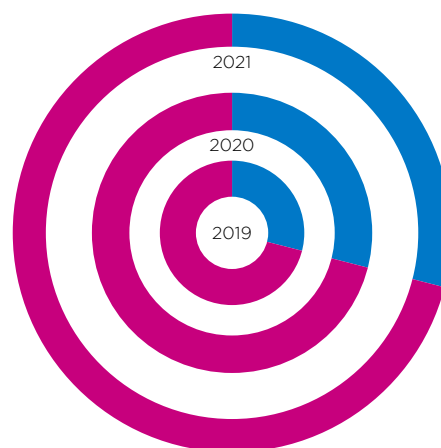
## GWP's 2021 Market Share

(Note: Overall results from Q4 2021 have not been published yet)

Bupa Arabia is the largest insurance in the overall insurance market with +29% market share, driven by its leadership in the health insurance sector which represents approximately 60% of the total market. Below is the comparative performance of the Company in relation to competitors in the industry.

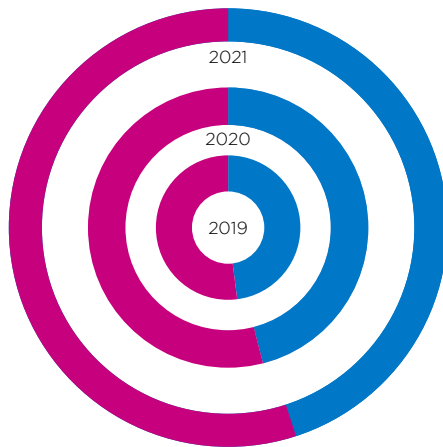
### Market share and positioning

#### Total Insurance Market share - on GWP Basis



	2019 %	2020 %	2021 %
Bupa Arabia	29	29	29
All others	71	71	71

## Health Insurance Market share – on GWP Basis



	2019 %	2020 %	2021 %
Bupa Arabia	48	46	45
All others	52	54	55

## Market Value Share 2021 (GWP) Health Segment

According to CHI's published data, Bupa Arabia leads the health insurance industry in Saudi Arabia with an approximate 48% market share of insured population by the end of 2021.

## Health Insurance Industry 2022 Outlook

While we remain cautiously optimistic; we believe the health insurance industry will be impacted, positively by some, negatively by some, by the following factors:

- **Macro-economic factors:** pace and robustness of post-pandemic recovery, as restrictions are lifted as well as the impact of oil prices surge coupled with ongoing logistical challenges from the prior year. These factors will have an impact on the employment market which is the fuel for health insurance.
- **Regulatory factors:**
  1. By comparing GOSI's employment data at the end of Q4 2021 with CHI's insured employees; the current insured population is estimated to be ~30% less than the potential market when the full enforcement of CHI's mandate is fully implemented by the regulator. This will be the biggest driver for market growth when it materializes to compensate for the continuous decline of the insured population over the past few years as a result of expats exodus.

2. Enforcement of domestic helpers' health insurance will bring in a new segment to the market. While domestic helper-employer liability insurance has been announced by the Saudi Central Bank; the health insurance cover for domestic helpers is yet to be enforced by CHI.
3. Launch of an improved health insurance policy under the name of Essential Benefits Package by CHI, to be implemented as of July 1st 2022, will provide better and higher benefits to insured members but will result in a higher cost than the sector must price for to neutralize the utilization risk.
4. Full impact of NPHIES roll-out which comes at a price tag of 2% of claims, on top of existing regulatory levies of 1.5% of GWP.
5. Full impact of Article-11 which was implemented beginning of 2021 with partial impact, due to the none-readiness of government providers, and we expect to see the full impact of Article-11 in 2022 due to continuous upskilling and levelling up of resources and systems at their ends. This article enforces the use of around 200 government providers as part of insurance companies' networks at services prices set by CHI.

### ■ Market behavioral factors:

1. An emerging behavior from medical providers to cross-sell and up-sell their services, leading to higher utilization.
2. Geographical expansion of leading high-end providers that will adversely impact claims cost.
3. A noticeable pick-up in members' utilization and frequency of visits to medical providers.



# Key Risks to Value Creation

Risk management is an integral part of our operations, and our Risk Management Cycle is a continuous process that ensures we have a detailed understanding of our risk profile.

## Our principal risks

Using this process, Bupa Arabia has identified the principal risks that could prevent the organization achieving its strategic objectives and annual operating plans, while meeting its legal, regulatory and client expectations. Many of these risks remain systematic and inherent to our market place and/or industry, making them unpredictable and impossible to completely mitigate.

Risk	Impact
1. The growth of large providers	Might lead to inflation of medical/claims cost as members might switch from lower and medium tiers to large providers
2. The impact of claims settlement new system "NPHIES" on BA claims charges and processes	Could inflate medical costs
3. Providers' increased pressure with the Regulators (mainly CHI) on the commercial settlement practices of insurance companies	Possibly erode further profit margins
4. BA Readiness in performing a comprehensive BCP plan and practice	Might lead to difficulties in performing of DR full testing and dealing with a pandemics & process continuation
5. Increased and unexpected cyber threats	Might lead to information security breaches and/or business disruption, potentially causing financial losses and reputational damage
6. COVID-19 risks – the coronavirus global pandemic	May adversely impact the Company's operations, finances, service levels, employees, customers, and suppliers
7. Medical inflation risks – expensive technological advancements in medical field, medical providers bargaining power, fraud and abuse, and aging and less healthy population	All may lead to an increase in incurred medical claims costs
8. Regulatory risks – increased regulatory changes.	May increase the cost of doing business and could lead to financial/other disciplinary actions, and reputational damage
9. Competition risks	May lead to aggressive pricing and margin deterioration, market share changes, and the possible loss of key leadership and technical talent





# Business Review

Bupa Arabia looks to the future to provide better healthcare by **focusing on digital innovation and personalization**. We have revitalized our core value system in order to be more relevant within a digital landscape.

## Intellectual Capital



The new Bupa Brand Identity (ID) focuses on being digitally-led, accessible, and locally-relevant. Our revised purpose “helping people live longer, healthier, happier lives, and making a better world” is not just a philosophy meant for the betterment of our people, but also a promise to sustainably fulfil the health and well-being requirements of our society.

Intellectual capital consists of both the tangible and intangible aspects of a business such as improvements made to products, brand identity, and research and development. In the context of Bupa Arabia efforts made to revitalize the brand and improve the Company’s digital capabilities played a vital role in the developments made to its Intellectual Capital during the year. The Company also uses powerful analytics to gather the feedback it receives from customers to fine-tune processes and upgrade products.

## Brand-building

### Our new logos

The logos created for the Company and Bupa Ventures communicate the Company’s global outlook and relevance within the Kingdom.



### Our Brand Proposition

During the year, we developed and deployed our brand proposition across the organization that focuses on our key differentiated services and leverages our digital capabilities as a competitive edge.



Bupa Click, Bupa Tebtom, Bupa Rahatkom, Bupa Live Right, and Global Expertise cater to different customer segments whose requirements are diverse and require speedy and digital services. Moreover, these digital solutions provide members with a variety of touchpoints and help them receive the continuous care they need.

### Marketing Campaigns

During the year, we successfully completed a number of digital campaigns and events to steer the brand.

The key messages which were communicated through the campaigns are:

1. Pioneering digital experience
2. Trusted healthcare specialist
3. Caring experience at hospitals through Rahatkom
4. Possesses international expertise
5. Focus on digital sales

### Large-scale Campaigns

Bupa Arabia set out to change the course of progress by organizing a number of large-scale campaigns in 2021. These campaigns were strategically planned for a kingdom-wide takeover by making use of specific targeting and a range of communication tools.

#### 1. The Tebtom Digital Mega Campaign



The 360° campaign incorporated TV, digital banners, social media, SMS, and EDMs. The campaign gained 8 million views through all channels during the campaign period.

#### 2. Real Madrid Sponsorship



This helped the brand reach the milestone of 1 million in engagement through its marketing and communications campaign that included, TV, outdoor billboards, social media, internal comms, and publicity provided in health lounges and on health kits.

### 3. Bupa Live Right Activities

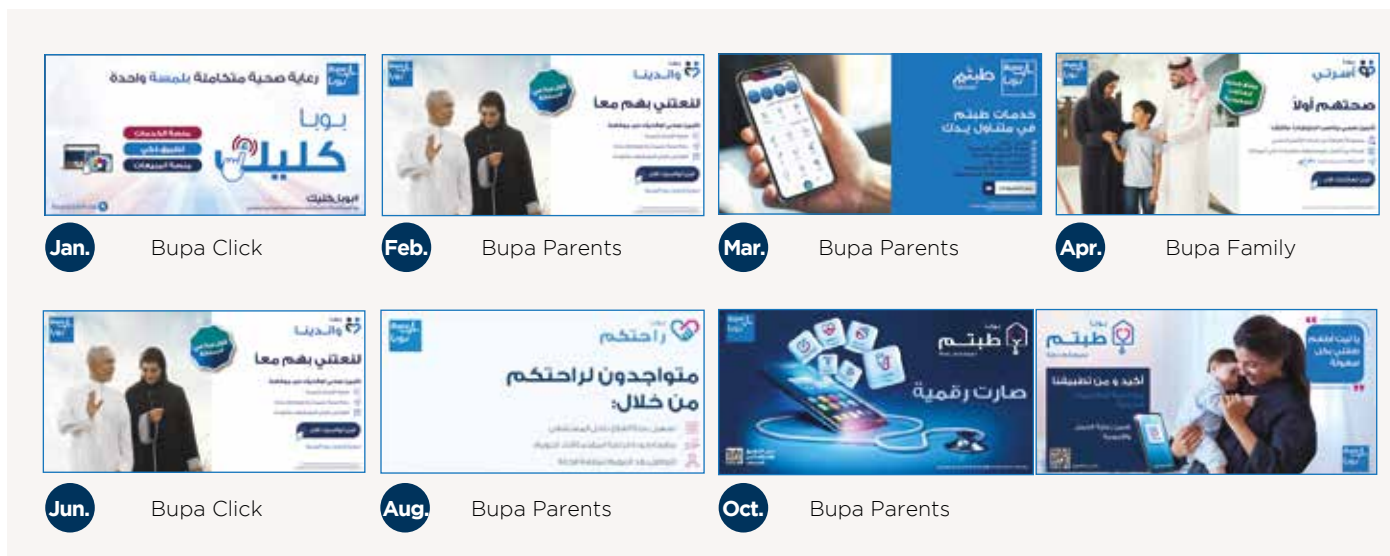
About 200 "Live Right" activities were completed across all regions. These included health lounges, mental well-being camps, prevention, fitness, and weight loss programs.

#### Year-long Campaigns

Our strategy this year was to build on the awareness that people have about us, subsequently generating increased levels of engagement on our online platforms. In pursuit of this objective, we used content that was relevant on each platform in order to resonate with our target audiences. Through comprehensive study, we have learned that visuals with a human element and minimal text, and video campaigns had a better impact on our audience. This insight gave us the edge we needed in order to optimize our media spending and user journey.

### Digitally-powered Healthcare

The role of digital transformation is to create powerful platforms using the latest technologies to shift members and employees using traditional methods and channels to digital solutions. In 2018, Bupa Arabia embarked on a massive digital transformation strategy to digitize their services. We designed a framework that consists of four main pillars; Customer Experience, Efficiency and Automation, Provider Integration Platforms, and Big Data and AI.





## Digital Initiatives in 2021

2021 was a pivotal year in terms of digital transformation for Bupa Arabia as it delivered on its road map, in turn reflecting its strategy to provide solutions that deliver on the framework pillars.

Having enhanced the customer experience, Bupa Arabia accomplished major growth in digital sales. The digital sales platform was revamped and automated to reduce fields, increase fetch and autofill data, and provide on the spot quotations for a seamless purchasing process. Three new products were also added to give customers more options and to increase the Company's revenue.

## Our Accomplishments in 2021

- Reached 1.7 million app downloads with 4.5 rating and over 26 million transactions. Shifted 60.37% of Tebtom requests and 62.8% of claims submissions to the mobile app.
- Implemented NPHIES seamlessly, Bupa Arabia was a leading insurance company in its implementation and utilization.
- Telehealth gave members access to more than 300 doctors for Telemedicine in 30 areas of specialization.
- Digital sales platform automation
- Increased our eSat score to 86 – it is 6 points higher than 2020s eSat of 80 points.
- Introduced an IT Service Management (ITSM) NPS score for our employees to measure and level up the service level. The ITSM NPS score is 70% while we continue to bring more enhancements to the way we serve our internal customers.

## Our Impact

### a. Mobile app

Major initiatives under the mobile app project that were implemented in 2021 such as the Telehealth platform and the release of the Electronic Health Record (EHR) allow members to book appointments at major healthcare providers and to conduct end-to-end Telemedicine services with certified and high-quality doctors. Members can now receive their prescription, lab results and upload medical documents in the EHR. This played a major role in improving the customer experience and efficiency where our NPS scored 76 on app with an average rating of 4.5/5. This also improved the service delivery times and reduced the waiting times at hospitals.

### b. Pharmaceutical Benefits Management (PBM) system

- a. Reduce the drug spending within prescription
- b. Help patients achieve better health outcomes through greater access to appropriate medications

### c. NPHIES hub for data exchange – integration with providers on eligibility, claims, and pre-auth

- a. Completed core system development and integration to NPHIES platform
- b. Certified on eligibility, claims, pre-auth, and payment reconciliation

## Addressing Cybersecurity

Bupa Arabia has met all cybersecurity requirement mandated by SAMA. We have also received the Aramco Cybersecurity Compliance certificate. Moreover, we are in the process of getting the ISO 27000 certification for Information Security Management Systems.

### The benefits of meeting these requirements

- Keeps Bupa Arabia safe in terms of data, systems, and people.
- Getting IT ISO27K certified will not only enhance and strengthen Bupa Arabia's stance with key clients, but also in the overall market as being one of the few certified enterprises for Information Management Systems.
- The Aramco Cybersecurity Compliance certificate demonstrates the level of IT systems and security resilience available to support the TPA business.

## Digital Initiatives to be Undertaken in the Future

- Expand the electronic health records
- Release the medical chatbot
- Release symptom checker
- Expand our Telehealth platform
- Launch the new Bupa Arabia website
- Provide an end-to-end digital sales journey on the mobile app
- Provide digital solutions for SMEs and corporate businesses
- Increase digital adoption rates on all fronts
- Continuously build digital top-ups including network upgrades

## Awards and Recognition

Our constant commitment to the healthcare insurance industry in Saudi Arabia for almost 25 years has allowed us to lead the industry by example. At Bupa Arabia, we strive to continuously drive a unique customer experience and deliver what our brand promises.

The following awards indicate that we are heading in the right direction. We offer our heartfelt thanks to the Bupa Arabia family who work diligently to achieve the goals we have set.



Best Health Insurance Company CEO of the Year –  
Tal Nazer (2021 by International Business Mag Awards)



Middle East's Top 100 Companies  
(2021 by Forbes Middle East List)



Best Health Insurance Company Best Investor Relations  
Company (2021 by International Finance Awards)



Best Professional Services Campaign  
(2021 by MEpra Awards)



Best Insurance Mobile App in  
Saudi Arabia (2021 by Global Brands  
Magazine Awards)



Most Valuable and Powerful Brands in South Asia and Most  
Valuable Insurance Brand in the Middle East (2021 by Brand  
Finance Ranking)



Best Employer Engagement  
Initiative (2021 by CIPD Awards)



GULF  
SUSTAINABILITY  
AWARDS 2021™

Best Workplace and HR Practices (2021 by  
Gulf Sustainability and CSR Awards)



Best Healthcare Insurance Innovation Best  
Medical Insurance Company of the Year  
(2021 by Golden Shield Excellence Awards)

We believe our members must live happier, healthier, and longer lives. We adopt a customer-centric approach that's focused on **providing a differentiated experience with digitalized solutions and unique services that meet every need of our customers.**

We pay attention to every developing requirement and listen keenly to our customers' feedback when innovating and finetuning our products and services. Our members are the “heart” of our Organization and will remain our central priority.

## Customer Capital



During the year, we introduced three new products and introduced digital services to improve our members' experience. It brings us joy to be known not only as an insurance company but as a trusted health partner in the Kingdom.

## Highlights

**3 million+**

Members

**92%**

Customer satisfaction score



## The Value We Deliver

We take a forward-thinking approach to healthcare. We understand that digital solutions occupy a central position in the lives of our members so most of our services are just a click away. Whether it's accessing the gamut of healthcare services through Tebtom, receiving well-deserved care in hospitals through Rahatkom, or receiving the best guidance on leading a healthy lifestyle through Bupa Live Right; our pioneering healthcare solutions are easily accessible and have paved the way to revolutionizing healthcare in the Kingdom.

## The Products We Offer

We offer a range of healthcare solutions to businesses and individuals. From those listed below, Bupa Family, Bupa Parents, and Bupa Helpers were launched in 2021.

Products for business entities include:

### 1. Bupa Corporate

The Bupa Corporate program provides customizable coverage for companies that employ over 250 staff members.

### 2. Bupa Munsha'at

Bupa Munsha'at has grown to be one of the Company's significant contributors with 10% of Bupa Arabia's overall GWP. The product continues to build on its **Power of Choice** proposition by including an innovative model that brings customization to small and medium enterprises for the first time ever.

### 3. Bupa International Health Plan

An outstanding international health plan for Saudi and expatriate company executives in the KSA and worldwide.

Products for individuals include:

### 1. Bupa Family

Today, the variety of schemes under Bupa Family has enabled this product to be the **fastest growing and healthiest in the B2C portfolio**. The product aims to continue serving the different needs of Saudi families by introducing modular health insurance where they can choose their own coverage based on their health needs and budget.

### 2. Bupa Helpers

Bupa Helpers is **the only health insurance product in the market** designed specifically for the needs of domestic workers, and affordable to not apply a financial burden on the employer. Bupa Helpers directly serves the Company's 1B strategy as it holds massive potential, especially with an upcoming mandate.

### 3. Bupa Parents

Bupa Parents is the most recent addition to Bupa Arabia's pockets of growth. It is also the most unique in terms of offering where it is exclusively offered to Bupa Arabia members to drive brand stickiness and loyalty. Within its first year of launch, the product was **awarded as "The Most Innovative Health Insurance Product"**.

### 4. Bupa Expat Individuals

This program covers the healthcare of second-degree dependents under the sponsorship of a non-Saudi employee – it's a service that is symbolic of the warmth of Saudi hospitality.

### 5. Bupa Inbound Travel

Removing all risk from travelling to the Kingdom of Saudi Arabia, this program protects the well-being of individuals travelling into the Kingdom.

## Enhancing Customer Experience

The COVID-19 pandemic has urged us to focus on implementing digital solutions. Our mobile app, web services, live chats and consultations have helped enhance the customer experience.

In an effort to make medicine more accessible we launched local telemedicine services, expanded our medical delivery service, and enhanced our home-based laboratory test and vaccination services in order to cover all members of the Bupa Arabia clientele.

## Initiatives Undertaken to Improve Customer Experience



Tebtom is a digitized health service that transcends regular healthcare solutions. This service, which can be accessed through the Bupa App or the designated hotline, gives users access to Bupa doctors – contact can be established with doctors who have gained specialization in a range of areas.

Currently the Tebtom user base exceeds 4.2 million members.

The Tebtom program offers:

- A Bupa doctor to answer questions 24/7 and provide the healthcare advice and guidance members need to manage their health conditions.
- Chronic Care provides peace of mind for chronic disease patients, with continuous care and follow-up, delivery of medication, and blood tests at home or work.
- Maternity and Child Care support to mothers and families, with advice and guidance pre and post-natal.
- Telemedicine, so that no matter where they are, members can reach a doctor to get the medical consultation they need.





- Specialized International Services, where members need international expertise and diagnoses from international doctors at world-renowned centers.
- Wellness Services dedicated towards enhancing the health and wellness of our members by encouraging them to adapt to a healthier lifestyle.



Available in major Saudi Arabian hospitals, the Rahatkom program works to support our members when they need it the most. Our delegates are present at 70 hospitals in Saudi Arabia – we are well equipped to greet our members, doing everything in our power to make them feel safe and cared for as we answer their queries, offer them guidance, and make their visits as efficient and stress-free as possible. Under this program, members can expect:

- Customer Care representatives: Meeting all our patients' needs and requests
- Reduced hospital waiting times: By up to 50%
- Pre-authorization: On-site approval
- Continuity Care: With doctors following-up after discharge of their patients.

To-date, more than 2.2 million members have used our Rahatkom program.



Launched towards the end of 2020, the Bupa Click program is an all-in-one service for our digital innovation services. All it takes is a single click to receive the healthcare services you need, no matter the time, thanks to our 24/7 online presence. Members can track their policy, review benefits, request Tebtom services, or simply access Bupa's sales platform to browse our products. This service is available through our website and mobile app.



Live Right Program is a set of highly interactive and engaging wellness sessions and activities made to enhance the overall wellbeing of our members and the community as a whole.

- Fitness
- Mental Wellbeing
- Weight Management
- Prevention
- Health Lounge

As an organization we understand that **it is our people that deliver Bupa Arabia's exceptional customer experiences**, and we strive to create a culture that would attain and preserve the most talented and highly engaged employees.

## Human Capital



Bupa Arabia as an organization stood out by putting its people at the heart of the business and implementing practices that resulted in a productive, engaged and motivated workforce. We have consistently made efforts to become employers of choice and have a positive and inclusive culture. Throughout the previous years we demonstrated how sound people strategies have been optimized to achieve competitive advantage and retain talent.

As an organization we understand that it is our people that deliver Bupa Arabia's exceptional customer experiences, and we strive to create a culture that would attain and preserve the most talented and highly engaged employees.

The HR team is not only responsible for developing and implementing policies but is also here to serve our people so they can stay engaged, develop, and become the future leaders of our Organization. We believe that an engaged employee will best serve our customers.

The year 2021 was no different as we performed exceptional work and successfully planned and implemented programs, policies, and practices during these challenging circumstances. The positive results that were achieved are a direct reflection of our team's mission to be the most admired healthcare company that attracts, grows, engages, and retains the best talent in the industry.

Year on year on the HR team keep their focus on enabling the delivery of the 1Bupa 2023 business strategy. 32 HR initiatives, 16 policies, and 12 practices had been launched in 2021 and as a result we were able to break the record in all our people targets for 2021 as shown below:

Attract top talent:

**81%**

Saudization

Retain our talent:

**9%**

turnover

Develop our talent:

**83%**

succession rate

Build an engaging culture:

**83**

engagement score (powered by Glint)

On top of breaking our people KPIs' the work executed was recognized through the awards below:

- i. Winning the Chartered Institute of Personnel and Development's (CIPD) 2021 Middle-East People Awards as "Employer of Choice" and "Best Employee Engagement Initiative"
- ii. Winning LinkedIn's 2021 Talent Awards as "Best Employer Brand" (for companies with 500-2,000 employees)

## Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) has always been close to our heart, and we have initiated several projects in this regard. We have also ensured the involvement and cooperation of our employees in our CSR programmes.

Since 2011, we have granted free health insurance coverage to orphans living in Orphanages, centres, and charities, managed by the Ministry of Human Resources & Social Development (MHRSD). Today, we have around 2,300 orphans. We have successfully enrolled divorced and widowed orphans who returned back to foster homes. Our special members receive VIP treatment and exceptional approvals. We hold annual coaching sessions on Tebtom services and annual medical check-ups at their care homes.

### Donating Electrical Appliances in Ramadan

We have collaborated with the MHRSD, in purchasing 72 air conditioning units, 32 Refrigerators, 32 washing machines and 32 TVs, to be given to 35 newly married orphans and those over 40 years and needs to move out on their own. This was in 4 cities, at a cost of SR 405,309.45 with the contribution of SR 78,900 from our people.

### Orphans' Training Sessions

We engaged 25 internal participants who will be receive training in Career Progress, Self-Development, English Language, CV writing, etc., completing over 30 hours, 15 sessions with a total of 416 participants. We have 17 more sessions to complete with collaboration of Charities.

### Other CSR Projects

- Flu vaccines campaign: This was carried out in our offices free of charge. 292 Vaccines given to our people and their families
- Blood Donation Drive: This was carried out in our offices which resulted in over 99 pints of blood being collected

Bupa Arabia is committed to **doing business in an ethical and sustainable manner**, transforming healthcare in the Arab world, and leaving a lasting impact on community members and the environment.

## Environmental, Social, and Corporate Governance (ESG)





Environmental, Social, and Corporate Governance (ESG) is a framework of non-financial performance indicators that helps in evaluating an organization's collective conscientiousness and commitment towards its stakeholders, the environment and communities in which it operates. While the insurance industry's direct impact on the environment is limited, Bupa Arabia believes in taking a proactive approach of making a positive impact on the world. Bupa Arabia's ESG strategy is aligned with the KSA Government's Vision 2030, where "Sustainability lies at the heart of everything the Kingdom does". Bupa also takes wider ESG considerations based on the framework of community, people and the environment. Our support to communities is extended through our collaborative effort with the Ministry of Human Resources and Social Development. We support our people through "One for One" funding of matching employee contributions with Company funds for charitable projects, in addition to wellness, care and health initiatives. Green initiatives are embedded in our operations, measuring and mitigating our impact on the environment. Our efforts in this context currently covers tree planting and a recycling program.

## ESG Policy and Strategy

The Company is in the process of formulating its own comprehensive ESG strategy, with all required workflows, key persons, roles and responsibilities, together with a road map and key metrics to ensure that it achieves its stated goals.

While the COVID-19 pandemic slowed down most businesses, Bupa Arabia successfully forged ahead with a series of ESG related initiatives, engaging the staff in its implementation. This is most evidenced in the Company's efforts in the spheres of employee relations and diversity, working conditions, health

and safety, CSR projects engaging with local communities, and serving the poor and underserved, especially orphaned children. Bupa Arabia's new building that is being constructed in Riyadh will incorporate international best practices in sustainability that are aligned with the Government's green initiatives.

## Sustainable Technology

### Digital Health Insurance Cards

In June 2021, the Company introduced digital insurance cards, thereby replacing 99% of customer transactions using plastic cards, resulting in a significant positive environmental sustainability impact. This was achieved by improving and updating all digital services in line with the latest digital trends. It is also part of the unique digital experience to customers through the "Bupa Click" platform, helping them to receive services with ease and flexibility.

### Digital Healthcare Platform

Bupa Arabia invested in the Okadoc digital healthcare platform in October 2021, which will help the Kingdom transform its healthcare sector. Giving the right mixture of in person and virtual interactions, this platform provides access to patient engagement, as well as automation capabilities in online bookings. This has resulted in a considerable reduction in the amount of paper used in such bookings and other related transactions, as well as reducing the pollution caused by travel. This investment is also in line with the goals of the Saudi Health Ministry, as well as the Council of Health Insurance and the Saudi Central Bank in "Driving Digital Transformation in key sectors".



### Communities

We support our communities through initiatives such as our orphans' program and supplying Ramadan food baskets to underprivileged families.



### Environment

We support green initiatives and embed them into our operations, measuring our impacts on the environment and our work to mitigate them.



### People

We support our people in and outside work, including through our Smile Wellness Program that addresses their physical and mental health needs.







## Sustainable Relationships

### Employment Relations and Diversity

Some of the key achievements in employee relations and diversity are as follows:

#### Talent Councils

Conducted biannual talent councils with Operations – Sales – Risk and Finance involving the Chief Executive Team (CET) and selective Senior Manager Teams (SMTs) with all HR Leadership Teams to support and resolve all people related matters. This resulted in total 88 people transactions (62 transfers and 26 promotions).

#### Female Inclusion

Met our target of female representation of 34% and 15% across the entire staff and management, respectively.

### Building Community Relations

Bupa Arabia has introduced a series of initiatives to make insurance more accessible, including instalment payment solutions for micro-SMEs and individuals, more flexible financial solutions for SMEs and the provision of free health insurance for orphans. The Company has given priority to improving insurance literacy and awareness by providing all necessary information needed by potential clients to make informed decisions about their choice of insurance products.

## Strengthening Partnerships

Business partners/suppliers are important contributors towards the success of Bupa Arabia in its business activities. The Company has consistently focused on building and maintaining strong relations with such partners/suppliers, especially in the localities.

