

Bupa Arabia FY 2021 – Earnings Conference Call & Webcast

April 6th, 2022

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Agenda

- 1 Strategic Framework**
- 2 Financial Performance**
- 3 Market Outlook**
- 4 Other Highlights**



Strategic Framework

Strategic Framework

We consistently strive to reflect what we stand for in everything we do



1Bupa Arabia 2023



1Bupa Arabia strategy, launched across the organization in 2020, builds on our long-standing purpose of *"helping people live longer, healthier, happier lives, and making a better world"*.

It employs **six strategic pathways** to accelerate the company's growth trajectory and **achieve five strategic goals**:

- Achieve **sustainable profit growth** while protecting our core competencies
- Reach a Net promoter Score (**NPS**) of **more than 70**
- Reach an employee engagement score (**eNPS**) of **at least 75**
- Ensure our **risk maturity level is 4**
- Become recognized as the **most trusted health insurance provider in Saudi Arabia**



Financial Performance

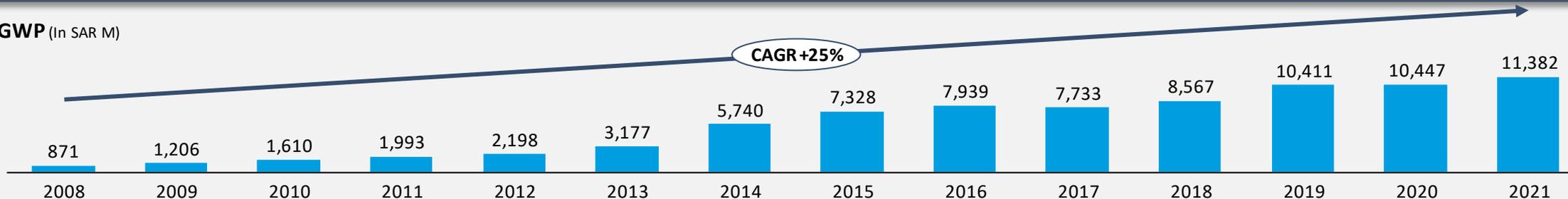
Bupa Arabia at a Glance

Robust profitability growth & significant value creation for shareholders

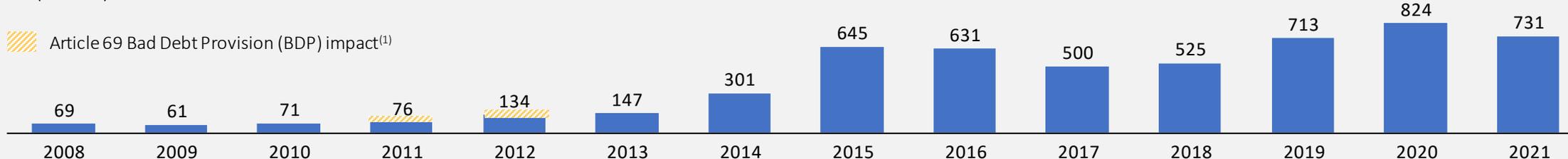


25+ Years of Experience with **1,800+** Employees serving **3M+** Members within **1,450+** Providers in Saudi Arabia

GWP (In SAR M)

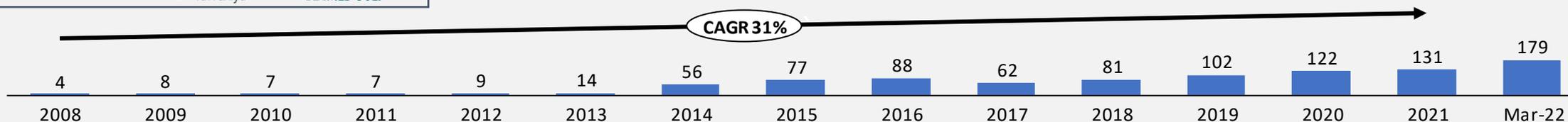


EBT (In SAR M)



Stock Price (In SAR) ■ Bupa Arabia

CAGR: TASI +7% +13% -3%



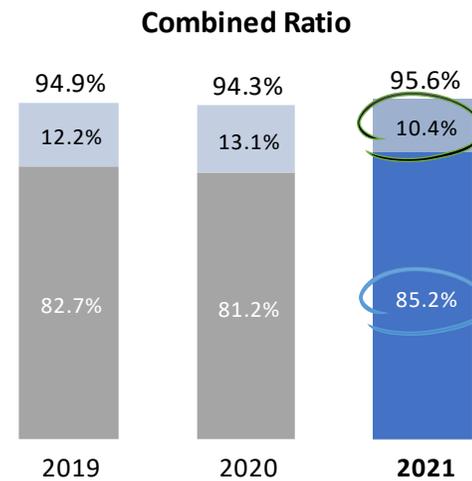
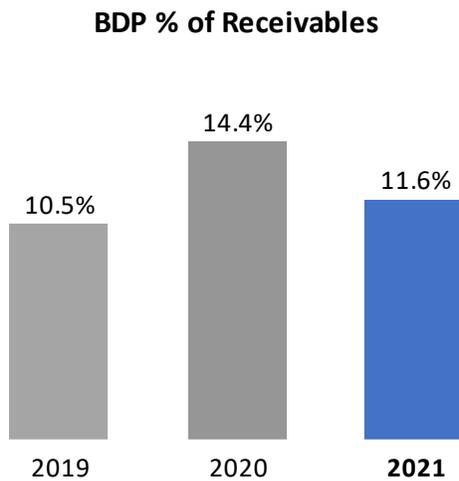
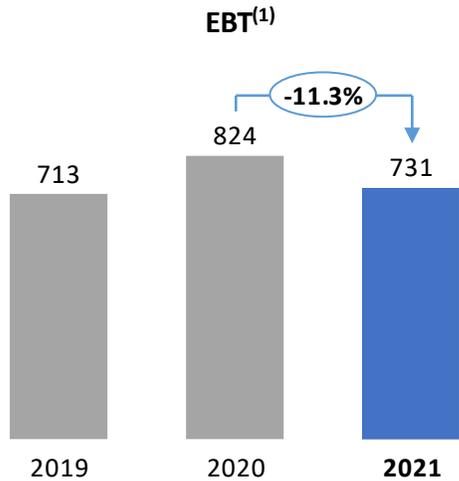
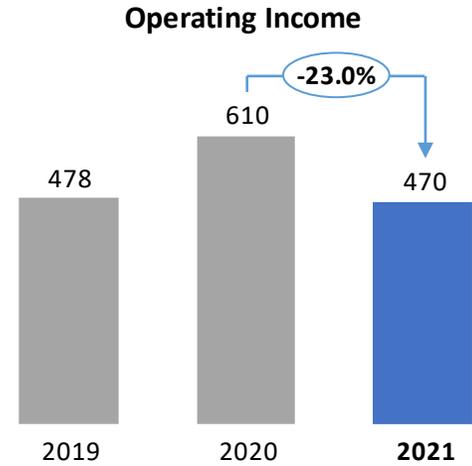
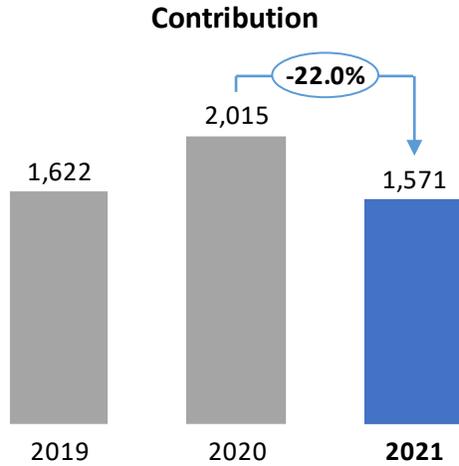
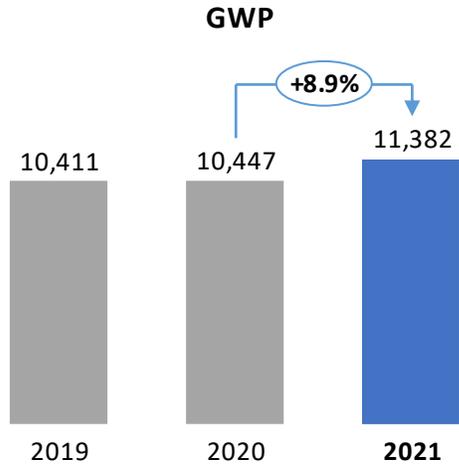
Note(s): (1) Profit fluctuation in 2011 and 2012 is due to BDP treatment in line with interpretation of Article 69, where a BDP provision of SAR 34M was taken in 2011 and BDP recovery of SAR 20M was made in 2012. (2) Impact of increase in capital, by SAR 400M in 2015 and 2018, on the stock price have been reflected retrospectively.

