

Bupa Arabia Q3 2019 Earnings Conference Call and Webcast

November 25th, 2019

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- Company Overview
- Financial Performance
- Market Outlook
- Other Highlights
- Abbreviations & Glossary

Our Purpose and Values

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



Our Purpose:

“helping people live longer, healthier, happier lives”

Our Values:

Our values are fundamental in shaping the way we behave and deliver for our customers and one another.



Passionate



Caring



Open



Authentic



Accountable



Courageous



Extraordinary

Board of Directors

Our Board plays a vital part in setting the cultural tone to put customers first



Eng. Loay Hisham Nazer
Chairman



David Martin Fletcher
Vice-Chairman



Tal Hisham Nazer
Board Member



Martin Houston
Board Member



Joy Linton
Board Member



Dr. Abdulla Elyas
Board Member - Independent



Zaid Algwaiz
Board Member - Independent



Huda M. Bin Ghoson
Board Member - Independent

Chief Executive Team

Solid team to deliver on Bupa Arabia's purpose, vision and mission



Nader Ashoor
Chief Financial Officer
(CFO)



Tal Nazer
Chief Executive Officer (CEO)



Ali Sheneamer
Chief Business Development Officer
(CBDO)



Tariq Alamoudi
Chief Human Resources Officer
(CHRO)



Mohamed El Missaoui
Chief Operations Officer
(COO)



Atef Mufti
Chief Sales Officer
(CSO)

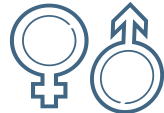
Bupa Arabia at a Glance

Robust profitability growth & significant value creation for shareholders



20 Years of Experience

with



1,700 Employees

servicing



3.2m Members

within



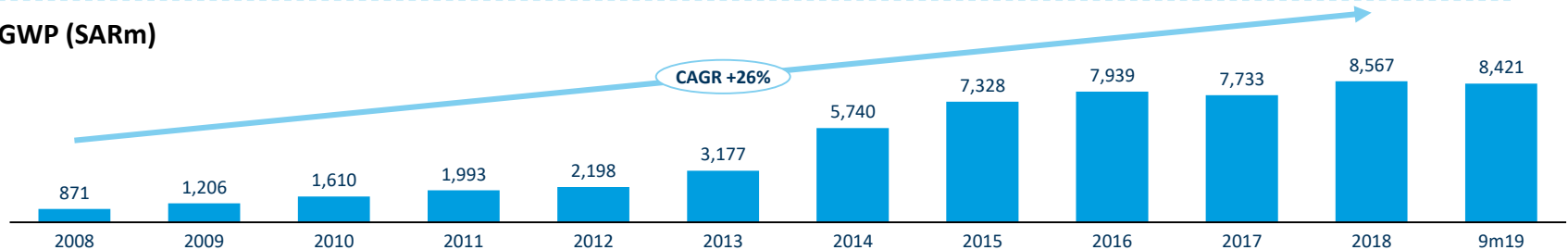
1,450 Providers

in

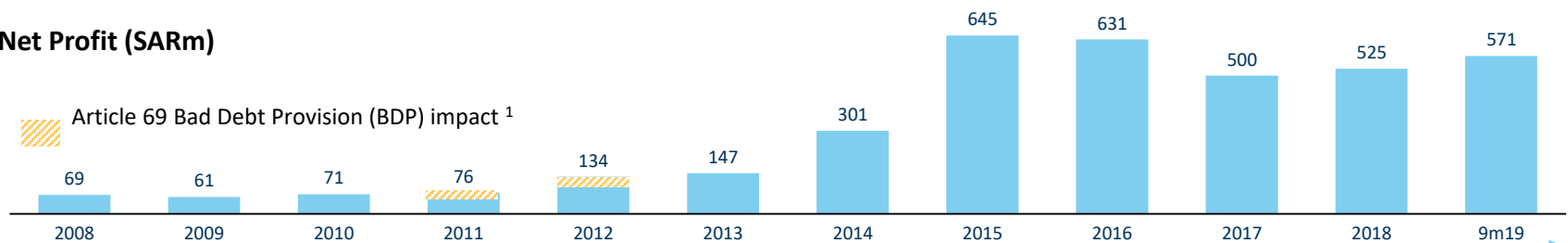


Saudi Arabia

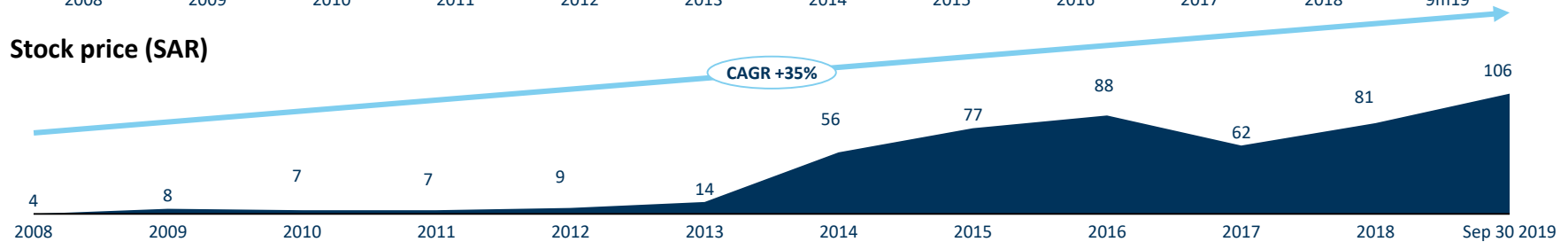
GWP (SARm)



Net Profit (SARm)



Stock price (SAR)



Note: Impact of increase in capital; by 400m SAR in 2015 and 2018; on the stock price have been reflected retrospectively

¹ Profit fluctuation in 2011 and 2012 is due to BDP treatment in line with interpretation of Article 69, where a BDP provision of SR34mn was taken in 2011 and BDP recovery of SR20mn was made in 2012

Agenda



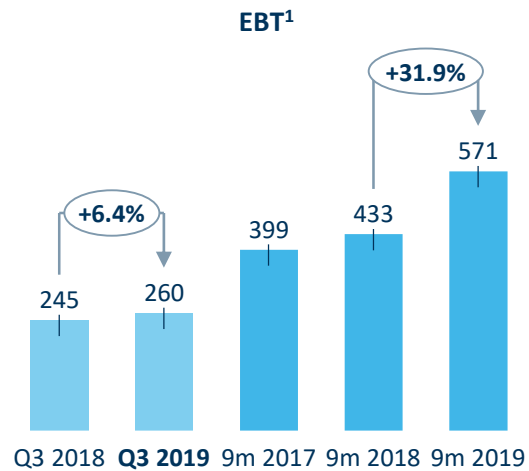
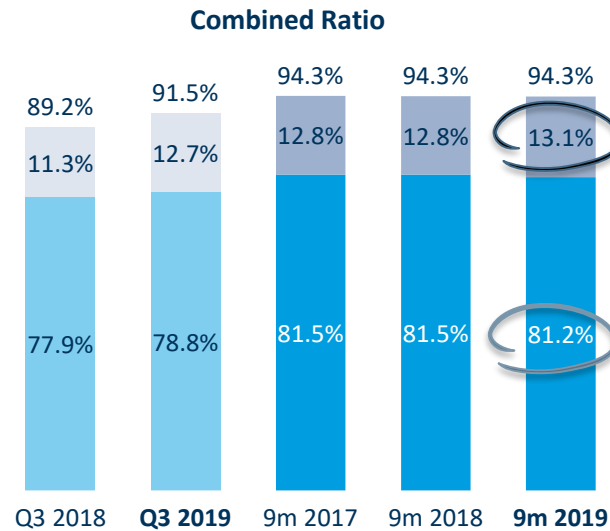
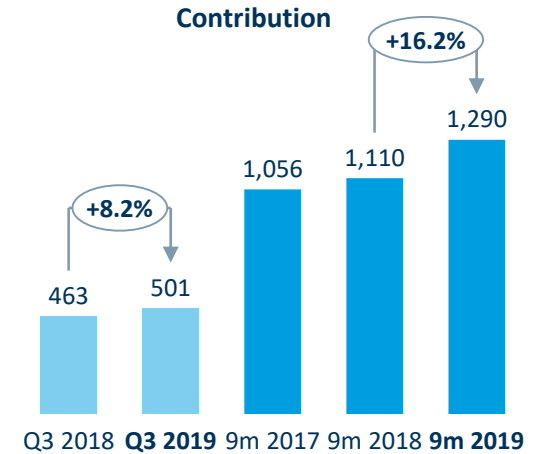
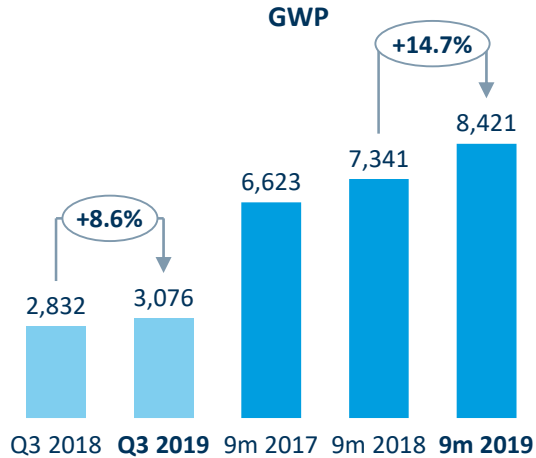
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KPIs

