

2020

ANALYST PRESENTATION

FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Presented by:
Lizé Lambrechts and Hennie Nel



CONTENTS

1. The Santam business portfolio
2. Market context
3. Financial results
4. Capital management
5. Group strategy and priorities



THE SANTAM BUSINESS PORTFOLIO



SANTAM GROUP

INSURANCE ACTIVITIES

Insurance operating segments	What is included?
Conventional insurance	Conventional insurance business written on insurance licences controlled by the group, consisting of: <ul style="list-style-type: none">• Santam Commercial and Personal• Santam Specialist• Santam Re• MiWay
Alternative risk transfer insurance	Alternative risk transfer insurance business written on insurance licences of Centriq and SSI
Sanlam Emerging Markets (SEM) general insurance businesses	Santam's share of the insurance results of the SEM general insurance businesses, including Saham held through SAN JV



MARKET CONTEXT



INSURANCE MARKET

OUTLOOK

- **All markets**
 - COVID-19 pandemic and the emergence of new variants remain a key downside risk to economic recovery and insurance demand
 - Global premium growth is expected to recover this year, largely driven by rate hardening and the emerging markets, in particular China
 - Contingent business interruption claims to impact the sector beyond 2020, as legal disputes reach finality
 - Shift towards digital and remote channels continues along with increased investments in new business models and strategic investments e.g. Telematics, affinity partnerships, embedded insurance
 - Low interest rates continue to put pressure on insurers to focus on optimal business models
 - Growing significance of ESG factors, in particular climate risk disclosures



INSURANCE MARKET

OUTLOOK

- **South Africa**
 - Economic growth to be muted but positive for 2021
 - Updates on vaccines are promising; however, uncertainty remains around access and the roll-out performance
 - Some form of social distancing measures likely to remain until population immunity is reached
 - Premium growth expected to grow in line with the economy
 - Increased competition
 - Protection gap remains a significant challenge
 - CBI claims processing and settlements

CONTINGENT BUSINESS INTERRUPTION COVER

CURRENT STATUS



- Recent judgments in SA and the UK provided legal certainty
- At 31 December 2020 Santam raised R2 billion net CBI claims provisions in addition to R1 billion interim relief payments during August 2020
- Santam was granted leave to appeal against the Ma-Afrika judgment relating to the indemnity period
- Santam is actively processing CBI claims since January 2021
- Net CBI provision could still be significantly impacted by:
 - the outcome of SCA case relating to indemnity period
 - the extent of reinsurance recoveries
 - CBI claims assumptions vs actual claim settlements



SANTAM DECEMBER 2020

KEY FACTS

- Gross written premium growth of **7%**
- Conventional insurance gross written premium growth of **5%**
- Underwriting margin for conventional insurance business of **2.5%** (2019: **7.7%**)
- Headline earnings per share decreased by **47%**
- Return on capital of **8%**
- Economic capital coverage ratio of **161%**
- No Final dividend declared due to CBI uncertainty



FINANCIAL RESULTS

REPORTING ENVIRONMENT

REPORTED RESULTS AFFECTED BY:

- Insurance events
 - COVID-19 lockdown impacted positively on the motor book
 - Net exposure to Contingent business interruption claims of R3 billion, including R1 billion already settled in August 2020
- Market volatility
 - Rand strengthening towards end of 2020 largely reversed H1 foreign currency gains
 - The lower interest rate environment negatively impacted investment return on insurance funds and investment income



EXCHANGE RATE VOLATILITY

CLOSING RATES

Currency	Dec 2020	Jun 2020	Dec 2019	% change Dec 2019 – Jun 2020	% change Dec 2019 – Dec 2020
United States Dollar	14.69	17.37	13.98	24.3	5.0
Moroccan Dirham	1.65	1.78	1.47	21.1	12.2
Malaysian Ringgit	3.64	4.05	3.44	17.7	5.8
Indian Rupee	0.20	0.23	0.20	16.6	-

EXCHANGE RATE VOLATILITY

AVERAGE RATES

Currency	Dec 2020	Jun 2020	Dec 2019
United States Dollar	16.34	16.46	14.43
Moroccan Dirham	1.73	1.70	1.52
Malaysian Ringgit	3.91	3.90	3.49
Indian Rupee	0.22	0.22	0.21



CONVENTIONAL INSURANCE

CONVENTIONAL INSURANCE

NET INSURANCE RESULT

	2020 R'm	% of NEP	2019 R'm	% of NEP	2020/2019	5 Yr ave %	10 Yr ave %
Gross written premium	31 098		29 725		5%	7.1	8.6
Net earned premium	24 320	100.0	23 673	100.0	3%	6.4	6.4
Net claims incurred	16 593	68.2	14 711	62.1	13%	64.3	64.7
Net acquisition cost	7 112	29.3	7 142	30.2	-	29.3	28.7
Net underwriting result	615	2.5	1 820	7.7	(66%)	6.4	6.6
Investment return on insurance funds	501	2.1	579	2.4	(13%)	2.5	2.5
Net insurance result	1 116	4.6	2 399	10.1	(53%)	8.9	9.1
Combined ratio		97.5		92.3		93.6	93.4