Financial Highlights



EBT FY 2021 dropped by 11% as a result of LR deterioration by 4 pps YoY

(In SAR M)



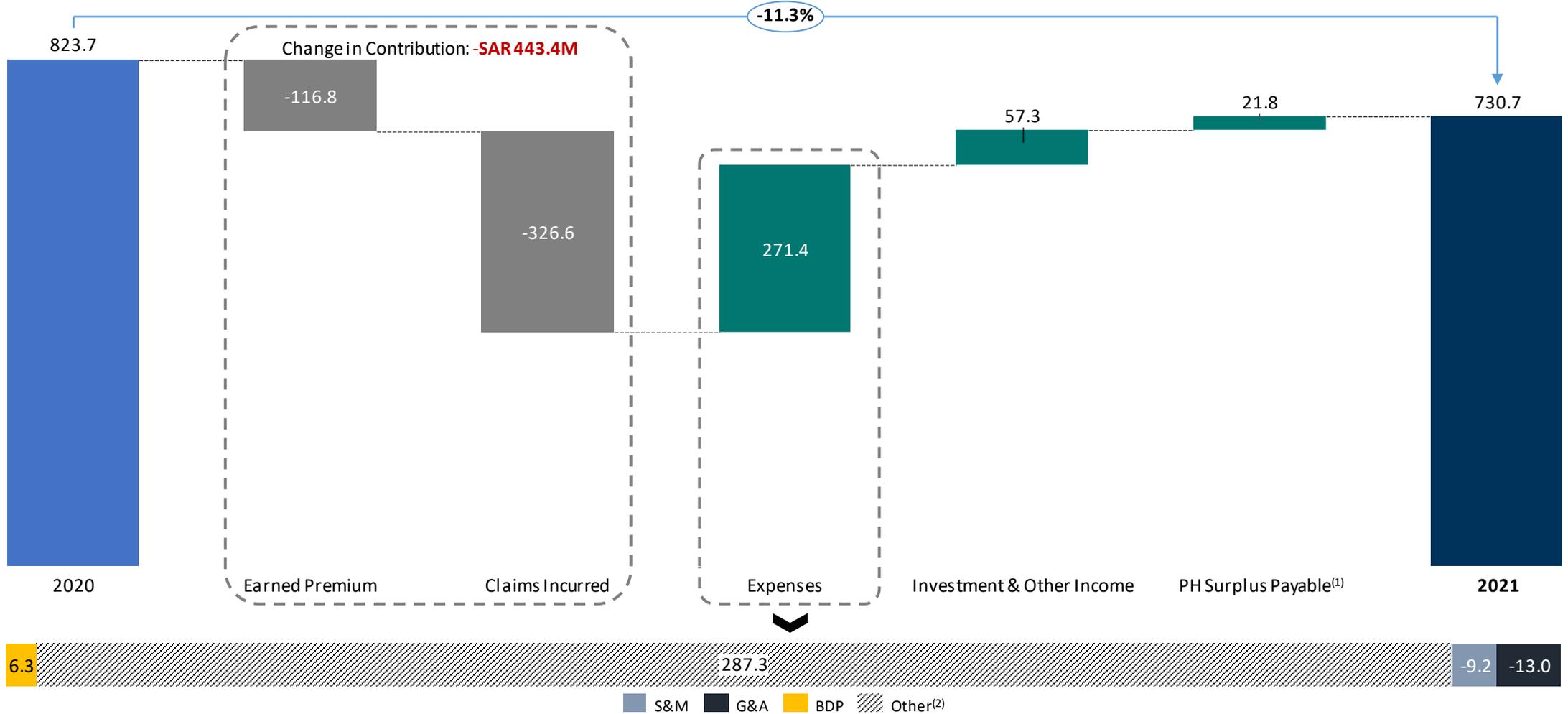
Note(s): (1) Earnings before taxes and zakat, or EBT, represents net income attributed to the shareholders.

Expense ratio Loss ratio

EBT decline partially offset by favorable movements in expenses and investment income

(In SAR M)

EBT Change between 2020 & 2021

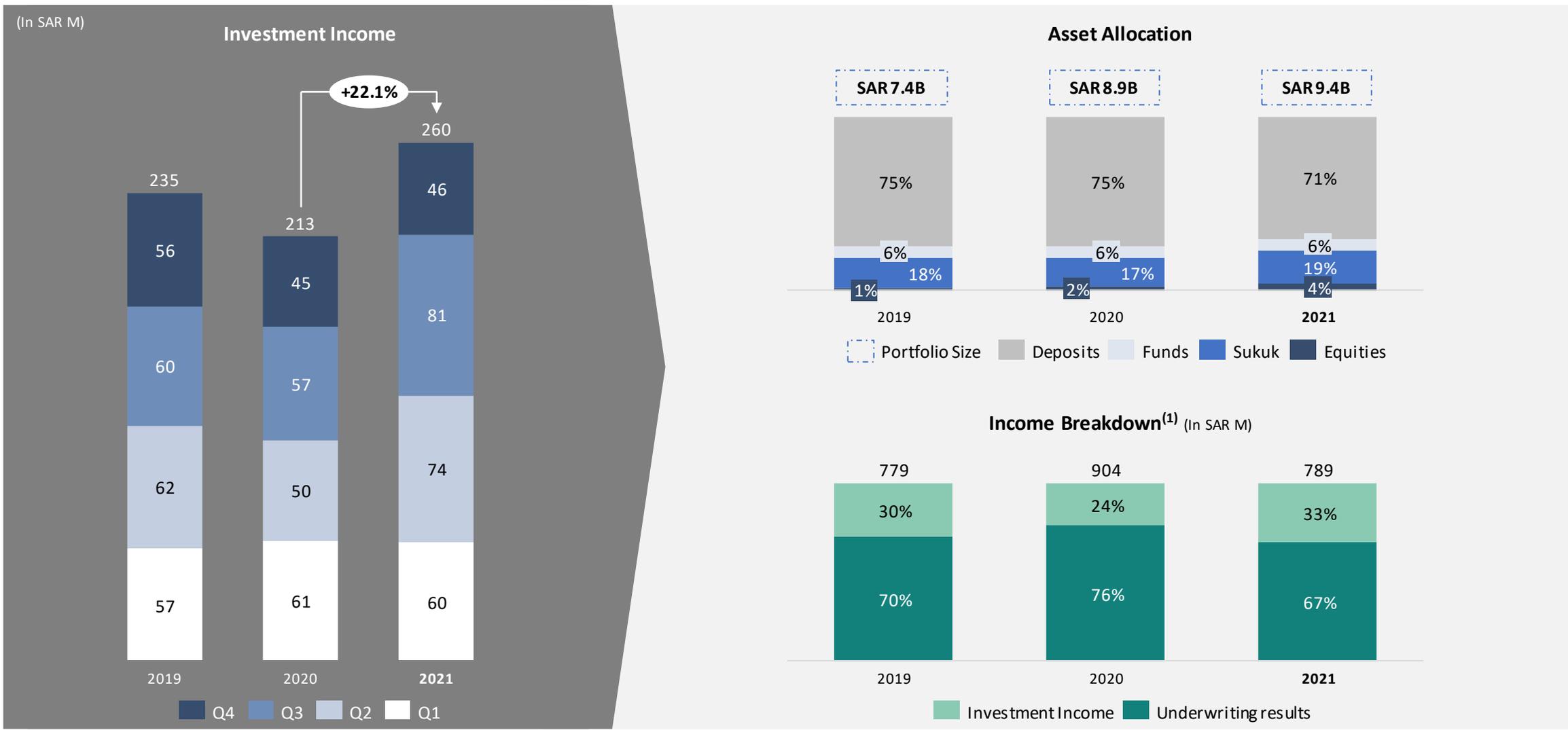


Note(s): (1) PH: Policyholders' share of surplus from insurance operation. (2) Other represents policy acquisition cost (internal & external commission).

Investment Portfolio and Results



Resilient investment income through increased duration, further diversification, and capital gains



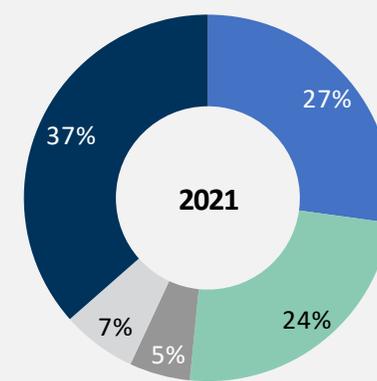
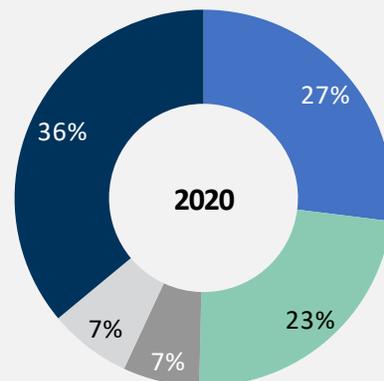
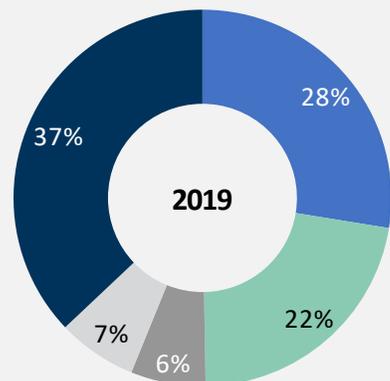
Note(s): (1) Income breakdown represents net income attributed to the shareholders and policyholders.