The Company has improved efficiencies and strengthened relationships by implementing the new Oracle ERP system, establishing contracts and vendor relationship management roles, and establishing the cost containment concept within the Company's culture. Some of the significant achievements in this regard include:

- Focusing on local suppliers instead of overseas vendors, and giving local SMEs the chance to bid. Such initiatives are in line with our efforts to forge closer relations with local businesses/SMEs, and supporting their growth, replacing the repetitive high value items with lower value items such as replacing trophies with certificates
- Focusing on cost savings and reduction
- Procurement process of sharing an RFP to multiple local suppliers

## Engagement with Investors

The Company communicates with shareholders through regular forums such as the Annual General Meetings (AGM). Moreover, Bupa Arabia's CFO and CBDO, as well as the Investor Relations team hold quarterly webcasts and earnings announcements, providing detailed information to the investor public about Bupa Arabia's latest financial performance, and the latest trends in the insurance market. Also, the Investor Relations team regularly attends events and conferences held by prominent regional and international financial institutions to discuss strategic, financial and organizational developments of the Company.



# Financial Review

Despite the ease of pandemic restrictions in 2021, the health insurance sector witnessed great uncertainties stemming from the continued prospects of claims deferrals, rising medical inflation, as well as increased competitive dynamics around pricing.

In a year marked by deteriorating loss ratios and contribution figures for the overall health insurance sector, **Bupa Arabia managed to grow its GWP in 2021 by 9% to SR 11.4 billion and generated a resilient SR 731 million of profit before Zakat and tax.**

Statement of Operations (12 Months)	2017 SR '000	2018 SR '000	2019 SR '000	2020 SR '000	2021 SR '000
Gross Written Premiums (GWP)	7,732,961	8,566,648	10,410,868	10,447,353	11,382,194
Net Earned Premiums (NEP)	7,672,314	8,150,242	9,371,291	10,734,482	10,617,715
Total revenue	7,830,146	8,348,460	9,630,246	10,979,020	10,920,727
Gross claims paid	6,428,617	6,708,524	7,655,078	8,262,050	9,073,926
Net Claims Incurred (NCI)	6,405,003	6,788,985	7,749,297	8,719,928	9,046,569
Total expenses	874,137	985,317	1,101,461	1,355,282	1,085,110
Surplus from insurance operations	503,919	487,272	668,341	801,410	583,469
Shareholders' net income before Zakat and income tax	500,614	525,431	712,654	823,669	730,701
Loss ratio	83.50%	83.30%	82.69%	81.23%	85.20%
Earnings per Share (EPS)	4.18	4.39	4.97	5.83	5.23

The drop in profits was driven primarily by increase in loss ratio to 85.2% (397 bps increase from 2020) as a result of claims deferrals following the ease of lockdown restrictions. Nonetheless, the Company managed to contain such negative impact on contribution due to a 20% optimization in operating expenses, mainly driven by the drop in expensed acquisition costs resulting from the premium deficiency reserves booked in 2020. Moreover, bad debt provisions dropped by 24% as a result of record collection performance of more than SR 12.5 billion, the highest in the Company's history. Results were further supported by record investment income, which increased by more than 23% given strong local equities performance.

### Summary of Financial Position

Assets	2017 SR '000	2018 SR '000	2019 SR '000	2020 SR '000	2021 SR '000
Cash and cash equivalents	229,884	290,413	665,709	633,251	960,758
Term deposits	3,945,383	4,715,281	5,063,976	2,796,547	3,093,720
Investments	1,721,690	1,621,491	1,840,832	6,029,446	5,703,773
Prepayments and other assets	170,528	202,985	276,643	85,086	113,254
Premiums receivable - gross	1,013,656	1,119,902	1,886,564	1,542,567	1,992,656
Allowance for doubtful premiums receivable	-142,674	-169,231	-197,187	-222,524	-231,356
Premiums receivable - net	870,982	950,671	1,689,377	1,320,043	1,761,300
Reinsurer's share of unearned premium	5,146	6,320	20,625	20,108	27,935

Assets	2017 SR '000	2018 SR '000	2019 SR '000	2020 SR '000	2021 SR '000
Reinsurer's share of outstanding claims	1,030	3,014	5,190	7,936	15,036
Deferred policy acquisition costs (DAC)	71,076	118,323	134,022	68,214	201,042
Amount due from insurance operations	-	-	-	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000
Tangible and Intangible assets (prev. furniture, fittings and equipment)	133,497	138,516	225,686	265,977	249,664
Accrued Interest on statutory deposit	5,121	6,882	10,820	13,806	14,885
Statutory deposit	80,000	120,000	120,000	120,000	120,000
Deferred tax asset	0	25,552	30,216	37,941	39,735
<b>TOTAL ASSETS</b>	<b>7,332,337</b>	<b>8,271,896</b>	<b>10,181,096</b>	<b>11,496,355</b>	<b>12,399,102</b>

Bupa Arabia's total assets have seen a steady growth, reflecting its strong and expanding business activities. Total assets in 2021 increased by 7.9% vs 2020, reaching over SR 12.4 billion. This is evident in the premiums receivable balance, which increased by more than SR 440 million given strong underwriting results. The reallocation from investments to term deposits reflects the latest developments in interest rates environment with several rate hikes anticipated in 2022.

Liabilities and Surplus	2017 SR '000	2018 SR '000	2019 SR '000	2020 SR '000	2021 SR '000
Unearned Premiums (UEP)	3,091,079	3,428,131	4,376,219	4,023,331	4,709,555
Outstanding Claims Provision (OCP)	1,341,536	1,472,681	1,627,708	2,109,319	2,111,455
Reinsurance balance payable	39,613	50,636	54,413	4,873	25,397
Accrued expenses and other liabilities	212,067	367,204	545,028	816,062	882,393
Amount due to shareholders' operations	-	-	-	-	-
Policyholders' share of surplus from insurance operations	138,581	139,755	168,454	200,391	190,060
Accrued Zakat and income tax	148,704	199,784	274,709	317,199	236,610
Accrued interest on statutory deposit	5,121	6,882	10,820	13,806	14,885
Amount due to related parties	33,586	41,095	78,848	108,521	33,723
<b>TOTAL LIABILITIES</b>	<b>5,010,287</b>	<b>5,706,168</b>	<b>7,136,199</b>	<b>7,593,502</b>	<b>8,204,078</b>
<b>TOTAL EQUITY</b>	<b>2,322,050</b>	<b>2,591,280</b>	<b>3,044,897</b>	<b>3,902,853</b>	<b>4,195,024</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,332,337</b>	<b>8,297,448</b>	<b>10,181,096</b>	<b>11,496,355</b>	<b>12,399,102</b>

Total liabilities grew by SR 611 million in 2021 reaching over SR 8.2 billion, due to the increase in unearned premiums, while total equity grew by SR 292 million to reach SR 4.2 billion, supporting a strong solvency position well above regulatory thresholds.

### Statutory Payments and Payable to Regulatory Bodies:

Regulator	Paid		Paid Change	Payable		Payable Change
Description	2020 SR '000	2021 SR '000	2020 vs 2021 SR '000	2020 SR '000	2021 SR '000	2020 vs 2021 SR '000
ZATCA: Zakat and income taxes	92,777	187,515	94,738	317,199	236,610	-80,589
ZATCA: Value added tax (VAT)	566,620	591,517	24,897	25,326	88,148	62,822
<b>ZATCA: TOTAL</b>	<b>659,397</b>	<b>779,032</b>	<b>119,635</b>	<b>342,525</b>	<b>324,758</b>	<b>-17,767</b>
SAMA: Levies	25,332	54,696	29,364	36,856	10,504	-26,352
CHI: Levies and license fees	54,602	162,586	107,983	69,774	21,009	-48,765
<b>TOTAL: LEVIES AND LICENSE FEES</b>	<b>79,933</b>	<b>217,282</b>	<b>137,347</b>	<b>106,630</b>	<b>31,513</b>	<b>-75,117</b>
CMA/Tadawul: Service and license Fees	1,214	1,221	7	0	0	0
GOSI	32,722	35,475	2,753	2,918	2,961	43
<b>TOTAL</b>	<b>33,936</b>	<b>36,696</b>	<b>2,760</b>	<b>2,918</b>	<b>2,961</b>	<b>43</b>

## The Zakat and Tax, Custom Authority of Zakat and Income Tax (ZATCA):

Total Zakat and income tax payments during 2021 were SR 187.5 million, of which SR 111.5 million was all Zakat, corporate income tax and withholding tax for the years 2008 through 2016 and 2018, SR 40.3 million was for the 2020 tax and Zakat returns and SR 35.7 million for 2021 advance tax.

Bupa Arabia paid SR 591.5 million in 2021 for VAT, with SR 88.1 million VAT payable at the end of the year. Additionally, SR 11.7 million was paid during 2020 for withholding taxes, and SR 7.4 million provided in the 2021 results was related to withholding taxes payable in 2022.

The SR 236.6 million provision for Zakat and Tax includes SR 107 million payable in 2022 for 2021 Zakat and tax returns, while the remainder is predominantly additional provisions for Zakat matters.

## Saudi Central Bank (SAMA)

Total levies paid to SAMA during 2021 was SR 54.7 million, of which SR 8.3 million was for the fourth quarter of 2020 while SR 46.4 million as for the three quarters of 2021.

The SR 10.5 million payable amount for 2021 includes the normal provisioning for Q4 2021.

## Council of Health Insurance (CHI)

Total levies paid to the CHI for 2021 was SR 162.6 million, of which SR 69.8 million was for the settlement of Q2, Q3 and Q4 levies of 2020, and SR 92.8 million was for the first three quarters of 2021.

The SR 21 million payable amount for 2021 includes the normal provisioning for Q4 2021

## The General Organization for Social Insurance (GOSI)

Total 2021 payments to GOSI was SR 35.5 million, of which SR 2.9 million was related to 2020. An amount of SR 2.9 million was provided for, reflecting 2021 related GOSI commitments, which are payable in 2022.

## Tadawul and the Capital Market Authority (CMA)

The Company paid SR 1.23 million to Tadawul/CMA during 2021, which included SR 400,000 for service fees, SR 821,150 for annual listing fees, and SR 17,250 for other fees.

## Regulatory Penalties

During 2021, SR 80,000 penalty was paid to SAMA for the fine imposed for violating SAMA's supervisory and monitoring instructions .

## Dividends and the Company's Policy for the Distribution of Profits

The Company's By-Laws state the following with respect to the calculation and distribution of profits:

1. The exclusion of Zakat and income tax.
2. 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.
3. Based on the Board's recommendation, the General Assembly can also hold a percentage of the annual net profit to form a reserve and may allocate it to purposes of its choosing.
4. The balance shall be distributed as a first payment amounting to no less than 5% of paid-up capital to the shareholders.
5. The remaining balance shall be distributed to the shareholders as a share in the profits or transferred to the retained profits account.
6. The Board may issue a decision to distribute periodical profits to be deducted from annual profits as specified in point 4 above, and in accordance with the relevant regulatory rules issued by the concerned authorities.

In addition to that stated within the Company By-Laws, during 2017, the Company approved the following as an added Dividend Policy:

"In addition to the distribution of profits requirements, as reflected within the Company By-Laws (Articles of Association), the Company dividend policy is as reflected below:

To distribute any excess cash as dividends to shareholders subject to:

- a. Maintaining a solvent position at the end of each quarter as per local laws and regulations, and,
- b. Receiving the requisite regulatory and shareholder approvals for the dividend(s) wherever applicable, and,
- c. Having accounted for the Company's requirements in meeting its Capital Management Policy and relevant Risk Management Policies; policies that cover the business and investment requirements."

## Dividend History – Last Five Fiscal Years

Description	2016 SR '000	2017* SR '000	2018 SR '000	2019** SR '000	2020 SR '000
Retained income (pre-Zakat and inc. taxes)	630,705	500,614	525,431	712,654	823,669
Dividend amount	120,000	160,000	180,000	0	408,000
Pre-Zakat and inc. taxes dividend pay-out ratio	19.0%	32.0%	34.3%	N/A	49.5%
Number of shares in issue	80,000	80,000*	120,000	120,000	120,000
Saudi Riyals dividends per share	1.50	2.00	1.50	N/A	3.4
Percentage of dividend/year/quarter distributed	100% 2017Q2	100% 2018Q2 100% 2019Q3	N/A	N/A	100% 2021Q3

\*At the time of the dividends issue, there were 80 million shares in issue. Bonus shares were issued during November 2018, one bonus share for every two shares held, using SR 400 million of the 2017 retained earnings, to increase Bupa Arabia's share capital by 50%, resulting in 120 million shares in issue at 31 December 2018.

\*\*No dividends were declared in 2020 due to the uncertainties surrounding COVID-19.





# Governance and Risk Management Report

# Our Board Members

The Company has nine members on its Board. Mr. Nigel Sullivan, Bupa Group's Chief Sustainability and People Officer, was appointed as a non-executive board member effective on 5 April 2021.



## Eng. Loay Hisham Nazer

### Non-Executive Chairman

Chairman and Board Member of Bupa Arabia since its inception in 2008. Founder and Chairman of the Nazer Group Ltd. and a Board Member of various Nazer companies. Former Chairman of Al-Ittihad Football Club, former Vice-Chairman of the Saudi Olympic Committee, former Chairman of the Saudi Arabian Judo Federation, and former CHI Board member.

Eng. Loay is not a Board Member in other Saudi PLCs. He is currently serving his fifth term at Bupa Arabia, representing Nazer Group Ltd.

### Current Positions

#### Chairman

- Nazer Group Holding Company Ltd.
- Nazer Bupa for Medical Equipment Company (NBME)

#### Other Positions

- International Medical Clinics Company (Partner)
- Nazer Dialysis and Advanced Healthcare Services Co. Ltd (Partner)
- Diaverum Arabia Company (Board Member)
- Bupa Middle East Holdings Two W.L.L. (Board Member)
- UCLA Anderson School of Management Board of Advisors (Board Member)

### Previous Positions

- Makkah Cluster Advisory Board – Ministry of Health (Chairman)
- Al-Ittihad Football Club (Chairman)
- National Unified Procurement Co. for Medical Supplies (NUPCO)
- Saudi Olympic Committee (Vice-Chairman)
- Saudi Arabian Judo Federation (Chairman)
- CHI (Board Member)

### Qualifications

- MBA, Anderson Graduate School of Management, UCLA, USA (1989)
- BSc Mechanical Engineering, UCLA, USA (1987)



## Mr. David Fletcher

### Non-Executive Vice-Chairman

Representing the foreign shareholder: Bupa Investments Overseas Limited (BIOL)

Bupa Arabia Board member and Vice-Chairman, since 2014. Currently, Bupa Group Chief Risk Officer, and member of its Chief Executive Committee. He is also a Non-Executive Director of Niva Bupa (previously known as Max Bupa), Bupa's associate health insurance business in India. Mr. Fletcher has extensive international experience in insurance and banking, having held various senior positions at Standard Chartered and Citibank, including the roles, Head of Audit and Country CEO.

Mr. Fletcher is currently serving his third term at Bupa Arabia, representing BIOL.

### Current Positions

- Bupa (Chief Risk Officer)
- Bupa (Chief Executive Committee Member)
- Bupa Middle East Holdings Two W.L.L. (Non-executive Director)
- Niva Bupa Health Insurance Company Ltd. (Non-executive Director)

### Previous Positions

- BUPA International Development Markets (CEO)
- Bupa (Chief Internal Auditor)
- Ex-President Director/CEO, Bank Permata Indonesia

### Qualifications

- BA Honours in Modern History, Durham University, UK (1985)



### Mr. Tal Hisham Nazer

#### Executive Member – Chief Executive Officer

Bupa Arabia CEO/Board Member since its inception in 2008. Mr. Tal is not a Board Member in other Saudi PLCs. He is currently serving his fifth term at Bupa Arabia.

#### Current Positions

##### Board Member

- Nazer Group Holding Company Ltd.
- Ebda Co. ownership (25%)
- Modern Computer Program Co. Ltd. (MCPC)
- Arabian Medical Marketing Company (NAWAH)
- Quick Solutions for Trading Company (Under Liquidation)
- ASAS Health Care Co. Ltd.
- Bupa Middle East Holdings Two WLL (Bahrain)
- Financial Academy
- Endeavor Saudi Arabia

##### Other Positions

- Najm for Insurance Services Company (Board Chairman)
- Cool Inc. Co. (Board Chairman-47%)
- Chief Executive Committee of Bupa Group (Advisor)
- CHI's Private Health Insurance Strategic Committee (Member)
- SAMA Insurance Executive Committee (Member)
- Tal Hisham Nazer Company Limited (General Manager)
- Liyana Holding Company (General Manager)
- Young President Organization (Member)
- Young Global Leaders (Member)

#### Previous Positions

##### Board Member

- SAMA Insurance Companies General Committee
- Human Resources Development Fund (HRDF)
- Choate Rosemary Hall, New York, USA
- Nazer Dialysis and Advanced Healthcare Services Co. Ltd.
- Arab Conference Organizing Co. (ARC)
- Nazer Bupa for Medical Equipment Company (NBME)

#### Qualifications

- MBA Finance and Buyouts, Wharton, USA (2001)
- Bachelor of Economics, UCLA, USA (1996)



### Dr. Abdulla Elyas

#### Independent Member

Independent Board Member at Bupa Arabia and Risk Management Committee Member since July 2019.

Dr. Abdulla Elyas is a co-founder of Careem, the ride hailing company and Super App acquired by Uber in 2019. He's currently Chairman of its business in KSA. Prior to that, he co-founded Enwani, a cloud-based addressing and home delivery start-up that was acquired by Careem in 2014. He serves as a Board Member at the Saudi Arabian SME Authority, at Endeavor KSA, and at the EduTech start-up Noon. He's also an advisory board member of the VC firm Raed Ventures. Abdulla chairs the governmental initiative to enable five Saudi unicorns by 2025 and is a regional angel investor. Previously, he led management consulting engagements in Europe, the US, South East Asia and the Middle East.

Dr. Abdulla is not a Board Member in other Saudi PLCs. He is currently serving his first term in Bupa Arabia.

#### Current Positions

- Careem Inc. (Co-founder and KSA-Chairman)
- Small and Medium Enterprise Authority KSA (Board of Directors)
- Endeavor KSA (Board of Directors)
- Raed Venture Capital (Board of Advisors)
- Noon Academy Inc. (Board of Directors)

#### Previous Positions

- PIF (Investment Committee)
- Rocket Internet SE (Agent KSA)
- Enwani (Co-founder and Managing Director)
- Scheer Management Consulting (Senior Management Consultant)

#### Qualifications

- PhD in Business Administration from RWTH Aachen, Germany
- MSc in Computer Science, from RWTH Aachen, Germany



### Ms. Huda Bin Ghoson

#### Independent Member

Bupa Arabia Independent Board Member since July 2019. Ms. Huda was the Executive Director of Human Resources at Saudi Aramco. She is currently a member of the Saudi Telecommunications Company (STC) Nomination and Remuneration Committee.

Ms. Huda is currently serving her first term at Bupa Arabia.

#### Current Positions

- Saudi Telecom Company (STC) (NRC Member)

#### Previous Positions

- General Organization for Social Insurance (GOSI) (Board Member)
- Saudi Aramco (Executive Director)
- Yanbu Aramco Sinopec Refining Company (YASREF) (Board Member)
- Johns Hopkins Aramco Healthcare Company (JHAH) (Board Member)
- Saudi Aramco Asia Company (SAAC) (Board Member)
- Board of Trustees of the Arabian Society of Human Resources Management (ASHRM) (Chairwoman)
- Saudi Aramco Development Company (SADCO) (Board Member)
- Saudi Aramco Investment Management Company (SAIMCO) (Board Member)
- Credit Suisse Saudi Arabia Bank (Board Member)
- Institute of Public Administration (Board Member)

#### Qualifications

- MBA from the American University of Washington, D.C., USA
- BA in English Literature from the King Saud University in Riyadh



### Mr. Zaid Algwaiz

#### Independent Member

Bupa Arabia Independent Board Member since 2014 and became a member of the Audit Committee (AC) on July 2019. During the previous years at Bupa Arabia, he joined various committees' membership; the Nomination and Remuneration Committee (NRC) as a member and Chairman, Investment Committee (IC) as Chairman and previously joined the Investment Committee (IC) as a member.

Mr. Zaid is a Board Member at Saudi National Bank (SNB) (Saudi PLC). He is currently serving his third term at Bupa Arabia.

#### Current Positions

- Saudi National Bank (Board and Excom Member, Risk Committee Chairman)
- Mohammed Ibrahim AlSubaie & Sons Investment Company (MASIC) (Risk and Assets and Liability Committee Chairman)
- Jeddah Central Development - Member of the Audit Committee.
- Saudi Properties General Authority - Member of the Investment Committee.

#### Previous Positions

- Mohammed Abdulaziz Al-Rajhi and Sons Investment Company (Board Member, AC Chairman)
- Wilaya Investment Company (Board Member, AC Chairman)
- Al-Rajhi Steel Industries (Board and AC Member)
- Saudi British Bank (SABB) (NRC Member)
- Noon Investment Company (AC Chairman)
- Thakher Real Estate Development Company (AC Member)
- Al-Yusr Leasing and Finance (Board Member)
- AlAwwal Capital (Board Member, AC Chairman)
- Middle East Specialized Cables Company (Board Member)
- HSBC Saudi Arabia Mutual Funds Board (Board Member)
- Gulf Finance Company (Board Member)

#### Qualifications

- Bachelor of Accounting, King Saud University, KSA (1987)



### Mr. Martin Houston

#### Non-Executive Member

Representing the foreign Shareholder: Bupa Investments Overseas Limited (BIOL)

Bupa Arabia Board Member since 1 October 2018 and served as a Non-Executive Director on the main Board of Bupa, from January 2014 until 31 December 2019.

Mr. Houston was appointed as Chairman of the Board of the EnQuest PLC, effective 1 October 2019. He is also the Vice-Chairman of Tellurian Incorporated, and the Advisory Chairman of Moelis and the Company's Global Energy Group. He is also a Non-Executive Director of CC Energy, a private exploration and production company. Mr. Houston was previously employed by BG Group PLC, and its predecessor companies, retiring after 32 years in February 2014 as Chief Operating Officer and as a member of the Board.

Mr. Houston is currently serving his second term at Bupa Arabia, representing BIOL.

#### Current Positions

- Tellurian Inc (Vice-Chairman)
- Moelis and Company (Global Energy Group Chairman - advisory role)
- CC Energy Limited (Board Member)
- EnQuest PLC (Chairman)

#### Other Positions

- Fellow of the Geological Society of London
- Radia Inc (Advisory Board Member)

#### Qualifications

- Bachelor of Geology, Newcastle University, UK (1979)
- Master of Science, Petroleum Geology, Imperial College, London, UK (1983)



### Mr. Nader Ashoor

#### Executive Member – Chief Financial Officer

Bupa Arabia CFO since November 2016. He served previously on numerous Board and committees memberships including the Board of Directors and Audit Committee of Saudi Steel Pipes, the Board of Diaverum Saudi Arabia, and the Investment Committee of the Saudi Aramco Entrepreneurship Ventures Company. Mr. Nader has over 14 years experience with Saudi Aramco on various professional, supervisory and leadership roles, including the role of Director, IPO Design and Readiness.

Mr. Nader holds CMA and CIA certifications and has successfully completed rigorous CPA examination requirements. He received multiple coveted awards, including the Prince Mohammad bin Fahd Academic Excellence Award, the IMA's Distinguished Performance Award, and the IIA's William S. Smith Certificate of Honour Award.

Mr. Nader is not a Board Member in other Saudi PLCs. He is currently serving his first term at Bupa Arabia.

#### Previous Positions

- Saudi Steel Pipe (Board Member)
- Saudi Steel Pipe (Audit Committee)
- Diaverum, Saudi Arabia (Board Member)
- Saudi Steel Pipe (Strategy Committee Member)
- Saudi Aramco Entrepreneurship Ventures Company (IC Member)
- Saudi Aramco (various roles, the final was Director of Finance Readiness-IPO)

#### Qualifications

- Bachelor's Degree in Accounting, KFUPM
- MBA, IMD International, Lausanne, Switzerland





### **Mr. Nigel Sullivan**

#### **Non-Executive Member**

Representing the foreign shareholder: Bupa Investments Overseas Limited (BIOL)

Bupa Arabia Board member since 2021. Currently Bupa Group Chief Sustainability and People Officer. He is a member of Bupa's Chief Executive Committee.

Mr. Sullivan has extensive international experience in Human Resources having started his career at the Rover Group and has held senior HR positions at Nortel Networks, Marconi and Wincanton PLC where he was Group HRD.

#### **Current Positions**

- Bupa (Chief Sustainability and People Officer)
- Bupa (Executive Team Member)
- Bupa Investments Overseas Limited (BIOL) (Non-Executive Director)

#### **Previous Positions**

- Noble Foods Ltd. (Non-Executive Director)
- Talk Talk Telecommunications Group PLC (Group Human Resources Director)
- Royal United Hospitals NHS Foundation Trust Bath (Non-Executive Director)
- Wincaton plc (Group Human Resources Director and Board Member)
- Marconi Corporation PLC (Divisional Human Resources Director)
- Nortel Networks (Divisional Human Resources Director)

#### **Qualifications**

- Post-Graduate Diploma in Personnel Mgt. (CIPD) (1990-1991)
- BSc Environmental Science (2i) (1985-1989)

# Our Chief Executive Team

The Board entrusts the day-to-day running of the Company to its Chief Executive Team, which includes the following members, along with our Chief Executive Officer, Mr. Tal Hisham Nazer, and our Chief Financial Officer, Mr. Nader Ashoor.



## **Mr. Ali Sheneamer**

### **Chief Business Development Officer**

Mr. Ali Sheneamer has 25 years of collective experience in marketing, sales and general management, of which nine years are in Saudi health insurance, having joined Bupa Arabia in 2013 as Chief Commercial Officer.

Prior to this, Ali served as the Deputy Governor and Chief Operating Officer of SAGIA (now Ministry of Investment) for five years. Ali was previously employed as group marketing head at the National Commercial Bank for two years and engaged in various marketing assignments at Procter & Gamble for eight years.

Ali currently serves as a board member of AMS Baeshen & Co. (a closed joint stock Saudi company) and Tam Development Company. Additionally, he is a member of the SAMA and CHI health insurance committees and sub-committees.

Ali holds a Bachelor of Science in Computer Engineering from King Abdulaziz University, Saudi Arabia.



## **Mr. Tariq Alamoudi**

### **Chief Human Resources Officer**

Mr. Tariq Alamoudi joined Bupa Arabia in 2017.

Prior to becoming Chief Human Resources Officer, Tariq held a wide range of leading roles in the Human Resources Department, on global and regional levels, at Procter & Gamble. Most notably, he led P&G in Saudi Arabia as the country's HR leader and spearheaded an overseas assignment at the company's headquarters in Switzerland.

Tariq currently serves as Chairman of the Nomination and Remuneration Committee at the Saudi Tourism Investment Company, and is a board committee member at Saudi Logistics Services, the Ministry of Health's Makkah Cluster and two new companies established by the Public Investment Fund. He is also a member of the SAMA HR sub-committee, and a Chartered Fellow of the UK Chartered Institute of Personnel and Development (CIPD).

Tariq holds a MBA in strategy and HRM from Griffith Business School and a Bachelor's Degree in Marketing Management from Griffith University, Australia.



### **Mr. Atef Mahdi Mufti**

#### **Chief Sales Officer**

Mr. Atef Mufti joined Bupa Arabia in May 2017.

He began his career with Saudi British Bank (SABB) in 1995, and has spent more than 13 years working in the banking industry. During his tenure, he held senior management roles in branch network, sales and customer services. Thereafter, he assumed executive roles as the Deputy General Manager, Personal Financial Services, responsible for all sales functions (branch, direct sales, financial planning and Takaful sales) in KSA.

Previously, he was the Managing Director for the Saudi Distribution Company (part of the Saudi Research & Marketing Group), followed by two years as the Western Region General Manager for Bank Al Bilad. Prior to joining Bupa Arabia, Atef was the Chief Commercial Officer and a member of the Board of Directors of Panda Retail Co. (SAVOLA Group) for six years. He was responsible for all the commercial buying and supply chain of Panda's business in KSA, the UAE, and Egypt.

Atef holds a Bachelor's Degree in Marketing from the King Fahad University of Petroleum and Minerals with a minor degree in management.