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM VS CPI + GDP GROWTH



*Year-on-year real GDP forecasted growth for Q4 2020 of -7% used

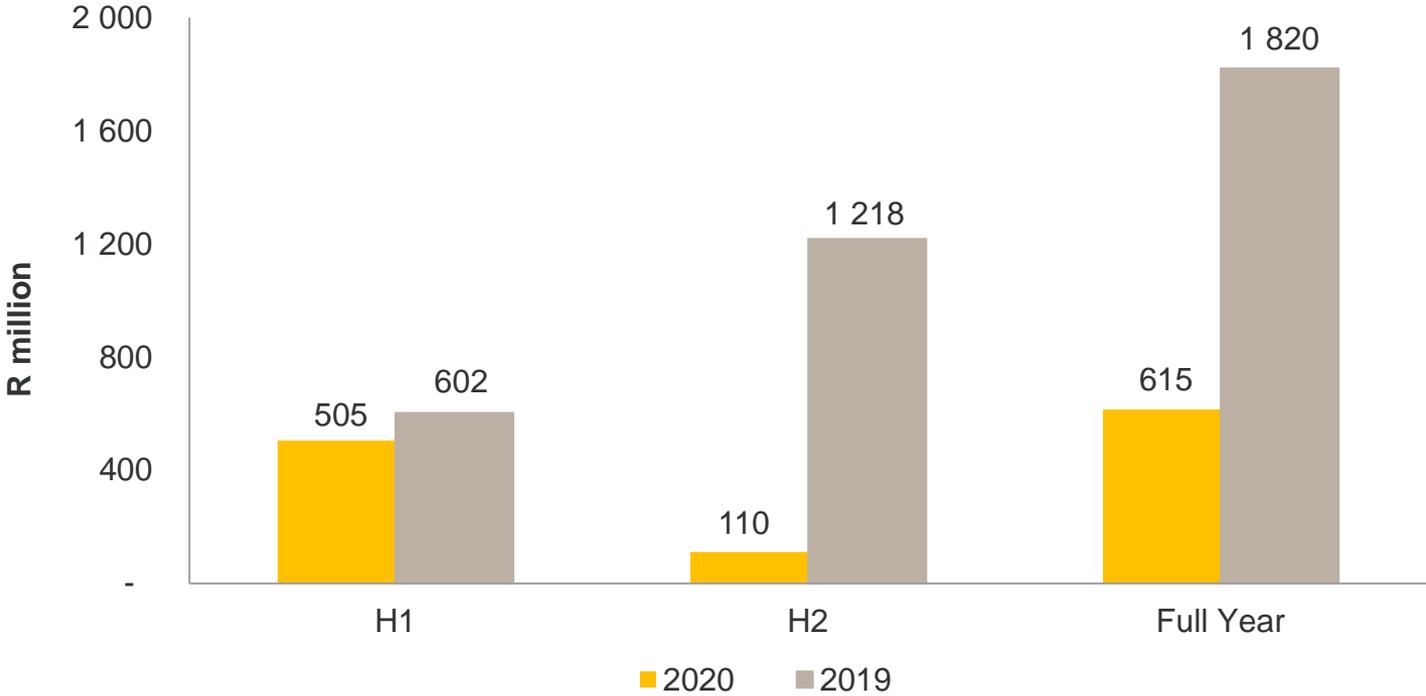
CONVENTIONAL INSURANCE

NET INSURANCE RESULT (H1 VS H2)

% of NEP	H1	H2	Full Year 2020
Net earned premium	100.0	100.0	100.0
Net claims incurred	65.5	70.8	68.2
Net acquisition cost	30.2	28.3	29.3
Net underwriting margin	4.3	0.9	2.5
Investment return on insurance funds	2.3	1.8	2.1
Net insurance margin	6.6	2.7	4.6
Combined ratio	95.7	99.1	97.5