Market Share & Positioning

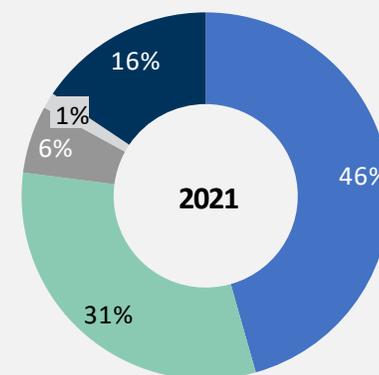
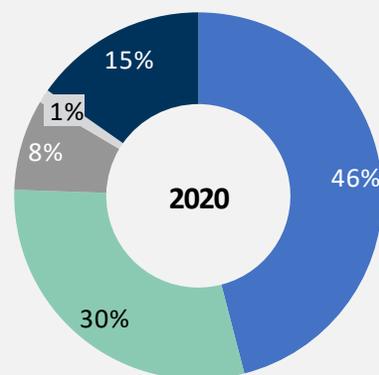
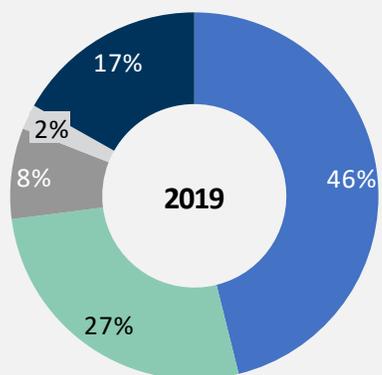
Bupa Arabia maintains market leadership as of 2021



Total Insurance Market Share on GWP Basis



Health Insurance Market Share on GWP Basis



■ Bupa Arabia
 ■ Tawuniya
 ■ Medgulf
 ■ Al Rajhi Takaful
 ■ Others

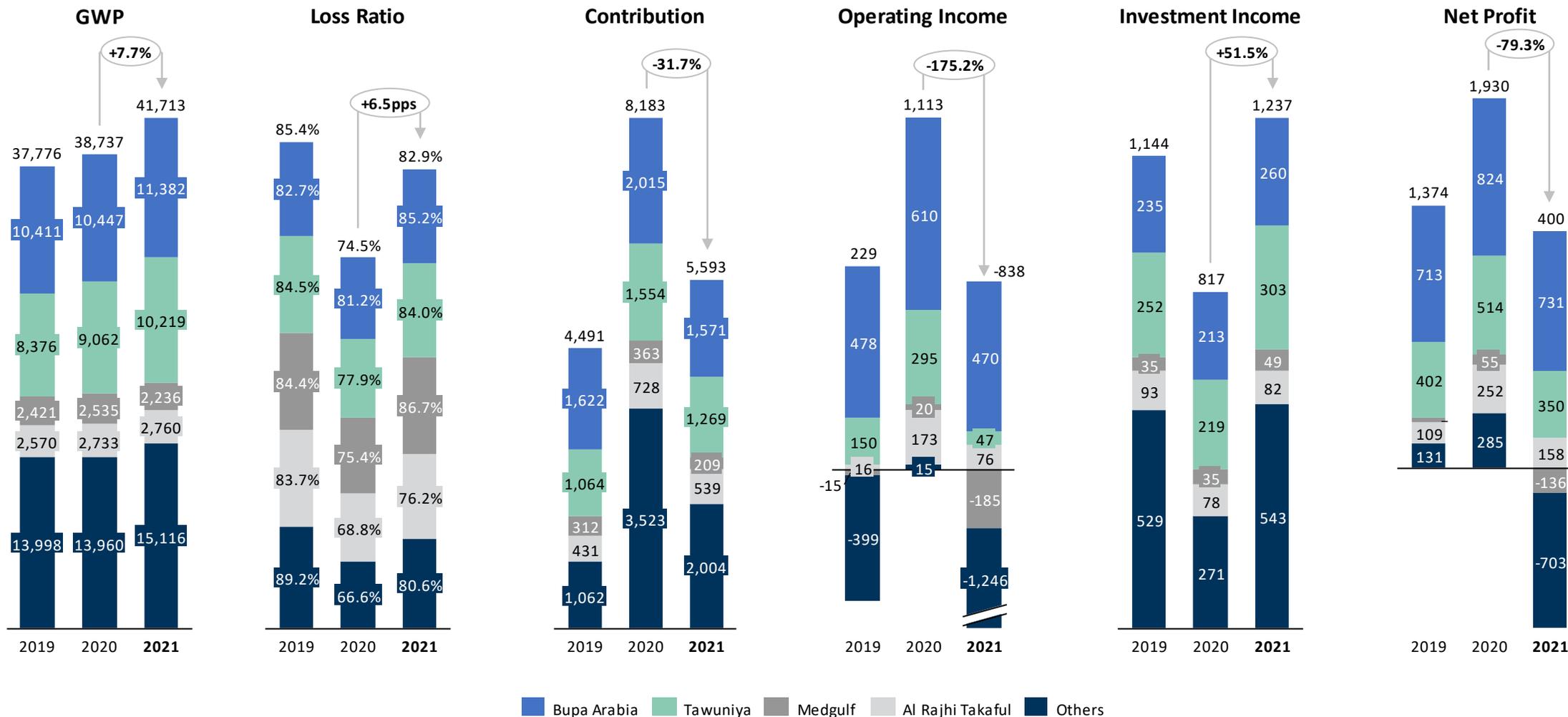
Source(s): Respective insurance companies' filings; Others based on estimates.

Total Insurance Market



Lower profitability due to deteriorated contribution levels despite significant growth in investment returns

(In SAR M)



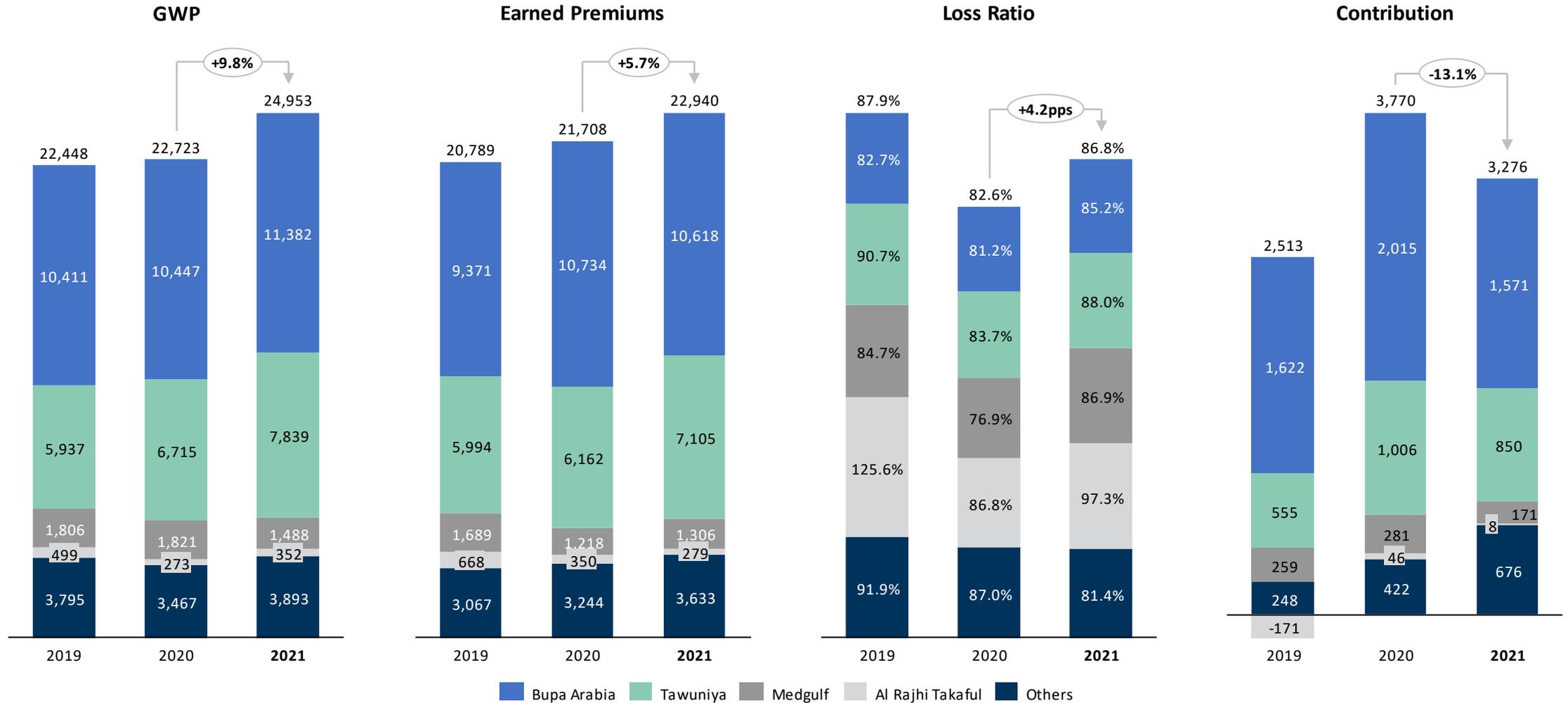
Source(s): Respective insurance companies' filings; Others based on estimates.