### **Mr. Mohamed El Missaoui**

#### **Chief Operations Officer**

Mr. Mohamed El Missaoui joined Bupa Arabia in 2011 as the Director of Total Quality Management. In this role, he oversaw the design and the implementation of the Bupa Arabia Service Excellence Framework, leading the implementation of a number of innovations in the Operations and Healthcare services areas. From 2013, as Director of Operations, Mohamed was in charge of the service operations areas related to customer service, mega accounts, membership fulfilment, and quality. In 2018, he was promoted to the role of Chief Operations Officer.

Previously, Mohamed led a variety of assignments at Unilever MENA. These related to the supply chain, ranging from distribution, logistics, and customer service to industrial engineering and quality. Mohamed has more than 20 years of experience in the insurance, banking and FMCG sectors and, prior to Unilever, he worked for two major North African banks.

Mohamed holds electro-mechanical engineering and MBA Finance degrees.

# Audit Committee Report 2021

The Audit Committee (AC) is governed by its Charter, which was most recently approved by the public shareholders in the 2019 fourth quarter General Assembly Meeting. The Committee held eight (8) meetings during the fiscal year 2021.

During 2021, the AC held eight (8) meetings. The following table details AC meetings held and the respected attendance.

Committee Member Name	Role	26 January	4 March	2 April	10 August	1 November	2 November	3 November	22 November	Percentage
Mr. David Hunt (Independent)	Chairman	Y	Y	Y	Y	Y	Y	Y	Y	100
Mr. Zaid Algwaiz (Independent)	Member	Y	Y	Y	Y	Y	Y	Y	Y	100
Mr. Sulaiman Alhatlan (Independent)	Member	Y	Y	Y	Y	Y	Y	Y	N	90
Mr. Walid Shukri (Independent)	Member	Y	Y	Y	Y	Y	Y	Y	Y	100
<b>OVERALL PERCENTAGE OF AC MEMBER ATTENDANCE (%)</b>		100	100	100	100	100	100	100	75	97

The Committee meetings are designed to facilitate and encourage communication among the Committee, the Company's management, the Company's risk functions, the Company's control functions (Compliance and internal audit) and the Company's independent External Auditors. The Committee has discussed and confirmed with the Company's control functions and the independent External Auditors the overall scope and plans for their respective reviews.

The Audit Committee recognizes the importance of maintaining the independence of the Company's External Auditors, both in fact as well as in appearance. Each year the Committee evaluates the qualifications, performance and independence of the External Auditors and determines whether to re-engage them. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the External Auditors, their capabilities their technical expertise and knowledge of the Company's operations along with that of the insurance industry. Based on this evaluation, the Audit Committee made a recommendation to the Board of Directors to refer to the General Assembly for the selection of Ernst & Young and PricewaterhouseCoopers as external auditors to audit the Company's quarterly financial statements for the first, second, and third quarters, the annual financial statements for the fiscal year 2021 and first quarter for the fiscal year 2022.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board thereafter has approved, that the Audited Annual Financial Statements and related schedules, and management's assessment of the effectiveness of the Company's internal control over financial reporting be included in the 2021 Annual Report.

The Audit Committee confirms that it has, during 2021, completed its tasks and activities, in accordance with the powers afforded to it, as per the regulations and as reflected within its latest Audit Committee Charter. In fulfilling these tasks and activities, the Committee is able to express an opinion on the Company's internal control framework; as required in terms of the CMA disclosure requirement, the Audit Committee noticed management's continuous efforts and focus on improving design and effectiveness of Bupa Arabia's internal control environment. Based on the results of the internal audit reviews and the planned activities to enhance the internal control environment and following discussion with the External Auditor and management on the preliminary and Annual Financial Statements for the year ended 31 December 2021, nothing has been brought to the attention of the Committee that would indicate any significant deficiencies.

**Mr. David Hunt**  
Chairman

**Mr. Sulaiman Alhatlan**  
Member

**Mr. Zaid AlGwaiz**  
Member

**Mr. Walid Shukri**  
Member

# Board Purpose and Meetings

The purpose of the Board is to set strategy and deliver value to all shareholders and stakeholders, in compliance with the regulations and laws of the Kingdom in an ethical and transparent manner. The Board is responsible for the Company's values, mission and long-term vision and for providing strategic direction and guidance for the Company's operations, including the ultimate responsibility of ensuring the Company follows exemplary corporate governance and ethics and for the provision of a robust system of internal controls and procedures to be in place to fulfil compliance of the Company, in both content and timeliness, with all the requirements of all the applicable laws and regulations of the jurisdictions in which it operates.

The Board is responsible for establishing Board Committees, as stipulated by regulations, to support the Board in achieving its responsibilities, and to support the Executive Management. The Board is responsible for establishing and approving matters it deems significant enough to be reserved for only the Board's decision and for those matters which it delegates to the relevant Board Committees [both as specified within the Board approved Schedule of Matters Reserved for the Board (SMRB) and the Board Delegated Authorities Framework (BDAF)].

Membership Role	Board Member Name	Nationality	Term Number	For the current term representing:
Independent	Ms. Huda M. Bin Ghoson	Saudi	1st	Not applicable
	Mr. Zaid A. Algwaiz	Saudi	3rd	Not applicable
	Dr. Abdulla N. Elyas	Saudi	1st	Not applicable
Non-Executive	Eng. Loay H. Nazer	Saudi	5th	Nazer
	Mr. David M. Fletcher	British	3rd	BIOL
	Mr. Nigel Sullivan*	British	1st	BIOL
Executive	Mr. Martin J. Houston	British	2nd	BIOL
	Mr. Tal H. Nazer	Saudi	5th	Not applicable
	Mr. Nader Ashoor	Saudi	1st	Not applicable

\* Mr. Nigel Sullivan joined Bupa Arabia Board of Directors as of 5 April 2021 upon receiving SAMA non-objection, to replace Mrs. Joy Linton who resigned from its Board membership in Bupa Arabia effective on the 2 February 2021.

Summary of Changes in Board of Directors in 2021:

Member Leaving the Board	Date	Representation	Remarks
Mrs. Joy C. Linton	02/02/2021	BIOL	Resignation
Member joining the Board	Date	Representation	Remarks
Mr. Nigel Sullivan	05/04/2021	BIOL	To replace resigning member



The Board approves the Board Chairman, Board Vice-Chairman, CEO and Company Board Secretary for each term, subject to regulatory approval where required and applicable, and for the fifth term all were approved as reappointments of the fourth term.

The Board also appoints the Board Committee's Secretaries for each new term, in which the current term has appointed the Director of the Internal Audit Department as the AC Secretary, the Head of Compensation and Benefits as the NRC Secretary, the Director of Asset Management and Business Advisory as the IC Secretary, the Director of Risk Management as the RMC Secretary, and the Head of Company Secretariat as the Company Board Secretary and the EC Secretary.

## Assessment of the Board/Board Committees and the Members' Performance

The Company routinely assesses the performance of the Board/ Board Committees, and the respective members, on an ongoing basis, through closed Board sessions, through the NRC, and via the Company Secretariat with the Committee Chairpersons, in liaison with the NRC.

## Board Meeting Attendance

During 2021, the Board held seven (7) meetings. The following table details Board meetings held and the respected attendance.

Board Member Name	2 February	11 March	16 March	20 April	24 June	20 September	2-3 November	Percentage
Eng. Loay Hisham Nazer	Y	Y	Y	Y	Y	Y	Y	100
Mr. David Martin Fletcher	Y	Y	Y	Y	Y	Y	Y	100
Mr. Tal Hisham Nazer	Y	Y	Y	Y	Y	Y	Y	100
Mr. Zaid A. Algwaiz	Y	Y	Y	Y	Y	Y	Y	100
Mr. Martin Houston	Y	Y	Y	Y	Y	Y	Y	100
Dr. Abdulla Elyas	Y	Y	Y	Y	Y	Y	Y	100
Ms. Huda Bin Ghoson	Y	Y	Y	Y	Y	Y	N	86
Mrs. Joy Linton (Till 2 February 2021)	NA	NA	NA	NA	NA	NA	NA	NA
Mr. Nigel Sullivan (From 5 April 2021)	NA	NA	NA	Y	Y	Y	Y	100
Mr. Nader Ashoor	Y	Y	Y	Y	Y	Y	Y	100
<b>TOTAL % ATTENDANCE</b>	100	100	100	100	100	100	89	97

## Major Board Approvals/Resolutions

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

- CET Remuneration Policy
- Approval of 2022 AOP
- Formation of a corporate venture entity, as a wholly owned subsidiary with capital of SR 2 million and total funding mandate of USD 50 million, subject to SAMA's no objections
- Management to request SAMA no objections for 2020 fiscal year dividend of SR 412 million
- Mr. Nigel Sullivan appointment as a BIOL representative in the Board
- Appointment of PwC and EY as the External Auditors for the period of April 2021 - March 2022
- Any approvals as required in terms of the Schedule of Matters Reserved for the Board (SMRB)

# Board Secretary



## Ms. Abeer Albornu

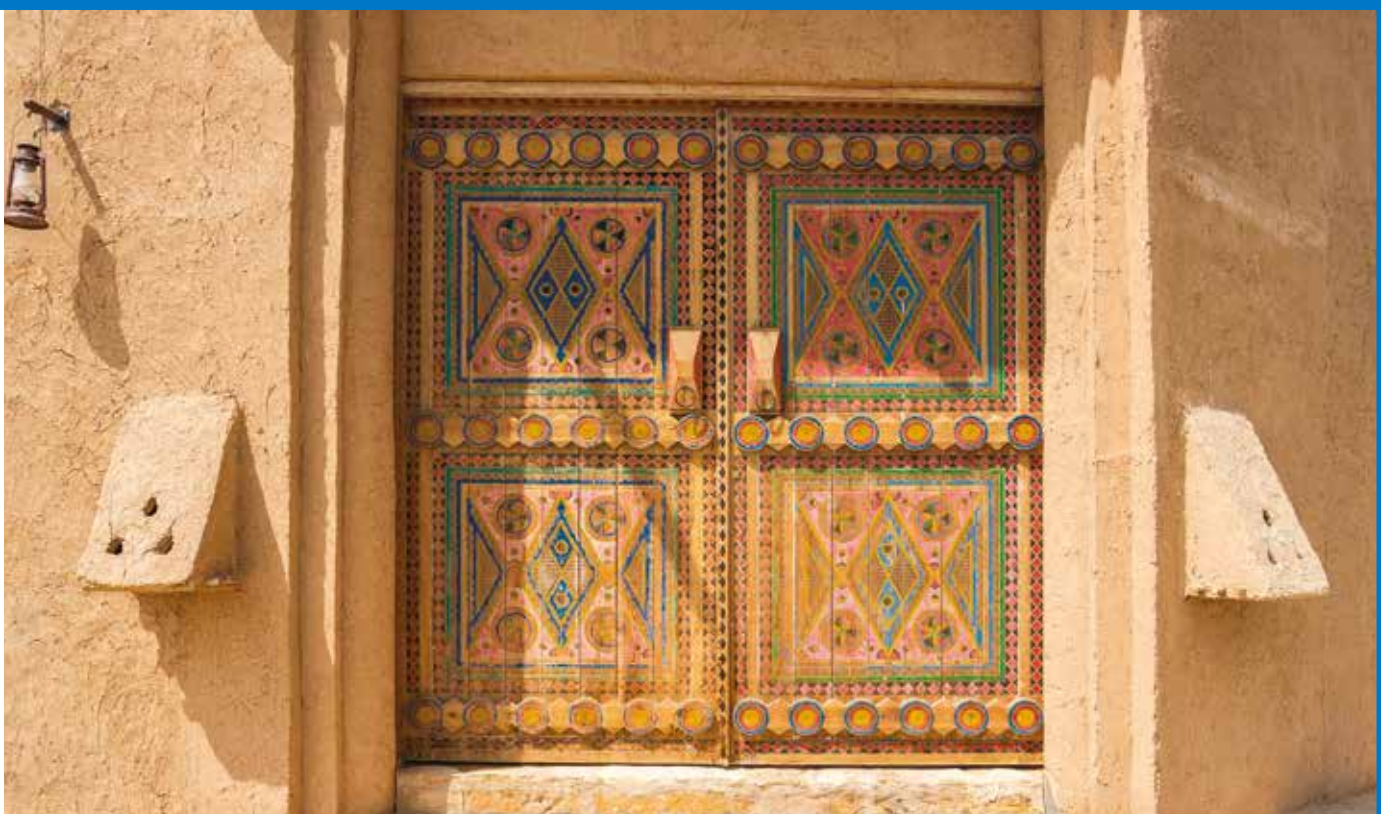
Head – Company Secretariat, and Company Board Secretary

Ms. Abeer Albornu has 13+ years' experience in the areas of risk and compliance. Prior to joining Bupa Arabia in 2017, Abeer held a variety of senior roles at renowned companies, the most recent being, Senior Manager Compliance Advisory – Corporate & Treasury at Bank AlJazira. In this capacity, she developed effective solutions and action-plans to ensure the organization's regulatory compliance.

As Head – Company Secretariat, Abeer serves as a link between the Board of Directors and the rest of the organization. She leads activities related to the Board of Directors and its various committees, and is responsible for the Company's Annual Reports and disclosures. In this role, she also oversees all matters related to the Company's General Assembly meetings.

Since joining Bupa Arabia, Abeer has led the creation of enterprise policies and procedures that are still in place. Among her most notable achievements is launching of the Company's Code of Conduct and whistle-blowing system. What's more, she plays a pivotal role in leading corporate governance in the Company, ensuring its proper functioning through monitoring and assimilation of best practices.

Abeer holds a Bachelor of Science in Management Information Systems from Dar Al-Hekma University and an International Diploma Certification in Risk Management. She also holds various certifications in operational risk, risk management, and compliance.



# Board Committees

## Audit Committee (AC)

The principal role of the AC is to monitor the integrity of the Company's financial statements, in accordance with the relevant financial reporting standards, in compliance with laws and regulations, to review and, where appropriate, make recommendations to the Board on internal financial controls, compliance, internal audit and to review the external audit process and External Auditors' performance. The Committee shall also have oversight, through the Company's RMC, for

ensuring that the Company's risk management processes are adequate and effective, particularly with regard to the impact on the Company's financial reporting and its code of business conduct. A further lead role responsibility of the AC is the monitoring of the effectiveness, performance and objectivity of the compliance function and the internal audit function, through the compliance and internal audit functions reporting directly to the AC Chairman.

During 2021, the AC held eight (8) meetings. The following table details AC meetings held and the respected attendance.

Committee Member Name	Role	26 January	4 March	2 April	10 August	1 November	2* November	3* November	22 November	Percentage
Mr. David Hunt (Independent)	Chairman	Y	Y	Y	Y	Y	Y	Y	Y	100
Mr. Zaid Algwaiz (Independent)	Member	Y	Y	Y	Y	Y	Y	Y	Y	100
Mr. Sulaiman Alhatlan (Independent)	Member	Y	Y	Y	Y	Y	Y	Y	N	90
Mr. Walid Shukri (Independent)	Member	Y	Y	Y	Y	Y	Y	Y	Y	100
<b>OVERALL PERCENTAGE OF AC MEMBER ATTENDANCE</b>		100	100	100	100	100	100	100	75	97

\*Meetings held on 2-3 November were the annual AC meetings with the Board of Directors.

### Mr. David Hunt AC Chairman

Mr. David has been an AC member since 2016, and the AC Chairman for the current term starting on 1 July 2019. Mr. Hunt is the owner and founder of Lynwood Consulting. He has over thirty-five years global experience in banking, financial services and insurance including twenty-five years as an International Manager with the HSBC Banking Group. Previously Managing Director for SABB Takaful (2005-2009) and CEO for Gulf Finance, Saudi Arabia. Special Advisor to the Actis private equity Group 2011-2012.

#### Qualifications

- BSc Banking and Finance, Loughborough University of Technology, UK (1987).

### Mr. Sulaiman Alhatlan Independent Member

Mr. Sulaiman has been an AC member for the full year. He possesses over twenty years of experience as a consultant, Board Member, or committee member in many sectors including industrial, financial, F&B, insurance, retail and real estate.

#### Qualifications

- Masters, Degree in Accountancy from California State University, San Diego (1998).
- Bachelor's Degree in Accounting from King Saud University, Riyadh (1994).

**Mr. Walid Shukri**  
Independent Member

Mr. Walid joined the AC for the new term on 1 July 2019. Mr. Walid have a wide range of experience considering his previous experience being the Country Senior Partner of PricewaterhouseCoopers Saudi Arabia. Currently, Mr. Walid serves as Board Member in the following companies:

1. Board Member, and Chairman of Audit Committee, and Member of the Risk Committee of the Saudi Telecom Company (STC) (April 2021 to date).
2. Vice-Chairman of the Board, and Chairman of Audit and Risk Committee of the Saudi Electric Company (SEC) (January 2021 to date).
3. Vice-Chairman of the Board and Chairman of the Audit Committee of Saudi Agricultural and Livestock Company (SALIC)(PIF owned), (since December 2019).
4. Board Member and member of the Audit, Risk and Compliance Committees of MEPCO, latest term started May 2018 (originally joined in March 2014).

**Qualifications**

- BSc Industrial Management – Major in accounting with Honors (King Fahd University of Petroleum and Minerals).
- Certified Accountant in the United States of America (CPA).
- Certified Accountant in the Kingdom of Saudi Arabia (SOCPA).

**Mr. Zaid Algwaiz**  
Independent Board and AC Member

Please refer to page 48 for profile.

## Executive Committee (EC)

The purpose of the EC is to support the Board with the management of the business through the review and monitoring of all aspects of the operational performance of the Company, on a routine basis, to ensure that there are no barriers to achieving the strategy and objectives set. It provides recommendations to the Board on the annual income targets, and proposed dividends, accounting for solvency requirements, and also reviews and approves, as required per the SMRB, certain aspects of a commercial nature, including its charter. It also supports the Board and the business in ensuring that the Company is compliant with regulatory requirements.

During 2021, the EC held seven (7) meetings. The following table details EC meetings held and the respected attendance.

Ec Member	1 February	16 March	20 April	8 June	24 June	20 September	2 November	Percentage
Eng. Loay Hisham Nazer	Y	Y	Y	Y	Y	Y	Y	100
Mr. David Martin Fletcher	Y	Y	Y	Y	Y	Y	Y	100
Mr. Tal Hisham Nazer	Y	Y	Y	Y	Y	Y	Y	100
Mr. Nigel Sullivan (From 5 April 2021)	NA	NA	Y	Y	Y	Y	Y	100
<b>OVERALL TOTAL PERCENTAGE</b>	100	100	100	100	100	100	100	100

**Eng. Loay Nazer**  
Non-Executive EC Chairman

Please refer to page 46 for profile.

**Mr. David Fletcher**  
Non-Executive EC Member

Please refer to page 46 for profile.

**Mr. Tal Hisham Nazer**  
Executive EC Member – CEO

Please refer to page 47 for profile.

**Mr. Nigel Sullivan**  
Non-Executive EC Member

Please refer to page 50 for profile.

## Investment Committee (IC)

The purpose of the IC is to assist the business in developing its investment policy and to thereafter, supervise its adherence to it. The Committee is tasked with overseeing the Company's investment process and strategic approach in order to optimize returns within the Board-approved risk parameters while taking into account liquidity requirements and solvency constraints. The IC also monitors investment performance regularly as well as the adherence to guidelines and limits as per the IPS, SAMA's Shariah requirements. Lastly, the IC approves investment decisions as per the IC Charter Authority Matrix.

During 2021, the IC held four (4) meetings. The following table details IC meetings held and the respected attendance.

IC Member	8 March	22 April	7 July	1 November	%
Mr. Osamah Shaker	Y	Y	Y	Y	100
Mr. Selman Alfares	Y	Y	Y	Y	100
Mr. Andrew Bailey	Y	Y	Y	Y	100
<b>OVERALL TOTAL %</b>	100	100	100	100	100

### Mr. Osamah Shaker Independent Chairman

GIB Capital CEO and Board Member since 2016, Investment Committee Chairman and Member at Bupa Arabia since January 2019.

#### Qualifications

- Master of Science in Statistics from Colorado State University, USA.
- Bachelor of Administrative Sciences in Quantitative Methods from King Saud University, KSA.

### Mr. Selman Alfares Independent Member

Mr. Selman has been the CEO of AlMajd AlArabiyah since 2017.

Chairman at Falcom Holding, Board Member at Gulf International Bank (GIB), Board Member at Al Ra'idah Investment Company, Board Member at Hassana Investment Company since 2018, and Vice-Chairman TechInvest.

#### Qualifications

- Bachelor of Science in Computer Information Systems from Arizona State University, USA.

### Mr. Andrew Bailey Non-Executive Member

Head of Asset Management for the Bupa Group and prior to this occupied various treasury and investment management roles in UK listed corporates.

#### Qualifications

- Chartered Financial Analyst (CFA).
- Qualified member of the Association of Corporate Treasurers (AMCT) and Society of Technical Analysts (MSTA).
- Investment Management Certificate (IMC).
- Bachelors in Economics and Philosophy.

## Nomination and Remuneration Committee (NRC)

- To effectively manage Board, and Board Committees, member appointments, in accordance with both regulations and the approved policies and procedures, through recommendation to the Board, or regulators, where required. This includes ensuring the independence of the independent members, the absence of any conflict of interest, and that there are no reasons, versus the regulatory requirements, preventing the proposed membership(s), of Board, and Board Committees, members, prior to submission to SAMA by the Company.
- To evaluate the structure and composition of the Board, and the Board Committees, and recommend changes to the Board.
- To annually review the requirements of suitable skills for membership of the Board, and Board Committees, and reflect updates of the same within the Nomination and Appointment Policy and Procedure, for the approval of the public shareholders.
- To develop clear policies regarding the compensation and remuneration of the Board, and Board Committee members, following industry/market benchmarking, and to make such recommendations to the Board.
- To recommend the Company's Long-Term Incentive Plan (LTIP) to the Board.
- To recommend the Company's Chief Executive Team Remuneration Policy and Employee Remuneration Policy to the Board.
- To review and approve the remuneration and incentive payments (short-term incentives/bonuses and Long-Term Incentive Plan (LTIP)) of the CEO, CET, and the Company.
- To recommend succession plans for the Board and the Board Committees to the Board.
- To establish and monitor succession plans for the CEO and the CET.
- To annually assess/evaluate the performance of the Board, Committees, and their respective members.

During 2021, the NRC held three (3) meetings. The following table details NRC meetings held and the respected attendance.

NRC Member	28 February	6 May	7 July	Percentage
Ms. Huda Bin Ghoson	Y	Y	Y	100
Mr. Omar Najjar	Y	Y	Y	100
Mr. Martin Houston	Y	Y	Y	100
<b>OVERALL TOTAL PERCENTAGE</b>	100	100	100	100



**Ms. Huda Bin Ghoson**  
**Independent NRC**  
**Chairwoman**

Please refer to page 48 for profile.

**Mr. Omar Najjar**  
**Independent Member**

Chief Programs Officer at MiSK Foundation, supporting the Organization's ambitious strategy by leading on MiSK's programs and initiatives. His global experience has seen him hold leadership positions with Saudi Ground Services, Downstream Business in Tasnee, King Abdullah Economic City and Unilever.

**Qualifications**

- MBA from London Business School.
- MSc and BSc degrees in Industrial and Systems Engineering.

**Mr. Martin Houston**  
**Non-Executive NRC**  
**Member**

Please refer to page 49 for profile

## Risk Management Committee (RMC)

The main purpose of the RMC is to assist the Board in its risk management strategy and risk oversight across Bupa Arabia. This includes overseeing the current risk exposures and risk strategy, development of the overall risk appetite and tolerance, monitoring the effectiveness of the risk management framework including risk policies, process and controls, and the promotion of a risk aware culture throughout Bupa Arabia.

The Committee is committed to excellence in risk management and enhancing Bupa Arabia by:

- Being sighted on risk and engaging risk management to deliver sustainable performance.

- Owning the whole of Bupa Arabia's risk profile and acting on risk themes holistically.
- Recognizing emerging risks and proposing risk appetite changes to the Board, as needed.
- Defining and owning Bupa Arabia's risk culture and the mechanisms for installing it.
- Recommending policies for the approval of the Board, as per its Charter.
- Oversight of the implementation of Corporate Governance, per the CMA Corporate Governance Regulations Articles 94 and 95.

During 2021, the RMC held five (5) meetings. The following table details RMC meetings held and the respected attendance.

RMC Member	26 January	9 March	16 June	19 October	14 December	Percentage
Dr. Khalid Al-Faddagh	Y	Y	Y	Y	Y	100
Dr. Abdulla Elyas	Y	Y	Y	Y	Y	100
Mr. James O'Reilly	Y	Y	Y	Y	Y	100
Mr. Rami Makarem	Y	Y	Y	Y	Y	100
<b>OVERALL TOTAL PERCENTAGE</b>	100	100	100	100	100	100

**Dr. Khalid Al-Faddagh**  
**Independent RMC Chairman**

Board Member and Chairman of the Audit and Risk Committee at the Eastern Healthcare Cluster, Board Member and Chairman of the Audit and Risk Committee at Vision Invest, Audit Committee Member at SABIC and SPIMACO, Board Risk Committee Member at the PIF and GOSI.

**Qualifications**

- PhD in Mechanical Engineering, Applied Mechanics from the Imperial College, London University, UK.
- Master of Science in the same major from the Victoria University of Manchester, UK.

**Dr. Abdulla Elyas**  
**Independent Member**

Please refer to page 47 for profile.

**Mr. James O'Reilly**  
**Non-Executive Member**

Currently Chief Risk Officer for Bupa Global and UK, since December 2020, and was previously the Risk and Compliance Director of the Bupa Global division (2018-2020).

**Qualifications**

- Fellow of the Association of Chartered Certified Accountants (ACCA), UK, (since 2015), having been a member since 2010.

**Mr. Rami Makarem**  
**Non-Executive Member**

Currently, the Chief Executive Officer of Nazer Holding Group Ltd., Rami sits on various Boards of Directors of companies owned by the Group.

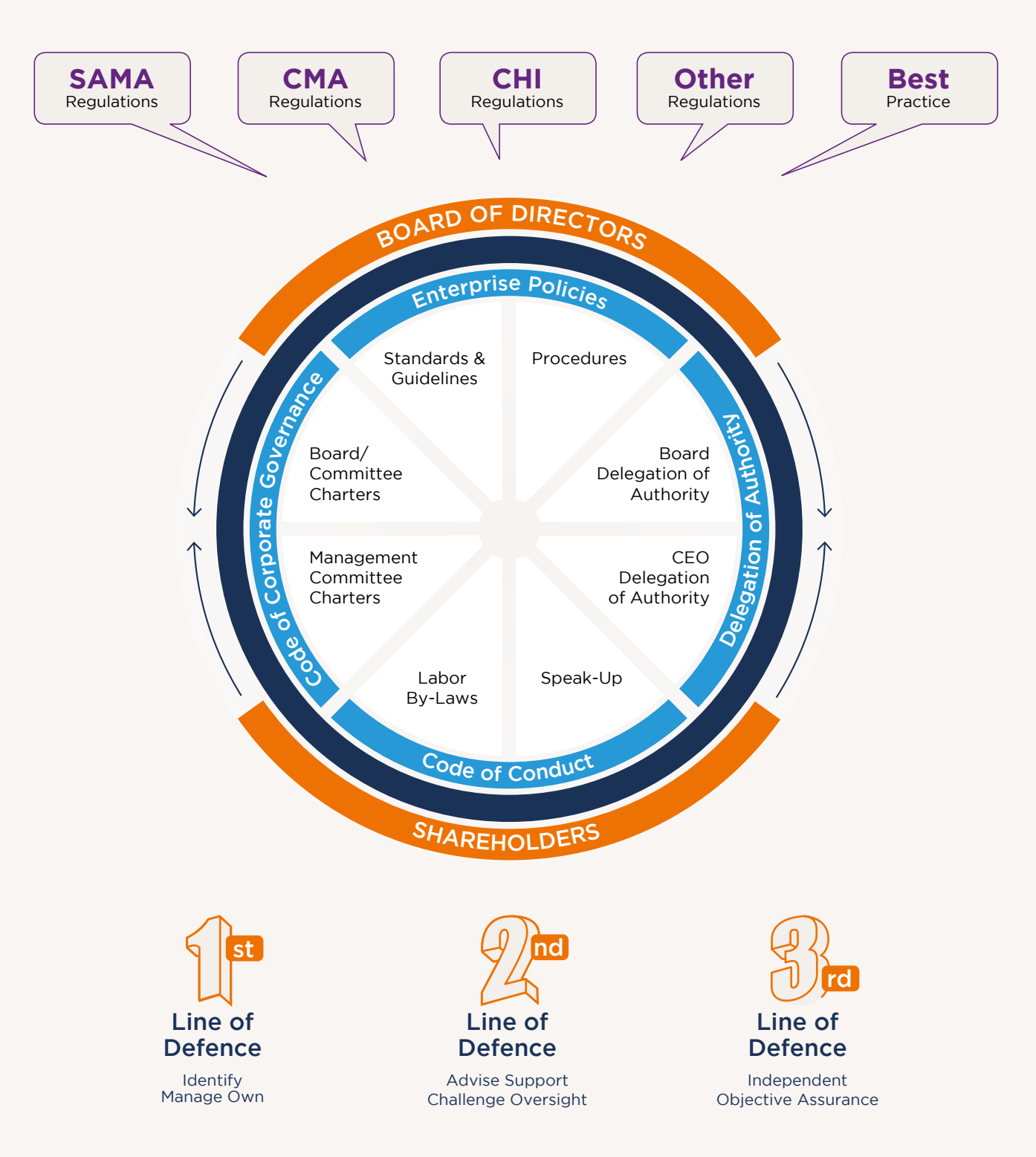
Previous to this role, Rami was the Chief Financial Officer of a leading diversified conglomerate in the United Arab of Emirates.

