

# Bupa Arabia Q2 2023 – Earnings Conference Call & Webcast

September 7<sup>th</sup>, 2023

# Disclaimer



This presentation has been prepared by the management of Bupa Arabia ("The Company"). It does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to subscribe for, underwrite or otherwise acquire, any securities of the Company or any member of its group nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company or any member of its group, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

The information included in this presentation has been provided to you solely for your information and background and is subject to updating, completion, revision and amendment and such information may change materially. Unless required by applicable law or regulation, no person is under any obligation to update or keep current the information contained in this presentation and any opinions expressed in relation thereto are subject to change without notice. No representation or warranty, express or implied, is made as to the fairness, accuracy, reasonableness or completeness of the information contained herein. Neither Bupa Arabia nor any other person accepts any liability for any loss howsoever arising, directly or indirectly, from this presentation or its contents.

This presentation may include forward-looking statements that reflect the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, performance, growth, strategies and the industry. These forward-looking statements are subject to risks, uncertainties and assumptions and other factors that could cause the Company's actual results of operations, financial condition, liquidity, performance, prospects, growth or opportunities, as well as those of the markets it serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. The Company cautions you that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company's results of operations, financial condition, liquidity and growth and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods. The Company and each of its directors, officers and employees expressly disclaim any obligation or undertaking to review, update or release any update of or revisions to any forward-looking statements in this presentation or any change in the Company's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based, except as required by applicable law or regulation.

The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restrictions.

This document and any materials distributed in connection with this document are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.



# Agenda

- 01 IFRS17 Conversion table**
- 02 Financial Performance**
- 03 Market Outlook**
- 04 Other Highlights**

01

# IFRS17 Conversion table

# IFRS17 conversion

Consolidated P&L view for H1 2023 across IFRS4 vs. IFRS17



## IFRS4 View – H1 2023 P&L<sup>1</sup>

	Three-month period ended 30 June 2023	Six-month period ended 30 June 2023
Gross premiums written	3,880,096	9,289,556
Net premiums earned	3,861,099	7,528,552
Other revenues	22,110	46,405
<b>Total Revenues</b>	<b>3,883,209</b>	<b>7,574,957</b>
Net claims paid	(2,884,074)	(5,902,915)
Net claims incurred	(3,116,454)	(6,350,765)
Policy acquisition costs	(176,650)	(344,762)
Other costs	(8,386)	(16,312)
<b>Total underwriting costs &amp; expenses</b>	<b>(3,301,490)</b>	<b>(6,711,839)</b>
<b>NET UNDERWRITING INCOME</b>	<b>581,719</b>	<b>863,118</b>
<u>Other operating income/(expenses)</u>		
Allowance for doubtful receivables	(17,119)	40,138
General and administrative expenses	(174,550)	(332,399)
Selling and marketing expenses	(38,071)	(72,582)
Investment income	123,084	225,521
Other income – net	(1,506)	(542)
<b>Total other operating expenses</b>	<b>(108,162)</b>	<b>(139,864)</b>
<b>Income attributed to insurance operations</b>	<b>(41,253)</b>	<b>(60,814)</b>
<b>Income attributed to shareholders before zakat &amp; income tax</b>	<b>432,304</b>	<b>662,440</b>

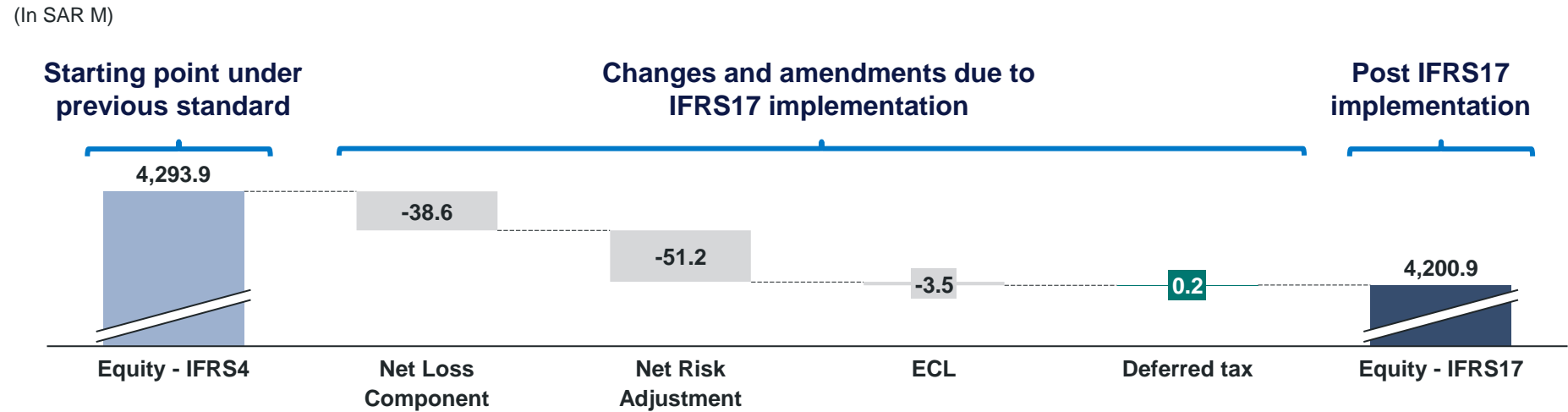
## IFRS17 View – H1 2023 P&L

	Three-month period ended 30 June 2023	Six-month period ended 30 June 2023
Insurance revenue	3,885,014	7,635,427
Insurance service expense	(3,501,613)	(7,080,012)
Net expenses from reinsurance contracts held	(11,378)	(14,909)
<b>Insurance service results</b>	<b>372,023</b>	<b>540,506</b>
Investment income on financial assets at amortized cost	89,866	167,365
Investment income on financial assets at fair value	33,169	58,350
Net impairment loss on financial assets	49	(194)
<b>Net insurance and investment results</b>	<b>495,107</b>	<b>766,027</b>
Other operating expenses, net	(76,527)	(133,680)
Other revenue	22,110	46,405
Other cost	(8,386)	(16,312)
<b>Income attributed to shareholders before zakat &amp; income tax</b>	<b>432,304</b>	<b>662,440</b>
Zakat charge	(24,544)	(45,743)
Income tax charge	(36,410)	(56,751)
<b>INCOME ATTRIBUTED TO SHAREHOLDERS BEFORE ZAKAT &amp; INCOME TAX</b>	<b>371,350</b>	<b>559,946</b>
<b>Basic and diluted earnings per share (expressed in SAR per share))</b>	<b>2.48</b>	<b>3.75</b>