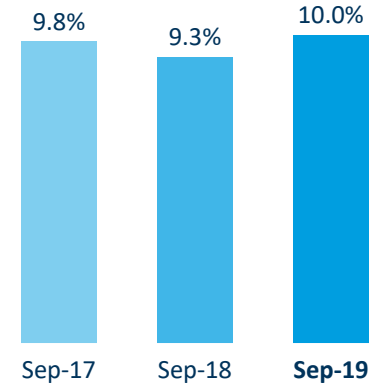
9m 2019 earnings grew by 32% YoY as a result of healthy GWP & combined ratio



SR mn



BDP % of Receivables

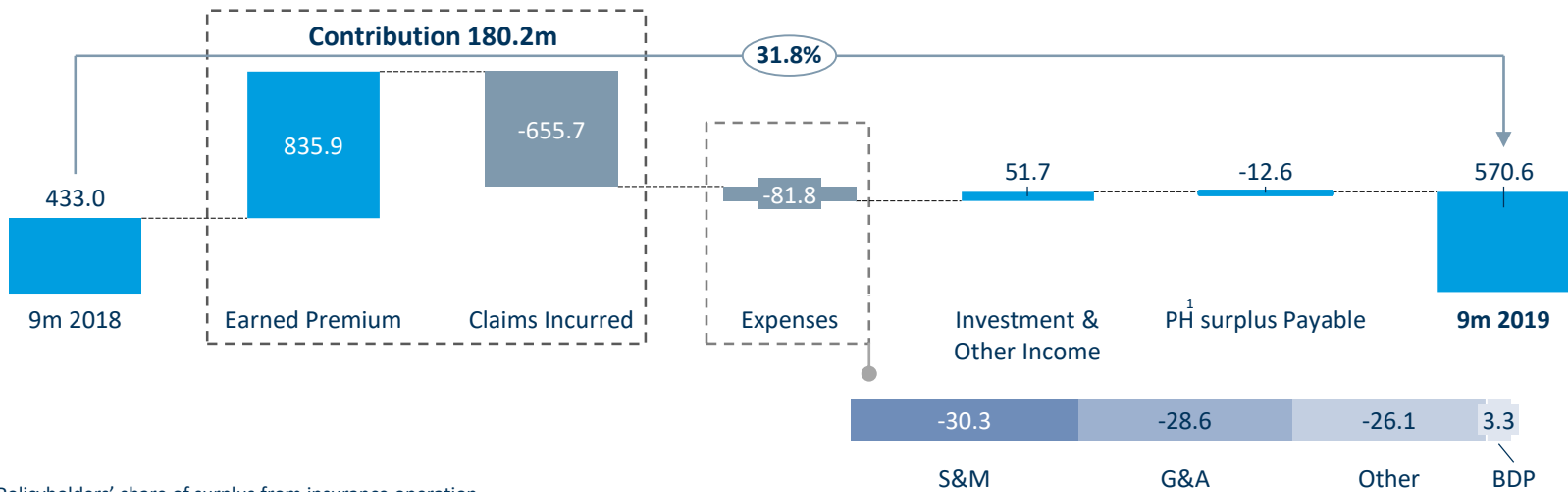
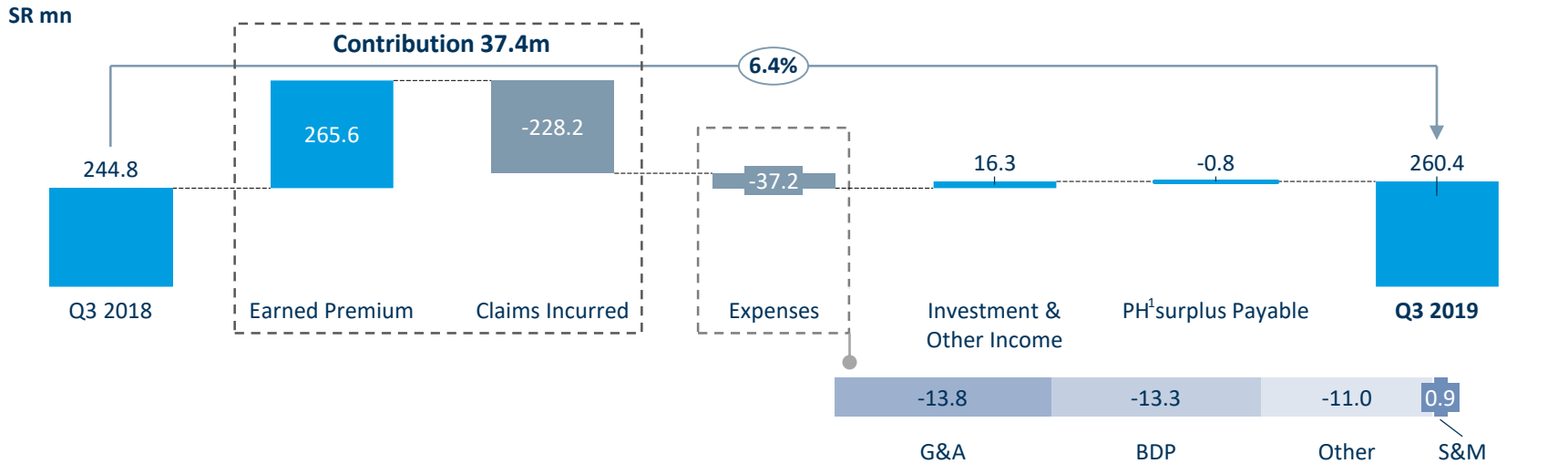


Expense ratio Loss ratio

¹Earnings Before Taxes and Zakat or EBT represent net income attributed to the shareholders

EBT

EBT on the rise through favorable contribution, investment and other income



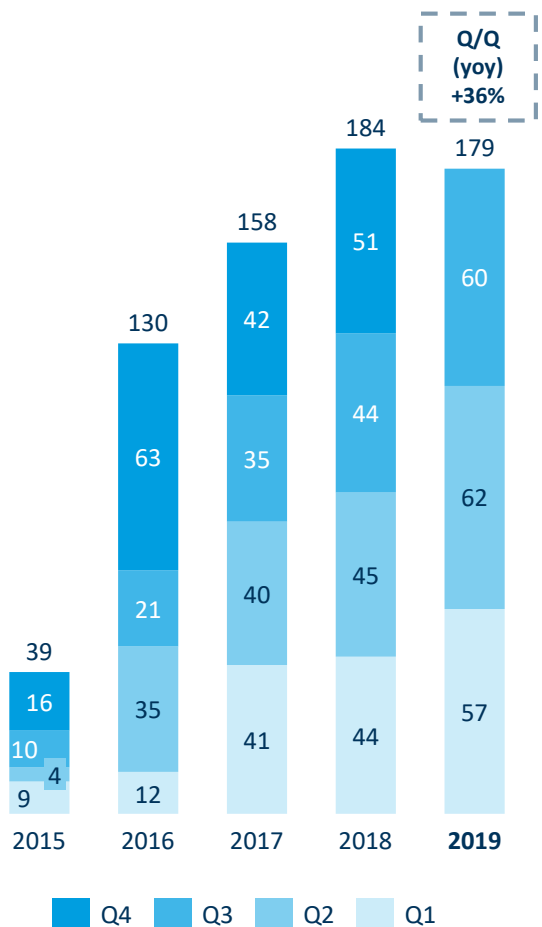
¹PH: Policyholders' share of surplus from insurance operation