Health Insurance Market



Contribution dropped by 13% due to LR deterioration on back of surge in claims and challenging pricing environment

(In SAR M)



General note: Tawuniya Medical insurance results are inclusive of Umrah product.
Source(s): Respective insurance companies' filings, Others based on estimates

Non-health Insurance Market



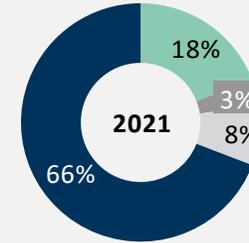
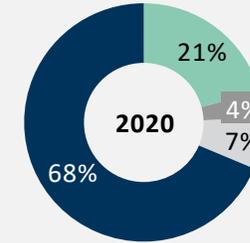
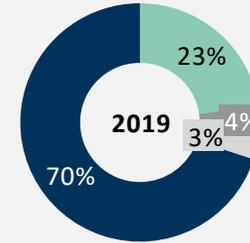
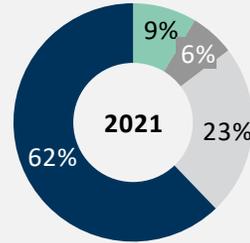
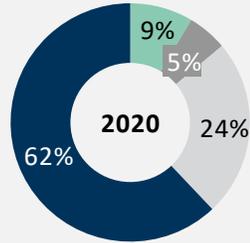
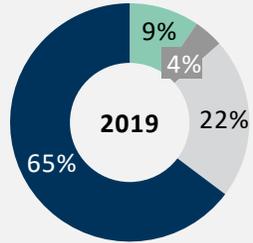
Significant drop in motor contribution, while other segments show favorable performance

(In SAR M)

Motor Segment

Other Segments⁽¹⁾

Market Share



GWP

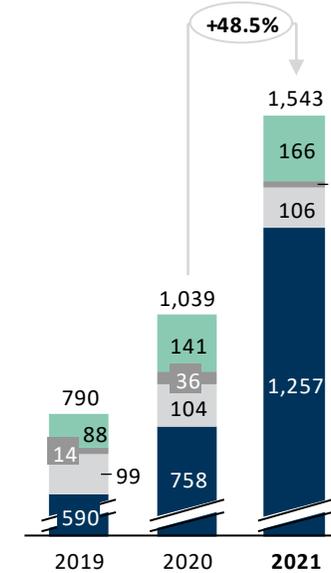
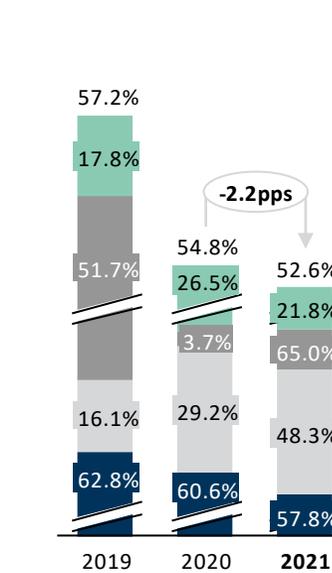
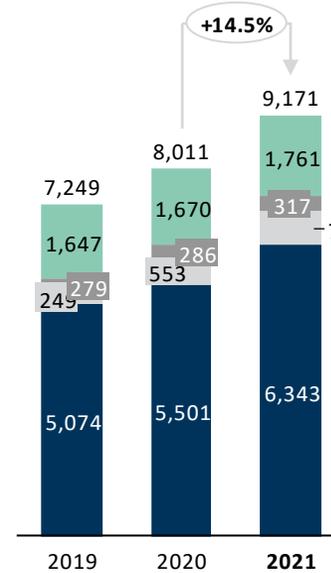
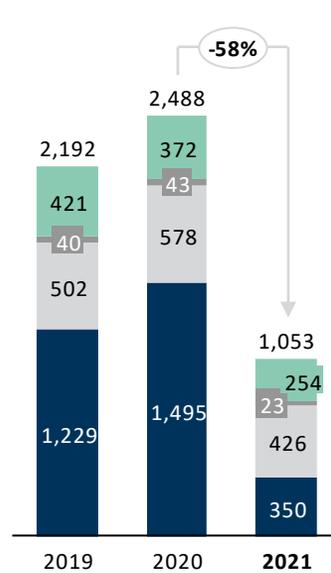
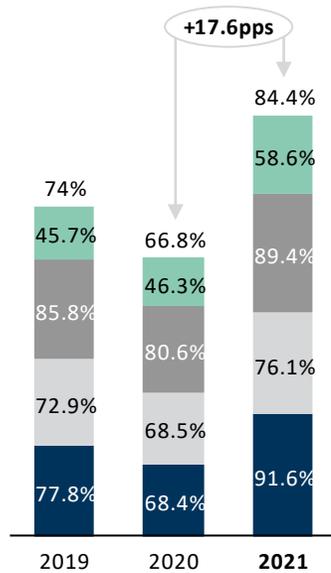
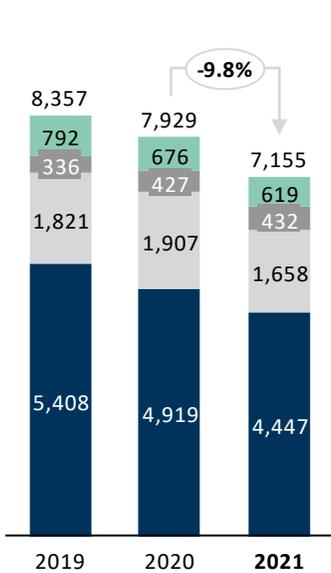
Loss Ratio

Contribution

GWP

Loss Ratio

Contribution



Tawuniya Medgulf Al Rajhi Takaful Others

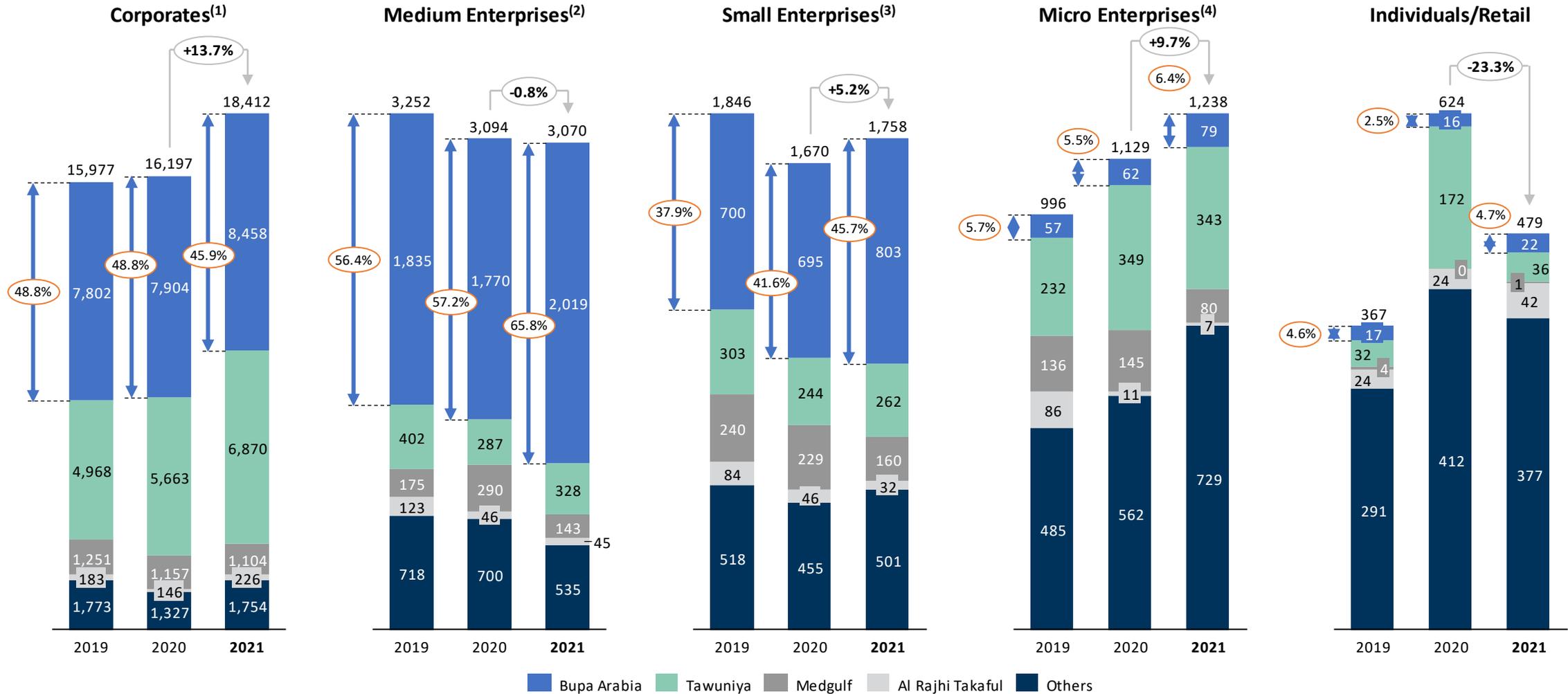
Note(s): (1) Other segments include mainly Life, Marine, P&C and others.
Source(s): Respective insurance companies' filings; Others based on estimates.