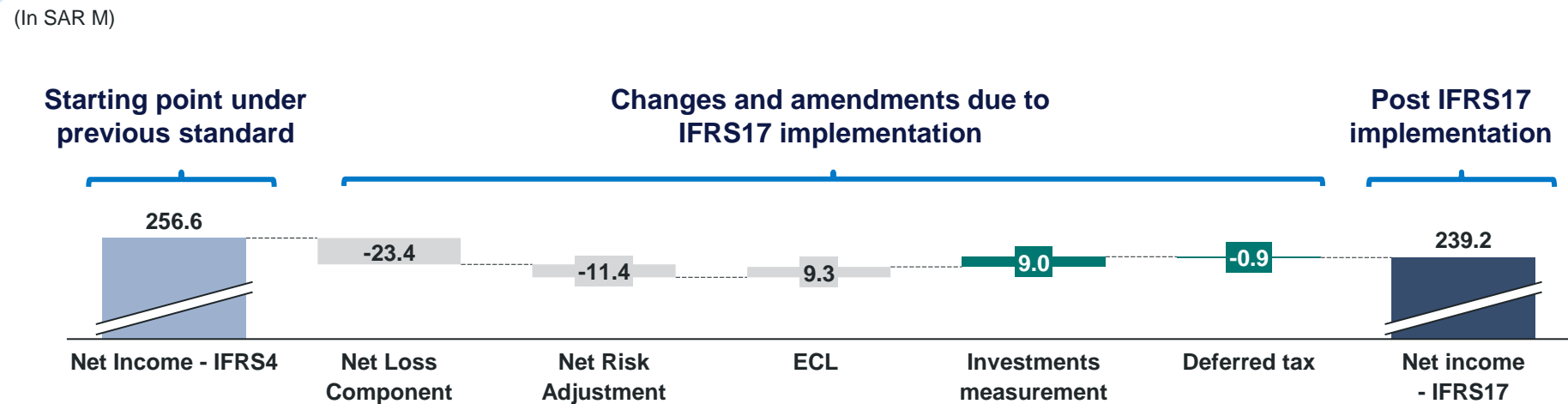
Note(s): 1. Management accounts – not reviewed or audited by external auditors

# The implementation of IFRS 9 & 17 create an impact on the Equity position and profits when compared to previous periods

**Total equity as of 31 Dec 2022 has decreased by SAR 93M**  
(%2 of total equity)



**Q2 2022 net income has decreased by SAR 17.3M**

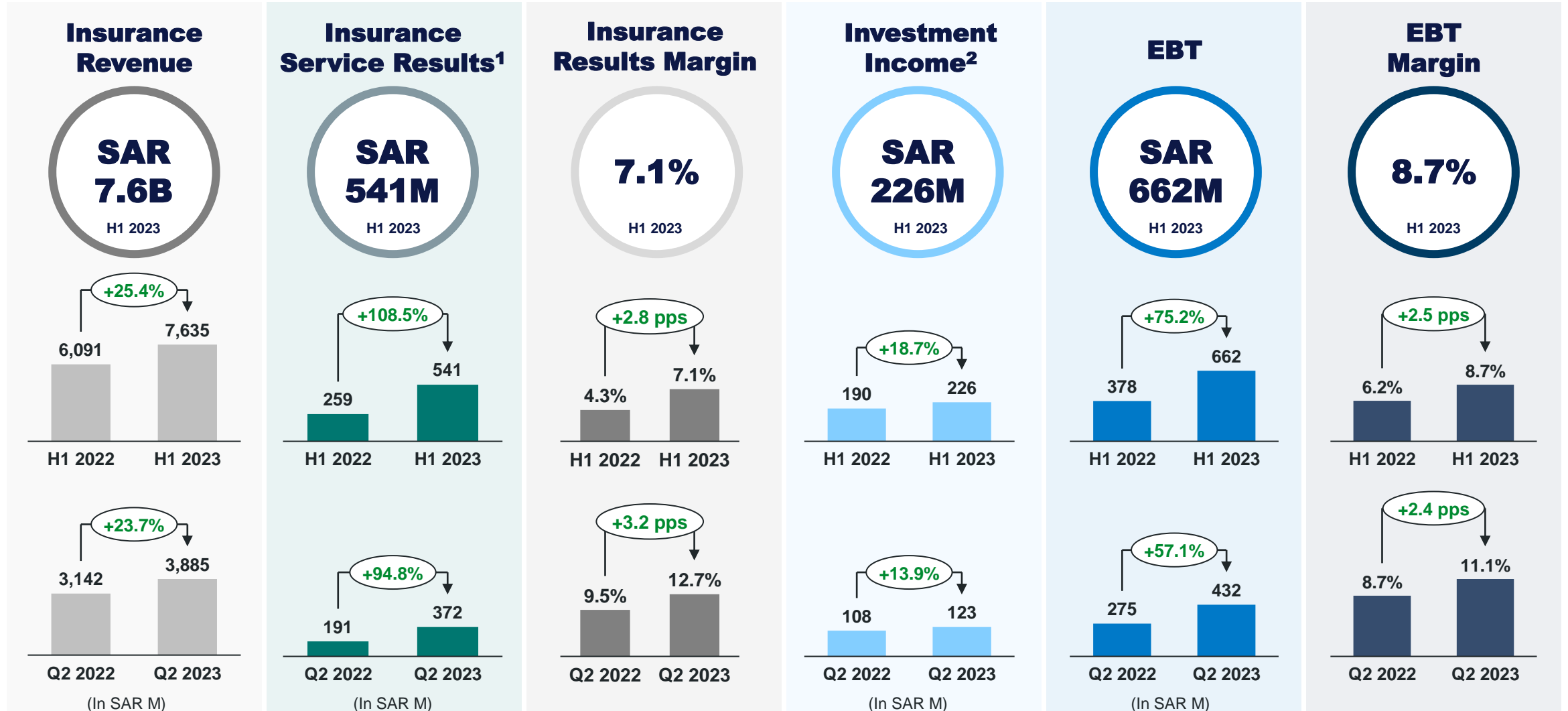


# 02

# Financial Performance

# Financial Highlights

H1 2023 EBT increased by 75.2% due to favorable pricing environment and membership driven growth