Investment Portfolio and Results

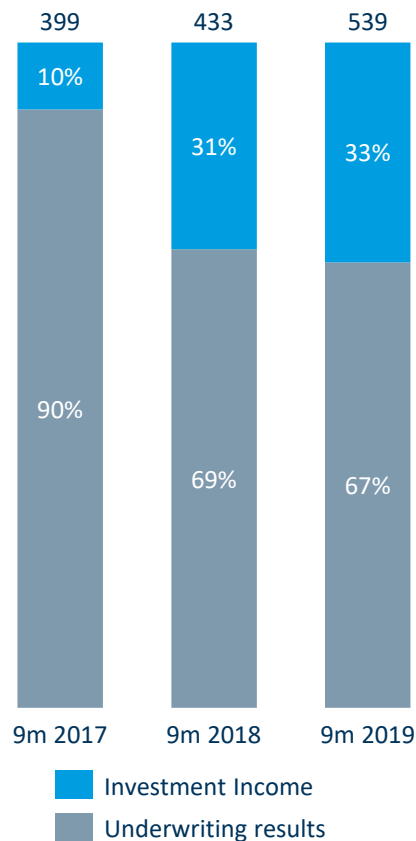
Improved investment income through further portfolio diversification



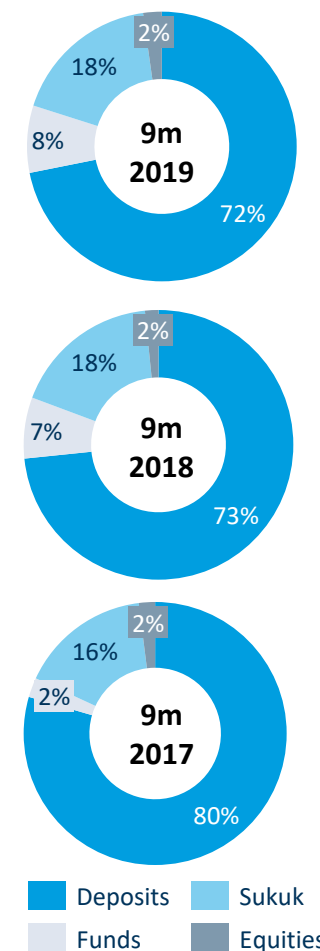
Investment Income



Income Breakdown¹



Asset Allocation



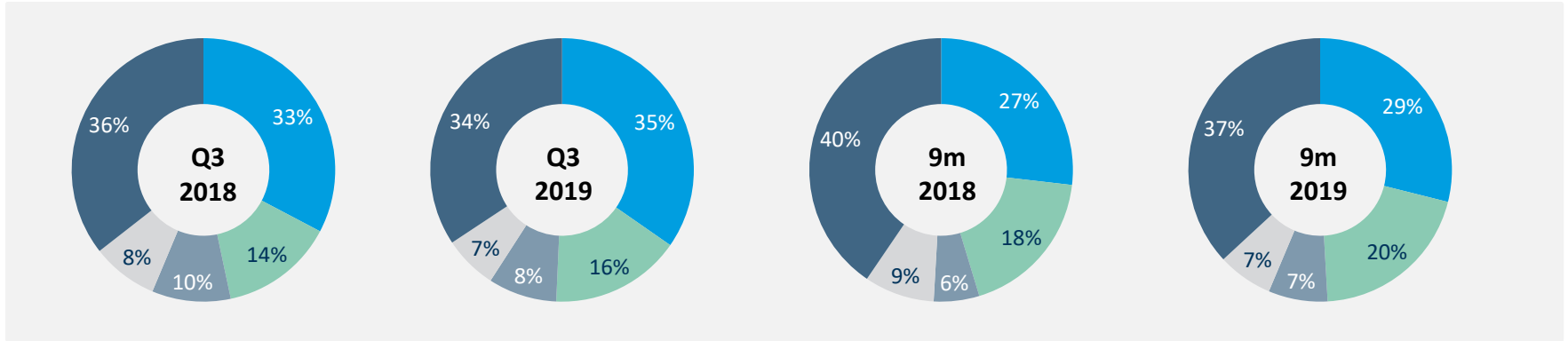
¹Income breakdown represents net income attributed to the shareholders and policyholders

Market Share and Positioning

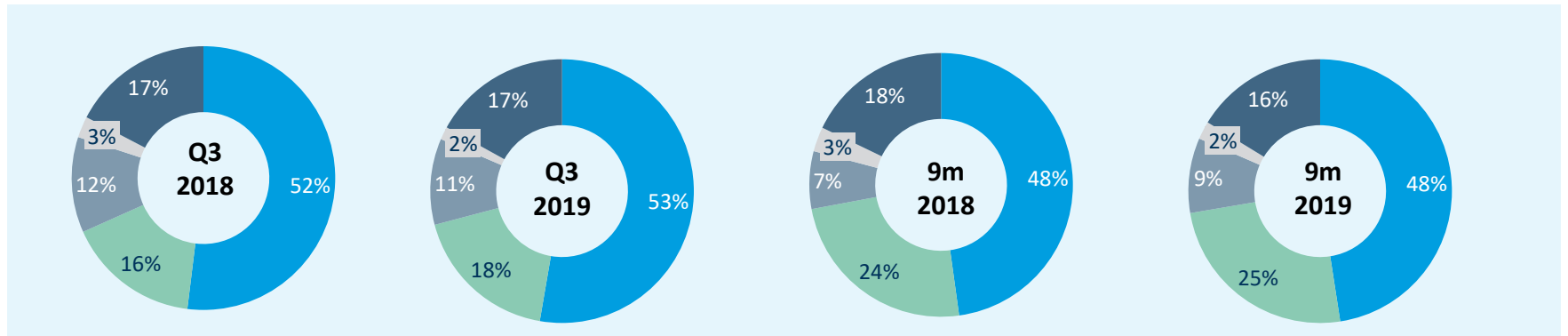
Bupa Arabia is leading the Saudi health insurance market as of 9m 2019



Total Insurance Market Share (GWP basis)



Health Insurance Market Share (GWP basis)



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

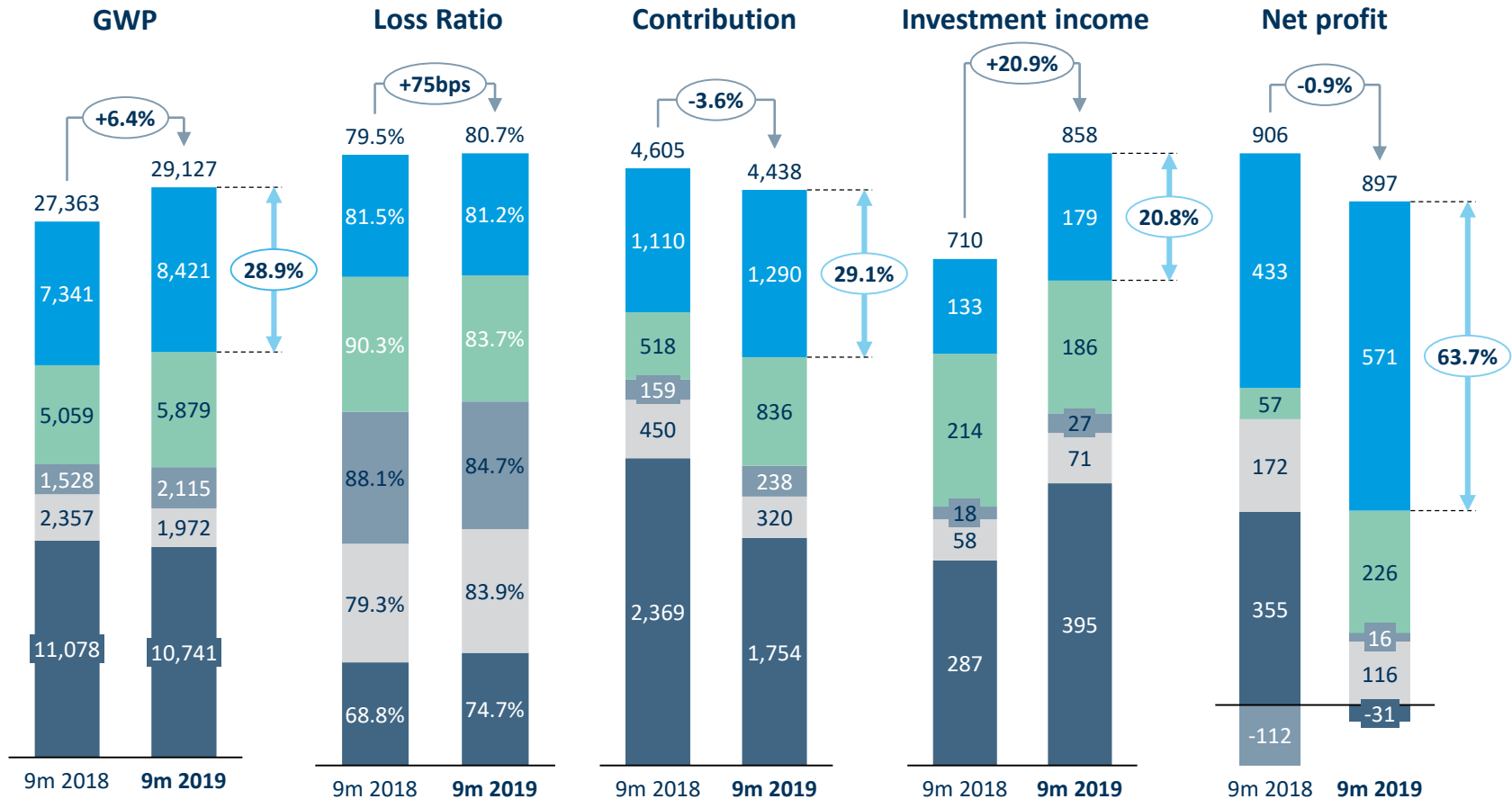
Source: respective insurance companies' filings