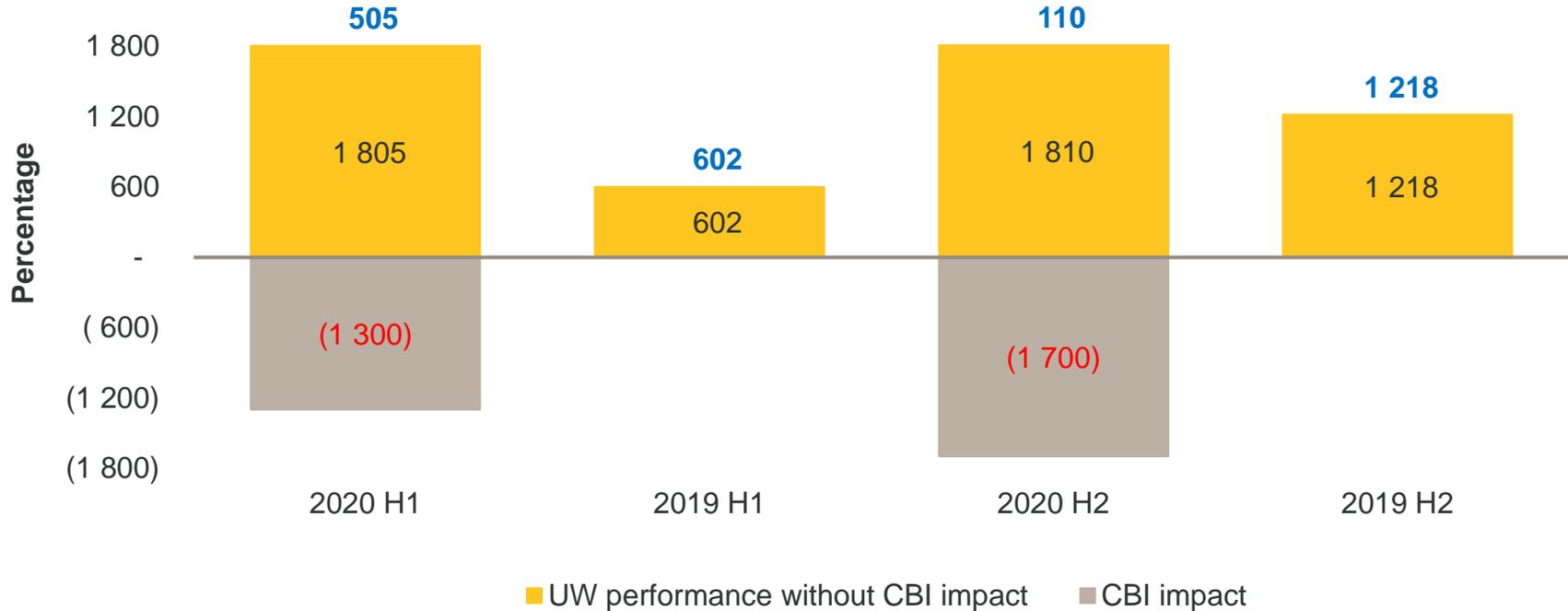
CONVENTIONAL INSURANCE

NET UNDERWRITING RESULT (H1 VS H2)