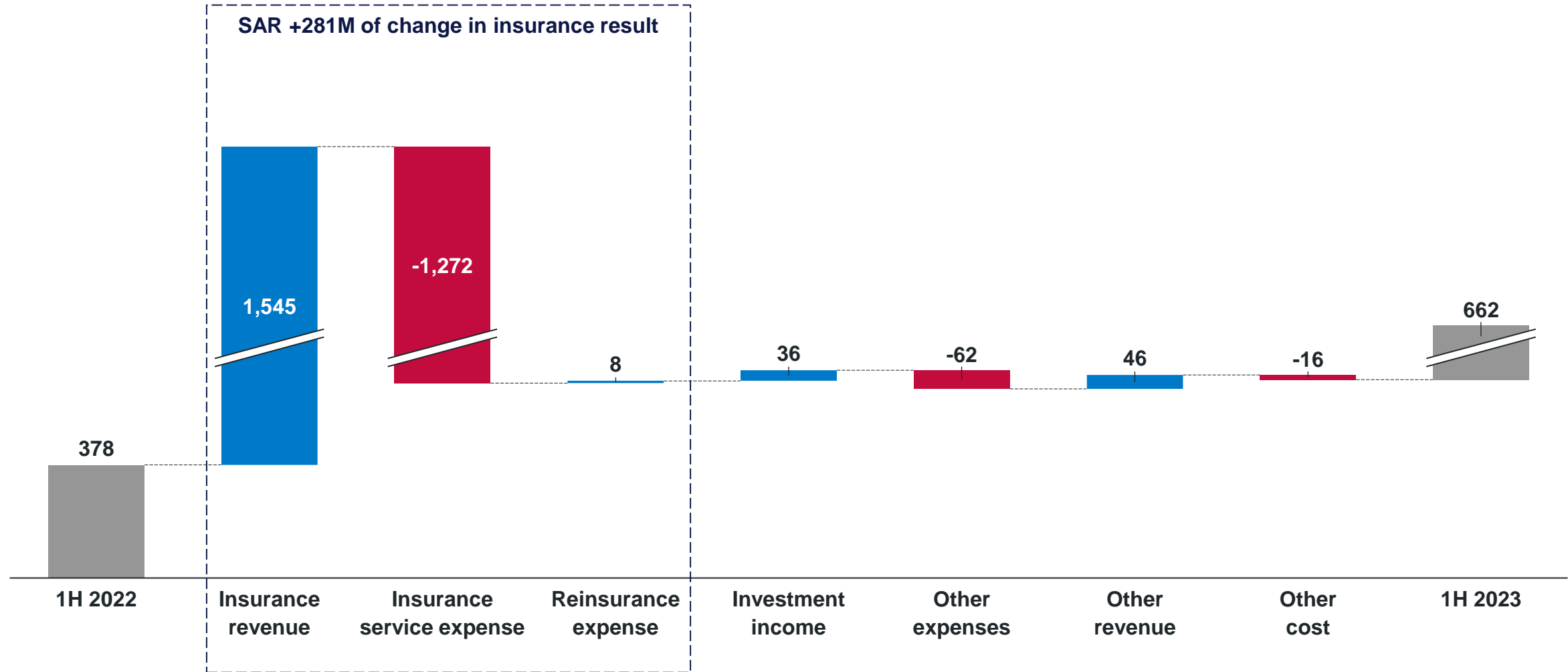


Note(s): 1. Insurance Service Results are calculated as insurance revenue minus insurance service expense and net expenses from reinsurance contracts held; 2. Investment income is calculated as the sum of investment income on financial assets at amortized cost, Investment income on financial assets at fair value and net impairment loss on financial assets

Source(s): Bupa Arabia Financial Results Q2 2023



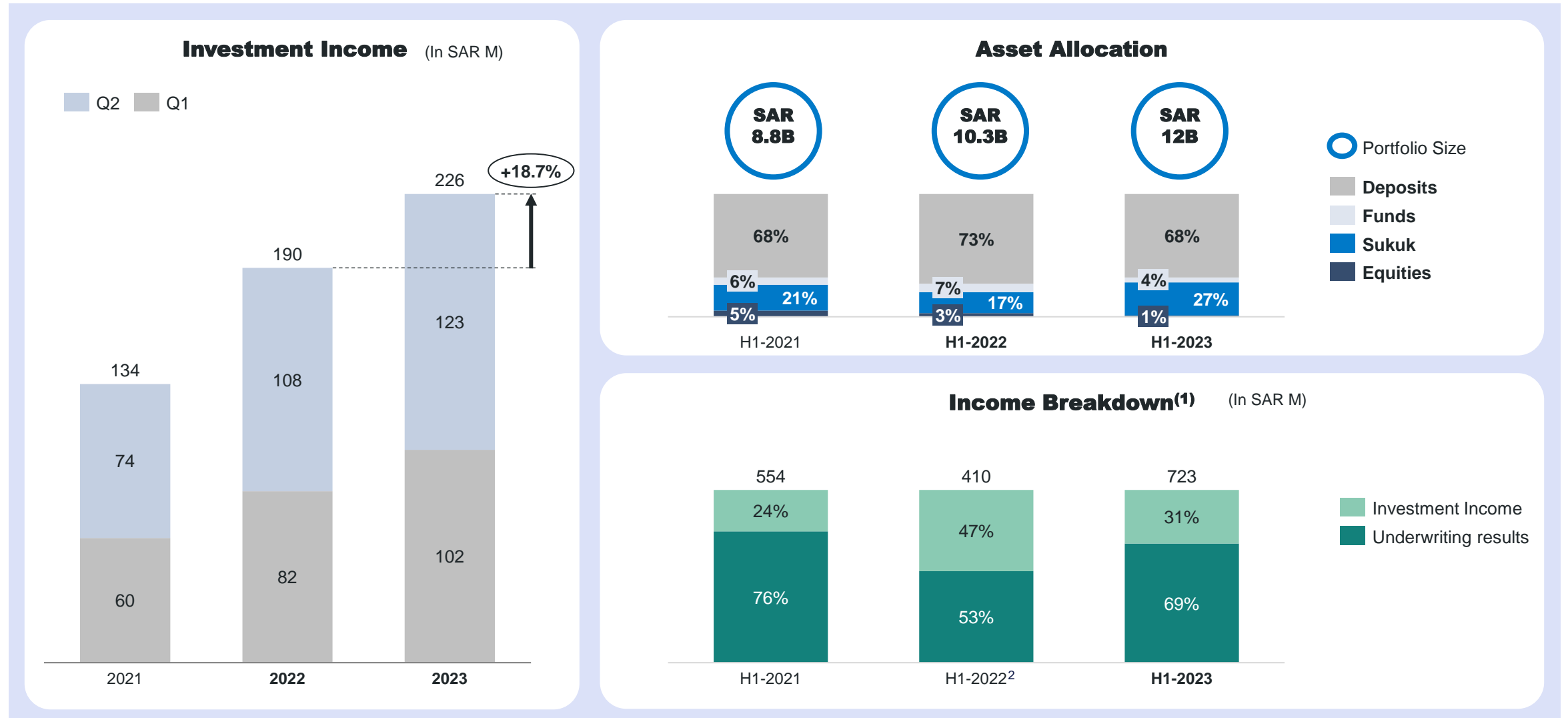
Overall increase in insurance results by SAR 281M due to the continued favorable pricing environment



Source(s): Bupa Arabia Financials Q2 2023

# Investment Portfolio and Results

Resilient investment income given favorable interest rates, increased duration, and larger portfolio size



Note(s): (1) Income breakdown represents net income attributed to the shareholders and policyholders. (2) Restated numbers for 2022