**Qualifications**

- Executive MBA from the London Business School.
- Post-Graduate Diploma in Financial Strategy from the Said Business School at Oxford University.
- Bachelor's Degree in Arts, Business Administration from the American University of Beirut, Lebanon.

# Risk Governance and Internal Controls

## Our Governance Framework



## Our Corporate Governance and Risk Intelligence

We remained committed to enhancing shareholders value by building and maintaining a risk intelligent organization, increasing the transparency of our corporate governance practices, and strengthening the rights of our shareholders aligned with the best-in-class governance standards. The Company continued holding remote General Assembly Meetings in response to COVID-19 restrictions and its commitment to fight the pandemic and the spread of the virus. Our major shareholder Bupa Investment Overseas Limited (BIOL) is still one of the largest foreign strategic investors in the Saudi Market. We continue to invest in our corporate governance, including further embedding the "Three Lines of Defence" (3LoD) risk management model and the ongoing recruitment and development of appropriate capabilities to ensure a world class governance environment with world-class controls.

## Our Code of Conduct

The Company's Code of Conduct has been further embedded across the Organization during 2021 and all employees have received regular communication to keep them informed. The Code covers the following areas and, alongside our Values, is a key contributor to Bupa Arabia's company culture.

### Safeguarding Bupa Arabia's assets

- we work to high professional standards
- we declare conflicts
- we represent Bupa Arabia
- we prohibit insider trading and stock tipping
- we manage risk
- we protect our intellectual property

### Thriving through regulatory excellence

- we play by the rules

### Adhering to competition laws

- we respect competition laws
- we speak up

### Acting ethically and transparently with all our stakeholders

- we put our customers first
- we act ethically
- we keep information safe
- we fight money laundering and terrorism financing
- we know our suppliers

### Preserving our community and our environment

- we celebrate diversity
- we stay safe and well
- we are ready for anything
- we take care of our planet

## Our Enterprise Policies

The Company has built, enhanced, assessed, tested, approved and rolled out the Enterprise Policies Suite during 2021. Our Enterprise Policies ("EP") are an important part of how we manage risk within Bupa Arabia by explaining how we are exposed to risk, why this risk needs to be managed and providing a consistent approach to the management of these risks. They also help ensure we meet business objectives, comply with legal and regulatory requirements of the jurisdictions in which we operate and help us protect our environment and give back to our communities. Our policies sustain and support our risk appetite.

The current suite of 33 Enterprise-wide Policies also supports our intent:

- To comply with the Saudi Central Bank ("SAMA") requirements of the Insurance Corporate Governance Regulation;
- To comply with the Saudi Arabian Capital Market Authority ("CMA") requirements of the Corporate Governance Regulation;
- To comply with legal and regulatory requirements of the jurisdictions in which we operate, including and not limited to the requirements of (Ministry of Commerce "MOC", the Council of Health Insurance "CHI", Ministry of Health "MOH", Ministry of Investment "MOI", Zakat, Tax and Customs Authority "ZATCA", Ministry of Human Resources and Social Development "MOHRSD" and Anti Money Laundering and Combating Terrorist Financing Laws and Regulations "AML and CTF";
- To adhere, in due course, to Solvency II articles and guidelines in relation to Systems of Governance; and
- To comply with global best practices.

## Our Whistle-blowing Policy

We are committed to maintaining the culture of governance and ethical behavior in the workplace. We, as a company and as employees, comply with all rules and regulations, reinforced further by the professional standards we set ourselves at Bupa Arabia. To achieve this, we encourage employees to share any concerns, or any doubts regarding inappropriate behavior, through the channels specified for this purpose.

We want Bupa Arabia to become a place where our employees are encouraged to share their concerns in case of any problem related to wrong or unsuitable behavior in the workplace without any fear of retaliation.

## Our Shariah Compliance

Bupa Arabia maintained its Shariah compliance. On 12 December 2021, Bupa Arabia received approval from the Shariah Review Bureau on its compliance and status as per the 2020 annual Shariah Audit Report (reference BPA-677-10-01-03-21) on the following functions:

- Separation of accounts (shareholder and policyholder).
- Compliance of shareholder and policyholder investments with Shariah Guidelines, in support of achieving overall Shariah compliance in the future, the Company continues to develop its policies and evaluate its contracts.

## Corporate Governance and Bupa Arabia Commitment

Bupa Arabia is fully committed, through all levels of the Company hierarchy, including its Board and its Board Committees, to the implementation of world-class corporate governance standards, and to implementing the provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority, Saudi Central Bank, and thereafter adhering to, the Corporate Governance Regulations of all Saudi regulators. Bupa Arabia is developing and instituting corporate governance structures, frameworks, codes, policies, procedures and standards to support its achievement of best practices and adherence to the regulations. Bupa Arabia continues to update the relevant policies and procedures and ensures they are aligned with all the regulatory requirements.

This will ensure Bupa Arabia succeeds in fulfilling the five key elements of corporate governance:

- Strong commitment to corporate governance.
- Strong commitment to world-class Board practices.
- Strong regime of disclosure, transparency fairness, accountability, and responsibility.
- Appropriate control environments and processes.
- Protection of all shareholders' rights, including minority shareholders.

Bupa Arabia affirms its commitment to the implementation of the highest professional standards and international best practices for the prevention of bribery, corruption, fraud, financial crimes, and its commitment to preventing anti-competitive practices.

Bupa Arabia affirms its commitment to maintaining and developing its formal Corporate Governance Framework (CGF), including its Code of Corporate Governance (CCG), in alignment with international best practices, and in adherence to the regulators' corporate governance regulations. Bupa Arabia is planning to further enhance its key governance documents, for the approval of the shareholders, during 2022.

## Control Functions

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

### The Legal Affairs and Corporate Governance Department (LACGD)

The LACGD is responsible for the frameworks, codes, policies and procedures governing the management of the relationships, and the associated information sharing to and from, the Company's management, shareholders and other stakeholders, including its regulators and its employees, in accordance with all the laws and the relevant regulations.

The LACGD reports to the CRO and is responsible for ensuring the Company's compliance and adherence to the laws and relevant regulations. The LACGD also manages the Company's relationships with the Capital Market Authority (CMA) and Saudi Stock Exchange (Tadawul).

### Director – Legal Affairs and Corporate Governance, General Counsel, Nasser AlQawas

Mr. Nasser AlQawas joined Bupa Arabia in May of 2016 and has over 25 years of substantial legal, compliance, corporate governance, and board secretariat experience. Throughout his career, he has managed to build a solid acumen in driving organizations to act with the highest level of integrity and in compliance with the local and international prevailing laws, in the different regions where they operate, in addition to administering efficient and transparent legal processes and documentation. He started his professional career in Arent Fox law firm for six years, and during his 20-year tenure at NCB, he was responsible for a variety of different roles and responsibilities, including Head of the Legal Enforcement Section, Manager of Legal Advisory and Research, General Board Secretary, the Group Chief Compliance Officer and then the Chief Legal Advisor.

Nasser was appointed by a Royal Decree to be a reserved committee member in the Banking Dispute Committee in Jeddah. He is also a Board Member in a variety of companies and chairs a few committees.

Nasser holds a Master's Degree in law, a diploma in Regulation, Compliance and Anti-Money Laundering (from the University of Reading, England), a Compliance Officer Certificate from the Financial Academy, and a Leadership Executive Certificates from INSEAD.

## The Risk Management Department (RMD)

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

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

### Director – Risk Management Department, Ahmed Jaber

Mr. Ahmed Jaber joined Bupa Arabia during 2016. Ahmed holds a Bachelor's Degree in Industrial Engineering from King Fahad University of Petroleum and Minerals. He has 20 years of experience in engineering, risk, credit control, operational risk, fraud prevention and investigations, and internal audit.

Prior to joining Bupa Arabia, Ahmed was Head of Investigations and Fraud Prevention at the National Commercial Bank (NCB) and previously; Head of Operational Risk Management and Acting Head of Retail Banking Audit. He was also the Western Regional Head of Country Credit and Risk Control in SAMBA and worked as a field engineer in Schlumberger Middle East.

Ahmed has an International Diploma in Risk Management (American Academy of Financial Management), an Executive Certificate from the London Business School and other certifications [Certified GRC Professional (GRCP), Certified GRC Auditor (GRCA) Certified Fraud Examiner (CFE), Certified Risk Analyst (CRA), Certified Operational Risk Manager (CORM), Project and Contract Risk Specialist (PCRS) and Certified Compliance Officer (CCO)].

## The Cybersecurity and Technology Risk Department (CSTRD)

The CSTRD is a Second Line of Defence and is responsible for the overall cybersecurity and technology risk monitoring processes across Bupa Arabia, coordinating the development of the related policy and frameworks, and for assessing and monitoring the IT, cybersecurity and technology risks, and for reporting on the associated material risks and mitigation plans.

The CSTRD is responsible for the alignment of the Company with the regulatory mandated cybersecurity and BCM frameworks, issued by the Saudi Central Bank and the National Cybersecurity Authority.

The CSTRD reports directly to the CRO, with access to the AC and RMC as required and its structure covers cybersecurity, information systems resilience and technology risk, and BCM.

## **Director – Cybersecurity and Technology Risk Department, Mr. Feras I. Alsubaihi**

Mr. Feras Alsubaihi joined Bupa Arabia in 2020. He has over 16 years of experience in cybersecurity and information technology, including several assignments in the financial and banking sector, most notably as the Head of IT Security and then Head of Security Operations Center (SOC), during his period at AlJazira Bank. Additionally, he became the Chief Information Security Officer at Abdullatif Jameel Financial Group. He also served as Chairman of the Cybersecurity Committee of the Financial Sector at SAMA. He was also selected as one of the top three Chief Information Security Executives for the 2020 edition in the Kingdom by The International Data Corporation "IDC Summit".

Feras holds a Bachelor's Degree in computer science from King Abdulaziz University and is a certified chief information security officer accredited by the EC-Council Headquarters in United States. In addition to a number of technical and management certificates accredited in the field of cybersecurity management and information technology, the most significant of which is the lead implementer of ISO 27001, Microsoft Certified Systems Engineer, Cisco Certified Network Associate.

## **Finance Pricing, Actuarial, Asset Management and Business Advisory Departments**

The finance pricing and actuarial capabilities of the Company are essential control functions to ensure the accuracy of the Company's pricing and the claims reserving, in accordance with both international best practice and Saudi regulations, and these roles report to the finance function, headed by the CFO. Additionally, the Asset Management and Business Advisory Department performs a key control function, in relation to the management of investment assets, in accordance with the Board approved Investment Policy Statement (IPS), risk appetites, and in adherence to the SAMA regulatory investment guidelines.

## **Director – Commercial Finance, Mr. Hatim Jamal**

Mr. Hatim Jamal has more than 11 years of experience in different fields such as financial analysis and planning, accounting, tax, product/program development, strategy development, and operational excellence. Prior to joining Bupa Arabia, Mr. Jamal was a Partner at Strategic Gears Management Consultancy where he advised multiple clients in both the private and public sectors. He covered projects related to strategy development, economic impact assessment and operational excellence. Prior to that, he worked at Procter & Gamble in different finance assignments such as forecasting and planning, commercial finance, finance strategy and finance control. During these assignments, he worked in the Saudi office covering all markets in Arabian Peninsula and in the Switzerland office covering India, Middle-East and Africa markets. Mr. Jamal joined Bupa Arabia in the first quarter of 2021. He holds a Bachelor's Degree in Finance and Economics from King Fahd University of Petroleum and Minerals.

## **Director – Actuarial and Financial Analysis, Mr. Chadi Saba**

Mr. Chadi Saba has over 16 years experience in the health insurance sector. He joined Bupa Arabia in 2009, holding several management positions in pricing and commercial finance. His responsibilities include; product development, setting pricing strategy, benefit control, and claims reserving. He was appointed as Director – Actuarial and Financial Analysis, during 2018. Prior to that, Mr. Saba held the position of Actuarial Analyst at GlobeMed where he was involved in rate adequacy studies, underwriting performance reviews, actuarial modelling and reinsurance arrangements.

Mr. Chadi holds a Bachelor's Degree in Actuarial Science and Insurance from Notre Dame University and a Master's Degree in Financial Economics from the American University of Beirut.

## **Director – Asset Management and Business Advisory, Mr. Ahmed Bajunaid**

Mr. Ahmed Bajunaid has more than 14 years experience in investment management. He joined Bupa Arabia in 2018 to lead transformation activities related to the investment management function, and to assist with company-wide key strategic initiatives as part of the business advisory function. He was appointed as Director – Asset Management and Business Advisory during 2019.

Before joining Bupa Arabia, Ahmed worked at Sanabil Investments, where he was responsible for investing and managing its global private equity program. Prior to this, he spent nine years at the Saudi Aramco Investment Management Department conducting strategy analysis and as a fund manager conducting due diligence and reporting for private equity, public equities, and hedge funds. Ahmed also worked with Cambridge Associates as an investment consultant within the private equity research team between Boston and London.

Mr. Ahmed holds a Bachelor of Arts Degree in Business Finance from Durham University and an MBA from Columbia Business School.

## **Independent Functions**

In line with best practice corporate governance, and as a key part of the Bupa Arabia Three Lines of Defence model, the Company has independent functions which report directly to the AC, with dotted line reporting to the CEO for day-to-day administration, and both functions have full access to the Board, and also Board Committees, where required. The Compliance Department forms part of the Company's Second Line of Defence and the Internal Audit Department is a Third Line of Defence.

## **The Compliance Department (COD)**

The COD is considered as an essential factor for Bupa Arabia's success and market leading position in health insurance in the Kingdom of Saudi Arabia, due to the critical role it plays in effectively managing compliance risks, integrating a strong compliance culture into daily business activities and strategic planning of Bupa Arabia, maintaining Bupa Arabia's reputation, and protecting Bupa Arabia's stakeholders.

The COD reports directly to the AC and its structure, roles and responsibilities are authorised by the AC.

## **Head – Compliance Department, Mr. Luay Abumansour**

Mr. Luay Abumansour joined Bupa Arabia in December 2019, bringing more than 14 years experience in the areas of compliance, Anti-Money Laundering (AML), Counter Terrorist Financing (CTF), and corporate governance. Prior to his joining, Mr. Luay was the Head of Compliance and AML/CTF at Abdul-Latif Jameel United Real Estate Financing Company for five years, where he established and built the compliance and AML/CTF function. Before that, he spent seven years in Bank Aljazira, where he played several roles in the area of AML/CTF compliance, his last role being the Head of AML/CTF investigations division. His previous experience also covers compliance monitoring, and regulatory relations and monitoring. Throughout his career, he has managed to build an effective and robust relationship with Saudi regulators.



Luay holds a Bachelor's Degree in Systems and Industrial Engineering from King Fahad University of Petroleum and Minerals. He is also a Certified Compliance Professional (CCP) by the International Academy of Business and Financial Management.

### **The Internal Audit Department (IAD)**

The IAD is an independent, objective assurance and consulting activity that is guided by the philosophy of Bupa Arabia's governance and systems of internal controls.

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

In its capacity as a Third Line of Defence, IAD assists Bupa Arabia in accomplishing its purpose of "longer, healthier, happier lives" by bringing a systemic and disciplined approach to evaluate and improve the effectiveness of the Organization's risk management, control, and governance processes.

The IAD reports directly to the AC and its structure, roles, and responsibilities are authorized by the AC, and it contains talented audit professionals experienced in financial, operational, compliance and IT audits.

### **Director – Internal Audit, Mr. Younis Eishan**

Mr. Younis Eishan has more than 12 years of experience in internal auditing covering value-addition through assurance and consulting services in various sectors. Throughout his career, Younis built a solid acumen in driving organizations to act with the highest level of integrity, risk understanding and management, corporate governance, compliance with internal and external rules and regulations, internal controls and reporting processes as well as the implementation and administration of efficient and transparent internal audit processes.

Prior to joining Bupa Arabia, Younis was heading the internal audit group of Abdul Latif Jameel United Finance and during which 12-year tenure he held many positions in public and private sectors in providing assurance services in internal auditing, compliance to regulators' rules and regulations, internal controls system, restructuring, benchmarking, and served as the Audit Committees' secretary. In addition, he held positions in providing consulting services in strategic planning, process reengineering, digitalization and e-services, and project management.

Mr. Eishan holds a Bachelor's Degree in Science from the King Abdul Aziz University, Master's Degree in Computer Science from Eastern Michigan University, and has held various professional certificates throughout his career.

Mr. Eishan has resigned from Bupa Arabia as of 4 November 2021.

# Board Assurance

## Related Party Transactions

Related parties represent major shareholders, Board Members and key management personnel of Bupa Arabia, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Contract pricing policies and terms are conducted on an arm's length basis and transactions approved by the Company's Management, or where required and applicable by the Company's Board of Directors.

In any instance where any Board member was conflicted, whether personally or via related party relationship, the conflicted Board member did not vote.

The following are the details of the major related party transactions during the year and their related balances:

Legal Entity	Related Party	Description	2021 Period	2020 Period	2021 SR '000	2020 SR '000	Change
Bupa Global	Bupa	Reinsurance Premium Ceded (Bupa International Saudi Arabia Plan)	12 months January-December	12 months January-December	-59,358	-41,431	-17,927
My Clinic International Medical Company	Nazer	Nurse service fees	12 months January-December	12 months January-December	131	131	0
Various	Various	Other expenses - net	12 months January-December	12 months January-December	528	307	221
Bupa Investments Overseas Limited (BIOL)	Bupa	Tax Equalisation - net	12 months January-December	12 months January-December	14,241	-1,873	16,114
Bupa Investments Overseas Limited (BIOL)	Bupa	Board and Committee Member Remuneration	12 months January-December	12 months January-December	833	915	-82
Bupa Middle East Holdings Two. WLL (BMEH2)	Bupa and Nazer	Trade mark fees	12 months January-December	12 months January-December	26,611	26,896	-285
<b>TOTAL LISTED TRANSACTIONS</b>					<b>-16,661</b>	<b>-14,624</b>	<b>-2,037</b>

All contracts are for a 12-month period for both 2020 and 2021.

## Related Party Transactions Relating to Insurance Contracts

Details of health insurance contracts associated with Bupa Arabia's Board Members, or that of their first-degree relatives, are reflected below:

### Bupa Arabia Board Members' Personal/Family Health Insurance with Bupa Arabia

Board Member Name	Contract Description	Period	Saudi Riyals	Gross Written Premium (GWP)			
				2021	2020	2021 Change	2021 Percentage Change
Eng. Loay H. Nazer	Nazer Group Ltd. Related Contracts (multiple contracts)	Various	SR millions	14	11	3	27%
Dr. Abdulla Elyas	Careem Contract Health Insurance Scheme	4/20-4/21	SR millions	1	1	0	0%
Mr. Tal Nazer	Bupa Arabia Employees Health Insurance Scheme	1/7-30/06	SR millions	21	20	1	5%
Mr. Nader Ashoor	Bupa Arabia Employees Health Insurance Scheme	1/7-30/6	SR millions	21	20	1	5%

The explanation for those contracts is available below:

Board Member Name	Contract Explanation
Eng. Loay H. Nazer	Health cover for self and family as an employee of the Nazer Group Ltd. and the Nazer Group Ltd. settles to Bupa Arabia directly
Mr. Tal Nazer and Mr. Nader Ashoor	Health cover for self and family as well as all employee members of the Bupa Arabia Health Insurance scheme and reflected within the staff costs
Dr. Abdulla Elyas	Health cover for self and family is as an employee of Careem, and Careem settles to Bupa Arabia directly

### Bupa Arabia Board Members' Other Related Party Health Insurance with Bupa Arabia

Board Member Name	Contract Description/Explanation	Period	Saudi Riyals	Gross Written Premium (GWP)			
				2021	2020	2021 Change	2021 percentage Change
Mr. Zaid Algwaiz	SNB (an independent Board Member)	1/1-31/12	SR millions	173	157	16	10%
	Riyadh Cables Group Company	10/21-10/22	SR millions	7	N/A	0	0%
Mr. David Fletcher Mrs. Joy Linton Mr. Martin Houston Mr Nigel Sullivan	During 2021 there was a group of contracts which Bupa (England, UK) had an interest in	Various	SR millions	83	1	82	8200%
Mr. Ali Sheneamer	AMS Baeshen Co.	1/21-12/21	SR millions	3	N/A	0	0%

Any health insurance coverage which Bupa Arabia provides to any Bupa Arabia Board Member, and/or if applicable his company/family members, or with whom he may be associated or have an interest, is done strictly on an arm's length basis, with no preferential treatment in any form, and in accordance with the Company's pricing and loss ratio targets per the Company's Underwriting Policy/Manual. This is in full adherence to each of the SAMA medical pricing regulations, and the CHI medical insurance product regulations.

### Declarations Relating to Waiver of Salary, Compensation and Rights to Dividends

The Company 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.

### Our Shareholders and Our Disclosure of Information to All Stakeholders

As at 31 December 2021 the major shareholders were as per the table below:

Description	Shares	Shares percentage
Bupa Investments Overseas Limited (BIOL)	51,900,000	43.25%
Nazer Group control through the below two legal entity companies:	10,908,000	9.09%
Nazer Group Holding Company Ltd. (Nazer)	10,800,000	9.00%
Modern Computer Programs Company Limited (MCPC)	108,000	0.09%
Major Shareholders	62,808,000	52.34%
Public Shareholders	57,193,448	47.66%
<b>TOTAL</b>	120,000,000	100.00%

### Tadawul Shareholder Database Requests

During 2021, Bupa Arabia made eight (8) requests of Tadawul for its shareholder database, on a variety of dates, and they are as follows:

#	Request Date	Request Purpose
1.	24 June 2021	General Assembly
2.	28 June 2021	Dividends File
3.	1 August 2021	Corporate procedures
4.	8 August 2021	Corporate procedures
5.	9 August 2021	Corporate procedures
6.	10 August 2021	Corporate procedures
7.	4 November 2021	General Assembly
8.	31 December 2021	Corporate procedures

## Other Disclosures and Information in Accordance with Laws and Regulations

### Provision of Corporate Governance

Bupa Arabia is committed to, and is in full compliance with, the full adherence to the provisions of the SAMA Insurance Corporate Governance Regulations, as well as with that of the requirements of the Company's Code of Corporate Governance. There are a number of guiding requirements within the CMA regulations which Bupa Arabia has decided to either adapt, for example, within the RMC scope the corporate governance related, or adopt in the future, either when required to as mandatory, or earlier if considered appropriate and best practice to do so.

Article Number	Article Section and Narrative	Reason for Non-Compliance
90/93 – Board Report disclosures	Article 90 paragraph 8 with respect to Article 93 a) paragraph 4) point b) Disclosure of the five Senior Executives who have received the highest remuneration from the Company.	Bupa Arabia has disclosed the top five executive payments, including the CEO and CFO, in totals under the Remuneration section of this report.
70 – Composition of the Risk Management Committee	The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee." Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	Bupa Arabia's Risk Management Committee Chairman is an Independent Member. He and the majority of the Committee Members are not Members of the Board of Directors as this article is a guiding article.
54 – Audit Committee Formation	Paragraph (b) The chairman of the Audit Committee shall be an Independent Director	Bupa Arabia's Audit Committee Chairman is an Independent Member, who is not a Member of the Board of Directors as this article is a guiding article.

In terms of the CMA Corporate Governance regulation Article Number 89, regarding policies that regulate the Relationship with stakeholders to protect their respective rights, Bupa Arabia's policies will be enhanced during 2022 to ensure a stronger alignment with regulations and latest international best practice.

# Board Members and Senior Executives' Interests

## Description of the Bupa Arabia Equities of the Board Members and their Immediate Family Members

The Bupa Arabia equities held by the Bupa Arabia Board Members, and their immediate family members, in the shares or debt instruments of the Company or any of its subsidiaries, are as detailed below as of 31 December 2021:

Name of Board Member	Opening 1 January 2021		Closing 31 December 2021		Change	
	Number of shares	Debt instruments	Number of shares	Debt instruments	In shares	Percentage
Mr. Zaid Algwaiz	2,000	-	0	-	-2,000	-100
Eng. Loay Hisham Nazer	3,000	-	3,000	-	-	-
Mr. David Fletcher	-	-	-	-	-	-
Mr. Martin Houston	-	-	-	-	-	-
Mr. Tal Hisham Nazer	1,000	-	1,000	-	-	-
Dr. Abdulla Elyas	-	-	-	-	-	-
Ms. Huda Bin Ghoson	-	-	-	-	-	-
Mrs. Joy Linton	-	-	-	-	-	-
Mr. Nader Ashoor	-	-	-	-	-	-
Mr. Nigel Sullivan	-	-	-	-	-	-

## Description of the Bupa Arabia Equities of the Senior Management Executives and their Immediate Family

The Bupa Arabia equities held by Senior Management executives and senior/key management, as per the SAMA definition, which the Company interprets as the CET members, Head - Company Secretariat/Company Board Secretary and leaders of the control functions (Legal and Corporate Governance - General Counsel, Risk Management, Compliance and Internal Audit Departments), and their immediate family members, in their personal capacity, in shares or debt instruments of the Company or any of its subsidiaries, are as detailed below:

Name of Executive/Senior Manager	Opening 1 January 2021		Closing 31 December 2021		Change	
	Number of shares	Debt instruments	Number of shares	Debt instruments	In shares	Percentage
Mr. Tal Hisham Nazer (CEO)	1,000	-	1000	-	-	-
Mr. Nader Ashoor (CFO)	-	-	-	-	-	-
Mr. Ali Sheneamer (CBDO)	-	-	-	-	-	-
Mr. Tariq Alamoudi (CHRO)	-	-	-	-	-	-
Mr. Atef Mufti (CSO)	-	-	-	-	-	-
Mr. Mohamed El Missaoui (COO)	-	-	-	-	-	-
Ms. Abeer Albornu (Company Secretary)	-	-	-	-	-	-
Mr. Bassel Gazzaz (Corporate Sales)	9,575	-	711	-	-8,864	-92.57
Mr. Nidal Saab (TPA)	-	-	-	-	-	-
Mr. Nasser AlQawas (General Counsel)	2,271	-	5,029	-	2758	45.15
Mr. Ahmed Jaber (Risk)	0	-	2600	-	2600	100
Mr. Luay Abumansour (Compliance)	-	-	-	-	-	-
Mr. Younis Eishan (Internal Audit)	-	-	-	-	-	-
Mr. Tabish Mushtaq (CRO)	-	-	-	-	-	-
Mr. Ahmed Bajunaid (IC Secretary)	-	-	-	-	-	-
Mr. Turki Albuluwi (NRC Secretary)	-	-	-	-	-	-

## Description of any Interest in a Class of Voting Shares Held by Other Persons

Other than the equities and interests of the Board members, senior executives/managers, and their respective immediate family members, as detailed within, 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.



# Remuneration

## Board and Board Committee Policies, Benefits and Emoluments of Board/Board Committee Members

### Board of Directors

The remunerations of the Board, and Board Committees, members, and of the executive management, are determined by the respective remuneration policies, which are approved by the shareholders in the GA Meetings. These policies are periodically updated after applicable benchmarking. The benchmarking is made against appropriate local, and/or international, companies' remuneration levels, and this process includes accounting for external third-party subject matter expertise, where considered appropriate.