Total Insurance Market

Modest GWP growth with strong Investment Income



SR mn



Source: respective insurance companies' filings

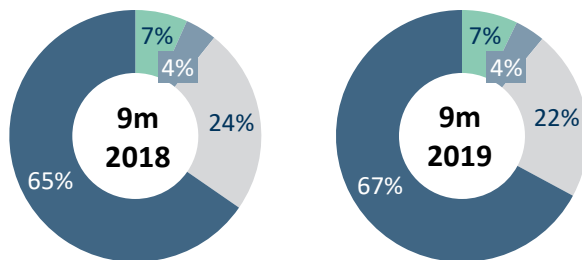
Non-Health Insurance Market

Motor insurance dragging other segments' results



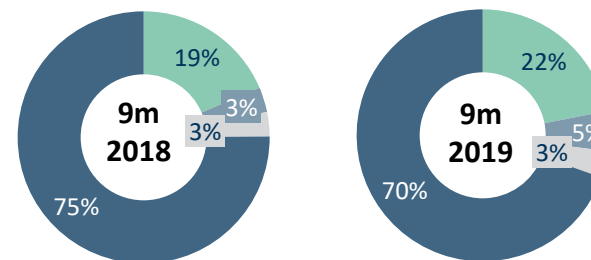
Motor Segment

Market Share



Other Segments¹

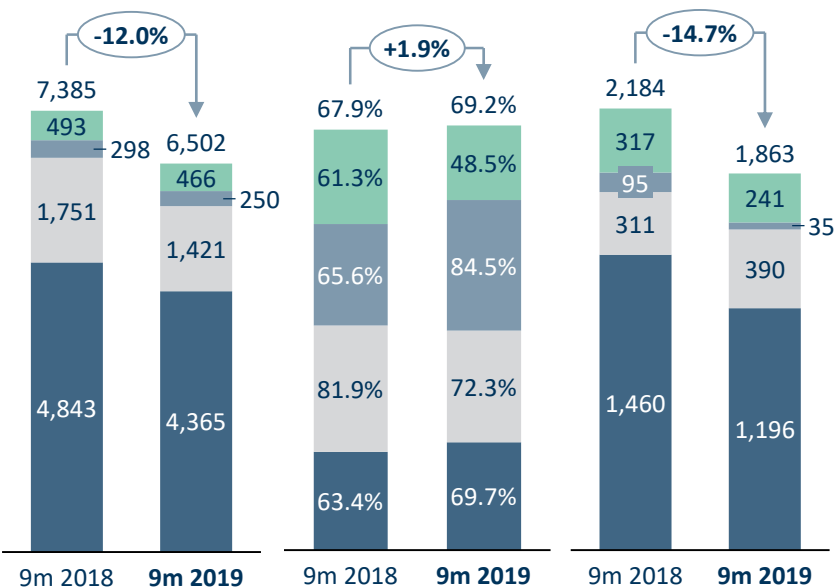
Market Share



GWP

Loss Ratio

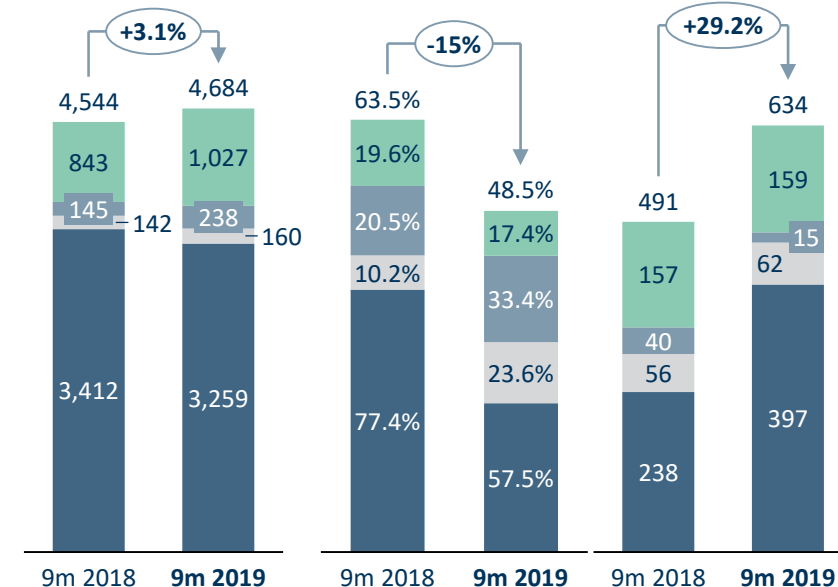
Contribution



GWP

Loss Ratio

Contribution

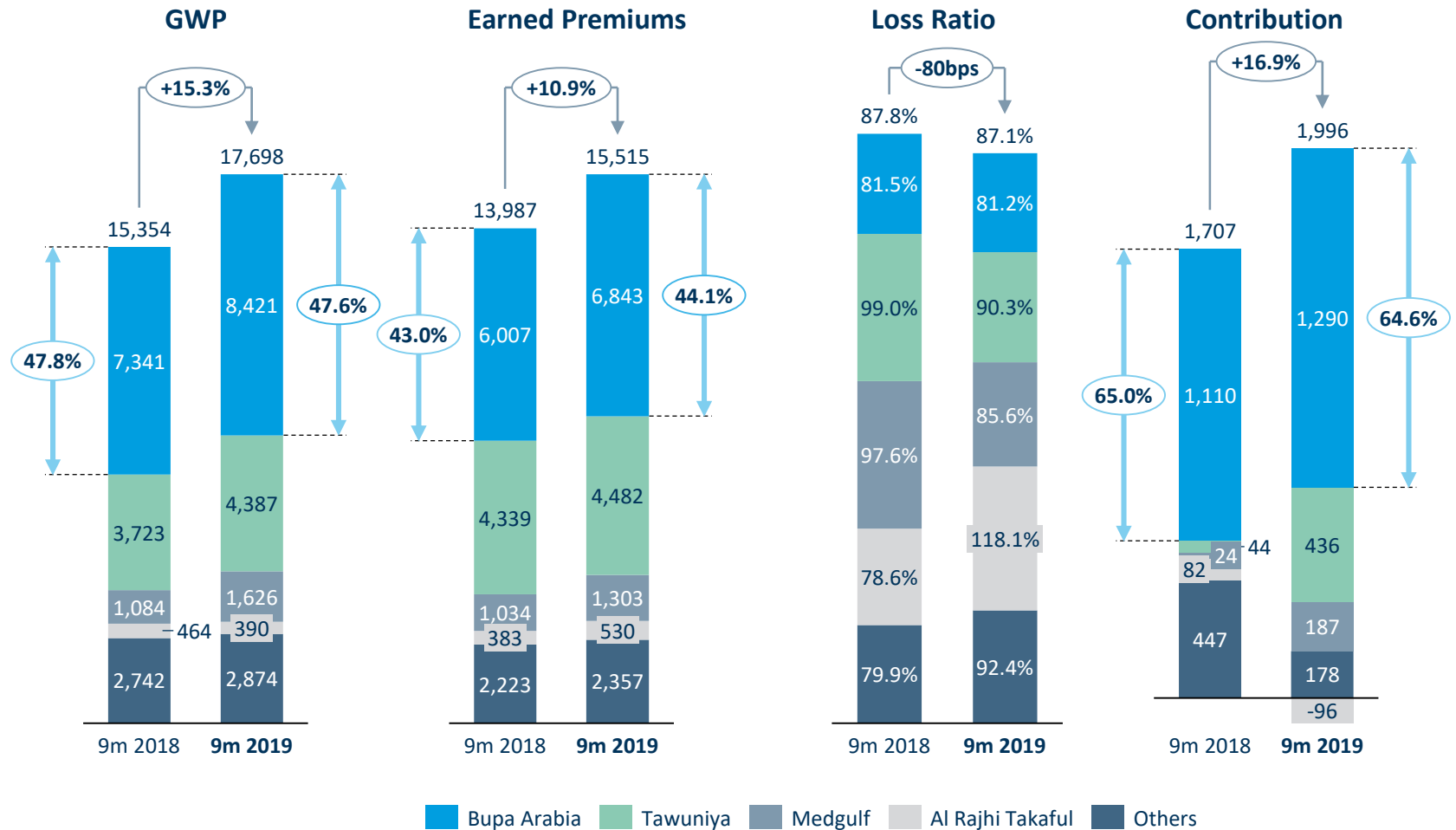


Health Insurance Market

Bupa Arabia represented 65% of total health insurance market contribution