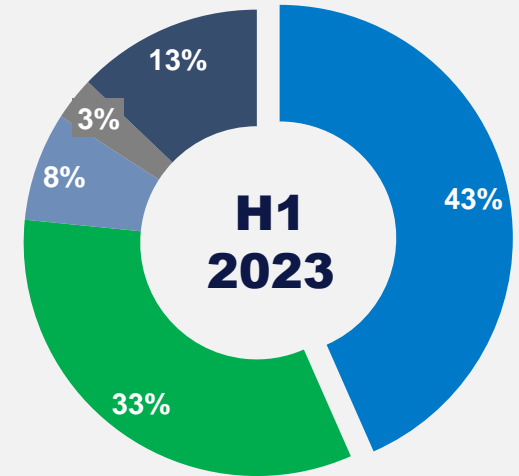
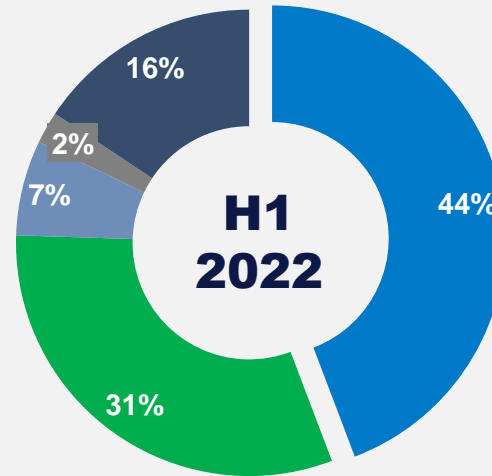
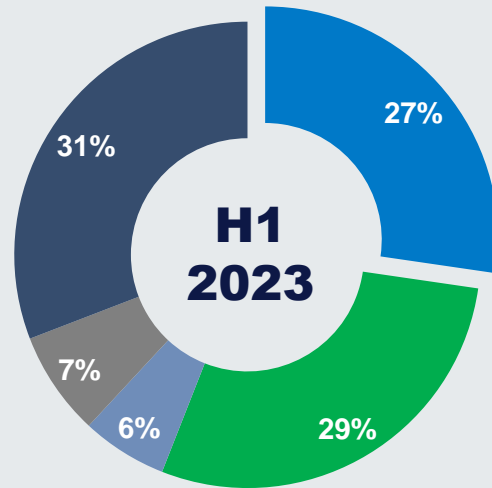
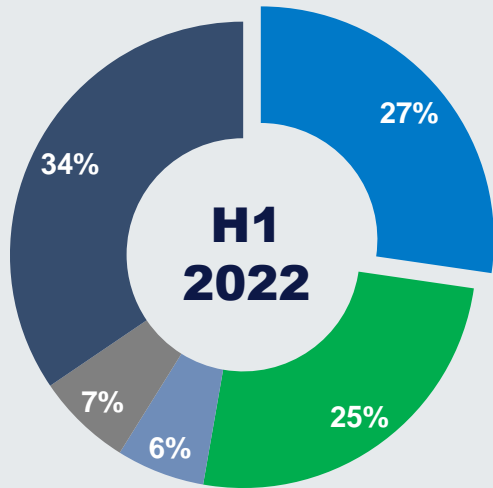
# Market Share & Positioning

Bupa Arabia maintains leadership in the health insurance market



**Total Insurance Market Share** GWP basis

**Health Insurance Market Share** GWP basis



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

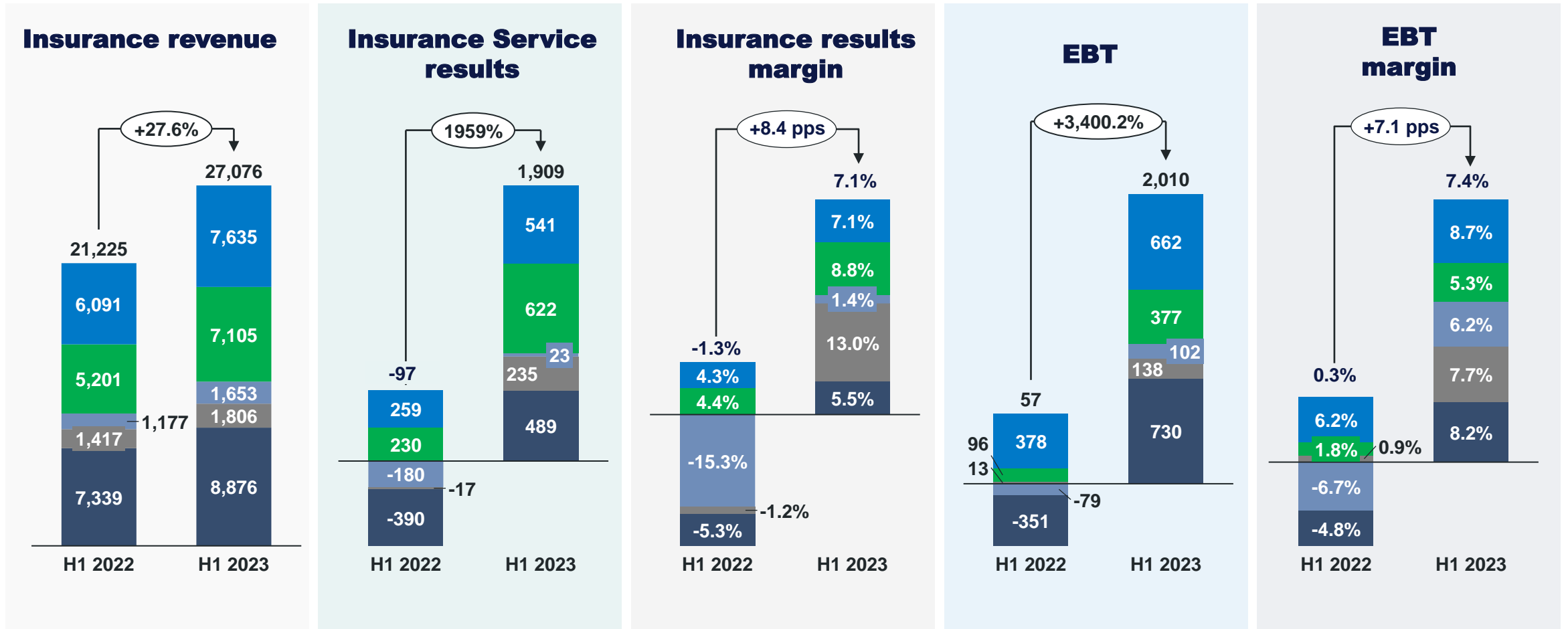
Note(s): Calculation of total insurance market and health insurance market excludes GWP from Saudi Reinsurance Company  
 Source(s): Respective insurance companies' filings; Others based on estimates.