Health Insurance Market – GWP Segmentation



Bupa Arabia continues to be the preferred health insurer for corporates and SMEs

(In SAR M)



General note: Tawuniya segmented results of individuals/retails include GWP from Umrah product.

Note(s): (1) Corporates: Number of Employees > 249. (2) Medium: Number of Employees 50 – 249. (3) Small: Number of Employees 6 – 49. (4) Micro: Number of Employees 1 – 5.

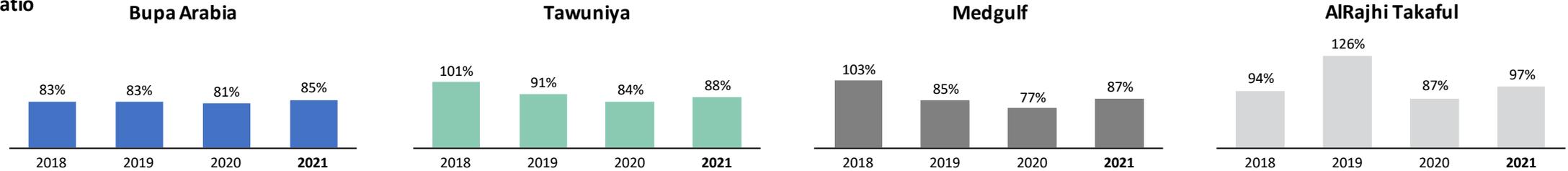
Source(s): Respective insurance companies' filings, FY 2021 – Earnings Conference Call & Webcast

Loss Ratio & Technical Reserves

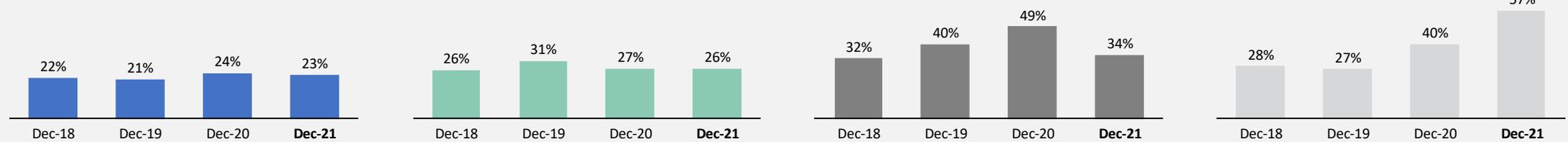
Bupa Arabia continues to report healthy LR and consistent reserve ratios



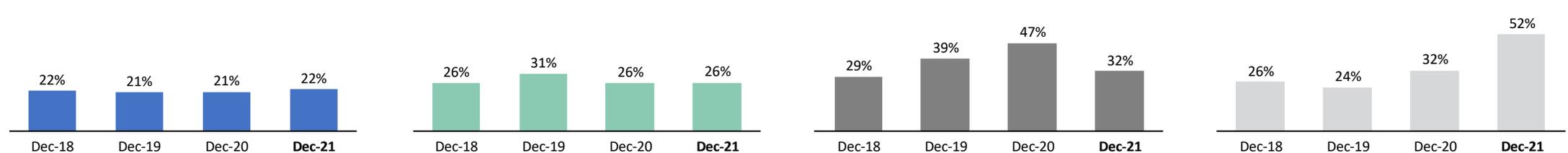
Loss Ratio



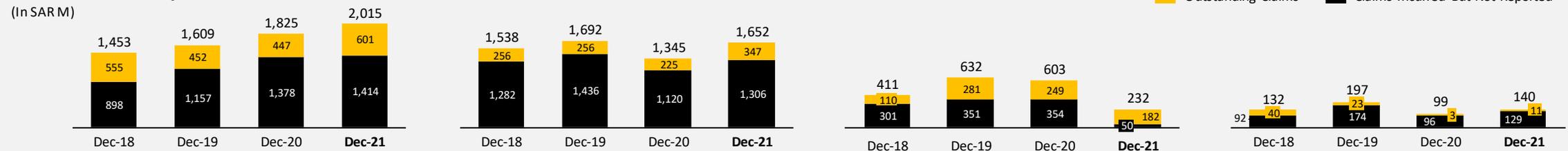
OCP/TTM Claims (with PDR) – Health Insurance Market



OCP/TTM Claims (without PDR) – Health Insurance Market



Health Claims Analysis⁽¹⁾



Note(s): (1) Outstanding claims represent claims received from hospitals but not settled yet
Source(s): Respective insurance companies' filings

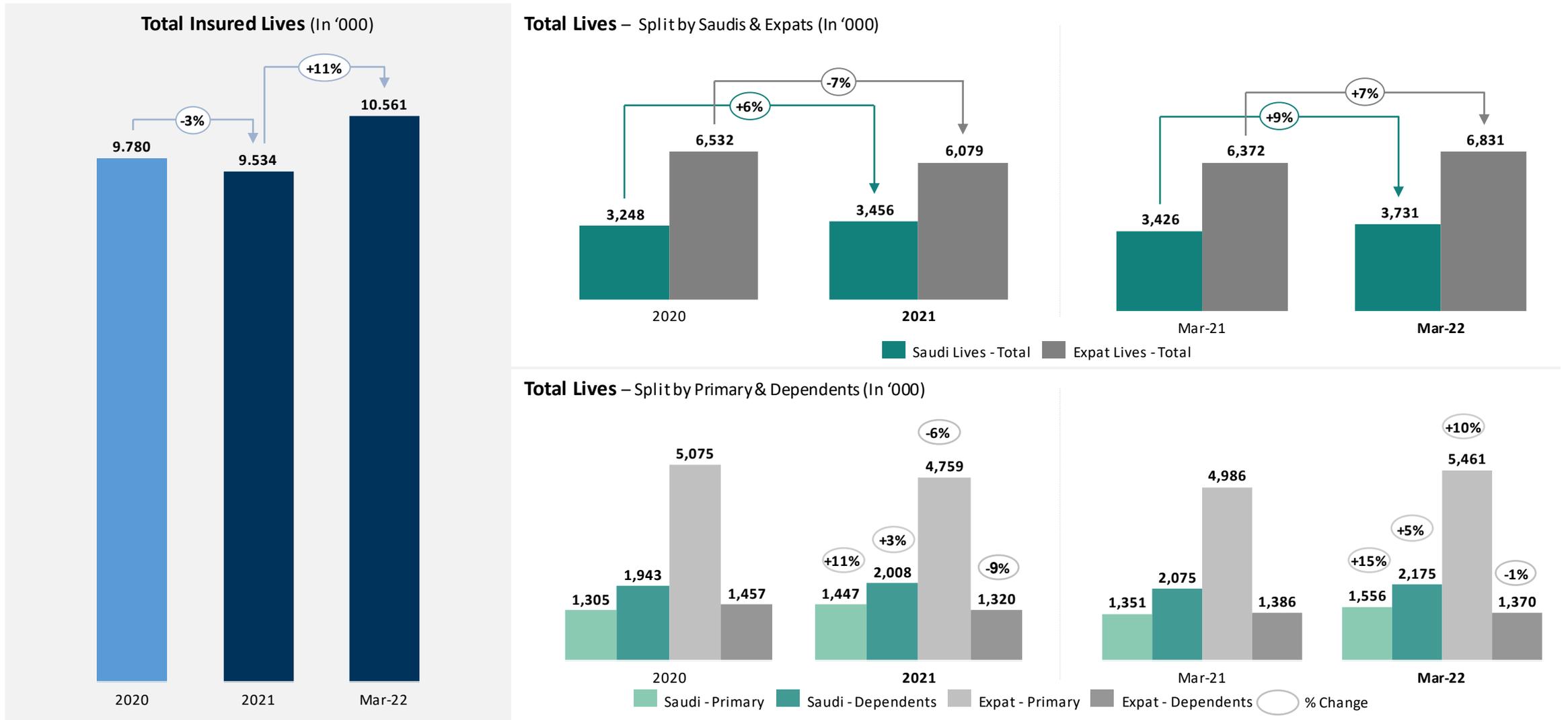


Market Outlook

Saudi Health Insurance Market Trends (1/2)



Insured lives dropped by 2.8% in 2021 due to expats exodus while 2022 shows signs of market recovery (+11% in Q1 22)