The key policies determining the remunerations of the Board, and Board Committees, members, were updated and approved by 30 June 2020 Extraordinary General Assembly Meeting, as reflected within the Company's Terms of Engagement for Board and Board Committee members, are:

1. The Board Member Remuneration Policy, and
2. The Board Committee Member Remuneration Policy.

The Board of Directors 2021 remuneration and attendance fees, are reflected below:

	Fixed remunerations						Total
	Specific amount	Allowance for attending Board meetings	Total allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary	
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	
<b>FIRST: INDEPENDENT DIRECTORS</b>							
1. Mr. Zaid Algwaiz	375	25	22.5	0	0	0	422.5
2. Ms. Huda Bin Ghoson	375	20	7.5	0	0	0	402.5
3. Dr. Abdulla Elyas	350	25	12.5	0	0	0	387.5
<b>TOTAL</b>	1,100	70	42.5	0	0	0	1,212.5
<b>SECOND: NON-EXECUTIVE DIRECTORS</b>							
1. Eng. Loay H. Nazer	450	27.5	22.5	0	0	750*	1,250
2. Mr. David Fletcher**	300	22.5	20	0	0	0	342.5
3. Mr. Martin Houston**	300	25	7.5	0	0	0	332.5
4. Mrs. Joy Linton**	26.3	0	0	0	0	0	26.3
5. Mr. Nigel Sullivan**	221.66	12.5	15	0	0	0	249.16
<b>TOTAL</b>	1,297.96	87.5	65	0	0	750	2,200.46
<b>THIRD: EXECUTIVE DIRECTORS</b>							
1. Mr. Tal Nazer	300	0	0	0	0	0	300
2. Mr. Nader Ashoor	200	0	0	0	0	0	200
<b>TOTAL</b>	500	0	0	0	0	0	500

The duties and responsibilities of the Board, and Board Committees, and their members, as defined within these policies and the various governance documents, including the Code of Corporate Governance, the Board and Board Committees' Charters, and the Terms of Engagement, and the remunerations are based on the fulfilment of their duties, and minimum meeting attendance levels.

Board/Board Committee members are remunerated per these policies, as aligned with the Company By-Laws and all relevant KSA regulations, and Bupa Arabia's updated policy is to pay attendance fees for the Non-Executive Board and Board Committees, members, for any Board, GA or Board Committee meetings attended, to a maximum of SR 50,000 attendance fees per fiscal year, whether attendance is physically in person (SR 5,000/meeting) or by conference (SR 2,500/meeting), to settle customary related costs on a reimbursement of actual costs basis, and to settle the remuneration fees quarterly in arrears.

	Variable remunerations						End-of-service award	Aggregate amount	Expenses allowance
	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total			
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000			
FIRST: INDEPENDENT DIRECTORS									
1. Mr. Zaid Algwaiz	0	0	0	0	0	0	0	0	0
2. Ms. Huda Bin Ghoson	0	0	0	0	0	0	0	0	0
3. Dr. Abdulla Elyas	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0
SECOND: NON-EXECUTIVE DIRECTORS									
1. Eng. Loay H. Nazer	0	0	0	0	0	0	0	0	0
2. Mr. David Fletcher**	0	0	0	0	0	0	0	0	0
3. Mr. Martin Houston**	0	0	0	0	0	0	0	0	0
4. Mrs. Joy Linton**	0	0	0	0	0	0	0	0	0
5. Mr. Nigel Sullivan**	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0
THIRD: EXECUTIVE DIRECTORS									
1. Mr. Tal Nazer	0	0	0	0	0	0	0	0	0
2. Mr. Nader Ashoor	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0

\* The Chairman's bonus for the year 2021 will be paid upon the receipt of SAMA's no objection and the approval of the shareholders in the General Assembly scheduled to be held in June 2022.

\*\*The Board/Board Committee member remuneration fees for BIOL representatives who are employees of Bupa are received by the Bupa legal entity BIOL and not by the individual persons in their personal capacity.

Other than the above annual remuneration amounts and the reimbursement of actual expenses, Bupa Arabia Board Members do not receive any other benefits from Bupa Arabia.

Please refer to the 2021 AFS, Note 24a, and the table below, for the salaries, emoluments, allowances and bonuses, expensed/or provided for within the 2020-2021 result, by/for, the Board Members and the Senior Management:

Description	Executive Board Members (CEO/CFO) (Board Remuneration)	Independent and Non-Executive Board Members	Senior Management (Including CEO and CFO)		
	2021	2021	2021 SR '000	2020 SR '000	2021 (Change)
Salaries and emoluments	500	2,398	17,481	17,836	(355)
Board allowances	0	460	N/A	N/A	N/A
Bonuses and LTIP	N/A	750	25,884	17,208	8,676
EOS	N/A	0	1,095	1,088	7
2021	500	3,608	44,460	36,132	8,328
2020	400	3,500	36,132		
2021 (Change) SR '000	100	108	8,328		

The annual bonus and LTIP remuneration entitlements for the Company's Senior Management are based on a combination of Company and individual performance-based measures, which both have to be fulfilled.

## Board Committees

Board Committee Member 2021 remuneration and attendance fees, excluding the Board member remunerations, are reflected below:

	Fixed remuneration (Except for the allowance for attending Board meetings) SR '000	Allowance for attending Board meetings SR '000	Total SR '000
<b>AUDIT COMMITTEE MEMBERS</b>			
1. Mr. David Hunt, AC Chairman	175	25	200
2. Mr. Suliman Al-Hatlan	150	20	170
3. Mr. Walid Shukri	150	20	170
<b>TOTAL</b>	<b>475</b>	<b>65</b>	<b>540</b>
<b>NOMINATION AND REMUNERATION COMMITTEE MEMBERS</b>			
1. Mr. Omar Najjar	100	7.5	107.5
<b>TOTAL</b>	<b>100</b>	<b>7.5</b>	<b>107.5</b>
<b>INVESTMENT COMMITTEE (IC)</b>			
1. Mr. Osamah Shaker (IC Chairman)	150	10	160
2. Mr. Selman Alfares	100	10	110
3. Mr. Andrew Bailey*	100	10	110
<b>TOTAL</b>	<b>350</b>	<b>30</b>	<b>380</b>
<b>RISK MANAGEMENT COMMITTEE (RMC)</b>			
1. Dr. Khalid Al-Faddagh (Chairman)	150	12.5	162.5
2. Mr. Rami Makaram	100	12.5	112.5
3. Mr. James O'Reilly*	100	12.5	112.5
<b>TOTAL</b>	<b>350</b>	<b>37.5</b>	<b>387.5</b>

\*The Board/Board Committee member remuneration fees for BIOL representatives who are employees of Bupa are received by the Bupa legal entity BIOL and not by the individual persons in their personal capacity.

## Top Five Executives Senior Executive Remuneration (including CEO and CFO)

	Total
<b>FIXED REMUNERATIONS</b>	
Salaries	16,144
Allowances	1,337
In-kind benefits	-
<b>TOTAL</b>	<b>17,481</b>
<b>VARIABLE REMUNERATIONS</b>	
Periodic remunerations	-
Profits	-
Short-term incentive plans	9,385
Long-term incentive plans	16,499
Granted salaries	-
<b>TOTAL</b>	<b>25,884</b>
End-of-service Award	1,095
Total remunerations for Board Executives	500
Aggregate amount	44,960

# General Assembly (GA) Meetings

In 2021, we held two (2) Extraordinary GA Meetings (EGM) and we included the highlights of our key Tadawul announcements, and the summary of the GA resolutions approved. Shareholders are referred to our fully detailed Tadawul announcements, our 2020 AFS, and our Company Website's Investor Relations Governance section, including the GA minutes, as we feel they contain sufficient information to keep shareholders fully informed to make their decisions:

## GA Meetings Attendance by the Board Members

Board Member	24 June	4 November
Eng. Loay Hisham Nazer	Yes	Yes
Mr. David Martin Fletcher	Yes	No
Mr. Tal Hisham Nazer	Yes	Yes
Mr. Zaid Abdulrahman Algwaiz	Yes	No
Mr. Martin Houston	Yes	Yes
Dr. Abdulla Nadeem Elyas	Yes	No
Ms. Huda Mohammed Bin Ghoson	Yes	Yes
Mr. Nigel Sullivan	No	No
Mr. Nader Ashoor	Yes	Yes

## EGM Resolutions Approved on 24 June 2021 (results announced on 27 June 2021):

- The Annual Board Report for the year ended 31 December 2020G.
- The External Auditors Report for the year ended 31 December 2020G.
- The Annual Financial Statements for the year ended 31 December 2020G.
- Approved the Board of Directors' decision to appoint Mr. Nigel Sullivan as a non-executive member of the Board of Directors starting from the date of his appointment on 5 April 2021 to complete the Board Term until the end of the current term on 30 June 2022, succeeding the former non-executive member Mrs. Joy Linton.
- Approved the appointment of the external auditors, as Ernst & Young & Co., and PricewaterhouseCoopers, from amongst the candidates recommended by the Audit Committee, to audit the Company's quarterly financial statements for the first, second, and third quarters, the annual financial statements for the fiscal year 2021 and first quarter for the fiscal year 2022, along with determining their fees.
- Approved the Board member's remuneration at SR 3,828K for the year ended 31 December 2020G.
- Approved the absolving of the Board of Directors of their responsibility for managing the Company for the year ended 31 December 2020G.
- Approved the delegation of the authority to the Board to approve an interim dividend to the shareholders, on a semi-annual or quarterly basis, if required and approved by the Company, and provided approval by the relevant regulator(s).
- Approved the purchase of the LTIP shares, by the Company, to a maximum value of SR 21,240,542 to a maximum number of shares of 326,000 for its LTIP scheme, for its entitled LTIP employees. The allocation will be done within a maximum period of 12 (twelve) months from the date of this Extraordinary General Assembly Meeting which approved the LTIP shares purchase, and the purchase will be financed through Company's fund. To authorize the Board to PUBLIC, finalize the share buy-back transaction(s), in one or several phases, and to authorize the execution of the LTIP shares transactions, and/or the delegation of the authority to authorize the execution of the LTIP shares transactions. Noting that this program is a continuation of the current program, the conditions of which were previously determined by the Board of Directors, and the approval of the Extraordinary General Assembly was obtained on 8 December 1438 AH corresponding to 5 August 2017 AD.
- Approved delegating the Board of Directors the authority of the Ordinary General Assembly to the license mentioned in Paragraph (1) of Article 71 of the Companies Law, for a period of one year from the date of the approval of the General Assembly or until the end of the session of the authorized Board of Directors, whichever is earlier, in accordance with the conditions mentioned regarding the regulatory controls and procedures issued in implementation of the Companies Law of Listed Joint Stock Companies.
- Approved the recommendation of the Board of Directors to distribute cash dividends for the fiscal year 2020 AD, (by SR 3.40) per share in a total amount of (SR 408 million), or 34% of the nominal share value, provided that the shareholders owning the shares are eligible at the end of the trading day of the General Assembly Meeting and those registered in the Company's shareholders' register with the Securities Depository Center Company (Edaa Center) at the end of the second trading day following the approval date, provided that the Company will start the distribution within 15 days of the approval and will announce on Tadawul once the distribution is completed.
- Approved the update of the Code of Corporate Governance
- Approved the update of the Board of Directors Charter
- Approved the update of the Executive Committee (EC) Charter
- Approved the update of the Investments Committee (IC) Charter
- 16-39. The ratification of related party transactions, business and contracts, for the prior and future years.

## **EGM Resolutions Approved on 4 November 2021 (results announced on 7 November 2021):**

1. Approved the purchase of the Long-Term Incentive Plan ("LTIP") shares to a maximum value of SR 14,275,332 to a maximum number of shares of 220,000, the purchase will be financed through Company's fund for its entitled LTIP employees. Further, to authorize the Board of Directors to complete the purchase of the shares within (12 months) from the date of the Extraordinary General Assembly Meeting's Approval. The purchased shares will be kept no longer than (10 years) from the date of approval until its allocated for the entitled employees. Noting that this program is a continuation of the current program, the conditions of which were previously determined by the Board of Directors, and the approval of the Extraordinary General Assembly was obtained on 08/12/1438 AH corresponding to 5 August 2017 AD.
2. Approved the Chief Executive Team Remuneration Policy  
As required in terms of the CMA disclosure requirement, the Company, and the Board, confirms that it follows a procedure of ensuring all its Board and executive management members are aware of the shareholders' suggestions and remarks, on the Company and its performance, by circulating the GA minutes with the Board materials, and including the GA minutes on the Company's website.



# Additional Disclosures

The following sections contain additional disclosures in accordance with the laws and regulations of Saudi Arabia, including the SAMA Insurance Corporate Governance Regulations, and the CMA Corporate Governance regulations.

SAMA and other Regulatory bodies executive orders:

#	Violation Subject	Previous Financial Year (2020)			Current Financial Year (2021)		
		Number of Executive Orders	Total Amount of Fines in Saudi Riyal	Correction and avoidance actions	Number of Executive Orders	Total Amount of Fines in Saudi Riyal	Correction and avoidance actions
1.	SAMA's Supervisory and Monitoring Violation	1	-	-	3	80,000	The Company has developed a corrective plan to address and implement all requirements to ensure that they do not fall into the future
2.	SAMA's Consumers Protections Violation	-	-	NA	-	-	NA
3.	SAMA's AML/CTF due Diligence Violation	-	-	NA	-	-	NA
4.	A Fine by Civil Defence (No Safety Officer and others)	1	40000	A plan was developed to ensure the correction of the violations and to ensure it is avoided in the future	0	0	NA
5.	Cancellation of Municipal Licenses (Licenses of old branches under the main CR)	0	0	NA	6	3000	Licenses are cancelled.
6.	Violation from ejadh (Riyadh baladya) for Riyadh building (Violation of municipal visit at the time of covid-19)	0	0	NA	1	3200	Violations were corrected.
7.	Non-renewal of the Municipal License - Jeddah HQ)	0	0	NA	1	200	A plan was developed to track and monitor licenses expiry dates to ensure renewal on time.

## Subsidiaries

#	Subsidiary Company	Capital (SR)	Ownership (%)	Purpose	Remarks	Country of Main Operations	Country of Incorporation
1.	Bupa Arabia for third party administration	5,000,000	100%	Provide third party administration services.	Under licensing	Saudi Arabia	Saudi Arabia
2.	Bupa Arabia ventures	2,000,000	100%	Invest in world-class business partners with solutions that can integrate with Bupa Arabia's digital ecosystem and accelerate its development	Under incorporation	Saudi Arabia	Saudi Arabia

## No Borrowings or Loans

The Company, and the Board, confirms that it has no borrowings or loans outstanding at the end of the current twelve-month period, nor has it been required to make any payments against borrowings or loans.

## Declarations Relating to Debt Instruments, Options, Warrants and Rights

As required in terms of the CMA disclosure requirements, the Company, and the Board, 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.

## Description of any Punishment, Penalty or Statutory Reserve or Restriction Imposed on any of the Board Members by any Judicial, Supervisory, or Regulatory Authority in Respect of the Company

The Company declares that there is no punishment, penalty, statutory reserve or restriction imposed on any of the Board Members by any judicial, supervisory, or regulatory authority in respect of the Company.

## Long-Term Incentive Plan (LTIP)

Bupa Arabia purchases shares held under the employee share scheme to hedge itself against adverse changes in fair value of its shares between the grant date and the date on which these shares are transferred to employees. When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as shares held under an employee share scheme and are presented in the statement of changes in equity. The Company secures advance GA approval for the annual purchase of the LTIP shares for each LTIP cycle.

In 2021, the 24 June General Assembly approved the purchase of the Long-Term Incentive Plan ("LTIP") shares to a maximum value of SR 21,240,542 to a maximum number of shares of 326,000. In addition, the 4 November General Assembly approved the purchase of the Long-Term Incentive Plan ("LTIP") shares to a maximum value of SR 14,275,332 to a maximum number of shares of 220,000. As of 31 December 2021, the Company holds a total of 508,100 LTIP shares with a cost of SR 53.4 million on behalf of the LTIP participants.

## Maintenance of Proper Records and Books of Account

As stipulated by Saudi Arabian insurance regulations, the Company, and the Board, 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.

## 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 are in compliance with the requirements of the regulations for companies and the Company's By-Laws.

## Internal Control System and Effectiveness

As required in terms of the CMA disclosure requirement, the Audit Committee noticed Management's continuous efforts and focus on improving design and effectiveness of Bupa Arabia's internal control environment. Based on the results of the internal audit reviews and the planned activities to enhance the internal control environment, and following discussion with the External Auditor and management on the preliminary and annual financial statements for the year ended 31 December 2021, nothing has been brought to the attention of the Committee that would indicate any significant deficiencies.

## Continuation as a Going Concern

The Company confirm there are no significant doubts about the Company's ability to continue as a going concern.

## External Auditors

The Extraordinary General Assembly of the Company held on 24 June 2021 approved the appointment of the External Auditors Ernst & Young, and PricewaterhouseCoopers, as joint auditors, as recommended by the Audit Committee, to audit the Company's quarterly financial statements for the first, second, and third quarters, the annual financial statements for the fiscal year 2021 and first quarter for the fiscal year 2022.

## Independent External Actuary

Bupa Arabia's independent external actuary, for the 2021 fiscal year was Lux Actuaries.



# **Financial Statements**

# Independent Auditors' Report



## To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

### Opinion

We have audited the financial statements of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as at 31 December 2021, and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (referred to as “IFRS as endorsed in the Kingdom of Saudi Arabia”).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matter below, a description of how our audit addressed the matter is provided in that context:

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of ultimate claim liabilities arising from insurance contracts</b>	
As at 31 December 2021, gross outstanding claims and reserves including claims incurred but not reported (IBNR) and premium deficiency reserve amounted to Saudi Riyals 2.1 billion as reported in Note 13.2 to the financial statements.	We performed the following procedures:
The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. Accordingly, this complexity arises from calculating the actuarial best estimate and the margin over best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.	<ul style="list-style-type: none"><li>■ Understood, evaluated and tested key controls around the claims handling and provision setting processes.</li><li>■ Evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assessed their independence.</li><li>■ Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.</li><li>■ Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of the underlying claims data utilized by the management's actuarial expert in estimating the IBNR by comparing it to the accounting and other records.</li></ul>



Key audit matter	How our audit addressed the key audit matter
<p>The Company calculates its own estimate of the provision using standardised reserving methodology for comparing against the provision calculated by the independent actuary, and considers the impact of any significant differences.</p> <p>Due to the inherent estimation uncertainty and subjectivity, including additional uncertainties due to COVID-19 pandemic, involved in the assessment of valuation of the ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter.</p> <p>Please refer to notes 3(xxi) for the accounting policy adopted by the Company and note 2d (i) for the significant accounting judgements, estimates and assumptions involved in the initial recognition and subsequent measurement of claims. Also, refer to note 13 for the movement in outstanding claims.</p>	<ul style="list-style-type: none"> <li>■ Challenged management's methods and assumptions, using the expertise of our internal actuaries to understand and evaluate the Company's actuarial practices and provisions established. We gained comfort over the actuarial report issued by management's expert, by performing the following: <ul style="list-style-type: none"> <li>i. Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;</li> <li>ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and</li> <li>iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.</li> </ul> </li> <li>■ Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</li> </ul>

## Other Information

Management is responsible for the other information. Other information consists of the information included in the Company's 2021 annual report other than the financial statements and our auditors' report thereon. The Company's 2021 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of the Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Company's By-laws and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e., the Board of Directors of the Company is responsible for overseeing the Company's financial reporting process.



## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for PricewaterhouseCoopers  
Certified Public Accountants



**Mufaddal A. Ali**  
Certified Public Accountant Licence No. 447



Rajab 29, 1443H  
2 March 2022  
Jeddah, Kingdom of Saudi Arabia

for Ernst & Young  
Professional Services



**Hussain Saleh Asiri**  
Certified Public Accountant Licence No. 414



# Statement of Financial Position

As at 31 December 2021 → Bupa Arabia for Cooperative Insurance Company  
(A Saudi Joint Stock Company)

	Notes	2021 SR '000	2020 SR '000
<b>ASSETS</b>			
<b>CASH AND CASH EQUIVALENTS</b>			
Premiums receivable – net	5	960,758	633,251
Reinsurers' share of unearned premiums	6	1,761,300	1,320,043
Reinsurers' share of outstanding claims	13.1	27,935	20,108
Reinsurers' share of claims incurred but not reported	13.2	7,207	1,475
Deferred policy acquisition costs	13.2	7,829	6,461
Investments	14	201,042	68,214
Prepaid expenses and other assets	7	5,703,773	6,029,446
Term deposits	8	113,254	85,086
Fixtures, Furniture – net	9	3,093,720	2,796,547
Right-of-use assets – net	10.1	69,771	78,393
Intangible assets – net	10.2	112,616	125,626
Deferred tax asset	11	67,277	61,958
Goodwill	26.b	39,735	37,941
Statutory deposit	4	98,000	98,000
Accrued income on statutory deposit	12	120,000	120,000
	12	14,885	13,806
<b>TOTAL ASSETS</b>		<b>12,399,102</b>	<b>11,496,355</b>
<b>LIABILITIES</b>			
Accrued and other liabilities	18.1	604,774	540,450
Lease liability	18.2	125,333	135,600
Insurance operations' surplus payable	20	190,060	200,391
Reinsurers' balances payable	25	25,397	4,873
Unearned premiums	13.1	4,709,555	4,023,331
Outstanding claims	13.2	601,168	446,519
Claims incurred but not reported	13.2	1,413,888	1,378,294
Premium deficiency reserve	13.2	74,602	263,751
Claims handling reserve	13.2	21,797	20,755
Due to related parties	24	33,723	108,521
Provision for end-of-service benefits (EOSB)	21	152,286	140,012
Provision for Zakat and income tax	26.c	236,610	317,199
Accrued income payable to SAMA	12	14,885	13,806
<b>TOTAL LIABILITIES</b>		<b>8,204,078</b>	<b>7,593,502</b>
<b>EQUITY</b>			
Share capital	27	1,200,000	1,200,000
Statutory reserve	28	992,210	867,096
Share based payments reserve	29	43,500	32,800
Shares held under employees share scheme	29	(53,356)	(48,779)
Retained earnings		1,790,700	1,684,003
Re-measurement reserve of employees' EOSB		(23,638)	(31,173)
Investments fair value reserve – related to shareholders		236,633	174,848
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,186,049</b>	<b>3,878,795</b>
Investments fair value reserve – related to policyholders		8,975	24,058
<b>TOTAL EQUITY</b>		<b>4,195,024</b>	<b>3,902,853</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,399,102</b>	<b>11,496,355</b>



Chairman



Director and Chief Executive Officer



Director and Chief Financial Officer

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

# Statement of Income

For the year ended 31 December 2021



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

	Notes	2021 SR '000	2020 SR '000
<b>REVENUES</b>			
Gross premiums written	13.1	11,382,194	10,447,353
Reinsurance premiums ceded – Local		(5,345)	(5,953)
Reinsurance premiums ceded – International		(80,737)	(59,289)
<b>NET PREMIUMS WRITTEN</b>		<b>11,296,112</b>	<b>10,382,111</b>
Changes in unearned premiums – net		(678,397)	352,371
<b>NET PREMIUMS EARNED</b>	13.1	<b>10,617,715</b>	<b>10,734,482</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid		(9,073,926)	(8,262,050)
Reinsurers' share of claims paid		22,393	20,987
<b>NET CLAIMS PAID</b>		<b>(9,051,533)</b>	<b>(8,241,063)</b>
Changes in outstanding claims	13.2	(154,649)	5,269
Changes in claims incurred but not reported	13.2	(35,594)	(220,866)
Changes in premium deficiency reserve		189,149	(263,751)
Changes in claims handling reserves		(1,042)	(2,263)
Reinsurance share of changes in outstanding claims		5,732	257
Reinsurance share of changes in claims incurred but not reported		1,368	2,489
<b>NET CLAIMS INCURRED</b>		<b>(9,046,569)</b>	<b>(8,719,928)</b>
Policy acquisition costs	14	(343,427)	(630,734)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>(9,389,996)</b>	<b>(9,350,662)</b>
<b>NET UNDERWRITING INCOME</b>		<b>1,227,719</b>	<b>1,383,820</b>
<b>OTHER OPERATING (EXPENSES)/INCOME</b>			
Allowance for doubtful receivables	6	(22,458)	(28,770)
General and administrative expenses	31	(598,594)	(585,549)
Selling and marketing expenses	32	(115,646)	(106,467)
Investment income – net	33	260,437	213,295
Other income – net		37,590	27,481
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>		<b>(438,671)</b>	<b>(480,010)</b>
<b>INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX</b>		<b>789,048</b>	<b>903,810</b>
<b>INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS (TRANSFER TO SURPLUS PAYABLE)</b>	20	<b>(58,347)</b>	<b>(80,141)</b>
<b>INCOME ATTRIBUTED TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX</b>		<b>730,701</b>	<b>823,669</b>
Zakat charge	26.a	(41,136)	(64,297)
Income tax charge	26.b	(63,995)	(63,244)
<b>NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>		<b>625,570</b>	<b>696,128</b>
<b>WEIGHTED AVERAGE NUMBER OF ORDINARY OUTSTANDING SHARES (IN THOUSANDS)</b>		<b>119,558</b>	<b>119,421</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN SR PER SHARE)</b>	34	<b>5.23</b>	<b>5.83</b>

Chairman

Director and Chief Executive Officer

Director and Chief Financial Officer

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

# Statement of Comprehensive Income

For the year ended 31 December 2021



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

	2021 SR '000	2020 SR '000
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	625,570	696,128
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified to statement of income in subsequent years</b>		
Re-measurement losses on employees' EOSB	7,535	(20,700)
<b>Items that are or may be reclassified to statement of income in subsequent years</b>		
Net changes in fair value of available-for-sale investments:		
– related to shareholders	61,785	156,813
– related to policyholders	(15,083)	11,554
	46,702	168,367
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	679,807	843,795

Chairman

Director and Chief Executive Officer

Director and Chief Financial Officer

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

# Statement of Changes in Equity

For the year ended 31 December 2021



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

	Related to shareholders' operations									
	Share capital	Statutory reserve	Share-based payments	Shares held under employees share scheme	Retained earnings	Remeasurement reserve of employees' EOSB	Investments fair value reserve - related to shareholders' operations	Total shareholders' operations equity	Investments fair value reserve - related to policyholders operations	Total equity
2021	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>BALANCE AT 1 JANUARY 2021</b>	1,200,000	867,096	32,800	(48,779)	1,684,003	(31,173)	174,848	3,878,795	24,058	3,902,853
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>										
Net income for the year attributed to shareholders after Zakat and income tax	-	-	-	-	625,570	-	-	625,570	-	625,570
Re-measurement gains on employees' EOSB	-	-	-	-	-	7,535	-	7,535	-	7,535
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	61,785	61,785	(15,083)	46,702
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	625,570	7,535	61,785	694,890	(15,083)	679,807
Transfer to statutory reserves	-	125,114	-	-	(125,114)	-	-	-	-	-
Share based payment transactions	-	-	20,386	-	-	-	-	20,386	-	20,386
Delivery of shares under LTIP	-	-	(9,686)	9,686	-	-	-	-	-	-
Purchase of shares under LTIP	-	-	-	(14,263)	-	-	-	(14,263)	-	(14,263)
Dividends (Note 39)	-	-	-	-	(408,000)	-	-	(408,000)	-	(408,000)
Income tax from non-Saudi shareholders	-	-	-	-	14,241	-	-	14,241	-	14,241
<b>BALANCE AT 31 DECEMBER 2021</b>	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	236,633	4,186,049	8,975	4,195,024

Chairman

Director and Chief Executive Officer

Director and Chief Financial Officer

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.