# Total Insurance Market

Sustained favorable pricing, business growth, and loss ratio improvement continue to deliver healthy results



(All in SAR M)



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

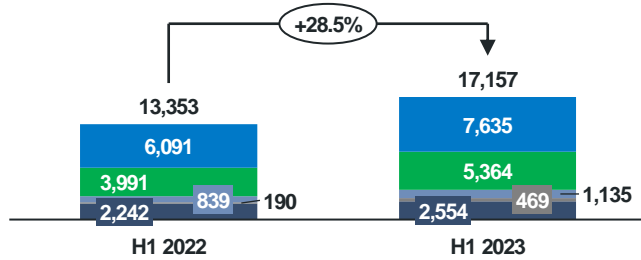
Source(s): Respective insurance companies' filings; Others based on estimates.

# Health Insurance Market

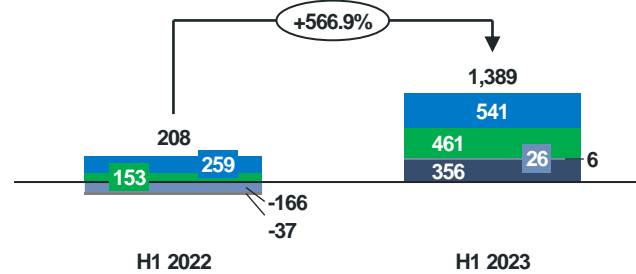
Growth observed across GWP segments as Bupa Arabia maintains leadership in corporates and SMEs



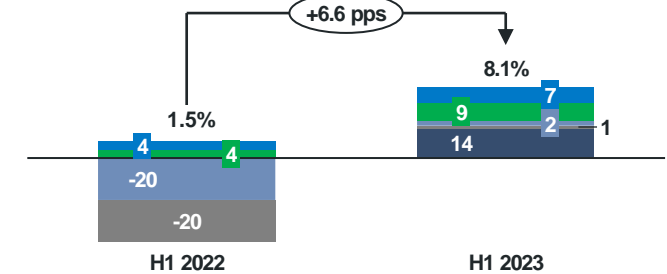
**Insurance revenue** (in SAR M)



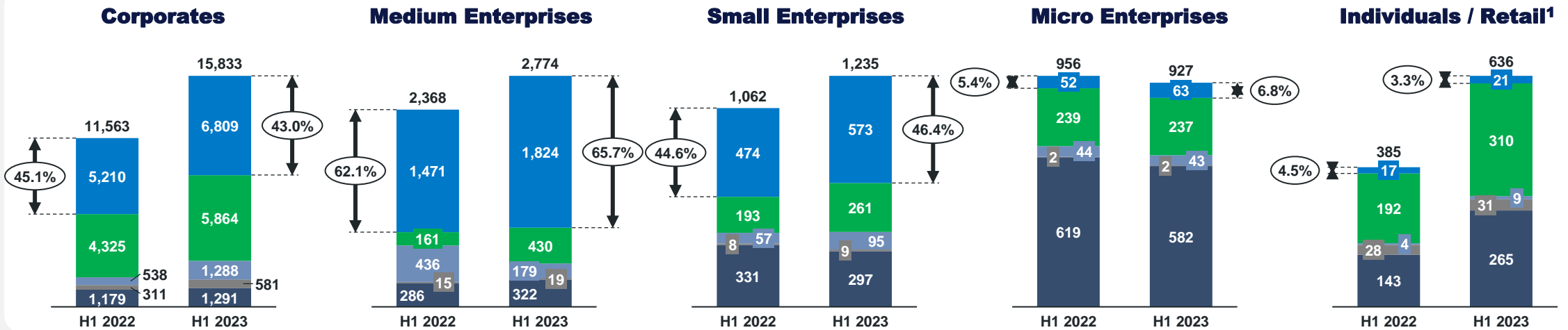
**Insurance service results** (in SAR M)



**Insurance result margin**



**GWP Segmentation** (All in SAR M)



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

Note(s): (1) Individual/Retail figures for Tawuniya include results from Hajj and Umrah  
 Source(s): Respective insurance companies' filings; Others based on estimates.

**03**

# Market Outlook

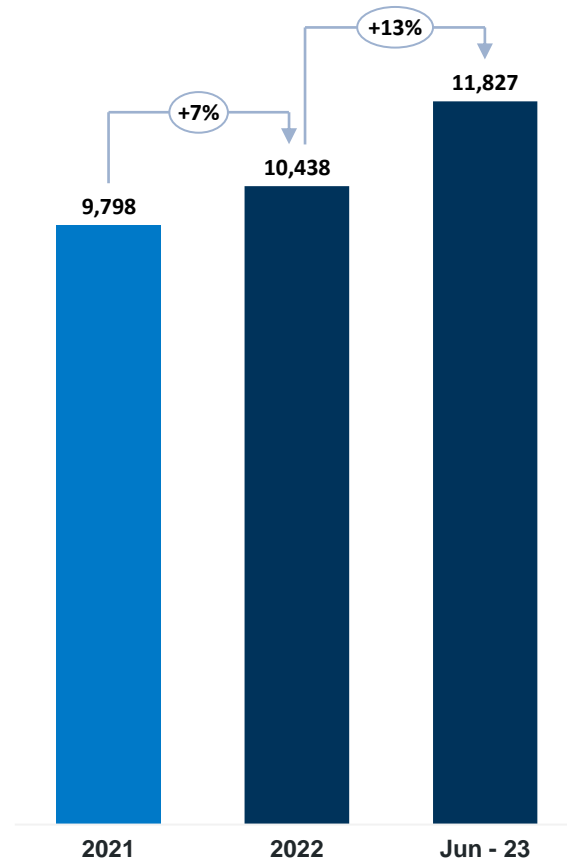
# Saudi Health Insurance Market Trends (1/2)

Overall growth in H1 2023 across Saudis and Expats in comparison to the same period in 2022



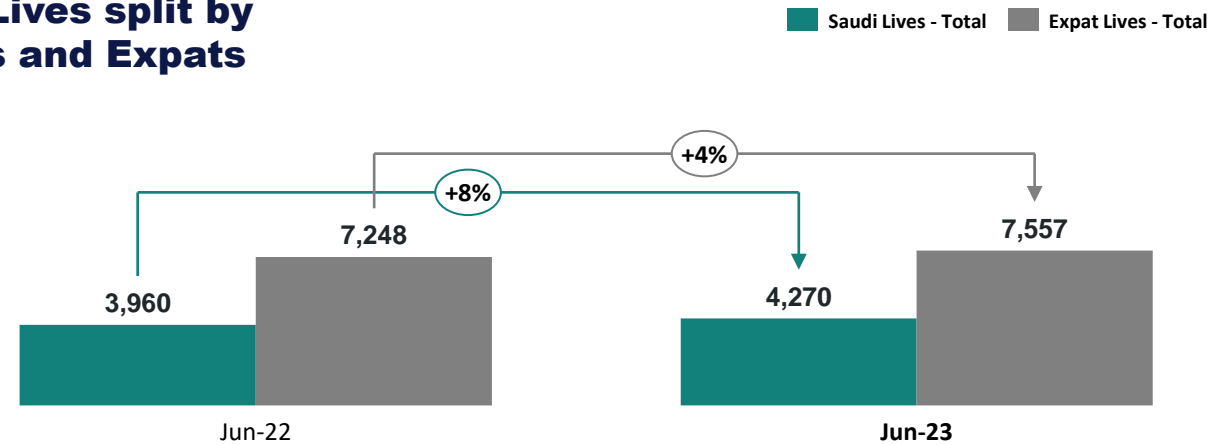
## Total Insured Lives

(In '000)