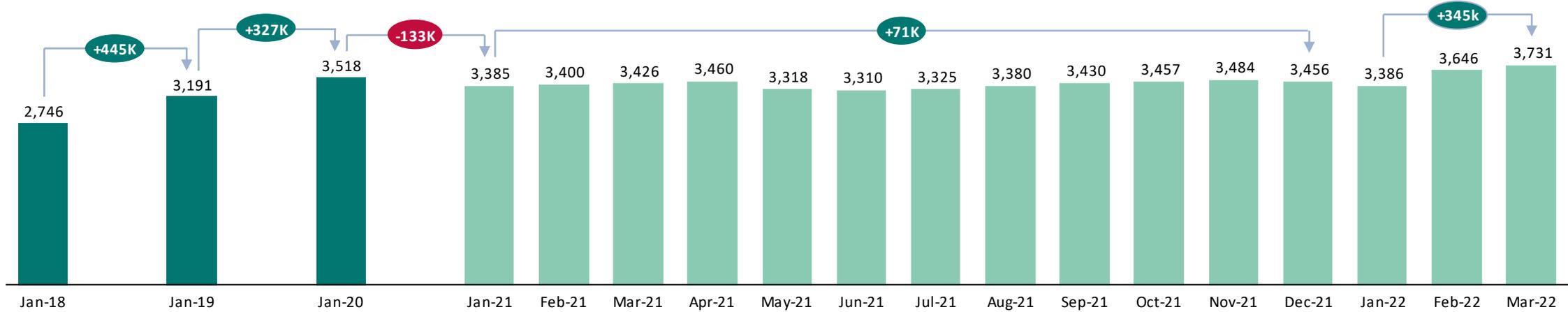
Source(s): GSTAT; GOSI; MoL; CHI; Bupa Arabia estimates

Saudi Health Insurance Market Trends (2/2)

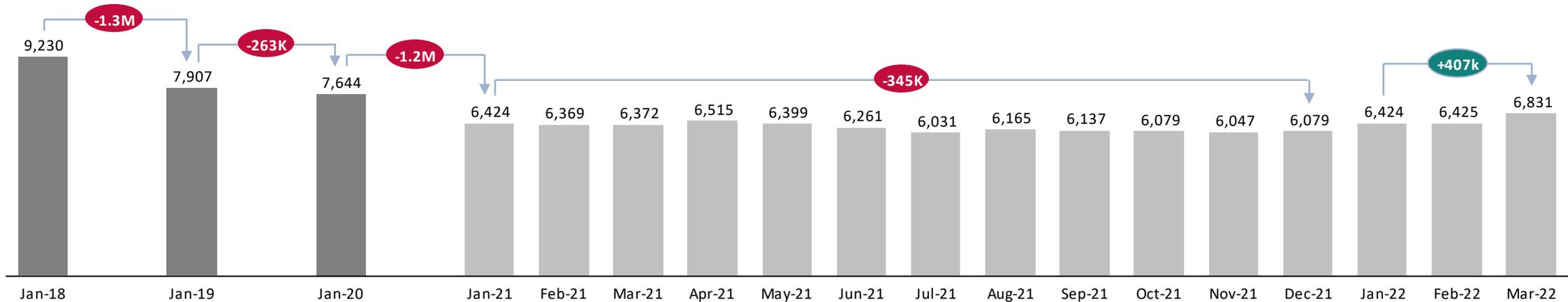


Expat departure slowed down in 2021 coupled with 2022 showing promising start

Saudis (In '000)



Expats (In '000)



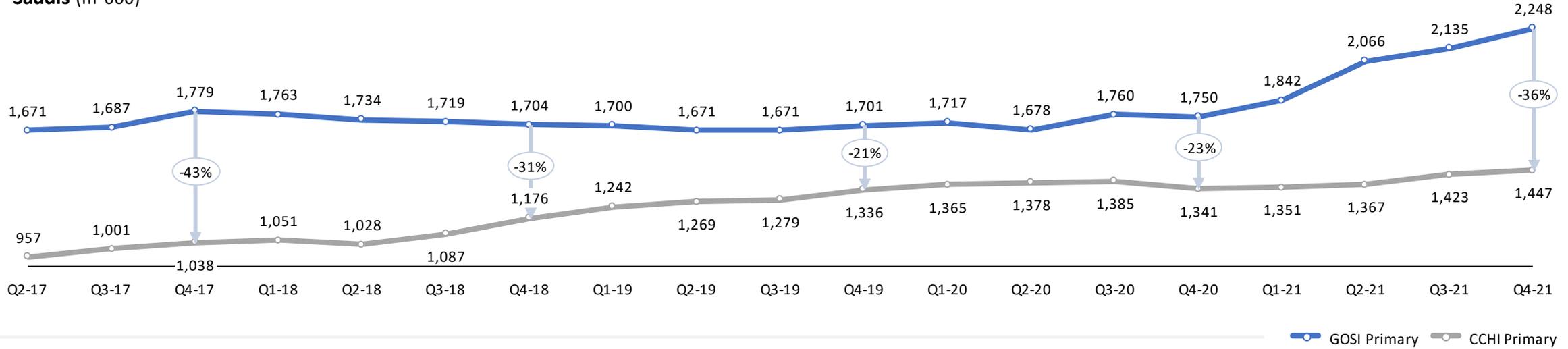
Source(s): CHI

Gap & Enforcement Explained

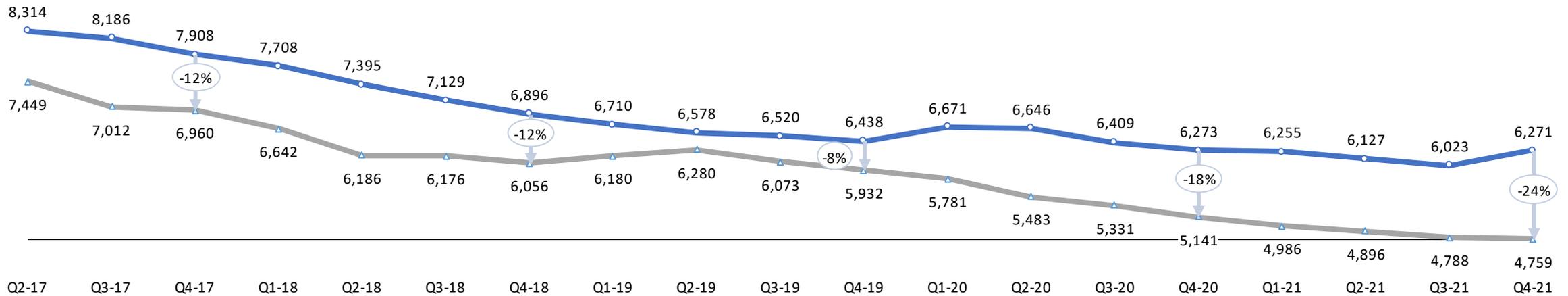


Gaps remain in the private sector with (c.801K) primary Saudis and (c.1.5M) primary Expats without PMI

Saudis (In '000)



Expats (In '000)



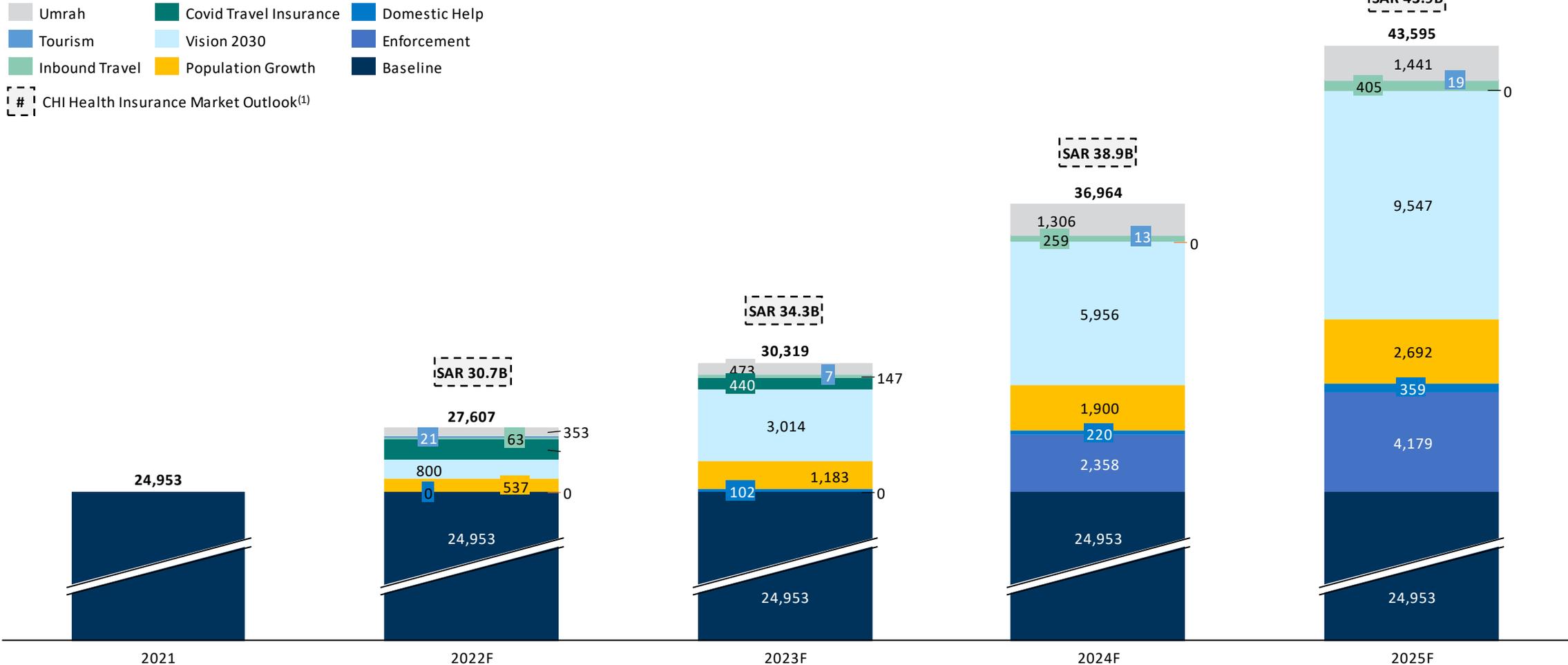
Source(s): CHI, GOSI

Future Growth Opportunities in Health Insurance

Potential PMI growth of ~SAR 20B by 2025 despite current challenging realities



Total Organic PMI GWP Potential (In SAR M)