For the year ended 31 December 2021



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

	Related to shareholders' operations									
	Share capital	Statutory reserve	Share-based payments	Shares held under employees share scheme	Retained earnings	Remeasurement reserve of employees' EOSB	Investments fair value reserve - related to shareholders' operations	Total shareholders' operations equity	Investments fair value reserve - related to policyholders operations	Total equity
2020	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>BALANCE AT 31 DECEMBER 2020</b>	1,200,000	727,871	25,525	(57,538)	1,128,973	(10,473)	18,035	3,032,393	12,504	3,044,897
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>										
Net income for the year attributed to shareholders after Zakat and income tax	-	-	-	-	696,128	-	-	696,128	-	696,128
Re-measurement losses on employees' EOSB	-	-	-	-	-	(20,700)	-	(20,700)	-	(20,700)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	156,813	156,813	11,554	168,367
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	696,128	(20,700)	156,813	832,241	11,554	843,795
Transfer to statutory reserves	-	139,225	-	-	(139,225)	-	-	-	-	-
Share based payment transactions	-	-	16,034	-	-	-	-	16,034	-	16,034
Delivery of shares under LTIP	-	-	(8,759)	8,759	-	-	-	-	-	-
Income tax recoverable (to)/from non-Saudi shareholders	-	-	-	-	(1,873)	-	-	(1,873)	-	(1,873)
<b>BALANCE AT 31 DECEMBER 2020</b>	1,200,000	867,096	32,800	(48,779)	1,684,003	(31,173)	174,848	3,878,795	24,058	3,902,853

Chairman

Director and Chief Executive Officer

Director and Chief Financial Officer

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

# Statement of Cash Flows

For the year ended 31 December 2021



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

	Notes	2021 SR '000	2020 SR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income attributed to the shareholders before Zakat and income tax		730,701	823,669
<b>ADJUSTMENTS FOR NON-CASH ITEMS:</b>			
Net income attributed to the insurance operations	20	58,347	80,141
Depreciation of fixtures, furniture		15,216	15,266
Amortization of Right-of-use assets		15,939	16,241
Amortization of intangible assets		14,446	15,731
Loss on disposal of Fixtures and Furniture		2,521	-
Provision for LTIP		20,386	16,034
Allowance for doubtful receivables		22,458	28,770
Unrealized gains on investments held as FVSI		(2,643)	(876)
Commission Income on Term Deposits		(58,357)	(120,178)
Provision for end-of-service benefits		27,495	27,294
Finance cost		5,834	5,244
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>			
Premiums receivable		(463,715)	340,564
Reinsurers' share of unearned premiums		(7,827)	517
Reinsurers' share of outstanding claims		(5,732)	(257)
Reinsurers' share of claims Incurred but not reported		(1,368)	(2,489)
Deferred policy acquisition costs		(132,828)	65,808
Prepaid expenses and other assets		(28,168)	101,223
Accrued and other liabilities		64,324	182,092
Reinsurers' balances payable		20,524	(49,540)
Unearned premiums		686,224	(352,888)
Outstanding claims		154,649	(5,269)
Claims incurred but not reported		35,594	220,866
Premium deficiency Reserve		(189,149)	263,751
Claims handling reserve		1,042	2,263
Due to related parties	24	(60,557)	27,800
		925,356	1,701,777
End-of-service benefits paid		(7,686)	(4,323)
Surplus paid to policyholders		(68,678)	(48,204)
Zakat and income tax paid		(187,514)	(92,776)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>661,478</b>	<b>1,556,474</b>



	Notes	2021 SR '000	2020 SR '000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits		(2,213,328)	(788,850)
Proceeds from maturity of term deposits		1,974,512	3,266,791
Additions to investments		(15,166,118)	(13,748,860)
Disposals of investments		15,541,136	9,729,489
Additions to Fixtures, Furniture		(9,115)	(11,840)
Disposal of Fixtures, Furniture		-	-
Intangible assets acquired		(19,765)	(21,444)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>107,322</b>	<b>(1,574,714)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(408,000)	-
Purchase of shares under LTIP		(14,263)	-
Lease liability paid		(19,030)	(14,218)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(441,293)</b>	<b>(14,218)</b>
Net change in cash and cash equivalents		327,507	(32,458)
Cash and cash equivalents at beginning of the year		633,251	665,709
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>960,758</b>	<b>633,251</b>
<b>NON-CASH TRANSACTIONS</b>			
Movements in fair value reserve of available for sale investments		(46,702)	(168,367)
Transfer from WIP to Fixtures, Furniture/Intangible assets		22,257	22,653
Re-measurement gains/(losses) on employees' EOSB		7,535	(20,700)
Recognition of Right-of-use assets/lease liability		2,929	54,245
Tax recoverable (to)/from non-Saudi shareholders		14,241	(1,873)

Chairman

Director and Chief Executive Officer

Director and Chief Financial Officer

The accompanying Notes 1 to 40 form an integral part of these Financial Statements

# Notes to the Financial Statements

at 31 December 2021 → Bupa Arabia for Cooperative Insurance Company  
(A Saudi Joint Stock Company)

## 1 Organization and Principal Activities

Bupa Arabia for Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce's resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khaleidiyah District,  
Prince Saud Al Faisal Street,  
Front of Saudi Airlines Cargo Building,  
P.O. Box 23807, Jeddah 21436,  
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaan 1428H (corresponding to 10 September 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by the Saudi Central Bank ("SAMA"), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

## 2 BASIS OF PREPARATION

### (a) Basis of presentation and measurement

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement issued by Saudi Organisation for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA").

The Financial Statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their Fair Value through Statement of Income (FVSI) and available-for-sale investments and liabilities for cash-settled-share based payments and defined benefit obligations [Employees' End of Service Benefits ("EOSBs")] recorded at the present value. The Company's Statement of Financial Position is presented in order of liquidity. Except for available-for-sale investments, fixtures and furniture and Right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service benefits and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (The Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. Note 36 to these Financial Statements provides the Statement of Financial Position, Statements Of Income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

During 2018, SAMA issued illustrative Financial Statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level Financial Statements in compliance with IFRS as endorsed in the Kingdom of Saudi Arabia, the balances and transactions of insurance operations are combined with those of shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders' operations are uniform for like transactions and events in similar circumstances.

### (b) Functional and presentation currency

These Financial Statements are presented in Saudi Arabian Riyals (SR), which is the Company's functional currency. All financial information presented in SR has been rounded off to the nearest thousand except where otherwise indicated.

### (c) Fiscal year

The Company follows a fiscal year ending on 31 December.

### (d) Critical accounting judgments, estimates and assumptions

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of assets or liabilities affected in future years. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the accounting judgments and estimates that are critical in the preparation of these Financial Statements:

#### (i) The ultimate liability arising from claims made under insurance contracts

Judgment by management is required in the estimation of amounts due to medical providers and third parties arising from claims made under insurance contracts. Such estimates are necessary based on assumptions derived from several factors involving varying degrees of judgment and uncertainty as well as actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio.



The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of Statement of Financial Position, for which the insured event has occurred prior to the date of Statement of Financial Position.

The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions, if any, are estimated individually. The Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the Statement of Financial Position date and actual settlement is included in provisions in the following year in the Statement of Income for that year. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

A range of methods such as the Chain Ladder Method, the Bornhuetter-Ferguson Method and the Expected Loss Ratio Method are used by the actuaries to determine these provisions. Also, the Actuaries have used a segmentation approach which includes analyzing the costs per member per year for the medical line of business. Underlying these methods are also a number of explicit or implicit assumptions relating to the expected settlement amount and the settlement patterns of the claims.

Estimation of premium deficiency for medical insurance is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for active written policies. To arrive at the estimate of the expected loss ratio, the Company's actuarial team, and also the independent actuary, consider the claims and premiums relationship which is expected to apply on a month-to-month basis, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

## (ii) Impairment of receivables

A provision for impairment of receivables and reinsurance receivables is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtors will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

## (iii) Deferred acquisition costs

Acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the Statement of Income over the period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the Statement of Income.

## (iv) Useful lives of Fixtures, Furniture and Right-of-use assets

The Company's management determines the estimated useful lives of its Fixtures, Furniture and Right-of-use assets for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews residual values and useful

lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

## (v) Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

## (vi) Impairment of available for sale investments

The Company exercises judgment to consider impairment on the available for sale investments at each reporting date. This includes determination of a significant or a prolonged decline in the fair value of equity securities below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share prices. In addition, the Company considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational & financing cash flows.

The Company considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, which is recognized in the Statement of Income as an impairment charge on investments. A prolonged decline represents a decline below cost that persists for 1 year or longer irrespective of the amount and is recognized in the Statement of Income accordingly as an impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the Statement of Income. The Company reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

## (vii) Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

## (viii) Impairment of Goodwill

The Company tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated in note 4. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.





Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amount is the greater of its value in use or fair value less cost to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these Financial Statements are summarized below. These policies have been consistently applied to each of the years presented except new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company as explained below:

#### (a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company:

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2021 and accordingly adopted by the Company. The Company has assessed that the amendments have no significant impact on the Company's Financial Statements, as applicable:

Standard/Amendments	Description	Effective date
Amendment to IFRS 16, "Leases" – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 2020

#### (b) Standards issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's Annual Financial Statements are listed below. The Company intends to adopt these standards when they become effective.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, "Leases" – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021.
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.	Amendments to IFRS 3, "Business combinations" update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.  Amendments to IAS 16, "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in statement of income.  Amendments to IAS 37, "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.  Annual improvements make minor amendments to IFRS 1, "First-time Adoption of IFRS", IFRS 9, "Financial instruments", IAS 41, "Agriculture" and the Illustrative Examples accompanying IFRS 16, "Leases".	Annual periods beginning on or after 1 January 2022.



Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the Financial Statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

## IFRS 17 – Insurance Contracts

### Overview

This standard which was published on 18 May 2017 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- (i) embedded derivatives, if they meet certain specified criteria;
- (ii) distinct investment components; and
- (iii) any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

### Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2005, IFRS 17 provides the following different measurement models:

The General model is based on the following “building blocks”:

- (a) The Fulfilment Cash flows (FCF), which consists of:
  - probability-weighted estimates of future cash flows;
  - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
  - a risk adjustment for non-financial risk.
- (b) The Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception

will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
- the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in Statement of Income. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into Statement of Income based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model.

- (i) changes in the entity’s share of the fair value of underlying items; and
- (ii) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less



insurance acquisition cash flows, unless the Company chooses to recognize the payments as an expense. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

### Effective date

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

### Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to apply either a modified retrospective approach or a fair value approach.

### Presentation and Disclosures

The Company expects that the new standard will result in a change in accounting policies for insurance contracts together with amendments to presentation and disclosures.

### Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these Financial Statements, the Company expects the implementation of IFRS 17 to have impact on the following areas:

Impact area	Summary of impact
Financial impact	The financial impact of applying IFRS 17 compared to IFRS 4 was not significant based on the assessment conducted in 2020.
Data impact	Management is assessing data storage and infrastructure considering systems interfaces and data integrity. However, management believes that the data impact is not likely to be significant.
IT Systems	Management is assessing the current IT systems and considering the migration to a new system in phases by utilizing the current system capabilities before the migration is carried out ensuring IFRS17 disclosure and reconciliation requirements are met.
Process impact	The Company will need to establish new processes to ensure that required line items and additional breakdowns are fed into downstream systems to create the required presentations and disclosures.

Impact area	Summary of impact
Impact on RI Arrangements	The Company's reinsurance arrangements are not material (less than 1% of GWP is reinsured). New/enhanced systems would be flexible to account for any changes in the Company's reinsurance strategy.
Impact on Policies & Control Frameworks	The Company needs to update the actuarial and accounting policies and develop guidance papers; From governance perspective, management needs to make sure all IFRS 17 key decisions and results are appropriately reviewed and signed off by the auditors, appointed actuary, audit committee as well as the Board of Directors and internal control functions.

## IFRS 9 – Financial Instruments Overview

This standard was published on 24 July 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

### Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through Statement of Income. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be classified through the Statement of Income upon sale, if both conditions are met:

- (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and;
- (ii) the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through Statement of Income. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through Statement of Income if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in Statement of Income.



Additionally, for financial liabilities that are designated as at fair value through Statement of Income, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in Statement of Income.

### Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

### Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

### Effective date

The published effective date of IFRS 9 was 1 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- (1) apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - (a) the effective date of a new insurance contract standard; or
  - (b) annual reporting periods beginning on or after 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- (2) adopt IFRS 9 but, for designated financial assets, remove from Statement of Income the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives

unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's Financial Statements.

### Impact assessment

As at 31 December 2021, the Company has total financial assets and insurance related assets amounting to SR 9,298 million and SR 2,724 million, respectively. Financial assets mainly represent:

- Cash and cash equivalents,
- Held to maturity investments,
- Term deposits and designated sukuks amounting to SR 3,925 million (2020: SR 2,854 million).
- FVSI investments amounting to SR 3,258 million (2020: SR 3,695 million).
- Other financial assets, including available for sale investments amounting to SR 2,115 million (2020: SR 2,203 million).

The Company is still finalizing its assessment to measure the impact of applying and implementing IFRS 9. The Company, however, does not expect IFRS 9 to have a material impact on the classification and measurement of financial assets.

The significant accounting policies used in preparing these Financial Statements are set out below:

#### (i) Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, premiums receivable, investments, term deposits, statutory deposit and other receivables. Financial liabilities consist of insurance operations surplus payable, amounts due to related parties, and certain other liabilities.

#### Date of recognition

Regular way sale and purchase of financial instruments is recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the market place.

#### Measurement of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through Statement of Income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortized cost except for FVSI and AFS investments which are carried at fair value.



## (ii) Cash and cash equivalents

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

## (iii) Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for uncollectible amount is established when there is an objective evidence that the Company will not be able to collect all amounts due according to their original terms. Bad debts are written off as incurred. Subsequent recoveries of amounts previously written off are credited in the Statement of Income.

## (iv) Policy acquisition costs

Commission and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred. The deferred acquisition costs are subsequently amortized over the terms of the insurance contract as premiums are earned and reported in the Statement of Income. Changes in the contractual useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the Statement of Income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

## (v) Investments

### (a) Financial assets at fair value through Statement of Income

Investments are classified as at fair value through Statement of Income if they are classified as held-for-trading or are designated as such on initial recognition. The investments in sukuks, equities and mutual funds are held for trading and accordingly are classified as FVSI. Directly attributable transaction costs are recognized in the Statement of Income as incurred. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the Statement of Income.

### (b) Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities where fair value cannot be reliably measured are carried at cost. Any unrealized gains or losses arising from changes in fair value are recognized through the Statement of Comprehensive Income until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to Statement of Income for the period and are disclosed as gains/(losses) on non-trading investments.

## (c) Held to maturity investments

Held to maturity investments are investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held to maturity. Investments are initially recognized at fair value including direct and incremental transaction cost. Subsequent to initial measurement, these are measured at amortized cost less impairment losses, if any.

## (vi) Term deposits

Term deposits, with original maturity of more than three months, are initially recognized in the Statement of Financial Position at fair value and are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

## (vii) Fixtures and Furniture

Fixtures and Furnitures are initially recorded in the statement of financial position at cost. Subsequent measurement is carried out at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Leasehold Improvements (civil, construction work and fixtures)	15 years or lease term
Fixtures, Furniture and Right-of-use assets	5 to 20
Computer and IT equipment and infra-structure	2.5 to 7
Motor vehicles	4

Residual values, useful lives and the methods of depreciation are reviewed and adjusted as appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognized in the Statement of Income on an actual basis. Similarly, impairment losses, if any, are recognized in the Statement of Income.

Expenditure for repairs and maintenance is charged to the Statement of Income. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Gain/loss on sale of Fixtures, Furniture and Right-of-use assets is included in Statement of Income.

## (viii) Intangible assets

Separately acquired intangible assets (software) are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortizes intangible assets with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	3 to 7





### (ix) Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized in the Statement of Income. Impairment losses relating to goodwill cannot be reversed in future periods.

### (x) Liability adequacy test

At each reporting date the Company assesses annually whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the Statement of Income and an unexpired risk provision is created.

### (xi) Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### (xii) Provisions

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

### (xiii) Employee-end-of-service benefits (EOSB)

Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as it falls due. Re-measurement (actuarial gains/losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the Statement of other Comprehensive Income.

### (xiv) Share based payments (LTIP)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is the date at which the entity and an employee agree to a share based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The cost of equity-settled transactions is

recognized, together with a corresponding increase in equity as a reserve for a share based payment, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the Statement of Income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

In cases where an award is forfeited (i.e. when the vesting conditions relating to an award are not satisfied), the Company reverses the expense relating to such awards previously recognized in the Statement of Income. Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

The value of the shares repurchased, including costs associated with the acquisition, is recognized as a deduction from equity.

### (xv) Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognized in the Statement of Income. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortized cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

For impaired available for sale securities any subsequent increase in fair value of these impaired securities is recognized in the statement of other comprehensive income and recorded in the investment fair value reserve unless this increase represents a decrease in the impairment loss that can be objectively related to an event occurring after the impairment loss was recognized in the Statement of Income. In such an event, the reversal of the impairment loss is recognized as a gain in the Statement of Income. Impairment relating to investments in available-for-sale equity instruments are not reversed through profit or loss.



### (xvi) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the Statement of Income.

For assets, excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Income.

### (xvii) De-recognition

#### Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

#### Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

### (xviii) Revenue recognition

#### Premiums earned

The Company only issues short-term insurance contracts for providing health care services ('medical insurance') in Saudi Arabia. Premiums are taken to income over the terms of the policies to which they relate on a pro-rata basis based on 365th method. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the Statement of Income.

#### Investment and commission income

Investment income or loss comprises of unrealized and realized gains and losses on investments. Commission income on term deposits is recognized using the effective interest method in the Statement of Income.

### (xix) Reinsurance premiums (ceded)

Reinsurance premiums ceded are recognized as a reduction in net written premium when payable. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

### (xx) Claims

Claims, comprising amounts payable to medical providers and other third parties are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at each reporting date.

The Company estimates its claims based on previous experience. In addition, a provision based on the management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at each reporting date. Any difference between the provisions at the Statement of Financial Position date and actual settlement is included in provisions in the following year in the Statement of Income for that year.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the Statement of Financial Position date.



### (xxi) Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

### (xxii) Reinsurance contracts held

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

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

### (xxiii) Expenses

Selling and marketing expenses are those which specifically relate to salesmen, sales promotion, advertisements, regulatory levies, trademark fees and fulfillment costs. All other expenses are classified as general and administration expenses.

### (xiv) Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); and
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

### (xv) Leases

#### Right of Use Assets

The Company recognizes Right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Company applies cost model, and measure right of use asset at cost;

- (1) less any accumulated depreciation and any accumulated impairment losses; and
- (2) adjusted for any re-measurement of the lease liability for lease modifications

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, Generally, right of use asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. it needs to be added to the right of use asset value.

The recognized Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### Lease Liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

- (1) Increasing the carrying amount to reflect interest on the lease liability.
- (2) Reducing the carrying amount to reflect the lease payments made and;
- (3) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



### (xxvi) Zakat and income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

### Deferred Tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

### (xxvii) Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate at the reporting date. All differences are taken to the Statement of Income.

### (xxviii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

### (xxix) Cash dividend to shareholders

The Company recognizes a liability to make cash distributions to shareholders of the Company when the distribution is authorized and is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders and SAMA. A corresponding amount is recognized directly in equity.

### (xxx) Statutory reserve

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

## 4. GOODWILL

On 31 December 2008, the Company entered into an agreement with Bupa Middle East Limited E.C. (the "Seller"), a related party, pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009. The acquisition transaction was approved by SAMA and resulted in goodwill of SR 98 million. The entire amount was paid in the previous years, to the Seller, after obtaining the required regulatory approvals.

The Company's management annually carry out impairment test in respect of the above-mentioned goodwill. Management conducted the impairment exercise for the year ended 31 December 2021. The recoverable amount of operations has been determined based on value in use. The two key assumptions used in the test are the discount rate and estimated future cash flows from the business as follows:

- An average discount rate of 12% was used to discount future cash flows.
- EBTIDA growth rate of 3% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.
- A change in discount rate by +/- 300 basis point with other variables held constant would not result in impairment of goodwill.
- A change in growth rate by +/- 150 basis point with other variables held constant would not result in impairment of goodwill.



## 5 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	2021 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Bank balances	430,300	30,067	460,367
Term Deposits	500,391	-	500,391
	930,691	30,067	960,758

	2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Bank balances	195,232	438,019	633,251
	195,232	438,019	633,251

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date.

During the year ended 31 December 2021, the insurance operations transferred cash of SR 435.3 million to the shareholders' operations (31 December 2020: SR 142 million).

## 6 Premiums Receivable - Net

Receivables comprise amounts due from the following:

	2021 SR '000	2020 SR '000
Policyholders	1,401,823	1,159,253
Brokers	590,833	383,314
	1,992,656	1,542,567
Provision for doubtful receivables	(231,356)	(222,524)
<b>PREMIUMS RECEIVABLE - NET</b>	<b>1,761,300</b>	<b>1,320,043</b>

Movement in provision for doubtful debts during the year was as follows:

	2021 SR '000	2020 SR '000
Balance at the beginning of the year	222,524	197,187
Provision made during the year	22,458	28,770
Write-offs during the year	(13,626)	(3,433)
<b>BALANCE AT END OF THE YEAR</b>	<b>231,356</b>	<b>222,524</b>

The aging analysis of premiums receivable – net arising from insurance contracts is as follows:

	2021 (SR '000)					
	Not past due	Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	
Policyholders	829,825	262,290	63,756	54,340	-	1,210,211
Brokers	395,183	126,790	22,924	6,192	-	551,089
	1,225,008	389,080	86,680	60,532	-	1,761,300

	2020 (SR '000)					
	Not past due	Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	
Policyholders	389,768	481,842	89,359	14,213	1,835	977,017
Brokers	222,027	52,705	57,196	8,392	2,706	343,026
	611,795	534,547	146,555	22,605	4,541	1,320,043

Unimpaired receivables are estimated, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

The Company only enters into insurance and reinsurance contracts with recognized, creditworthy parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest customers account for 13.22% (31 December 2020: 18.8%) of the premiums receivable as at 31 December 2021.

## 7 Investments

Investments are classified as follows:

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Held as FVSI	1,808,199	1,449,736	3,257,935	2,869,628	825,133	3,694,761
Available for sale	691,230	1,423,358	2,114,588	698,553	1,504,882	2,203,435
Held to maturity	100,000	231,250	331,250	-	131,250	131,250
	2,599,429	3,104,344	5,703,773	3,568,181	2,461,265	6,029,446

### (i) Investments held as FVSI comprise the following:

	2021 (SR '000)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
Sukuks	18,014	-	55,045	-	73,059
Funds	1,782,875	7,310	1,372,761	21,930	3,184,876
	1,800,889	7,310	1,427,806	21,930	3,257,935





	2020 (SR '000)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
Sukuks	18,025	-	55,079	-	73,104
Funds	2,843,985	7,618	747,199	22,855	3,621,657
	2,862,010	7,618	802,278	22,855	3,694,761

**(ii) Available-for-sale investments comprise the following:**

	2021 (SR '000)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
Sukuks	470,858	183,613	793,312	105,726	1,553,509
Funds	-	36,759	127,646	17,287	181,692
Equities	-	-	316,826	12,372	329,198
Investments in discretionary portfolios	-	-	50,189	-	50,189
	470,858	220,372	1,287,973	135,385	2,114,588

	2020 (SR '000)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
Sukuks	422,351	238,029	900,236	147,710	1,708,326
Funds	-	38,173	107,501	7,111	152,785
Equities	-	-	228,716	5,625	234,341
Investments in discretionary portfolios	-	-	107,983	-	107,983
	422,351	276,202	1,344,436	160,446	2,203,435

**(iii) Held-to-maturity investments comprise the following:**

	2021 (SR '000)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
Sukuks	100,000	-	156,250	75,000	331,250
	100,000	-	156,250	75,000	331,250

	2020 (SR '000)				
	Insurance operations		Shareholders' operations		Total
	Domestic	International	Domestic	International	
Sukuks	-	-	131,250	-	131,250
	-	-	131,250	-	131,250

The movements in the investments balance are as follows:

**(i) Held as FVSI**

	2021 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	2,869,628	825,133	3,694,761
Purchases during the year	7,880,130	6,741,192	14,621,322
Disposals during the year	(8,944,090)	(6,116,701)	(15,060,791)
Unrealized gains during the year, net	2,531	112	2,643
	1,808,199	1,449,736	3,257,935

	2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	161,548	107,968	269,516
Purchases during the year	9,476,721	3,295,447	12,772,168
Disposals during the year	(6,769,701)	(2,578,100)	(9,347,801)
Unrealized gains during the year, net	1,060	(182)	878
	2,869,628	825,133	3,694,761

**(ii) Available-for-sale investments**

	2021 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	698,553	1,504,882	2,203,435
Purchases during the year	152,630	192,166	344,796
Disposals during the year	(144,870)	(335,475)	(480,345)
Unrealized (losses)/gains during the year, net	(15,083)	61,785	46,702
	691,230	1,423,358	2,114,588

	2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	564,003	876,063	1,440,066
Purchases during the year	289,000	687,693	976,693
Disposals during the year	(166,004)	(215,685)	(381,689)
Unrealized gains during the year, net	11,554	156,811	168,365
	698,553	1,504,882	2,203,435

**(iii) Held to maturity investments**

	2021 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	-	131,250	131,250
Purchases during the year	100,000	100,000	200,000
	100,000	231,250	331,250

	2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	-	131,250	131,250
Purchases during the year	-	-	-
	-	131,250	131,250

**8 Prepaid Expenses and Other Assets**

Prepaid expenses and other assets comprise the following:

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Prepayments	54,034	-	54,034	48,529	-	48,529
Accrued income	7,635	13,256	20,891	6,122	13,919	20,041
Other receivables	38,329	-	38,329	16,516	-	16,516
	99,998	13,256	113,254	71,167	13,919	85,086

**9 Term Deposits**

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominantly in Murabaha structure with a small allocation in Mudaraba structure. The term deposits are classified as held to maturity investments. They are mostly denominated in Saudi Arabian Riyals and have an original maturity of more than three months to more than one year (2020: three months to more than one year) and yield financial income at rates ranging from 0.95% to 4.30% per annum (2020: 1.2% to 4.30% per annum). The movements in term deposits during the year ended 31 December 2021 are as follows:

	2021 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	1,645,292	1,151,255	2,796,547
Matured during the year	(1,507,552)	(466,960)	(1,974,512)
Commission income earned during the year	31,182	27,175	58,357
Placed during the year	1,839,000	374,328	2,213,328
	2,007,922	1,085,798	3,093,720

	2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	3,407,055	1,747,255	5,154,310
Matured during the year	(2,330,514)	(936,277)	(3,266,791)
Commission income earned during the year	79,901	40,277	120,178
Placed during the year	488,850	300,000	788,850
	1,645,292	1,151,255	2,796,547

## 10 Fixtures, Furniture and Right of Use Assets - Net

### 10.1 Fixtures, Furniture

	2021 (SR '000)					Total
	Office, furniture, and fixtures	Computer equipment	Motor vehicles	Leasehold improvements	Capital work in progress	
<b>COST:</b>						
At 1 January 2021	86,232	60,005	404	42,572	2,764	191,977
Additions during the year	-	52	-	-	9,063	9,115
Transferred during the year	862	7,661	-	832	(9,355)	-
Disposals during the year	(44)	(338)	-	(3,969)	-	(4,351)
<b>AT 31 DECEMBER 2021</b>	<b>87,050</b>	<b>67,380</b>	<b>404</b>	<b>39,435</b>	<b>2,472</b>	<b>196,741</b>
<b>ACCUMULATED DEPRECIATION:</b>						
At 1 January 2021	(63,166)	(40,835)	(161)	(9,422)	-	(113,584)
Charge for the year	(5,062)	(5,985)	(101)	(4,068)	-	(15,216)
Disposal	7	330	-	1,493	-	1,830
<b>AT 31 DECEMBER 2021</b>	<b>(68,221)</b>	<b>(46,490)</b>	<b>(262)</b>	<b>(11,997)</b>	<b>-</b>	<b>(126,970)</b>
Net book value:						
<b>AT 31 DECEMBER 2021</b>	<b>18,829</b>	<b>20,890</b>	<b>142</b>	<b>27,438</b>	<b>2,472</b>	<b>69,771</b>

	2020 (SR '000)					Total
	Office, furniture, and fixtures	Computer equipment	Motor vehicles	Leasehold improvements	Capital work in progress	
<b>COST:</b>						
At 1 January 2020	85,828	46,167	404	41,039	6,699	180,137
Additions during the year	-	2,892	-	-	8,948	11,840
Transferred during the year	404	10,946	-	1,533	(12,883)	-
<b>AT 31 DECEMBER 2020</b>	<b>86,232</b>	<b>60,005</b>	<b>404</b>	<b>42,572</b>	<b>2,764</b>	<b>191,977</b>
<b>ACCUMULATED DEPRECIATION:</b>						
At 1 January 2020	(57,194)	(35,703)	(60)	(5,361)	-	(98,318)
Charge for the year	(5,972)	(5,132)	(101)	(4,061)	-	(15,266)
<b>AT 31 DECEMBER 2020</b>	<b>(63,166)</b>	<b>(40,835)</b>	<b>(161)</b>	<b>(9,422)</b>	<b>-</b>	<b>(113,584)</b>
Net book value:						
<b>AT 31 DECEMBER 2020</b>	<b>23,066</b>	<b>19,170</b>	<b>243</b>	<b>33,150</b>	<b>2,764</b>	<b>78,393</b>



## 10.2 Right-of-Use Assets

The movement of Right-of-use assets are as follows:

	2021 SR '000	2020 SR '000
As at 1 January	125,626	87,622
Additions during the year	2,929	54,245
Amortization during the year	(15,939)	(16,241)
<b>AS AT 31 DECEMBER</b>	<b>112,616</b>	<b>125,626</b>

## 11 Intangible Assets

	2021 (SR '000)		
	Software	Capital work-in-progress	Total
<b>COST:</b>			
At 1 January 2021	139,538	18,484	158,022
Additions during the year	100	19,665	19,765
Transfers during the year	12,902	(12,902)	-
<b>AT 31 DECEMBER 2021</b>	<b>152,540</b>	<b>25,247</b>	<b>177,787</b>
Accumulated amortization:			
At 1 January 2021	(96,064)	-	(96,064)
Charge for the year	(14,446)	-	(14,446)
<b>AT 31 DECEMBER 2021</b>	<b>(110,510)</b>	<b>-</b>	<b>(110,510)</b>
Net book value:			
<b>AT 31 DECEMBER 2021</b>	<b>42,030</b>	<b>25,247</b>	<b>67,277</b>
	2020 (SR '000)		
	Software	Capital work-in-progress	Total
<b>COST:</b>			
At 1 January 2020	128,316	8,262	136,578
Additions during the year	1,453	19,991	21,444
Transfers during the year	9,769	(9,769)	-
<b>AT 31 DECEMBER 2020</b>	<b>139,538</b>	<b>18,484</b>	<b>158,022</b>
Accumulated amortization:			
At 1 January 2020	(80,333)	-	(80,333)
Charge for the year	(15,731)	-	(15,731)
<b>AT 31 DECEMBER 2020</b>	<b>(96,064)</b>	<b>-</b>	<b>(96,064)</b>
Net book value:			
<b>AT 31 DECEMBER 2020</b>	<b>43,474</b>	<b>18,484</b>	<b>61,958</b>



## 12 Statutory Deposit

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 120 million (2020: SR 120 million), in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 14.9 million (2020: SR 13.8 million) and this deposit cannot be withdrawn without approval from SAMA.