SR mn



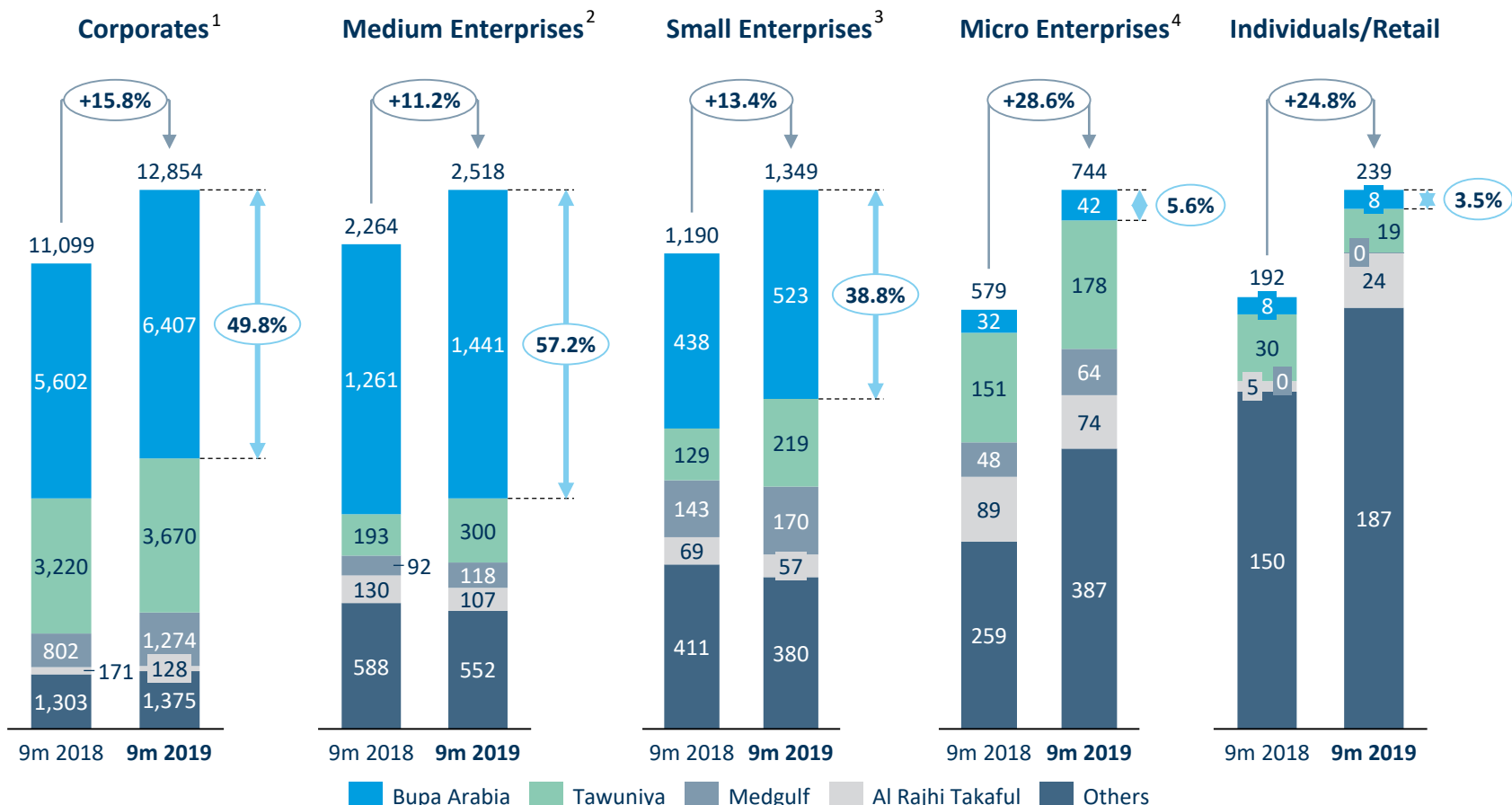
Source: respective insurance companies' filings

Health Insurance Market - GWP Segmentation

Bupa Arabia is the preferred health insurer for corporates and SMEs



SR mn



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: respective insurance companies' filing

Q3 2019 Webcast

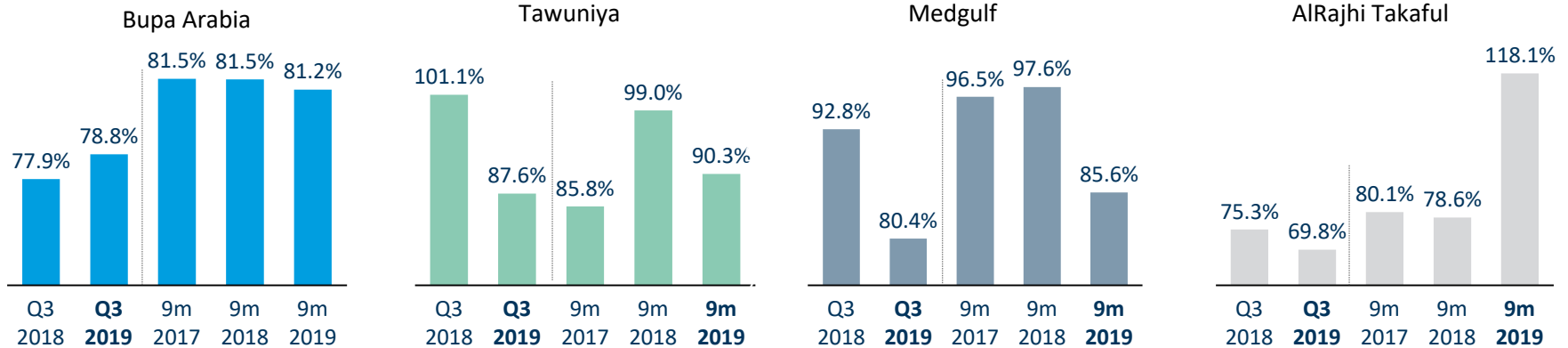
Note: Some companies did not report their GWP segmentation for 2018 & 2019, hence we have estimated Q3 & 9m 2018 & 2019 GWP segmentation based on their 2019 respective split; whenever available; and Bupa estimates.