CONVENTIONAL INSURANCE

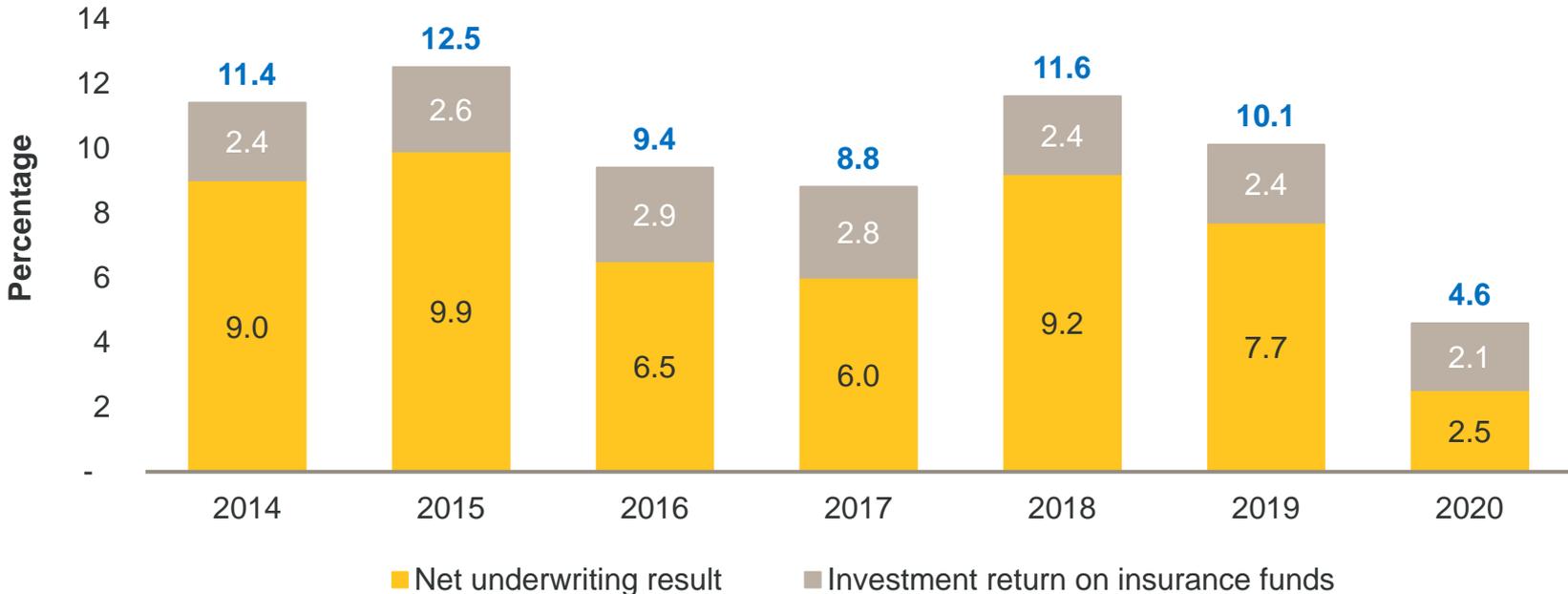
NET UNDERWRITING RESULT (H1 VS H2) WITH CBI IMPACT SHOWN



CONVENTIONAL INSURANCE

NET INSURANCE RESULT

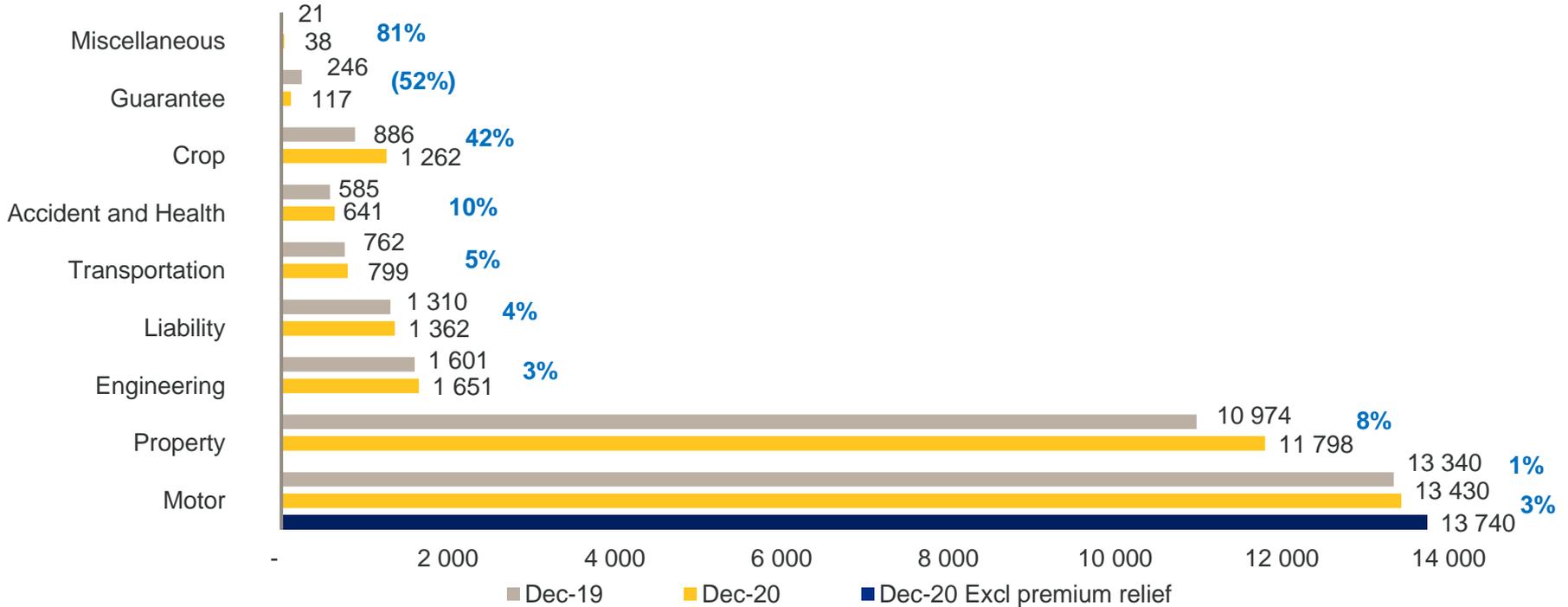
As % of net earned premium



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

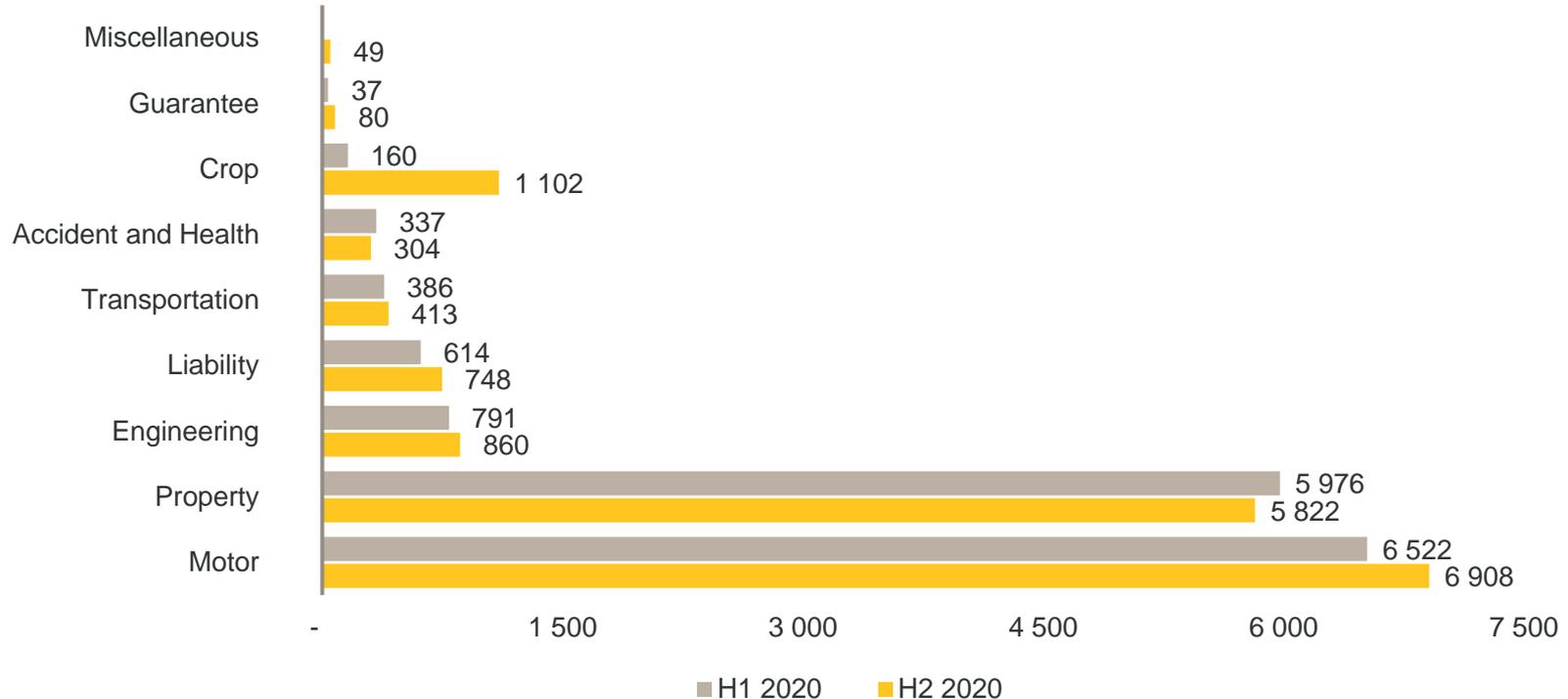
Per insurance class (R million)



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM (H1 VS H2)