## 13 Technical Reserves

### 13.1 Movement in unearned premiums

Movements in unearned premiums are as follows:

	2021 (SR '000)		
	Gross	Reinsurance	Net
Balance at beginning of the year	4,023,331	(20,108)	4,003,223
Premium written/(ceded) during the year	11,382,194	(86,082)	11,296,112
Premium earned during the year	(10,695,970)	78,255	(10,617,715)
	4,709,555	(27,935)	4,681,620

	2020 (SR '000)		
	Gross	Reinsurance	Net
Balance at beginning of the year	4,376,219	(20,625)	4,355,594
Premium written/(ceded) during the year	10,447,353	(65,242)	10,382,111
Premium earned during the year	(10,800,241)	65,759	(10,734,482)
	4,023,331	(20,108)	4,003,223

### 13.2 Net outstanding claims and reserves

Net outstanding claims and other technical reserves consist of the following:

	2021 SR '000	2020 SR '000
Outstanding claims	601,168	446,519
Claims incurred but not reported	1,413,888	1,378,294
Premium deficiency reserve	74,602	263,751
Claims handling reserve	21,797	20,755
	2,111,455	2,109,319
Less:		
Reinsurers' share of outstanding claims	(7,207)	(1,475)
Reinsurers' share of claims incurred but not reported	(7,829)	(6,461)
	(15,036)	(7,936)
<b>NET OUTSTANDING CLAIMS RESERVE</b>	<b>2,096,419</b>	<b>2,101,383</b>

## 14 Deferred Policy Acquisition Costs

	2021 SR '000	2020 SR '000
Balance at beginning of the year	68,214	134,022
Deferred during the year	476,255	564,926
Amortization for the year	(343,427)	(630,734)
	201,042	68,214





## 15 Claims Development Table

The following table reflects the estimated ultimate claim cost, including claims notified and incurred but not reported for each successive treatment year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier treatment years. In order to maintain adequate reserves, the Company transfers much of this release to the current treatment year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims. By end of 2020, incurred claims were less than anticipated as the expected deferred claims from the lockdown period were deferred further to the following year, which resulted in a favourable claims experience and the release of reserves in 2021 against the surge in claims observed in the second half of the year.

### Treatment year – gross outstanding claims

	2018 and prior SR '000	2019 SR '000	2020 SR '000	2021 SR '000	Total SR '000
<b>ESTIMATE OF ULTIMATE CLAIMS COST:</b>					
At the end of treatment year	33,980,026	7,842,155	8,742,056	9,775,177	60,339,414
One year later	33,876,622	7,841,118	8,048,412	-	49,766,152
Two years later	33,905,075	7,847,016	-	-	41,752,091
Three years later	33,909,347	-	-	-	33,909,347
<b>CURRENT ESTIMATE OF ULTIMATE CLAIMS</b>	33,909,347	7,847,016	8,048,412	9,775,177	59,579,952
Ultimate payments to date	33,892,979	7,841,124	8,037,277	7,793,516	57,564,896
<b>LIABILITY RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION</b>	16,368	5,892	11,135	1,981,661	2,015,056
Premium deficiency reserve					74,602
Claims handling provision					21,797
<b>BALANCE AT 31 DECEMBER</b>					2,111,455

### Treatment year – net outstanding claims

	2018 and prior SR '000	2019 SR '000	2020 SR '000	2021 SR '000	Total SR '000
<b>ESTIMATE OF ULTIMATE CLAIMS COST:</b>					
At the end of treatment year	33,789,144	7,768,195	8,693,491	9,708,417	59,959,247
One year later	33,678,799	7,765,376	7,997,356	-	49,441,531
Two years later	33,707,296	7,767,317	-	-	41,474,613
Three years later	33,711,162	-	-	-	33,711,162
<b>CURRENT ESTIMATE OF ULTIMATE CLAIMS</b>	33,711,162	7,767,317	7,997,356	9,708,417	59,184,252
Ultimate payments to date	33,694,815	7,761,430	7,986,510	7,741,477	57,184,232
<b>LIABILITY RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION</b>	16,347	5,887	10,846	1,966,940	2,000,020
Premium deficiency reserve					74,602
Claims handling provision					21,797
<b>BALANCE AT 31 DECEMBER</b>					2,096,419

## 16 Fiduciary Assets

During the year ended 31 December 2018, after obtaining SAMA's approval, the Company entered into a Third Party Administration agreement (TPA) with a customer under which the Company facilitates healthcare services to the employees of the customer with specific terms and conditions. The agreement is effective from 1 March 2018. The services are remunerated against administration fees.

In order to fulfil the commitment relating to this agreement, the Company has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the reporting date, are excluded from the statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 260 million as of 31 December 2021 (2020: SR 317.1 million).

## 17 Commitments and Contingencies

The Company's commitments and contingencies are as follows:

- (i) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as at 31 December 2021.
- (ii) As of 31 December 2021, total Letters of Guarantee issued by banks amounted to SR 128 million (2020: SR 138 million).

## 18 Accrued and Other Liabilities

18.1 Accrued and other liabilities comprise the following:

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Accrued expenses	200,249	6,863	207,112	282,902	6,249	289,151
VAT payable	85,516	-	85,516	23,254	-	23,254
Advances from policyholders	80,578	-	80,578	52,583	-	52,583
VAT payable to providers	170,708	-	170,708	121,595	-	121,595
Other liabilities	60,860	-	60,860	53,867	-	53,867
	597,911	6,863	604,774	534,201	6,249	540,450

### 18.2 Lease liability

As of 31 December 2021, lease liability amounted SR 125.3 million (2020: SR 135.6 million). Below is the movement during the year:

	2021 SR '000	2020 SR '000
Balance at the beginning of the year	135,600	90,329
Finance cost	5,834	5,244
Additions during the year	2,929	54,245
Lease settlement	(19,030)	(14,218)
	125,333	135,600

## 19 Trademark Fees

During 2010, the Company entered into an agreement with a related party (a Group Company) for obtaining a license to use the trademark (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trademark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year. Accordingly, a sum of SR 26.6 million (2020: SR 26.9 million) payable to a related party has been accrued for during the year (see Notes 24 and 32).



## 20 Insurance Operations' Surplus Payable

	2021 SR '000	2020 SR '000
Balance at the beginning of the year	200,391	168,454
Income attributable to insurance operations during the year	58,347	80,141
Surplus paid to policyholders during the year	(68,678)	(48,204)
<b>NET SURPLUS PAYABLE TO POLICYHOLDERS</b>	<b>190,060</b>	<b>200,391</b>

## 21 Employees' end of Service Benefits

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the Statement of Financial Position and movement in the obligation during the year based on its present value are as follows:

### 21.1 Movement of end-of-service benefits

	2021 SR '000	2020 SR '000
Balance at the beginning of the year	140,012	96,341
Current service costs	24,251	23,163
Finance costs	3,244	4,131
Actuarial (gains)/losses	(7,535)	20,700
Benefits paid during the year	(7,686)	(4,323)
Balance at the end of the year	152,286	140,012

### 21.2 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of end-of-service benefits:

	2021 %	2020 %
Valuation discount rate	2.65	2.45
Expected rate of increase in salary level across different age bands	4.5	4.5
Employee turnover rate	13	11
Mortality rate	0.06	0.06

The impact of changes in sensitivities on present value of employees' end-of-service (Increase)/Decrease benefits is as follows:

	2021 SR '000	2020 SR '000
Valuation discount rate		
- Increase by 0.5%	6,883	6,521
- Decrease by 0.5%	(7,423)	(7,046)
Expected rate of increase in salary level across different age bands		
- Increase by 1%	(15,046)	(14,259)
- Decrease by 1%	13,216	12,482
Mortality rate		
- Increase by 50%	(66)	(74)
- Decrease by 50%	66	74
Employee turnover		
- Increase by 20%	3,322	3,501
- Decrease by 20%	(3,427)	(3,634)

The average duration of the employees' end-of-service benefits at the end of the reporting period is 10.6 years, (2020: 10.9 years)



## 22 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

### (a) Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 : quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2 : quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3 : valuation techniques for which any significant input is not based on observable market data.

### (b) Carrying amounts and fair value

The following table shows the carrying amount and fair value of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. There were no transfers in between levels during the years ended 31 December 2021 and 2020.

	Fair value				Carrying value SR '000
	Level 1 SR '000	Level 2 SR '000	Level 3 SR '000	Total SR '000	
<b>2021</b>					
<b>FINANCIAL ASSETS MEASURED AT FAIR VALUE</b>					
– Investments held as FVSI	–	3,257,935	–	3,257,935	3,257,935
– Available-for-sale investments	1,421,562	670,903	22,123	2,114,588	2,114,588
	1,421,562	3,928,838	22,123	5,372,523	5,372,523

	Fair value				Carrying value SR '000
	Level 1 SR '000	Level 2 SR '000	Level 3 SR '000	Total SR '000	
<b>2020</b>					
<b>FINANCIAL ASSETS MEASURED AT FAIR VALUE</b>					
– Investments held as FVSI	–	3,694,761	–	3,694,761	3,694,761
– Available-for-sale investments	1,404,736	793,074	5,625	2,203,435	2,203,435
	1,404,736	4,487,835	5,625	5,898,196	5,898,196

### (c) Measurement of fair value

#### Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 December 2021 and 31 December 2020, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Floating rate sukuk and mutual funds	Valuations are based on quotations as received by the custodians at the end of each period and on published net asset value (NAV) closing prices.	Not applicable	Not applicable



## 23 Operating Segments

The Company only issues short-term insurance contracts for providing health care services ("medical insurance"). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent members of large corporations, and all others are considered as non-major. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions. No inter-segment transactions occurred during the year.

Operating segments do not include shareholders' operations of the Company.

Segment results do not include investment and commission income, other income, selling and marketing expenses, and general and administration expenses.

Segment assets do not include cash and cash equivalents, fixtures, furniture and right-of-use assets, term deposits, investments, prepaid expenses and other assets. Segment liabilities do not include reinsurance balance payable, accrued and other liabilities, due to shareholders' operations, share based payment and policyholders' share of surplus from insurance operations.

Consistent with the Company's internal reporting, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

OPERATING SEGMENTS	31 December 2021				
	Insurance operations			Shareholders' operations	Total
	Major customers	Non-major customers	Total - Insurance operations		
	SR '000	SR '000	SR '000	SR '000	SR '000
<b>ASSETS</b>					
Premiums receivable - net	1,034,713	726,587	1,761,300	-	1,761,300
Reinsurers' share of unearned premiums	15,353	12,582	27,935	-	27,935
Reinsurers' share of outstanding claims	2,560	4,647	7,207	-	7,207
Reinsurers' share of claims incurred but not reported	2,623	5,206	7,829	-	7,829
Deferred policy acquisition costs	114,645	86,397	201,042	-	201,042
Unallocated assets			5,638,040	4,755,749	10,393,789
<b>TOTAL ASSETS</b>			7,643,353	4,755,749	12,399,102
<b>LIABILITIES</b>					
Unearned premiums	2,588,246	2,121,309	4,709,555	-	4,709,555
Outstanding claims	425,245	175,923	601,168	-	601,168
Claims incurred but not reported	1,000,536	413,352	1,413,888	-	1,413,888
Premium deficiency reserve	40,999	33,603	74,602	-	74,602
Claims handling reserve	15,421	6,376	21,797	-	21,797
Unallocated liabilities			813,368	569,700	1,383,068
<b>TOTAL LIABILITIES</b>			7,634,378	569,700	8,204,078

OPERATING SEGMENTS	31 December 2020				
	Insurance operations			Shareholders' operations	Total
	Major customers	Non-major customers	Total - Insurance operations		
	SR '000	SR '000	SR '000	SR '000	SR '000
<b>ASSETS</b>					
Premiums receivable - net	775,488	544,555	1,320,043	-	1,320,043
Reinsurers' share of unearned premiums	11,759	8,349	20,108	-	20,108
Reinsurers' share of outstanding claims	490	985	1,475	-	1,475
Reinsurers' share of claims incurred but not reported	1,959	4,502	6,461	-	6,461
Deferred policy acquisition costs	28,520	39,694	68,214	-	68,214
Unallocated assets			5,479,872	4,600,182	10,080,054
<b>TOTAL ASSETS</b>			6,896,173	4,600,182	11,496,355
<b>LIABILITIES</b>					
Unearned premiums	2,352,884	1,670,447	4,023,331	-	4,023,331
Outstanding claims	319,669	126,850	446,519	-	446,519
Claims incurred but not reported	988,089	390,205	1,378,294	-	1,378,294
Premium deficiency reserve	189,017	74,734	263,751	-	263,751
Claims handling reserve	14,869	5,886	20,755	-	20,755
Unallocated liabilities			739,465	721,387	1,460,852
<b>TOTAL LIABILITIES</b>			6,872,115	721,387	7,593,502

OPERATING SEGMENTS	2021		
	Major customers SR '000	Non-major customers SR '000	Total SR '000
<b>REVENUES</b>			
Gross premiums written	7,428,502	3,953,692	11,382,194
Reinsurance premiums ceded - Local	(3,286)	(2,059)	(5,345)
Reinsurance premiums ceded - International	(49,629)	(31,108)	(80,737)
<b>NET PREMIUMS WRITTEN</b>	7,375,587	3,920,525	11,296,112
Changes in unearned premiums - net	(231,768)	(446,629)	(678,397)
<b>NET PREMIUMS EARNED</b>	7,143,819	3,473,896	10,617,715





OPERATING SEGMENTS	2021		
	Major customers SR '000	Non-major customers SR '000	Total SR '000
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(6,420,918)	(2,653,008)	(9,073,926)
Reinsurers' share of claims paid	15,879	6,514	22,393
<b>NET CLAIMS PAID</b>	(6,405,039)	(2,646,494)	(9,051,533)
Changes in outstanding claims	(105,576)	(49,073)	(154,649)
Changes in claims incurred but not reported	(12,447)	(23,147)	(35,594)
Changes in premium deficiency reserve	148,018	41,131	189,149
Changes in claims handling reserves	(552)	(490)	(1,042)
Reinsurance share of changes in outstanding claims	2,070	3,662	5,732
Reinsurance share of changes in claims incurred but not reported	664	704	1,368
<b>NET CLAIMS INCURRED</b>	(6,372,862)	(2,673,707)	(9,046,569)
Policy acquisition costs	(206,056)	(137,371)	(343,427)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	(6,578,918)	(2,811,078)	(9,389,996)
<b>NET UNDERWRITING INCOME</b>	564,901	662,818	1,227,719
<b>OTHER OPERATING (EXPENSES)/INCOME</b>			
Allowance for doubtful receivables			(22,458)
Unallocated income			298,027
Unallocated expenses			(714,240)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			(438,671)
Income before Surplus, Zakat and Income Tax			789,048
Income attributed to the insurance operations (transfer to surplus payable)			(58,347)
<b>INCOME ATTRIBUTED TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX</b>			730,701
Zakat charge			(41,136)
Income tax charge			(63,995)
<b>NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			625,570
<b>GROSS WRITTEN PREMIUM DETAILS</b>			2021 SR '000
Corporates			8,458,117
Medium Enterprises			2,019,303
Small Enterprises			803,492
Micro-enterprises			78,920
Individuals			22,362
<b>TOTAL</b>			11,382,194

OPERATING SEGMENTS	2020		
	Major customers SR '000	Non-major customers SR '000	Total SR '000
<b>REVENUES</b>			
Gross premiums written	6,972,563	3,474,790	10,447,353
Reinsurance premiums ceded – Local	(3,691)	(2,262)	(5,953)
Reinsurance premiums ceded – International	(36,756)	(22,533)	(59,289)
<b>NET PREMIUMS WRITTEN</b>	6,932,116	3,449,995	10,382,111
Changes in unearned premiums – net	365,443	(13,072)	352,371
<b>NET PREMIUMS EARNED</b>	7,297,559	3,436,923	10,734,482
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid	(5,878,457)	(2,383,593)	(8,262,050)
Reinsurers' share of claims paid	14,902	6,085	20,987
<b>NET CLAIMS PAID</b>	(5,863,555)	(2,377,508)	(8,241,063)
Changes in outstanding claims	7,872	(2,603)	5,269
Changes in claims incurred but not reported	(142,227)	(78,639)	(220,866)
Changes in premium deficiency reserve	(189,017)	(74,734)	(263,751)
Changes in claims handling reserves	(1,409)	(854)	(2,263)
Reinsurance share of changes in outstanding claims	(36)	293	257
Reinsurance share of changes in claims incurred but not reported	746	1,743	2,489
<b>NET CLAIMS INCURRED</b>	(6,187,626)	(2,532,302)	(8,719,928)
Policy acquisition costs	(378,440)	(252,294)	(630,734)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	(6,566,066)	(2,784,596)	(9,350,662)
<b>NET UNDERWRITING INCOME</b>	731,493	652,327	1,383,820
<b>OTHER OPERATING (EXPENSES)/INCOME</b>			
Allowance for doubtful receivables			(28,770)
Unallocated income			240,776
Unallocated expenses			(692,016)
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>			(480,010)
Income before Surplus, Zakat and Income Tax			903,810
Income attributed to the insurance operations (transfer to surplus payable)			(80,141)
<b>INCOME ATTRIBUTED TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX</b>			823,669
Zakat charge			(64,297)
Income tax charge			(63,244)
<b>NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>			696,128
<b>GROSS WRITTEN PREMIUM DETAILS</b>			
			2020 SR '000
Corporates			7,904,182
Medium Enterprises			1,770,054
Small Enterprises			695,395
Micro Enterprises			62,104
Individuals			15,618
<b>TOTAL</b>			10,447,353



## 24 Related Parties Transactions and Balances

Related parties represent major shareholders, Board members and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Contract pricing policies and terms are conducted on an arm's length basis and transactions approved by the Company's management, or where required and applicable the Company's Board of Directors. The following are the details of the major related party transactions during the year and their related balances:

Related party	Nature of transaction	Amount of transactions during the year		Receivable/(payable) balance as at	
		2021 SR '000	2020 SR '000	2021 SR '000	2020 SR '000
Shareholders and others	Insurance premium written	215,821	392,020	2,726**	(536)**
Shareholders	Reinsurance Premium ceded	(59,358)	(41,431)	(19,672)*	(79,803)*
Shareholders and others	Claims paid	196,241	(274,591)	(17,289)***	(20,997)***
Shareholders	Medical costs charged by providers	179,055	140,333	(19,696)***	(15,303)***
Shareholders	Expenses charged to/(from) a related party-net	659	869	1,024*	966*
Shareholders	Tax equalisation - net	14,241	(1,873)	12,369*	(1,873)*
Shareholders	Board and committee member remuneration fees	833	915	(833)*	(915)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trademark fee (Note 19)	26,611	26,896	(26,611)*	(26,896)*

\* Amounts due to related parties amounted to SR 33,723 thousand (2020: SR 108,521 thousand).

\*\* Amounts included in premium receivables (Note 6).

\*\*\* Amounts are included in the outstanding claims.

### a. Compensation to key management personnel:

	2021 SR '000	2020 SR '000
Salaries and allowances [Note (a) below]	17,481	17,836
Incentives [Note (b) below]	25,884	17,208
End of Service benefits	1,095	1,088
	44,460	36,132

(a) Includes the members' direct salary related expenses, other than the incentives' and EOS expenses.

(b) Includes the costs of the bonuses and the long-term incentive plan.

### b. Board of Directors' remuneration and related expenses

	2021 SR '000	2020 SR '000
Board of Directors' remuneration	3,648	3,600
Board attendance fees	460	300
Other board and sub-committees' expenses	1,358	1,377
	5,466	5,277

## 25 Reinsurers' Balance Payable

Reinsurance payable represents amounts payable to reinsurers of SR 25.4 million (2020: SR 4.9 million), for the excess of loss (XOL) reinsurance contract.

## 26 Zakat and Income Tax

### (a) Zakat

The Zakat payable by the Company has been calculated in accordance with Zakat regulations in Saudi Arabia.

The Zakat provision for the year is based on the following:

	2021 SR '000	2020 SR '000
Share capital (attributable to Saudi shareholders)	681,000	712,869
Opening retained earnings, reserve and surplus	1,309,570	1,189,671
Opening provisions	313,440	389,301
Adjusted net income	445,353	519,284
Fixtures, Furniture, Right-of-use assets and goodwill	(201,490)	(211,407)
Investments	(5,276,549)	(5,203,315)
<b>ZAKAT BASE</b>	<b>(2,728,676)</b>	<b>(2,603,597)</b>
Adjusted net income attributable to Saudi shareholders and the general public (refer (*) below)	445,353	519,284

\*Adjusted net income has been computed on a pro-rata basis taking into consideration before and after shareholding change.

The differences between the accounting profit and the Zakat base are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

The Zakat charge relating to the Saudi shareholders consists of:

	2021 SR '000	2020 SR '000
Provision for Zakat	65,333	64,297
Adjustment for prior years	(24,197)	-
	<b>41,136</b>	<b>64,297</b>

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

	2021 SR '000	2020 SR '000
Balance at beginning of the year	285,448	232,444
Charge for the year	41,136	64,297
Payments made during the year	(123,764)	(11,293)
	<b>202,820</b>	<b>285,448</b>

### (b) Income Tax

	2021 SR '000	2020 SR '000
Current tax charge	65,789	70,969
Deferred tax income	(1,794)	(7,725)
	<b>63,995</b>	<b>63,244</b>



The reconciliation of deferred tax is as follows:

	2021 SR '000	2020 SR '000
Opening deferred tax asset	37,941	30,216
Deferred tax income	1,794	7,725
	39,735	37,941

The movement in the income tax provision during the year was as follows:

	2021 SR '000	2020 SR '000
Balance at beginning of the year	31,751	42,265
Charge for the year	65,789	70,969
Payments made during the year	(63,750)	(81,483)
	33,790	31,751

### (c) Provision for Zakat and income tax

	2021 SR '000	2020 SR '000
Zakat payable [Note (a) above]	202,820	285,448
Income tax payable [Note (b) above]	33,790	31,751
	236,610	317,199

### (d) Status of assessment

The Company has filed its Zakat and income tax returns for the financial years up to and including the year 2020 with the Zakat, Tax and Custom Authority ("ZATCA"). The Company has received assessments for the fiscal periods 2008 through 2018 of additional Zakat, corporate income tax and withholding tax in addition to delay fines on various assessed items.

In February 2021, the Company reached a settlement with ZATCA on all Zakat, corporate income tax and withholding tax for the years 2008 through 2016 and 2018. All settled liabilities were provided for previously in respective year, and, hence, there is no significant financial impact on the Company. For the year 2017 assessments, the Company has escalated the matter to the General Secretariat of Tax Committees (the "GSTC") and their review is awaited.

## 27 Share Capital

The authorised, issued and paid-up capital of the Company is SR 1,200 million at 31 December 2021 (31 December 2020: SR 1,200 million) consisting of 120 million shares (31 December 2020: 120 million shares) of SR 10 each.

The shareholding structure of the Company is as below:

	2021		2020	
	Holding Percentage (%)	SR '000	Holding Percentage (%)	SR '000
Major shareholders	52.3	628,066	52.3	628,066
General Public	47.7	571,934	47.7	571,934
	100.0	1,200,000	100.0	1,200,000

The major shareholders of the Company along with their holding percentages are as below:

	2021		2020	
	Holding Percentage (%)	SR '000	Holding Percentage (%)	SR '000
Bupa Investment Overseas	43.25	519,000	43.25	519,000
Nazer Group	9.05	109,066	9.05	109,066
	52.30	628,066	52.30	628,066

## 28 Statutory Reserve

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company carries out this transfer on an annual basis at 31 December. As at 31 December 2021, SR 992.2 million (31 December 2020: SR 867.1 million) had been set aside as a statutory reserve, representing 82% (31 December 2020: 72%) of the paid-up share capital.

## 29 Share-Based Payments

The Company established a share-based compensation scheme for its key management that entitles them to Bupa Arabia shares subject to successfully meeting certain service and performance conditions. Under the share-based compensation scheme, the Company manages various plans. Significant features of these plans are as follows:

Maturity dates	Between March 2022 and March 2024
Total number of shares granted on the grant date	497,769
Vesting period	3-4 years
Method of settlement	Equity
Fair value per share on grant date	Average SR 105.86

## 30 Capital Management

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the shareholders. Objectives are set by the Board of Directors of the Company to maintain healthy capital ratios to support its business objectives and maximise shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and the risk characteristics of the Company's activities. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. Total capital amounted to SR 4,186,049 (31 December 2020: SR 3,878,795).

In the opinion of the Board of Directors, the Company has fully complied with the regulatory capital requirements during the reported financial year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

## 31 General and Administrative Expenses

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Employees' costs	418,898	-	418,898	393,903	-	393,903
Rents and maintenance costs	60,171	-	60,171	51,377	-	51,377
Travelling expenses	5,230	-	5,230	4,192	-	4,192
Depreciation and amortisation	45,601	-	45,601	47,238	-	47,238
Communication expenses	12,696	-	12,696	11,151	-	11,151
Board expenses	-	5,466	5,466	-	5,277	5,277
Legal and Professional Fees	35,299	-	35,299	25,246	225	25,471
<b>OTHERS</b>	8,109	7,124	15,233	32,092	14,848	46,940
	586,004	12,590	598,594	565,199	20,350	585,549





### 32 Selling and Marketing Expenses

	2021 SR '000	2020 SR '000
Employees' costs	51,508	47,875
Marketing expenses	32,255	24,816
Trade mark fee (see Note 19)	26,611	26,896
Others	5,272	6,880
	<b>115,646</b>	<b>106,467</b>

### 33 Investment Income, Net

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Commission income on held to maturity investments	35,355	35,040	70,395	79,098	45,537	124,635
Commission and dividend income on available for sale investments	22,923	81,606	104,529	19,644	50,894	70,538
Commission income on FVSI investments - net	15,853	8,182	24,035	10,818	6,476	17,294
Realised gains/(losses) on investment - net	8,182	50,654	58,836	11,170	(11,218)	(48)
Unrealised gains on FVSI investments - net	2,530	112	2,642	1,058	(182)	876
	<b>84,843</b>	<b>175,594</b>	<b>260,437</b>	<b>121,788</b>	<b>91,507</b>	<b>213,295</b>

### 34 Earnings Per Share

The basic and diluted earnings per share has been calculated by dividing net income after zakat and tax for the year by the weighted average number of ordinary shares issued and outstanding at year end.