Loss Ratio and Technical Reserves

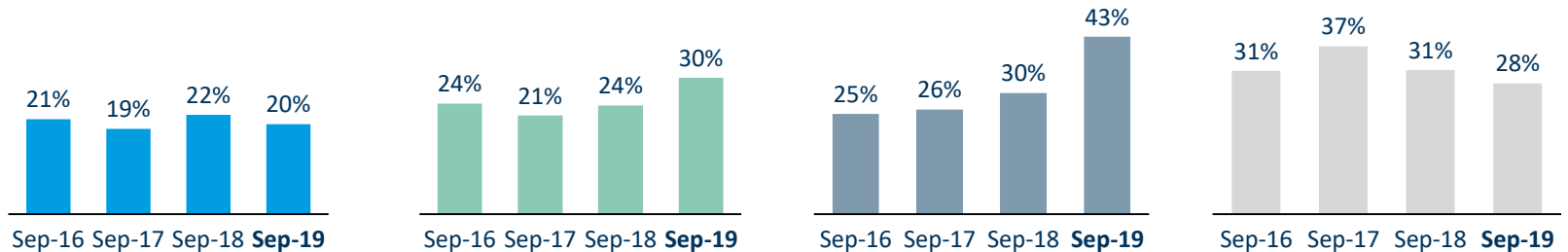
Bupa Arabia reports favorable loss ratios and consistent reserving profile



Loss Ratio – Health Insurance Market

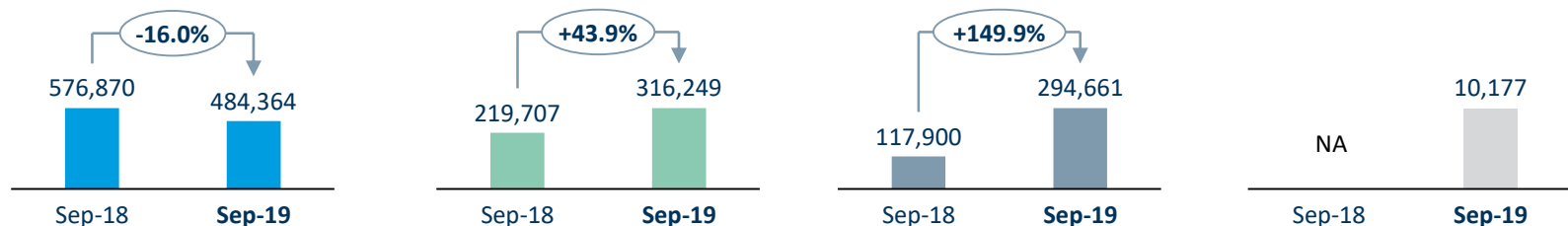


OCP (reserves)/TTM Claims – Health Insurance Market



In SAR 000'

Outstanding Claims¹



Q3 2019 Webcast

Source: respective insurance companies' filings

¹ Outstanding claims represent claims received from hospitals but not settled yet

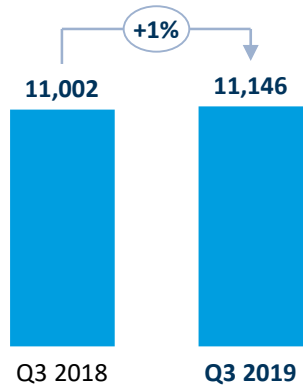
Agenda



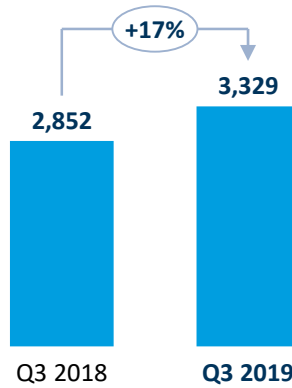
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Saudi Health Insurance Market Trends (1/2)

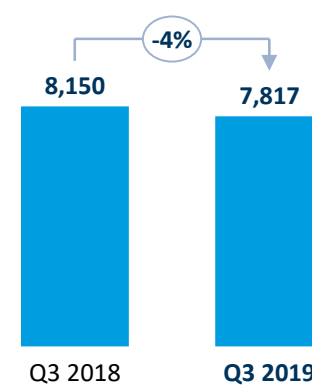
Insured lives increased by 1% YoY mainly driven by an increase in Saudi lives



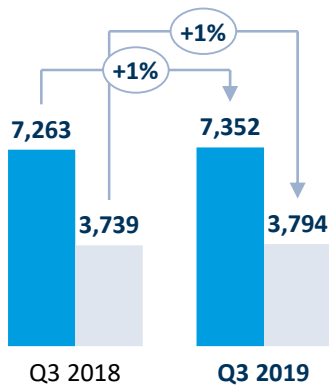
Total Insured Lives



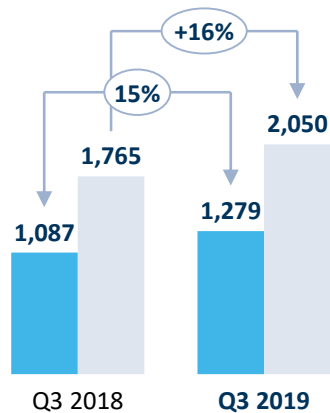
Saudi - Total



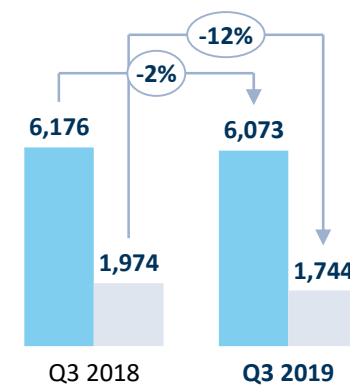
Expat - Total



Total - Primary
Total - Dependents



Saudi - Primary
Saudi - Dependents



Expat - Primary
Expat - Dependents

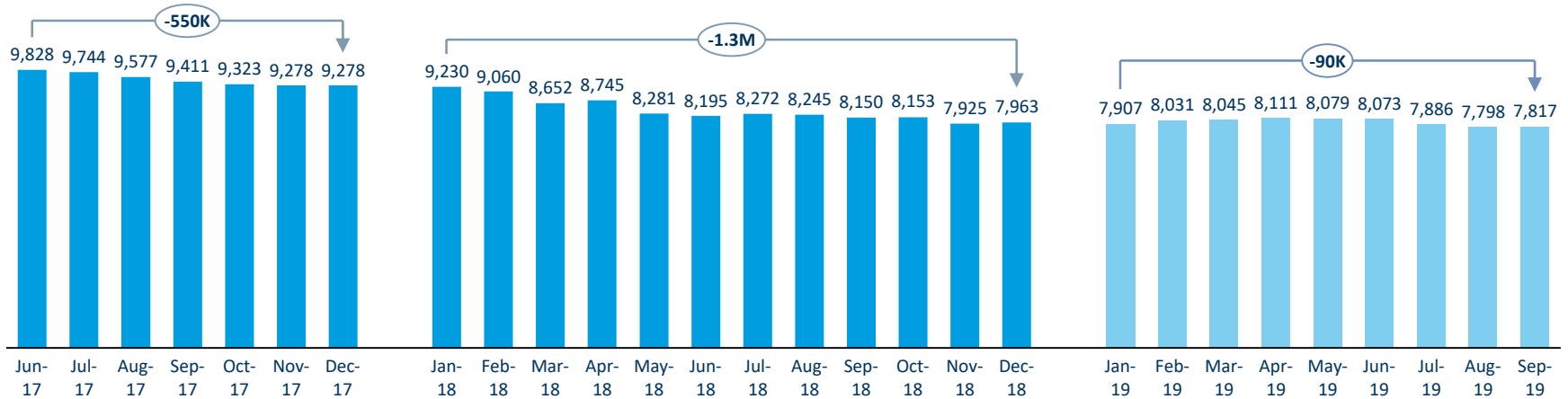
Source: Stats.gov.sa, GOSI, MoL, CCHI, and Bupa Arabia estimates

Saudi Health Insurance Market Trends (2/2)

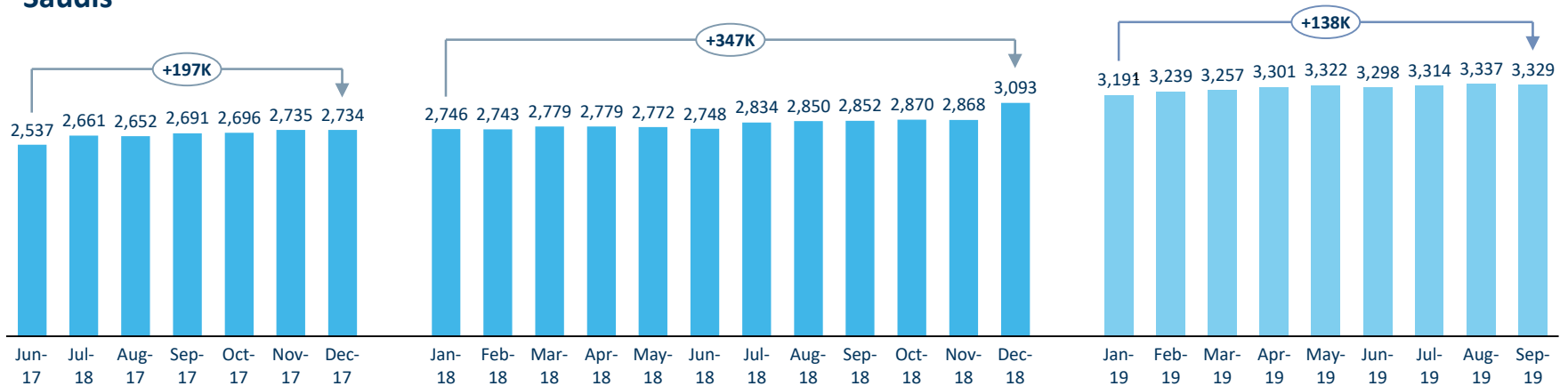
Expats departure has stabilized in 2019 coupled with soft Saudi enforcement