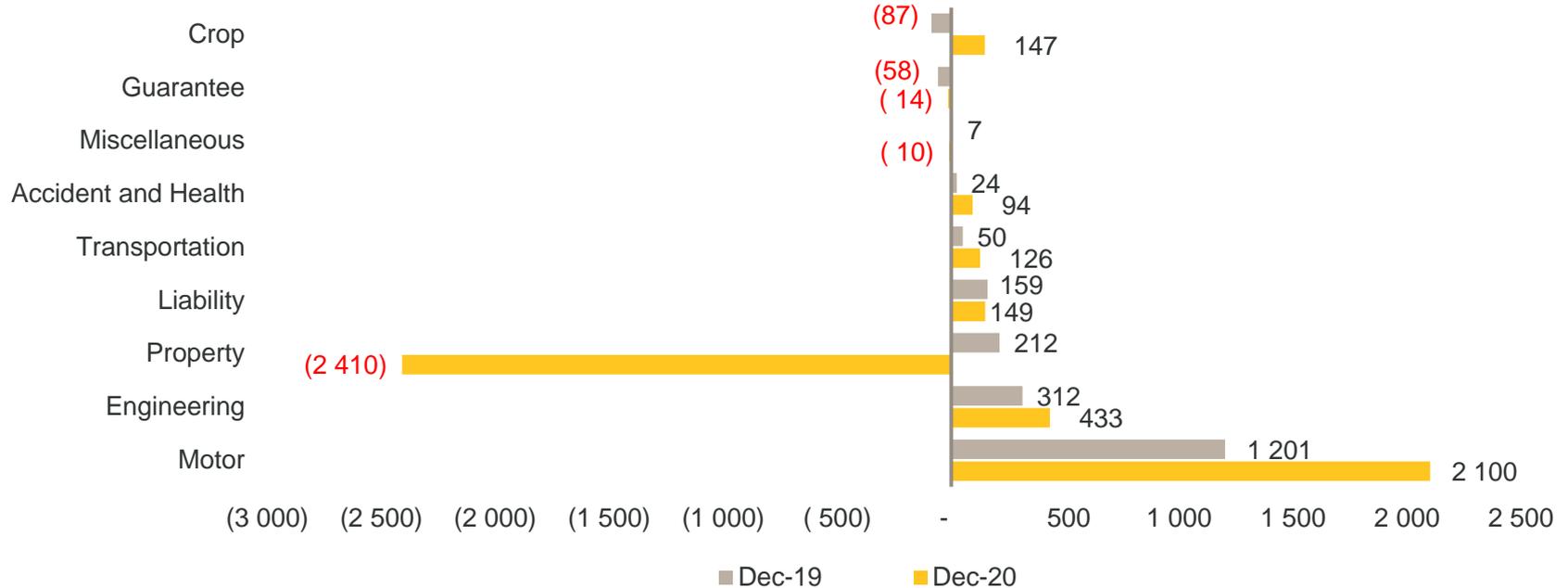
Per insurance class (R million)



CONVENTIONAL INSURANCE

NET UNDERWRITING SURPLUS

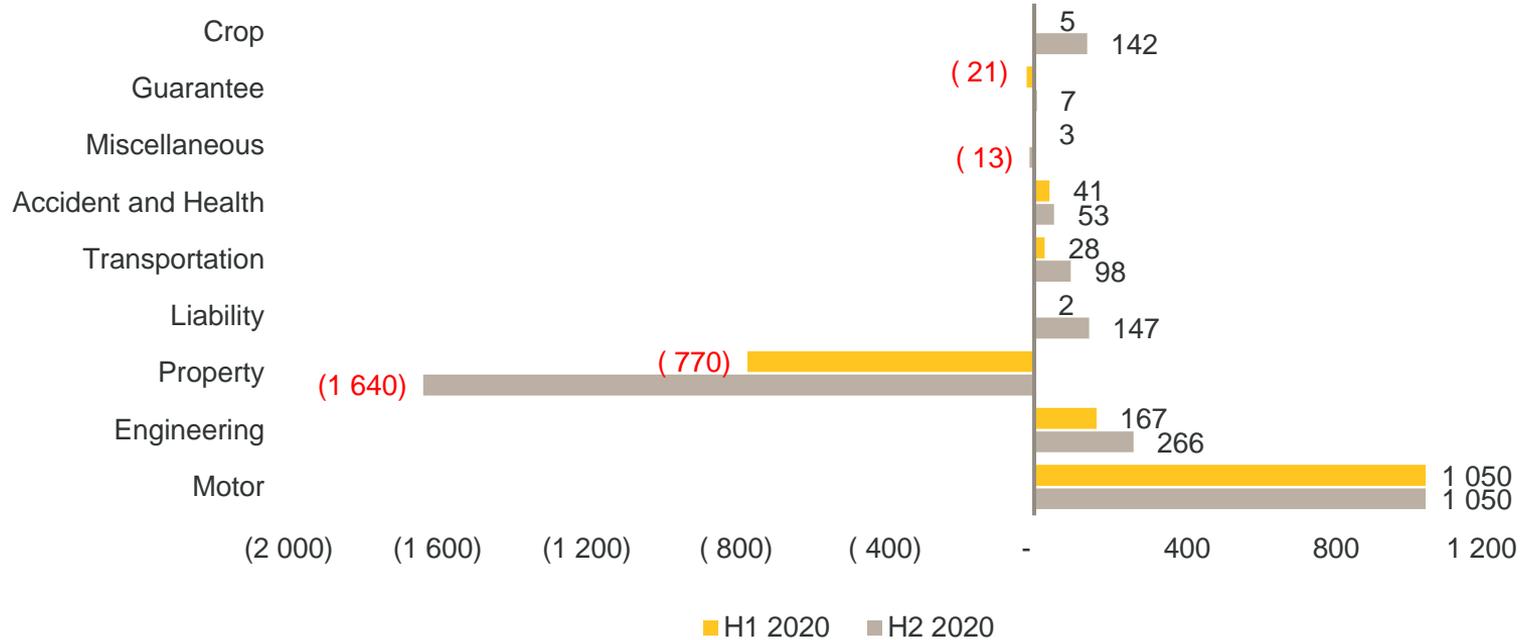
Per insurance class (R million)