Note(s): (1) Annual Report of Council of Health Insurance 2020 "page 62" (2) Inflation & Article 11 are calculated based on 8.5%, 6% and 5.5% for 2021, 2022 and 2023 respectively and 5% for 2024-25 of annual GWP baseline. (3) Umrah and Travel products are led by Tawuniya. (4) Enforcement refers to the mandatory medical coverage of GOSI Primary and dependents. (5) Domestic Help not currently mandated. (6) Other Vision 2030 is based on two assumptions (i) Growth in the population by a CAGR of 1.8% based on FY20(A) and FY30(F) and (ii) Growth in the % of insurable market from 30% in FY20 to 40% in FY25 with Vision 2030 programs.



Other Highlights

PMI Market Challenges

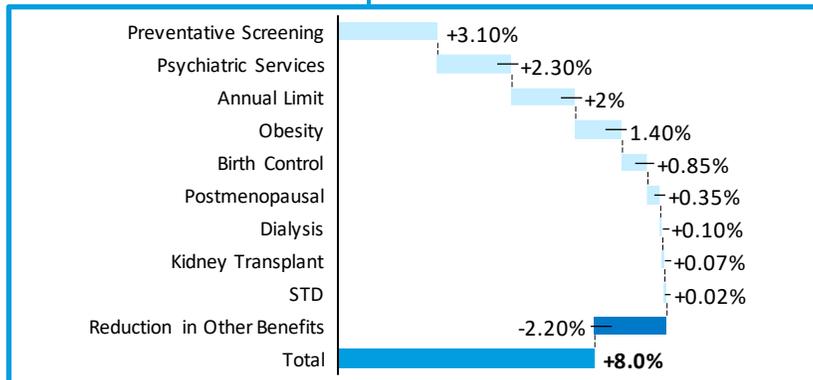
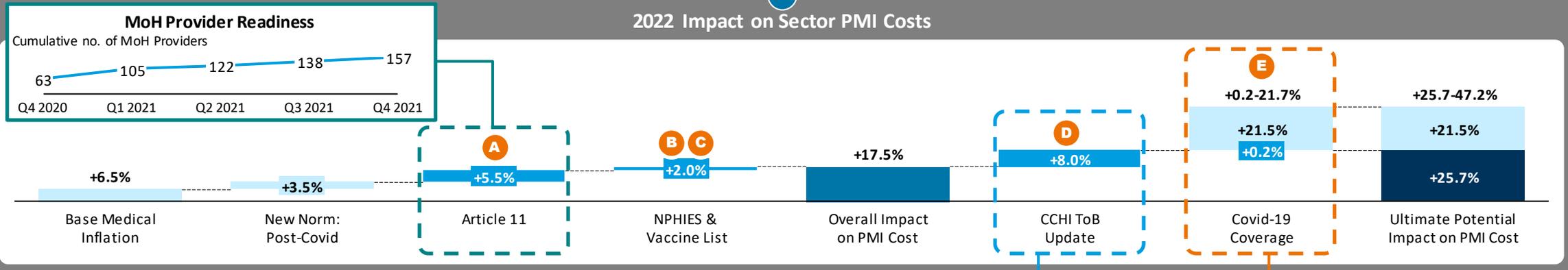
Current PMI market realities and changing regulatory landscape with unprecedented cost implications



PMI Regulatory Landscape Changes

- A** **Article 11** requests insurance companies to include all accredited gov. providers in their network
- B** **NPHIES**, a unified electronic services platform launched, aims to standardize transactions between insurers and providers
- C** Ministry of Health has updated the **mandatory vaccine list**, which must be included as part of coverage
- D** New CHI **table of benefits** to be rolled out and go into effect in mid-2022
- E** New regulations stating that **COVID-19 treatment costs** in the private sector facilities shall be **covered by insurance companies**

2022 Impact on Sector PMI Costs



	With PCR & Vaccine ⁽¹⁾	With PCR & Without Vaccine	Without PCR & Vaccine ⁽¹⁾	Without PCR & Without Vaccine	Key assumptions:
One wave per year with a severe variant and a longer period ⁽²⁾	21.7%	17.1%	13.0%	8.5%	Assumes additional 1% critical confirmed cases. Wave period of 3 months.
One wave per year with a severe variant ⁽²⁾	20.1%	15.6%	11.4%	6.8%	Assumed additional 1% critical confirmed cases. Wave period of 1.5 months.
One wave per year	16.6%	12.1%	7.9%	3.3%	One wave assumes a period of 1.5 months, with 0.5% critical confirmed cases.
No additional waves	12.2%	7.6%	4.8%	0.2%	Assumes a monthly average of 1.5 million PCR tests

Note(s): (1) Vaccination cost does not include the consultation cost. (2) Depends on the severity of the variant and how long the wave period is.
Source(s): Middle East Insurance Review; Respective Companies' Filings; Bupa Arabia Analysis

Business & Regulatory Highlights



Many reforms are being undertaken by the Kingdom that support the insurance sector and is in line with it's 2030 vision

 Bupa Arabia participated in the recent InsureTek Middle East 2022 International Conference, considered to be one of the most important regional events spotlighting digitization and innovation in the insurance industry. Bupa Arabia was one of the first companies in the Saudi insurance industry to establish an entire department for digital transformation in 2018, with the aim of developing digital services and innovative solutions.

 Bupa Arabia announced the release of its new ecommerce feature, enabling online purchase of the Bupa family product through its application. Over the next few months, they intend to continue to enhance and add products to its Bupa App.

 Bupa Arabia announces it has received the no objection of the Saudi Central Bank to establish "Bupa Arabia Ventures", to participate and invest in enabling and activating the HealthTech and InsurTech sectors to benefit from the digital transformation supported by Vision 2030 and the Saudi Financial Sector Development Program.

 Council for Health Insurance issued number of penalties on numerous employers for not complying with the bylaw of the health insurance, and the Council explained that these penalties came as a result of establishing the violation according to its databases, regarding not providing health insurance for their workers and their family members' who should be included based on the health insurance policy. The charged employers were previously warned many times.

 The Council of Health Insurance mandated insurance companies to bear the coverage of all expenses, resulting from the use of private healthcare providers, related to suspected and confirmed infection of Covid-19 starting from Mar. 14th , 2022.

 Council of health insurance is supervising the implementation of its Basic Health Insurance policy criteria targeting seven key objectives based on the vision of the Council to be an international leader in promoting preventive therapy and enhancing the quality and efficiency of health care services for health insurance beneficiaries. This policy represents the basic level of insurance cover granted to the insured individual.⁽¹⁾

 The Saudi Central Bank (SAMA) announces the issuance of the rules governing, forming and managing health insurance risk pools through brokers. Proceeding from the central bank's ongoing efforts to develop the insurance sector, support SMEs and facilitate access to suitable insurance coverage at affordable prices.

 Approval on amending articles no. 2, 3, 6, 19, 20 and 21 of the Cooperative Insurance Companies Control Law, with the intention of boosting SAMA's role to maintain the rights of the insured, beneficiaries and investors. These amendments are meant to boost innovation in the insurance industry, improve the client's experience and awareness, and further enhance compliance and governance.