Expats



Saudis

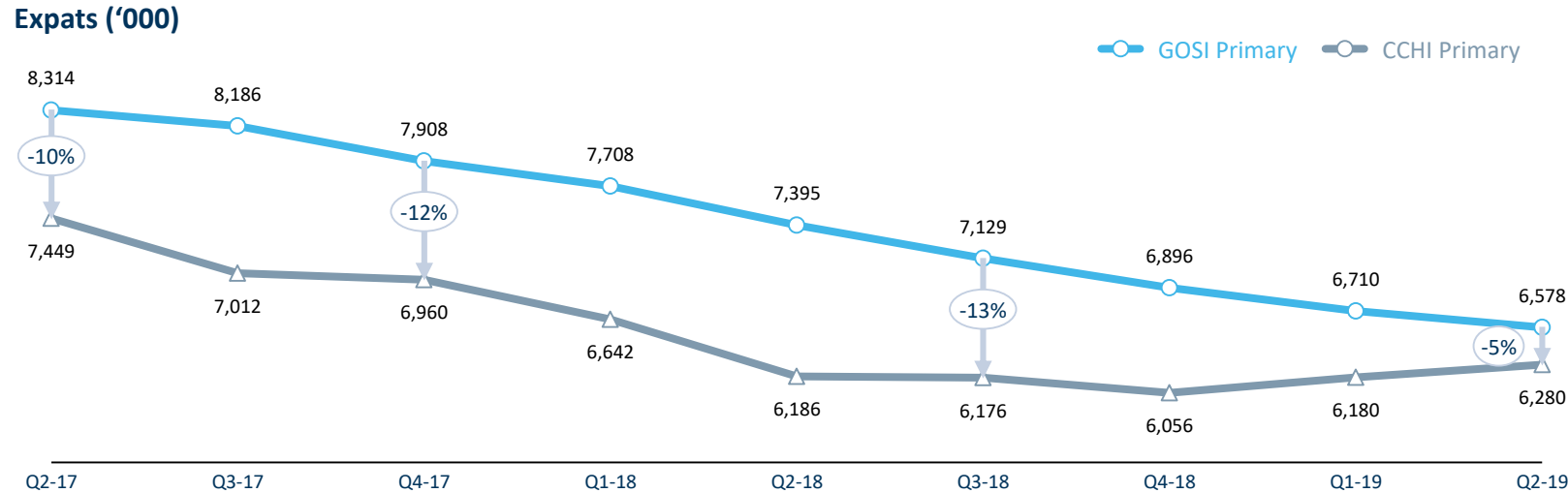
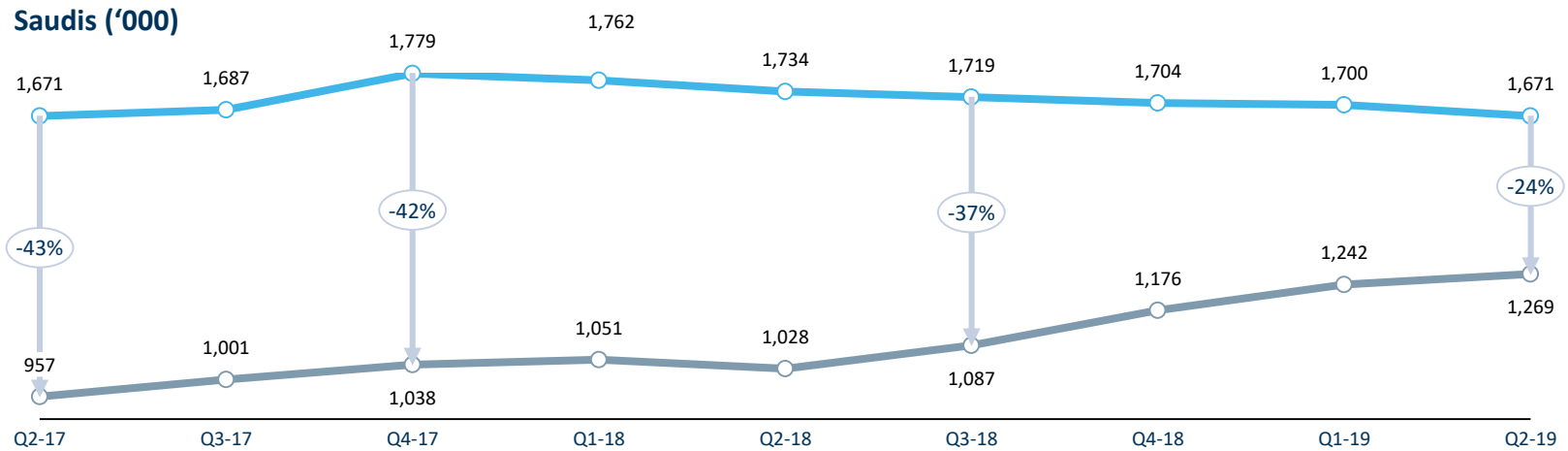


¹Inclusive of c.200k lives from SEC's population that were uploaded into CCHI portal ahead of the start date of their insurance contract (Jan 2019)

Source: CCHI website

Gap & Enforcement Explained

Gaps remain in the private sector with ~ 400K primary Saudis without PMI



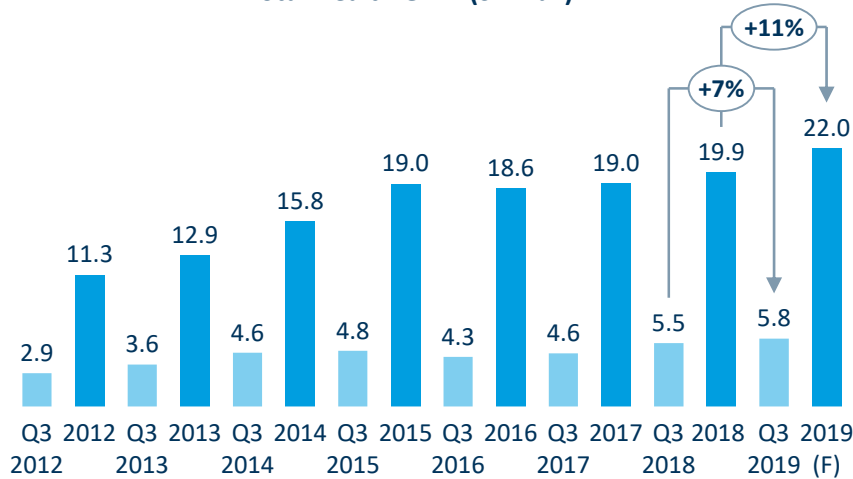
Note: Gap between GOSI and CCHI primary has shrunk significantly for Saudis and Expats reaching 400K (or 1.4m lives) and 298K (or 383K lives) employees respectively

Saudi Health Insurance Market 2019 Forecast

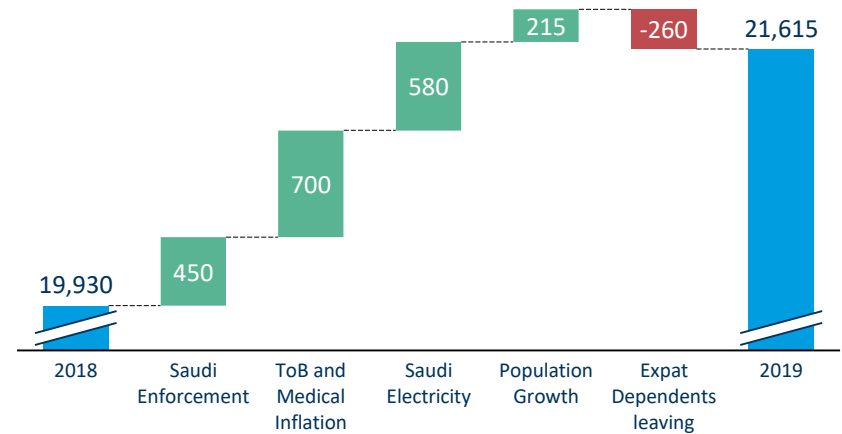
Saudi enforcement is a key contributor to the expected GWP & lives growth