CONVENTIONAL INSURANCE

NET UNDERWRITING SURPLUS (H1 VS H2)

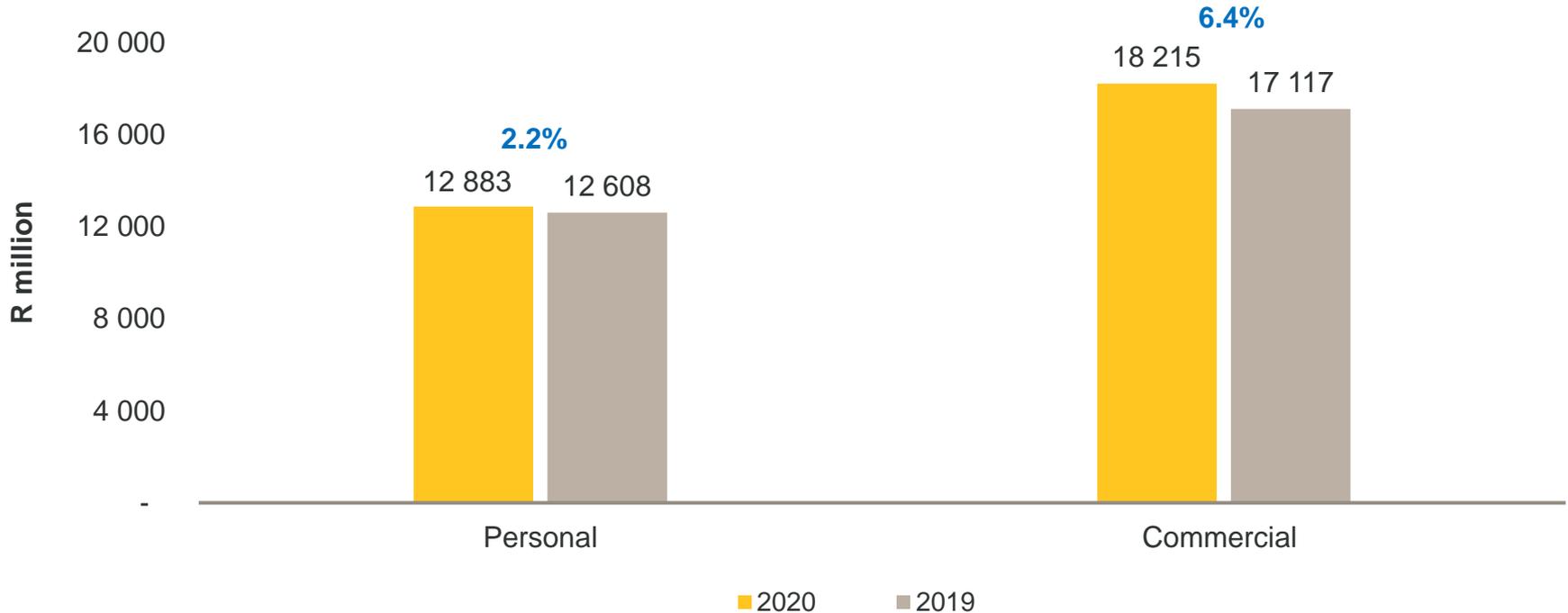
Per insurance class (R million)