Source(s): CHI, SAMA, Argaam, Arab News (1) <https://CHI.gov.sa/en/AboutCHI/Rules/document/Basic%20Health%20Insurance%20Policy%20Final%20version%20to%20be%20enforced%20on%201-7-2022.pdf>



Achievements & Awards

Bupa Arabia has been recognized with multiple awards in 2021, including the LinkedIn Talent Awards for MENA region



Brand Finance 2021 Ranking

Most valuable insurance brand in the Middle East (Ranking 1st)
Ranked amongst the top 10 strongest brands in Saudi Arabia



InsureTek Middle East 2021

Medical Insurance Company of the Year
Best Healthcare Insurance Innovation



LinkedIn Talent Awards for 2021 MENA Region

Best Employer Brand (500 - 2,000 Employees)



International Finance Awards 2021

Best Investor Relations Insurance Company
Best Health Insurance Company – Saudi Arabia



CIPD Middle East People Awards

Employer of choice 2021
Best Employee Engagement Initiative 2021



8th Middle East Insurance Industry Awards

Health Insurance company of the year 2020 & 2021



Forbes List 2021

Tal Nazer ranked as one of the top 100 CEO in the Middle East
Middle East's top 100 companies in 2021 (Ranking 58)



Global Brand Magazine 2021

Best Insurance Mobile App Saudi Arabia



World Economic Magazine 2021

Best Insurance Company for Investor Relations Saudi Arabia
Most innovative Health Insurance Product (Bupa Parents)



International Business Magazine Awards 2021

Best Health Insurance Company
Best Health Insurance CEO of the year Saudi Arabia



Gulf Sustainability Awards 2021

Best Workplace and HR Practices



Global Business Outlook

Best Healthcare Insurance Service Provider 2020
Best Digital Innovation in Insurance Sector 2020

Q&A



Speakers:



Nader Ashoor
Chief Financial Officer



Ali Sheneamer
Chief Business Development Officer



Ahmed Bajunaid
Director
Asset Management & Business Advisory



Mohsen Jawhar
Head
Business Advisory & Investor Relations

Thank you



With you for better health

Appendix



Board of Directors & Chief Executive Team

Board of Directors



Engr. Loay Hisham Nazer
Chairman



David Martin Fletcher
Vice-Chairman



Martin Houston
Board Member



Dr. Abdulla Elyas
Board Member - Independent



Huda M. Bin Ghoson
Board Member - Independent



Ziad Algwaiz
Board Member - Independent



Nigel Sullivan
Board Member



Tal Hisham Nazer
Board Member



Nader Ashoor
Board Member

Chief Executive Team



Tal Hisham Nazer
Chief Executive Officer



Nader Ashoor
Chief Financial Officer



Ali Sheneamer
Chief Business Development Officer



Amro Shawli
Chief Risk Officer



Tariq Alamoudi
Chief Human Resources Officer



Mohamed El Missaoui
Chief Operations Officer



Atef Mufti
Chief Sales Officer



Abbreviations & Glossary

Abbreviations



BDP	Bad Debt Provision
C	Circa
CHI	Council Of Cooperative Health Insurance
CIPD	Chartered Institute of Personnel Development
CMA	Capital Market Authority
CMT	Crisis Management Team
CR	Commercial Registration
EBT	Earnings Before Tax
F	Forecast
FY	Full Year
G&A	General And Administrative Expenses
GAZT	General Authority for Zakat and Tax
GOSI	General Organization for Social Insurance
GWP	Gross Written Premium
IFM	International Finance Magazine
KPI	Key Performance Indicator
MoC	Ministry of Commerce
MOE	Ministry of Education
MoH	Ministry of Health
MOL	Ministry of Labor
NEP	Net Earned Premiums
NHIC	National Center for Health Information
OCP	Outstanding Claims Provision (Known As Technical Reserve)
PDR	Premium Deficiency Reserves
PMI	Performance Market Indicator
PPS	Percentage Points
Q	Quarter
SAMA	Saudi Arabian Monetary Agency
S&M	Selling And Marketing Expenses
SME	Small & Medium Enterprises
TTM	Trailing Twelve Months
YoY	Year on Year

Understanding our Financial Statements

A customer buys a one-year medical insurance policy for SR 5,000 on July 1, 2020.

The coverage ends on June 30, 2021. The annual reporting period for the business in this example is for the year ended December 31, 2020.

A	Gross written premium (GWP)	5,000		When a customer buys a health insurance policy on July 1, the total premium for the duration of the contract assuming no additions or deletion is SR 5,000. This amount is classified as Gross Written Premium (GWP). Market share is measured using GWP.
B	Premiums ceded to reinsurers	-50	A*Reinsurance rate	The portion of risk that is transferred to a reinsurance company in exchange for a stated premium. In this case the reinsurer has been paid SR 50 and will be responsible for a specified risk according to the agreement with the reinsurer (reinsurance is mandatory per SAMA regulations)
C	Net written premium (NWP)	4950	A-B	The total value of the written premium that will be earned by the insurer during the duration of the contract (12 months) between July 1, 2020, and June 30, 2021
D	Unearned premium (UEP)	2475	C*50%	The portion of the premium that has not been earned in the reporting period and is recorded as a liability on the insurer's balance sheet. Since the contract was written on 1 July 2020, only half of the premium is earned in 2020
E	Net earned premium (NEP)	2475	C*50%	The net earned portion represents the expired i.e., completed amount of the net written premium; The portion of the total premium that was exposed to a potential claim loss during the completed period. If a customer is enrolled mid-year, as is the case in this example, then half of the exposure will be in the year he enrolled (2020) and half will be reflected in the year after (2021)

F	Gross claims paid	1825		<p>The actual amount of all paid claims on behalf of the customers. There are two types of claims;</p> <ol style="list-style-type: none"> 1. Provider claims on direct billing and to be refunded to the customer 2. Reimbursement claims requested by the member <p>A claim is a request for payment received by the insurer to pay for services that were provided by a health care professional to an insured member. A claim may be sent by a medical provider at which the treatment was offered as a provider claim, or directly submitted by the insured member as a reimbursement claim.</p>
G	Reinsurance share	-25	F*%	<p>The portion of claims the reinsurers are responsible for in exchange for certain premium (as mentioned in Reinsurance ceded -B)</p>
H	Net claims paid	1800	F-G	<p>Net amounts paid for claims requests after deducting the reinsurer's share</p>
I	Outstanding claims provision (OCP)	200	Based on actuarial estimates	<p>The outstanding claims provision includes the "Incurred But Not Reported" claims (IBNR), which is defined as all claims that have taken place but have not been reported yet, either because the claim was not yet received by the insurer, or it has been received but not yet processed or paid by the insurer. This is also referred to as an insurer's claims reserve and is recorded as a liability on the insurer's balance sheet. Before final payment to providers, the insurer adjudicates the claims. This is the process by which the claim is compared to the patient's health plan benefits to verify that the required information is available to process the claim, that the claim is not a duplicate, that the insurer's rules and procedures have been followed, and that the procedures performed, or the services provided are for covered benefits</p>

Glossary of Terms



J	Net claims incurred	2000	H+I	All payment requests received from hospitals or members to pay for a certain service or projected to be received for the duration of the earned portion of the contract (July 1, 2020, to Dec 31, 2020)
K	Underwriting result (Contribution)	475	E-J	The surplus of net earned premium less net claims incurred is the contribution. It measures profitability of the policy before accounting for overhead costs.
L	Costs and expenses	250		Includes selling & marketing, general & administration expenses, and regulatory levies, etc.
M	Underlying trading results	725	K-L (excluding non-recurring item)	The total profit excluding one-time charges and investment income
N	Surplus from insurance operations	225	K-L	The excess amounts from the earned premium less the medical costs and all expenses (including non-recurring items) plus other income (i.e., insurance operations, investment income and all other sundry income)
O	Distribution of surplus (Cooperative Distribution)	22.5	N*10%	The SAMA regulatory required surplus to be distributed to policyholders is 10% of the surplus from insurance operations and the full surplus is distributed as follows: <ul style="list-style-type: none"> • Transfer to Policyholders' payables 10% • Transfer to Shareholders' operation 90%
Ratios				
	Loss ratio (LR)	81%	J/E	The net claims incurred divided by the net earned premium. It measures the % of medical claims cost versus the earned portion of all policyholders
	Expense ratio	10%	L/E	The operating expenses divided by the net earned premium
	Combined ratio	91%	(J+L)/E	The loss ratio plus the expense ratio. It is a proxy for the surplus from insurance operations

Understanding Bupa Arabia's Balance Sheet

Goodwill	Goodwill represents the intangible asset which resulted from the Bupa Arabia purchase of the Saudi Health insurance portfolio from Bupa Middle East Limited E.C. in accordance with the assessment by SAMA and the prescribed SAMA guidelines of 2008. The insurance portfolio transfer agreement was completed during 2009
Fixed Assets	Fixed assets include the company's investment in new retail outlets, IT, and fixtures, equipment, machinery, etc.
Cash & Investments	All cash in the banks, investments, and statutory deposits
Working Capital	The working capital represents the operating liquidity available to the organization. The current assets include the receivables, net of bad debt provision, deferred acquisition costs, and other pre-paid expenses. The current liabilities include the technical reserves of outstanding claims provision (OCP) and unearned premium (UEP) and other accrued liabilities. Unlike many businesses, working capital is not favourable in an insurance business. This is because the premium is usually received before the claim's liabilities are incurred and ultimately paid
Equity	Shareholders' equity represents the paid-up capital, plus retained earnings, statutory reserve, and is net of accumulated Zakat/Income tax charges since inception
Borrowings	Generally speaking, insurance companies do not need the support of bank borrowings due to the favourable funding of working capital by customers



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