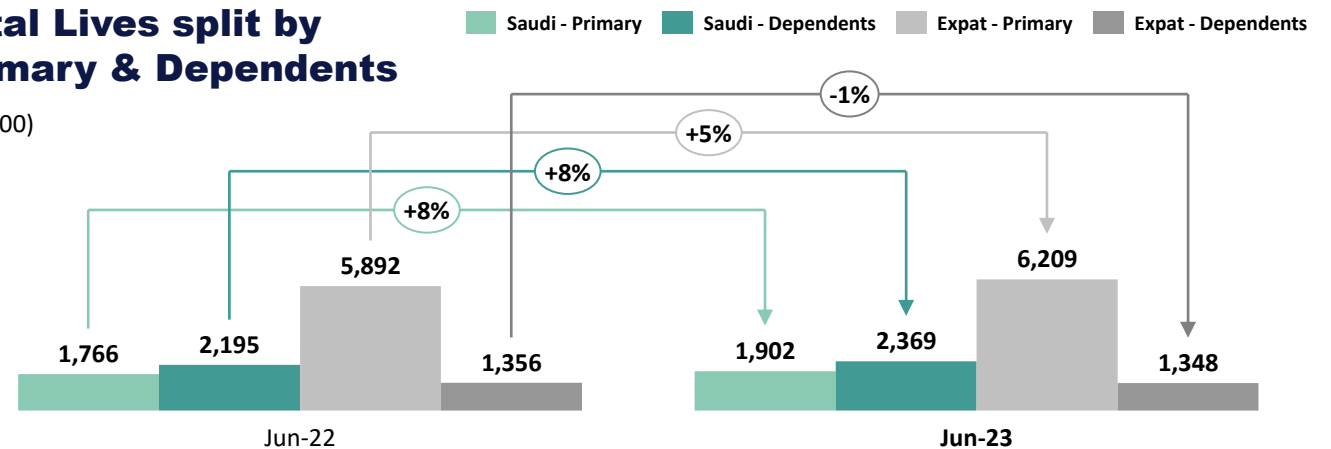
## Total Lives split by Saudis and Expats

(In '000)



## Total Lives split by Primary & Dependents

(In '000)

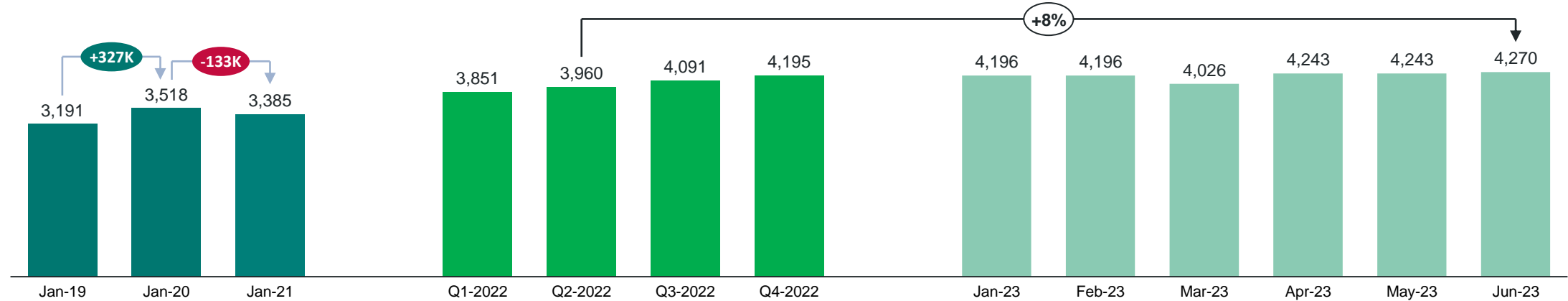


# Saudi Health Insurance Market Trends (2/2)

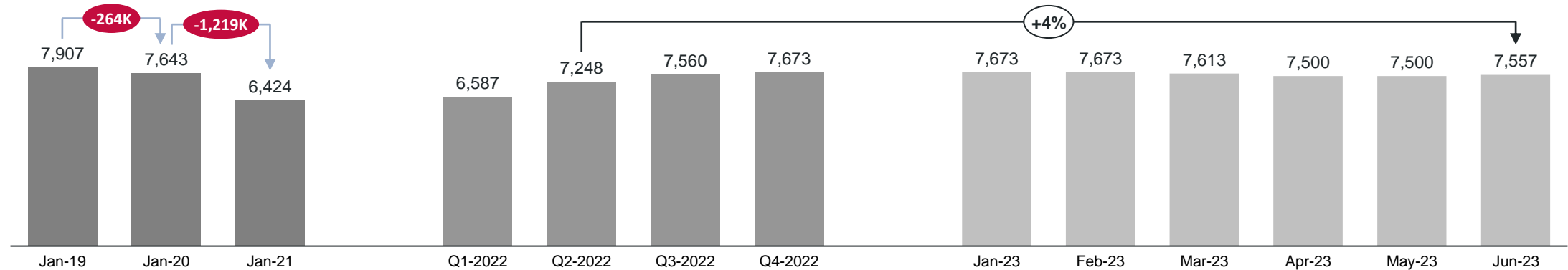
Despite overall growth, slight decline in expat lives YTD mainly due to expat dependents