CONVENTIONAL INSURANCE

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

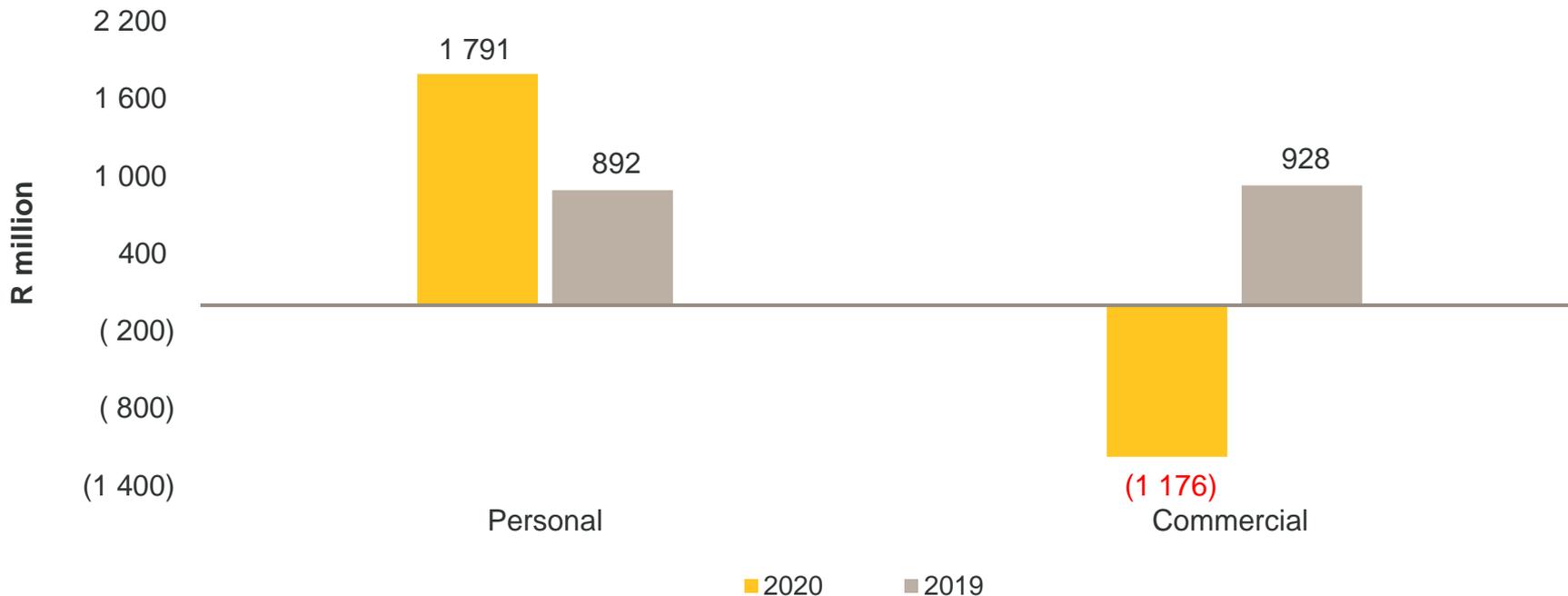
Gross written premium



CONVENTIONAL INSURANCE

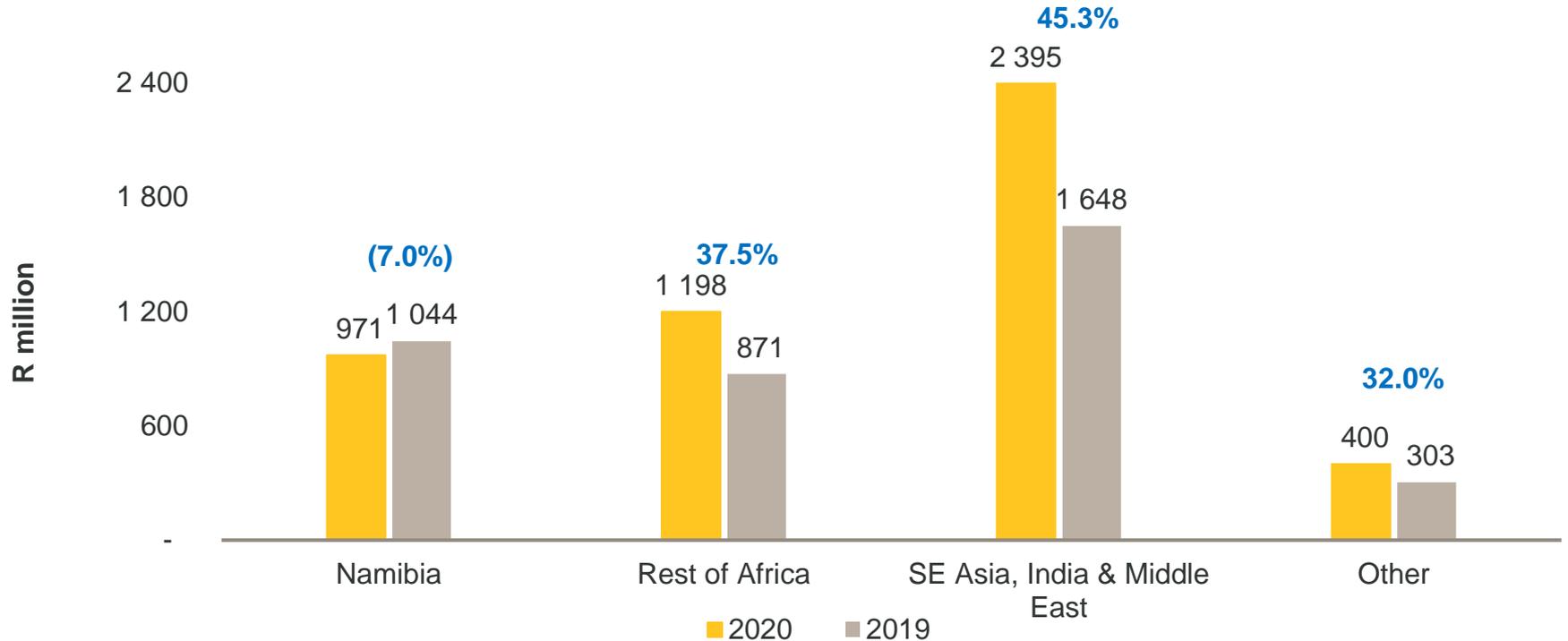
SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