### 35 Risk Management

#### (a) Insurance risk

The Company provides short-term health insurance contracts in Saudi Arabia. Accordingly, the main insurance Risk within the Company is the claims reserve risk resulting from fluctuations in the estimated ultimate claims. The Company seeks to manage this through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Company also have an external actuary to perform quarterly independent reviews of the reserves adequacy.

The Company has a reinsurance arrangement to reduce its exposure through transfer of risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis.

#### (i) The ultimate liability arising from claims made under insurance contracts

Claims reserves which are key components of the Company's ultimate liability are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR") and claims handling provisions. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, medical inflation, members' behaviour, seasonality and other factors.

The Company has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates. The Company continually review the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with financial statements to validate reserve adequacy.

## (ii) Concentration of insurance risk

The insurance risk exposure related to policyholders is mainly concentrated in Saudi Arabia. However, through its underwriting strategy, the Company ensures that the portfolio is well diversified and not concentrated within few large clients. Its business is proportionally spread across all regions in the Saudi Arabia, and the Company targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level (diverse medical providers, different deductibles, annual limits and sub-limits)

## (iii) Process used to decide on assumptions

The pricing team follows the Company's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

Assumptions used in determining claims reserves are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Company may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the outstanding claims which are received but not yet settled with the providers. For the case of outstanding claims, the Company uses payment information of settled batches with providers to estimate the expected settlement amounts of recently submitted batches, while it uses mainly pre-authorization data to estimate IBNR. The Company seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information from both claims received and pre-authorization data.

The premium liabilities have been determined as such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve, if applicable and required as per the result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies. The expected future liability is determined using the Company's loss ratio adjusted for seasonality and portfolio mix for the remaining unearned period. The details of estimation of the outstanding claims and premium deficiency reserves are given under Notes 2(d)(i).

## (iv) Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

An assumed 5% change in the claims' ratio, net of reinsurance, would impact net underwriting income as follows:

	2021 SR '000	2020 SR '000
Impact of change in claims ratio by 5%	± 530,885	± 536,724

## (b) Reinsurance risk

The Company has a reinsurance arrangement to reduce its exposure through transfer of insurance risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis. Such arrangement protects the Company from large claims with a reasonable ceded premium given the stable underwriting performance and the size of the insurance portfolio.

The Reinsurers are selected based on the following criteria:

- All reinsurers should meet SAMA's minimum acceptable rating of BBB (S&P Rating).
- The reinsurers' panel and the agreement should be reviewed and approved by the Company's Board of Directors.

Reinsurance ceded business does not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

## (c) Market risk

Market risk refers to the potential impact of various market dynamics on the fair value or the expected cash flows of financial instruments. The Company adopts asset allocation guidelines and diversification limits on asset classes, geographies, currencies and securities to ensure that market risk is contained and kept to minimal levels.

The Board of Directors sets the overall risk appetite to a prudent level that does not impact the Company's operating results. The management prepares monthly and quarterly reports, highlighting deployment activities and exposure limits to ensure that appropriate monitoring and compliance with the approved guidelines. Management performs continuous assessment of developments in relevant markets to ensure that market risk is monitored and mitigated at the asset class and securities levels.

Market risk comprises three types: interest rate risk, price risk and currency risk.

**(i) Interest rate risk**

Interest rate risk is the potential change in the fair value of financial instruments and expected cash flows as a result of changes in interest rates. Management constantly monitors developments in global and local interest rates and accordingly allocates the durations of its term deposits and sukuk investments.

Investments in term deposits and sukuk instruments have various maturities in order to maximise investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest-bearing securities as at 31 December are as follows:

	2021 (SR '000)				
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	Total
Term deposits	200,000	1,424,328	1,293,118	150,000	3,067,446
Investments in Sukuk – AFS	103,891	10,121	300,975	1,138,522	1,553,509
Investments in Sukuk – FVSI	26,000	-	18,000	29,059	73,059
Investments in Sukuk – HTM	-	-	-	331,250	331,250
	329,891	1,434,449	1,612,093	1,648,831	5,025,264

	2021 (SR '000)				
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	Total
Term deposits	668,555	1,011,500	650,094	393,024	2,723,173
Investments in Sukuk – AFS	125,000	88,089	306,472	1,188,765	1,708,326
Investments in Sukuk – FVSI	-	26,000	-	47,104	73,104
Investments in Sukuk – HTM	-	-	-	131,250	131,250
	793,555	1,125,589	956,566	1,760,143	4,635,853

**(ii) Price risk**

Price risk is the potential change in the fair value of financial instruments as a result of instrument-specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of investments which are exposed to market price risk is SR 5,704 million (2020: SR 6,029 million). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments on Company's profit would be as follows:

	Fair value change %	Effect on Company's profit SR '000
2021	± 10%	± 32,586
2020	± 10%	± 22,378

The above sensitivity analysis is only on FVSI investments which directly impact the Company's profit.

**(iii) Currency risk**

Currency risk is the potential fluctuation of the value of a financial instrument due to changes in foreign exchange rates. All Company's transactions are in Saudi Arabian Riyals and US Dollar. Given the peg of Saudi Arabian Riyals and US Dollars, foreign exchange risk is minimal.

**(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing term deposits and investments with reputable financial institutions. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated A or above).

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

	2021 SR '000	2020 SR '000
Cash and cash equivalents	960,758	633,251
Premiums receivable – net	1,761,300	1,320,043
Reinsurers' share of outstanding claims	7,207	1,475
Reinsurers' share of claims incurred but not reported	7,829	6,461
Investments	1,957,818	1,912,680
Other receivables	85,885	109,931
Term deposits	3,093,720	2,796,547
Statutory deposit	120,000	120,000
Accrued income on statutory deposit	14,885	13,806
	8,009,402	6,914,194

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AAA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	2021 (SR '000)			
	Non-investment grade			
	Investment grade	Not impaired	Impaired	Total
Cash and cash equivalents	960,758	-	-	960,758
Premiums receivable – net	1,761,300	-	-	1,761,300
Reinsurers' share of outstanding claims	7,207	-	-	7,207
Reinsurers' share of claims Incurred but not reported	7,829	-	-	7,829
Investments	1,957,818	-	-	1,957,818
Other receivables	85,885	-	-	85,885
Term deposits	3,093,720	-	-	3,093,720
Statutory deposit	120,000	-	-	120,000
Accrued income on statutory deposit	14,885	-	-	14,885
	8,009,402	-	-	8,009,402



	2020 (SR '000)			
	Non-investment grade			Total
	Investment grade	Not impaired	Impaired	
Cash and cash equivalents	633,251	-	-	633,251
Premiums receivable - net	1,320,043	-	-	1,320,043
Reinsurers' share of outstanding claims	1,475	-	-	1,475
Reinsurers' share of claims Incurred but not reported	6,461	-	-	6,461
Investments	1,912,680	-	-	1,912,680
Other receivables	109,931	-	-	109,931
Term deposits	2,796,547	-	-	2,796,547
Statutory deposit	120,000	-	-	120,000
Accrued income on statutory deposit	13,806	-	-	13,806
	6,914,194	-	-	6,914,194

### (e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its operational or financial obligations when they are due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

	2021 (SR '000)		
	Up to one year	More than one year	Total
Accrued and other liabilities	604,774	-	604,774
Lease liability	-	125,333	125,333
Insurance operations' surplus payable	190,060	-	190,060
Reinsurers' balances payable	25,397	-	25,397
Outstanding claims	601,168	-	601,168
Claims incurred but not reported	1,413,888	-	1,413,888
Premium deficiency reserve	74,602	-	74,602
Claims handling reserve	21,797	-	21,797
Due to related parties	33,723	-	33,723
Accrued income payable to SAMA	-	14,885	14,885
	2,965,409	140,218	3,105,627

	2020 (SR '000)		Total
	Up to one year	More than one year	
Accrued and other liabilities	540,450	-	540,450
Lease liability	-	135,600	135,600
Insurance operations' surplus payable	200,391	-	200,391
Reinsurers' balances payable	4,873	-	4,873
Outstanding claims	446,519	-	446,519
Claims incurred but not reported	1,378,294	-	1,378,294
Premium deficiency Reserve	263,751	-	263,751
Claims handling reserve	20,755	-	20,755
Due to related parties	108,521	-	108,521
Accrued income payable to SAMA	-	13,806	13,806
	2,963,554	149,406	3,112,960

#### (f) Liquidity profile

All assets excluding investments, Fixtures, Furniture and Right-of-use assets, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit, are expected to be recovered or settled before one year. Term deposits amounting to SR 2,124 million (31 December 2020: SR 1,680 million) mature within one year and the remaining balance have maturities greater than one year.

None of the financial liabilities on the statement of financial position are based on discounted cash flows, with exception of end-of-service benefits and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the financial liabilities of the Company.

#### (g) Operation risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from factors other than credit, market and liquidity risks such as those arising from regulatory requirements. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address those risks;
- Ethical and business standards; and
- Risk mitigation policies and procedures.



**36 Supplementary Information****Statement of Financial Position**

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	930,691	30,067	960,758	195,232	438,019	633,251
Premiums receivables - net	1,761,300	-	1,761,300	1,320,043	-	1,320,043
Reinsurers' share of unearned premiums	27,935	-	27,935	20,108	-	20,108
Reinsurers' share of outstanding claims	7,207	-	7,207	1,475	-	1,475
Reinsurers' share of claims incurred but not reported	7,829	-	7,829	6,461	-	6,461
Deferred policy acquisition costs	201,042	-	201,042	68,214	-	68,214
Investments	2,599,429	3,104,344	5,703,773	3,568,181	2,461,265	6,029,446
Prepaid expenses and other assets	99,998	13,256	113,254	71,167	13,919	85,086
Term deposits	2,007,922	1,085,798	3,093,720	1,645,292	1,151,255	2,796,547
Fixtures, Furniture - net	-	69,771	69,771	-	78,393	78,393
Right-of-use assets - net	-	112,616	112,616	-	125,626	125,626
Intangible assets - net	-	67,277	67,277	-	61,958	61,958
Deferred tax asset	-	39,735	39,735	-	37,941	37,941
Goodwill	-	98,000	98,000	-	98,000	98,000
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Accrued income on statutory deposit	-	14,885	14,885	-	13,806	13,806
<b>TOTAL ASSETS</b>	<b>7,643,353</b>	<b>4,755,749</b>	<b>12,399,102</b>	<b>6,896,173</b>	<b>4,600,182</b>	<b>11,496,355</b>
<b>LIABILITIES</b>						
Accrued and other liabilities	597,911	6,863	604,774	534,201	6,249	540,450
Lease liability	-	125,333	125,333	-	135,600	135,600
Insurance operations' surplus payable	190,060	-	190,060	200,391	-	200,391
Reinsurers' balances payable	25,397	-	25,397	4,873	-	4,873
Unearned premiums	4,709,555	-	4,709,555	4,023,331	-	4,023,331
Outstanding claims	601,168	-	601,168	446,519	-	446,519
Claims incurred but not reported	1,413,888	-	1,413,888	1,378,294	-	1,378,294
Premium deficiency reserve	74,602	-	74,602	263,751	-	263,751
Claims handling reserve	21,797	-	21,797	20,755	-	20,755
Due to related parties	-	33,723	33,723	-	108,521	108,521
Provision for end-of-service benefits (EOSB)	-	152,286	152,286	-	140,012	140,012
Provision for Zakat and income tax	-	236,610	236,610	-	317,199	317,199
Accrued income payable to SAMA	-	14,885	14,885	-	13,806	13,806
<b>TOTAL LIABILITIES</b>	<b>7,634,378</b>	<b>569,700</b>	<b>8,204,078</b>	<b>6,872,115</b>	<b>721,387</b>	<b>7,593,502</b>
<b>EQUITY</b>						
Share capital	-	1,200,000	1,200,000	-	1,200,000	1,200,000
Statutory reserve	-	992,210	992,210	-	867,096	867,096
Share based payments reserve	-	43,500	43,500	-	32,800	32,800
Shares held under employees share scheme	-	(53,356)	(53,356)	-	(48,779)	(48,779)
Retained earnings	-	1,790,700	1,790,700	-	1,684,003	1,684,003
Re-measurement reserve of end-of-service benefits	-	(23,638)	(23,638)	-	(31,173)	(31,173)
Investments fair value reserve	8,975	236,633	245,608	24,058	174,848	198,906
<b>TOTAL EQUITY</b>	<b>8,975</b>	<b>4,186,049</b>	<b>4,195,024</b>	<b>24,058</b>	<b>3,878,795</b>	<b>3,902,853</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,643,353</b>	<b>4,755,749</b>	<b>12,399,102</b>	<b>6,896,173</b>	<b>4,600,182</b>	<b>11,496,355</b>



## Statement of Income

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written	11,382,194	-	11,382,194	10,447,353	-	10,447,353
Reinsurance premiums ceded - Local	(5,345)	-	(5,345)	(5,953)	-	(5,953)
Reinsurance premiums ceded - International	(80,737)	-	(80,737)	(59,289)	-	(59,289)
<b>NET PREMIUMS WRITTEN</b>	11,296,112	-	11,296,112	10,382,111	-	10,382,111
Changes in unearned premiums - net	(678,397)	-	(678,397)	352,371	-	352,371
<b>NET PREMIUMS EARNED</b>	10,617,715	-	10,617,715	10,734,482	-	10,734,482
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(9,073,926)	-	(9,073,926)	(8,262,050)	-	(8,262,050)
Reinsurers' share of claims paid	22,393	-	22,393	20,987	-	20,987
<b>NET CLAIMS PAID</b>	(9,051,533)	-	(9,051,533)	(8,241,063)	-	(8,241,063)
Changes in outstanding claims	(154,649)	-	(154,649)	5,269	-	5,269
Changes in claims incurred but not reported	(35,594)	-	(35,594)	(220,866)	-	(220,866)
Changes in premium deficiency reserve	189,149	-	189,149	(263,751)	-	(263,751)
Changes in claims handling reserves	(1,042)	-	(1,042)	(2,263)	-	(2,263)
Reinsurance share of changes in outstanding claims	5,732	-	5,732	257	-	257
Reinsurance share of changes in claims incurred but not reported	1,368	-	1,368	2,489	-	2,489
<b>NET CLAIMS INCURRED</b>	(9,046,569)	-	(9,046,569)	(8,719,928)	-	(8,719,928)
Policy acquisition costs	(343,427)	-	(343,427)	(630,734)	-	(630,734)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	(9,389,996)	-	(9,389,996)	(9,350,662)	-	(9,350,662)
<b>NET UNDERWRITING INCOME</b>	1,227,719	-	1,227,719	1,383,820	-	1,383,820
<b>OTHER OPERATING (EXPENSES)/INCOME</b>						
Allowance for doubtful receivables	(22,458)	-	(22,458)	(28,770)	-	(28,770)
General and administrative expenses	(586,004)	(12,590)	(598,594)	(565,199)	(20,350)	(585,549)
Selling and marketing expenses	(115,646)	-	(115,646)	(106,467)	-	(106,467)
Investment income - net	84,843	175,594	260,437	121,788	91,507	213,295
Other income/(loss) - net	(4,985)	42,575	37,590	(3,762)	31,243	27,481
<b>TOTAL OTHER OPERATING (EXPENSES)/INCOME</b>	(644,250)	205,579	(438,671)	(582,410)	102,400	(480,010)
<b>INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX</b>	583,469	205,579	789,048	801,410	102,400	903,810
<b>TRANSFER OF SURPLUS TO SHAREHOLDERS</b>	(525,122)	525,122	-	(721,269)	721,269	-
<b>INCOME ATTRIBUTED TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX</b>	58,347	730,701	789,048	80,141	823,669	903,810
Zakat charge	-	(41,136)	(41,136)	-	(64,297)	(64,297)
Income tax charge	-	(63,995)	(63,995)	-	(63,244)	(63,244)
<b>NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX</b>	58,347	625,570	683,917	80,141	696,128	776,269
<b>WEIGHTED AVERAGE NUMBER OF ORDINARY OUTSTANDING SHARES (IN THOUSANDS)</b>		119,558			119,421	
<b>BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN SR PER SHARE)</b>		5.23			5.83	



## Statement of Comprehensive Income

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income attributed to the shareholders after Zakat and income tax	58,347	625,570	683,917	80,141	696,128	776,269
Other comprehensive income						
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO STATEMENTS OF INCOME IN SUBSEQUENT YEARS</b>						
Re-measurement losses on employees' EOSB	-	7,535	7,535	-	(20,700)	(20,700)
<b>ITEMS THAT ARE OR MAY BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT YEARS</b>						
Net changes in fair value of available-for-sale investments	(15,083)	61,785	46,702	11,554	156,813	168,367
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>43,264</b>	<b>694,890</b>	<b>738,154</b>	<b>91,695</b>	<b>832,241</b>	<b>923,936</b>
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			(58,347)			(80,141)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			<b>679,807</b>			<b>843,795</b>

## Statement of Cash flows

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income attributed to the shareholders before Zakat and income tax	-	730,701	730,701	-	823,669	823,669
<b>ADJUSTMENTS FOR NON-CASH ITEMS:</b>						
Net income attributed to the insurance operations	58,347	-	58,347	80,141	-	80,141
Depreciation of Fixtures, Furniture	15,216	-	15,216	15,266	-	15,266
Amortization of Right-of-use assets	15,939	-	15,939	16,241	-	16,241
Amortization of intangible assets	14,446	-	14,446	15,731	-	15,731
Loss on disposal of Fixtures and Furniture	-	2,521	2,521	-	-	-
Provision for LTIP	-	20,386	20,386	-	16,034	16,034
Allowance of doubtful receivables	22,458	-	22,458	28,770	-	28,770
Unrealized gains on investments held as FVSI	-	(2,643)	(2,643)	(1,058)	182	(876)
Commission Income on Term Deposits	(31,182)	(27,175)	(58,357)	(79,901)	(40,277)	(120,178)
Provision for end-of-service benefits	-	27,495	27,495	-	27,294	27,294
Finance cost	-	5,834	5,834	-	5,244	5,244

	2021 (SR '000)			2020 (SR '000)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>						
Premiums receivable	(463,715)	-	(463,715)	340,564	-	340,564
Reinsurers' share of unearned premiums	(7,827)	-	(7,827)	517	-	517
Reinsurers' share of outstanding claims	(5,732)	-	(5,732)	(257)	-	(257)
Reinsurers' share of claims incurred but not reported	(1,368)	-	(1,368)	(2,489)	-	(2,489)
Deferred policy acquisition costs	(132,828)	-	(132,828)	65,808	-	65,808
Prepaid expenses and other assets	(28,831)	663	(28,168)	92,167	9,056	101,223
Accrued and other liabilities	63,710	614	64,324	181,403	689	182,092
Reinsurers' balances payable	20,524	-	20,524	(49,540)	-	(49,540)
Unearned premiums	686,224	-	686,224	(352,888)	-	(352,888)
Outstanding claims	154,649	-	154,649	(5,269)	-	(5,269)
Claims incurred but not reported	35,594	-	35,594	220,866	-	220,866
Premium deficiency reserve	(189,149)	-	(189,149)	263,751	-	263,751
Claims handling reserve	1,042	-	1,042	2,263	-	2,263
Due to related parties	-	(60,557)	(60,557)	-	27,800	27,800
Due to shareholders' operations	(48,133)	48,133	-	(47,239)	47,239	-
	179,384	745,972	925,356	784,847	916,930	1,701,777
End-of-service benefits paid	-	(7,686)	(7,686)	-	(4,323)	(4,323)
Surplus paid to policyholders	(68,678)	-	(68,678)	(48,204)	-	(48,204)
Zakat and income tax paid	-	(187,514)	(187,514)	-	(92,776)	(92,776)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	110,706	550,772	661,478	736,643	819,831	1,556,474
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Placement in term deposits	(1,839,000)	(374,328)	(2,213,328)	(488,850)	(300,000)	(788,850)
Proceeds from maturity of term deposits	1,507,552	466,960	1,974,512	2,330,514	936,277	3,266,791
Additions to investments	(8,132,760)	(7,033,358)	(15,166,118)	(9,765,721)	(3,983,139)	(13,748,860)
Disposals of investments	9,088,961	6,452,175	15,541,136	6,935,704	2,793,785	9,729,489
Additions to Fixtures, Furniture	-	(9,115)	(9,115)	-	(11,840)	(11,840)
Disposal of Fixtures, Furniture	-	-	-	-	-	-
Intangible assets acquired	-	(19,765)	(19,765)	-	(21,444)	(21,444)
Net cash used in investing activities	624,753	(517,431)	107,322	(988,353)	(586,361)	(1,574,714)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Dividends paid	-	(408,000)	(408,000)	-	-	-
Purchase of shares under LTIP	-	(14,263)	(14,263)	-	-	-
Lease liability paid	-	(19,030)	(19,030)	-	(14,218)	(14,218)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	-	(441,293)	(441,293)	-	(14,218)	(14,218)
Net change in cash and cash equivalents	735,459	(407,952)	327,507	(251,710)	219,252	(32,458)
Cash and cash equivalents at beginning of the year	195,232	438,019	633,251	446,942	218,767	665,709
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	930,691	30,067	960,758	195,232	438,019	633,251

**37 RESTATEMENT OF COMPARATIVE FIGURES**

Certain comparative figures have been restated to conform with the current year's presentation to these financial statements. These restatement have no impact on the net income for the year ended 31 December 2021 and retained earnings as at 31 December 2021.

As at 31 December 2020, an amount of SR 125.6 million has been reclassified from "Fixtures, Furniture and Right-of-use assets - net" to "Right-of-use assets - net". Similarly as at 31 December 2020, an amount of SR 135.6 million has been reclassified from "Accrued and other liabilities" to "Lease liability". In addition, an amount of SR 73.4 million has been reclassified from "Prepaid expenses and other assets" to "Term deposits".

**38 IMPACT OF COVID-19 COMPENSATION FOR GOVERNMENT PROVIDERS**

As many world economies grapple with the coronavirus ("COVID-19") uncertainties, Bupa Arabia continues to monitor the situation closely and refresh its business continuity and risk management plans to ensure sustainability of its current service levels and operational activities under different scenarios while preserving the safety and health of its employees. COVID-19 is having a profound impact on many facets of the health insurance sector, including medical claim patterns as explained below. Given the many uncertainties surrounding the duration and severity of the pandemic, management continues reassessing and updating its estimates and judgments on a regular basis. Actual outcomes may differ from those projected. The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed Financial Statements.

After Saudi Arabia started easing COVID-19 lockdown and curfew measures towards the end of second quarter of 2020 for which a substantial drop in claims was observed, the demand for healthcare services gradually recovered during the second half of 2020 and throughout 2021. The claims levels in the second half of 2021 exceeded those of pre-COVID periods. The Company expects this pattern to persist over the next months; hence, the Company still holds a PDR balance of SR 74.6 million to ensure it holds adequate reserves to cover for the surge in claims. This PDR calculation follows SAMA Circular 173 dated 16 January 2019, which requires insurance companies to hold a Premium Deficiency Reserve ("PDR") in case the relevant Unearned Premium Reserve ("UPR") is insufficient to cover related projected claims and expenses.

**Impact of Government Providers**

The Council of Health Insurance ("CHI") issued Circular 895, dated 17 December 2020, regarding the enforcement of Article 11 of the Cooperative Health Insurance Law, requesting medical insurance companies, effective 1 January 2021, to include all accredited government healthcare providers in their medical network while complying with the approved financial compensation structure. The circular is expected to have a material impact on future medical claims considering the mandated prices and protocols regulating the relationship between government health facilities and insurance companies. Given the many uncertainties surrounding the actual rollout and application of Circular 895, management continues monitoring the situation closely, while reassessing and updating its estimates and judgments on a regular basis.

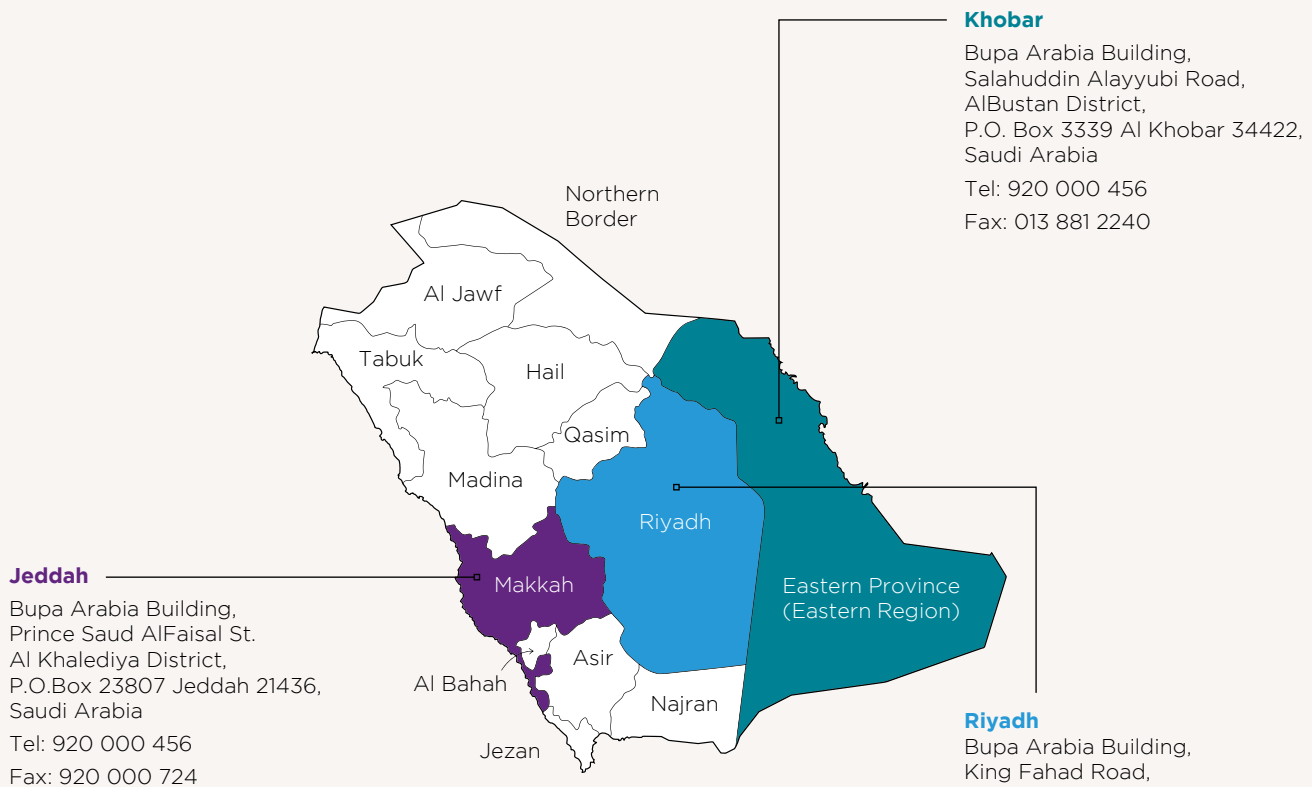
**39 DIVIDENDS DECLARED**

On 25 April 2021, the Company's Board of Directors proposed to pay dividends, for the year ended 31 December 2020, of SR 3.4 per share, totalling SR 408 million, to its shareholders. The dividends were approved by the shareholders in the Extraordinary General Assembly meeting, held on 24 June 2021, with payment executed in July 2021.

**40 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors, on 22 Rajab 1443H corresponding to 23 February 2022.

# Regional Offices



**Bupa Arabia North Office**  
Telephone: 920 000 456  
6th floor, Prince Sultan St.,  
Al-Mohammadiyah District  
(next to SACO)  
P.O. Box 250 – Jeddah 21411

## Branch Offices

### Madina Monawara Branch

Tel: 920 000 456 – 8380  
Inside Tabbah Business Center, Al Aridh,  
Madinah 42313

### Makkah Branch

Tel: 920 000 456 – 8888  
Inside Tujjar Makkah Center, Waly Al Ahd,  
Makkah 24354

### Buraidah Branch

Tel: 920 000 456 – 8386  
Buraidah, 40 Street,  
in front of Jawazat





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