## Saudis (In '000)



## Expats (In '000)



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

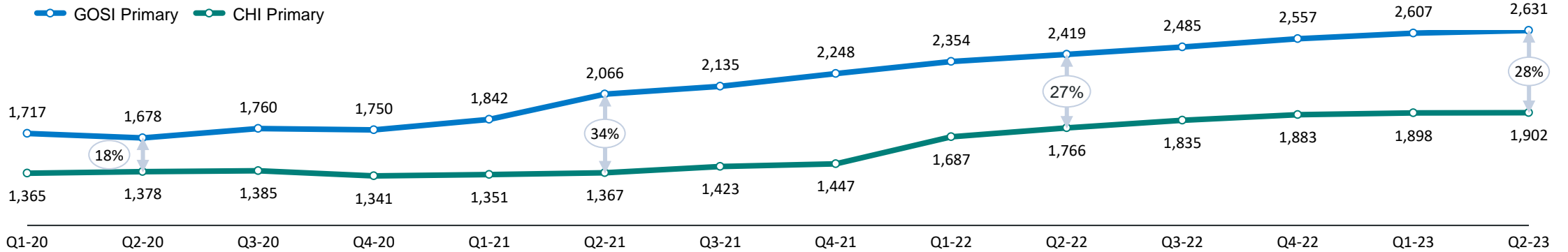


# Gap & Enforcement Explained

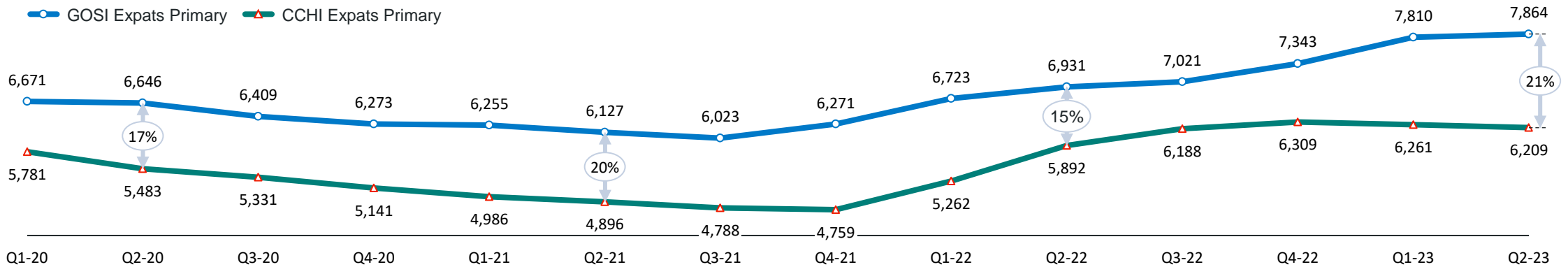
Enforcement gap remains within private sector with +729K Saudis & +1.6M Expats without Medical Insurance



## Saudis (In '000)



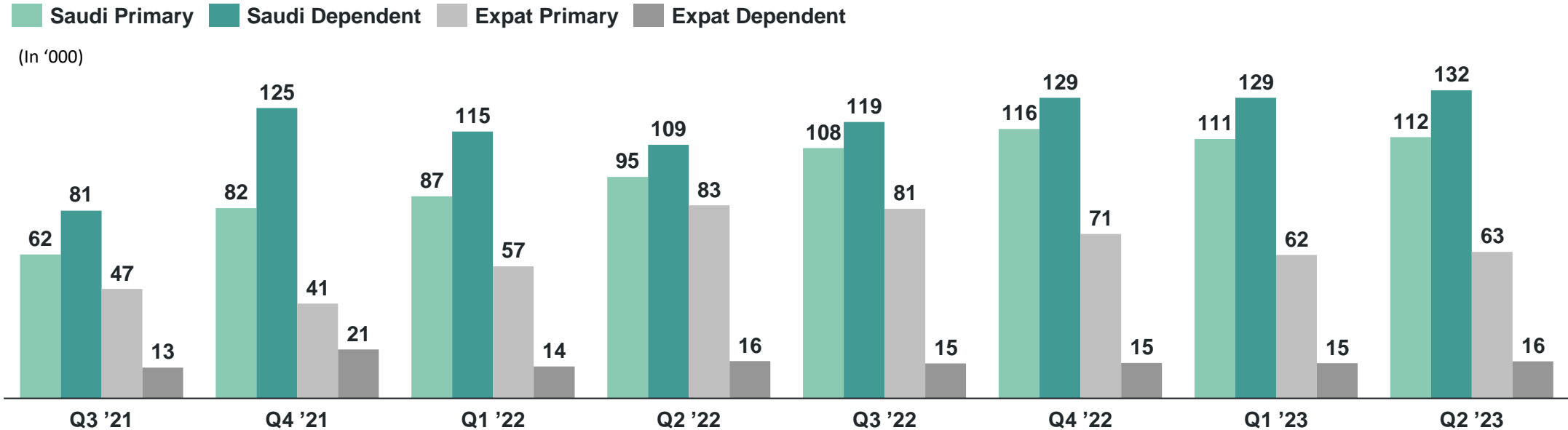
## Expats (In '000)



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

# Duplicate insurance and implications

CHI plans to crackdown on duplicate insurance policies, which will result in a drop of +300K lives



As Government shifts more insurance policy acquisition through EXPRO, key duplications had been identified

Former spousal coverage

Employed spouses generating duplicate coverage

Other duplication cases



CHI is currently focusing on blocking ID numbers with duplicate insurance policies across private sector and government

# 04

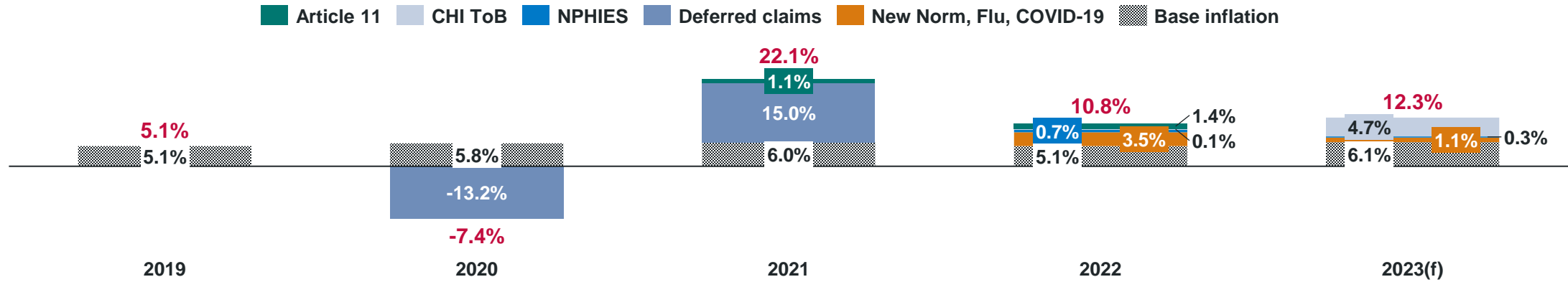
# Other Highlights

# PMI Market Challenges

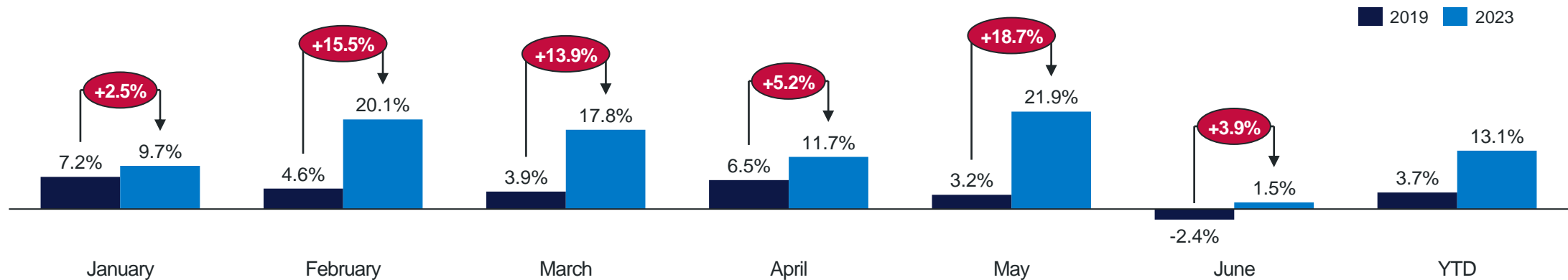
Medical inflation levels continue to be alarming with expectations to slow down by end of year