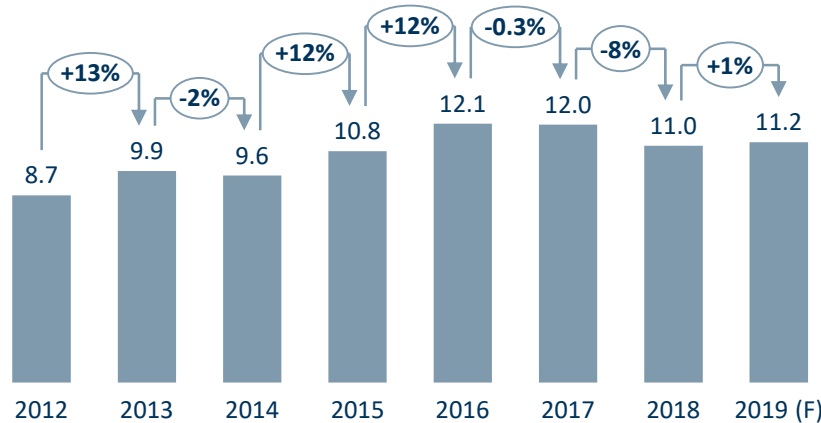
Total Health GWP (SAR bn)



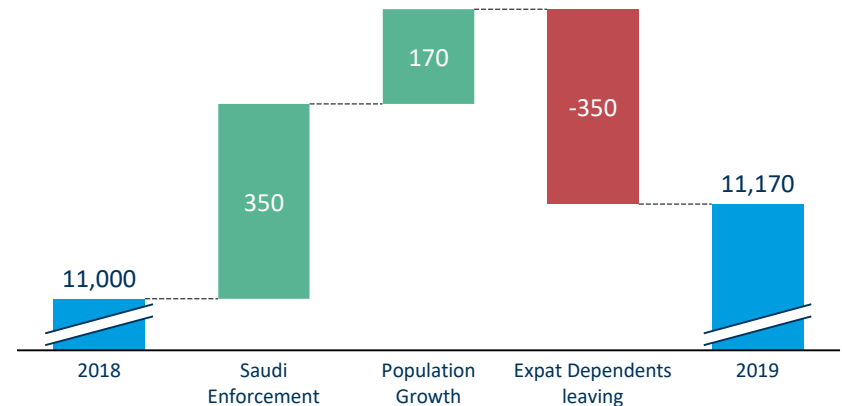
2019 Market Drivers/ Key Assumptions (m)



Total Insured Lives (m)



2019 Market Drivers/ Key Assumptions (000')



Note: 2019 (F) excludes Umrah & Tourism GWP and lives estimates

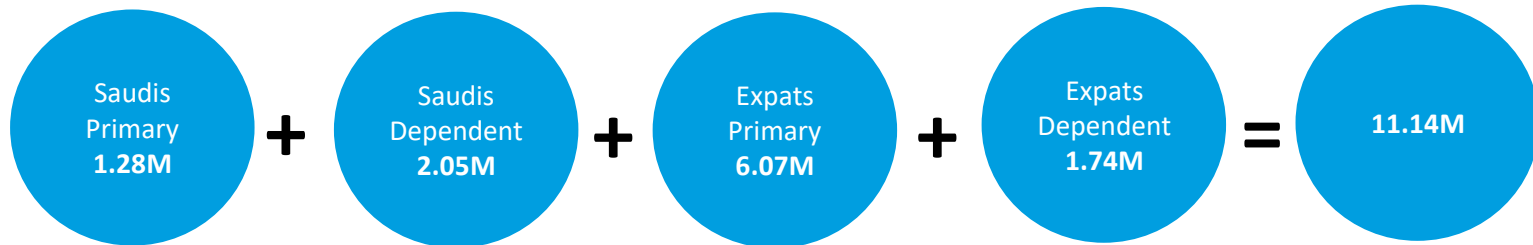
Source : CCHI Annual Reports & Bupa Arabia estimates

Future Growth Opportunities in Health Insurance by 2023

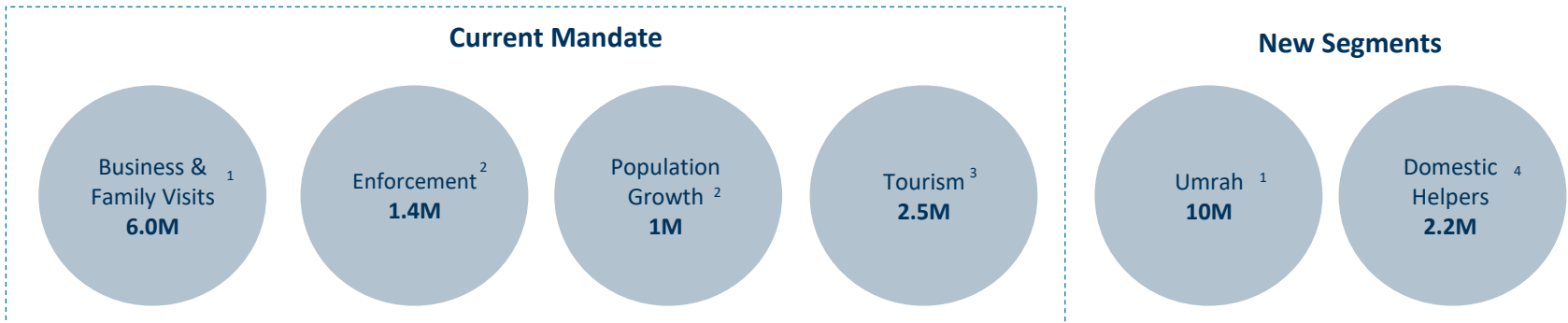
Potential addition of c.23m lives to the private healthcare sector



9m 2019 Contributors to the Private Healthcare Sector



Expected contributors to lead the health insurance growth by 2023



1) GWP/life 100-200 SAR

2) GWP/life 1500-2000 SAR

3) GWP/life 140 SAR (Sept. 27th , 1.5K-2K/Day)

4) GWP/life 400-600 SAR

Source: CCHI data & Bupa estimates

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Other Highlights



Insurance Card-less

CCHI has announced that starting January 1, 2020 policyholder identification at providers will be through national and residency ID instead of insurance cards.



New Insurance Product

Bupa Arabia has recently introduced “Bupa Munsha’at”, a new insurance product targeting SMEs in the Kingdom of Saudi Arabia. It offers three new insurance categories for customers: Essential, Classic and Premium.



Red Crescent Authority (RCA)

Starting January 1st, 2020, the RCA which is responsible for emergency day transfers will be billing insurance companies for emergency cases.



IFRS 17

Bupa Arabia does not expect a major impact from adopting IFRS 17 on its financials and has engaged a big-four consultant to manage the transition and adoption before 2021.



Aramco TPA

Bupa Arabia expanded Aramco’s TPA coverage to the Central region on September 1, 2019.



Zakat and Tax Update

Bupa Arabia has updated its accounting policy to account for zakat and income taxes in the income statement based on the recent instructions issued by SAMA.

Questions & Answers

Speakers:

- Ahmed Bajunaid – Director of Asset Management & Business Advisory
- Ali Sheneamer – Chief Business Development Officer



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Abbreviations

BDP	Bad Debt Provision
CCHI	Council Of Cooperative Health Insurance
EBT	Earnings Before Tax
F	Forecast
GBO	Global Business Outlook
G&A	General And Administrative Expenses
GOSI	General Organization for Social Insurance
GWP	Gross Written Premium
9m	Nine Months
IFM	International Finance Magazine
IFRS	International Financial Reporting Standard
KPI	Key Performance Indicator
MoL	Ministry of Labor
NEP	Net Earned Premiums
OCP	Outstanding Claims Provision (Known As Technical Reserve)
Q	Quarter
SAMA	Saudi Arabian Monetary Agency
S&M	Selling And Marketing Expenses
SME	Small & Medium Enterprises
TPA	Third Party Administration
TTM	Trailing Twelve Months
YoY	Year on Year

Glossary of terms

Understanding our Financial Statements

A customer buys a one-year medical insurance policy for SR 5,000 on July 1, 2017.

The coverage ends on June 30, 2018. The annual reporting period for the business in this example is for the year ended December 31, 2017.

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, 2017 and June 30, 2018
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 2017, only half of the premium is earned in 2017
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 (2017) and half will be reflected in the year after (2018)

Glossary of terms



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, 2017 to Dec 31, 2017)
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

Glossary of terms



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 claims 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

THANK YOU

Bupa Arabia

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Tel: +966 920 000 456 Ext: 3583

ba.bair@bupa.com.sa

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