## Medical Inflation Overview



## Inflation Breakdown (YTD)



# Business Highlights

Bupa Arabia is the 1<sup>st</sup> Saudi insurance company to announce financials under IFRS17 standards



Bupa Arabia for Cooperative Insurance is proud to announce that our colleague Mahmoud Almalki, Sr. Director of Actuarial and Financial Analysis, is currently only the second Saudi Actuarial Fellow within the insurance sector, and the first within health insurance.



Bupa Arabia for Cooperative Insurance is first Saudi Insurance Company to issue Financial Report under IFRS17 standards within the SAMA original deadline.



Bupa Arabia for Cooperative Insurance successfully distributed SAR 540M as dividends in July 17, 2023.



Bupa Arabia for Cooperative Insurance renewed both, its three-year insurance license with SAMA, and CHI license.



Bupa Arabia for Cooperative Insurance renewed contract for SNB to provide health insurance services for its employees and their families.

# New Insurance Authority

Approved by the Council of Ministers with the aim to oversee the insurance sector as the main regulator

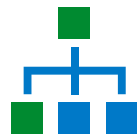


## On Tuesday, August 15<sup>th</sup> 2023 the Council of Ministers approved the establishment and formation of the Insurance Authority



## As custodian of the insurance sector, the Insurance Authority will focus on key strategic goals to develop the sector

- 1 **Organize and regulate the insurance sector in order to ensure sector development**
- 2 **Supervise and oversee all insurance activities in order to maximize efficiency and efficacy**
- 3 **Promote awareness of insurance, and protect policyholders and beneficiaries**
- 4 **Ensure insurance sector stability, and overall financial stability**
- 5 **Promote and grow the insurance sector and define the guidelines of insurance obligations**



Will assume all responsibilities of CHI

To define new mandate for insurance sector

To report directly to the Council of Ministers

CEO to be appointed by Authority Board

# Regulatory Highlights

Continuous reforms across Saudi Health Sector and Health Insurance Sector in alignment with Vision 2030



SPA announced the approval of the establishment of the Insurance Authority, which aims to protect the rights of policyholders as well as beneficiaries, ensure the stability of the insurance sector, and reinforce financial stability.



CHI signs a collaboration agreement with Seha Virtual Hospital; Under the agreement, the CHI can seek medical opinions from Seha Virtual Hospital for beneficiaries of the Cooperative Health Insurance Law who require specialized medical advice.



SAMA says insurance sectors formally adopts IFRS 9 and 17, on January 1st, 2023.



SAMA releases updates to the unified compulsory motor insurance policy.



SAMA's new Governor Excellency Mr. Ayman Alsayari has been appointed by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud, and HRH Prince Mohammed bin Salman bin Abdulaziz, Crown Prince and Prime Minister, on the 2nd of February 2023.



Health Sector Transformation Program announced the launch of Saudi Arabia's Virtual Hospital during 2023's Hajj season.

# Achievements & Awards

Bupa Arabia has been recognized with multiple awards in 2023 and prior



<p><b>Saudi Capital Markets Awards (SCMA) 2023</b></p> <ul style="list-style-type: none"><li>▪ Best Investor Relations Program Award</li></ul>	<p><b>Golden Shield Excellence Awards 2023</b></p> <ul style="list-style-type: none"><li>▪ Best Insurance Brand</li><li>▪ Health Insurer of the Year</li></ul>	<p><b>World Economic Magazine Awards 2023</b></p> <ul style="list-style-type: none"><li>▪ Best Health Insurance Campaign: Live Right Saudi Arabia</li></ul>	<p><b>Okaz List Top CEO Event 2023</b></p> <ul style="list-style-type: none"><li>▪ Tal Nazer named as one of the Top CEOs in Saudi Arabia</li></ul>
<p><b>Saudi Capital Markets Awards (SCMA) 2022</b></p> <ul style="list-style-type: none"><li>▪ Best Investor Relations Program Award</li><li>▪ Best ESG Award</li></ul>	<p><b>Golden Shield Excellence Awards 2022</b></p> <ul style="list-style-type: none"><li>▪ Best Insurance Brand</li><li>▪ Best Healthcare insurance innovation</li></ul>	<p><b>Global Good Governance Awards (3G) 2022</b></p> <ul style="list-style-type: none"><li>▪ Commitment to Corporate Governance Award</li><li>▪ Social Innovation Award</li></ul>	<p><b>CHI Excellence Awards 2022</b></p> <ul style="list-style-type: none"><li>▪ Best Achiever Award (C-Suite) - Tal Nazer</li><li>▪ Best Customer Service</li><li>▪ Digital Innovator of the year</li></ul>
<p><b>ME Forbes – Top 100 Companies in the Middle East in 2022</b></p> <ul style="list-style-type: none"><li>▪ #79 in top 100 companies list</li><li>▪ #1 of the Top 5 GCC Insurance Companies 2022</li></ul>	<p><b>International Business Awards 2022</b></p> <ul style="list-style-type: none"><li>▪ Health Insurance Company of the Year Saudi Arabia</li><li>▪ Insurance CEO of the Year (Tal Nazer)</li></ul>	<p><b>World Economic Magazine Awards 2022</b></p> <ul style="list-style-type: none"><li>▪ Best Health Insurance Mobile App in Saudi Arabia</li><li>▪ Best Insurance Company for Investor Relations</li></ul>	<p><b>Brand Finance List 2022</b></p> <ul style="list-style-type: none"><li>▪ The Middle East Most Valuable Insurance Brand</li><li>▪ #10 Strongest Saudi Brands</li><li>▪ #15 Most Valuable Saudi Brands</li></ul>



# 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



**Osama Shaker**  
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**  
Deputy Chief Executive Officer  
& Chief Financial Officer



**Ali Sheneamer**  
Chief Business Development Officer



**Amro Shawli**  
Chief Governance, Risk & Control Officer



**Tariq Alamoudi**  
Chief Human Resources Officer



**Mohamed El Missaoui**  
Chief Operations Officer



**Atef Mufti**  
Chief Sales Officer



*With you for better health*