Net underwriting result



CONVENTIONAL INSURANCE

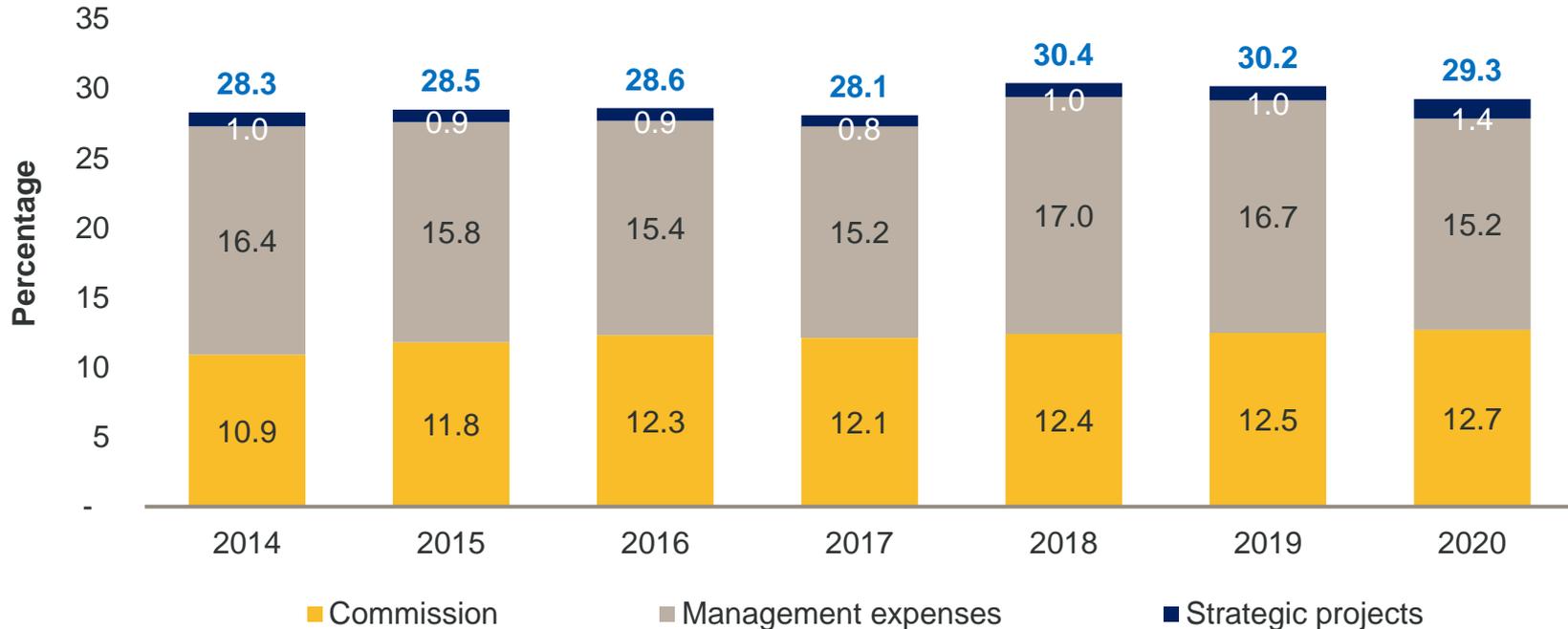
GROSS WRITTEN PREMIUM FROM OUTSIDE SA



CONVENTIONAL INSURANCE

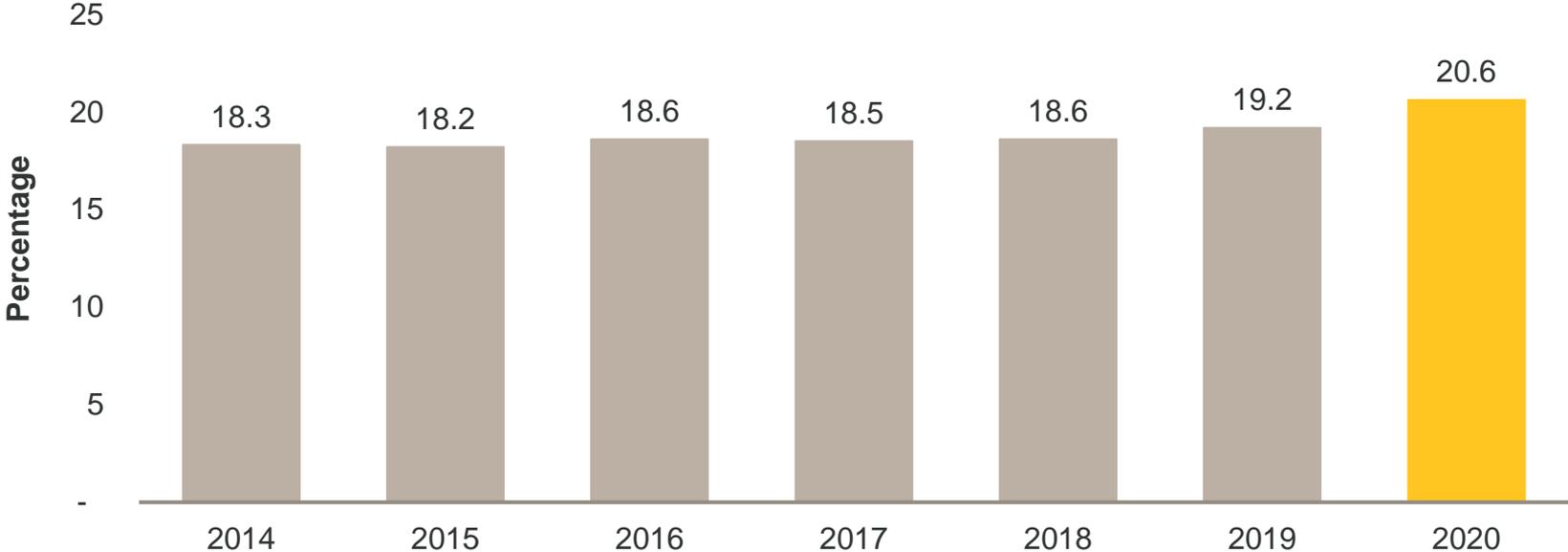
NET ACQUISITION COST RATIO

As % of net earned premium



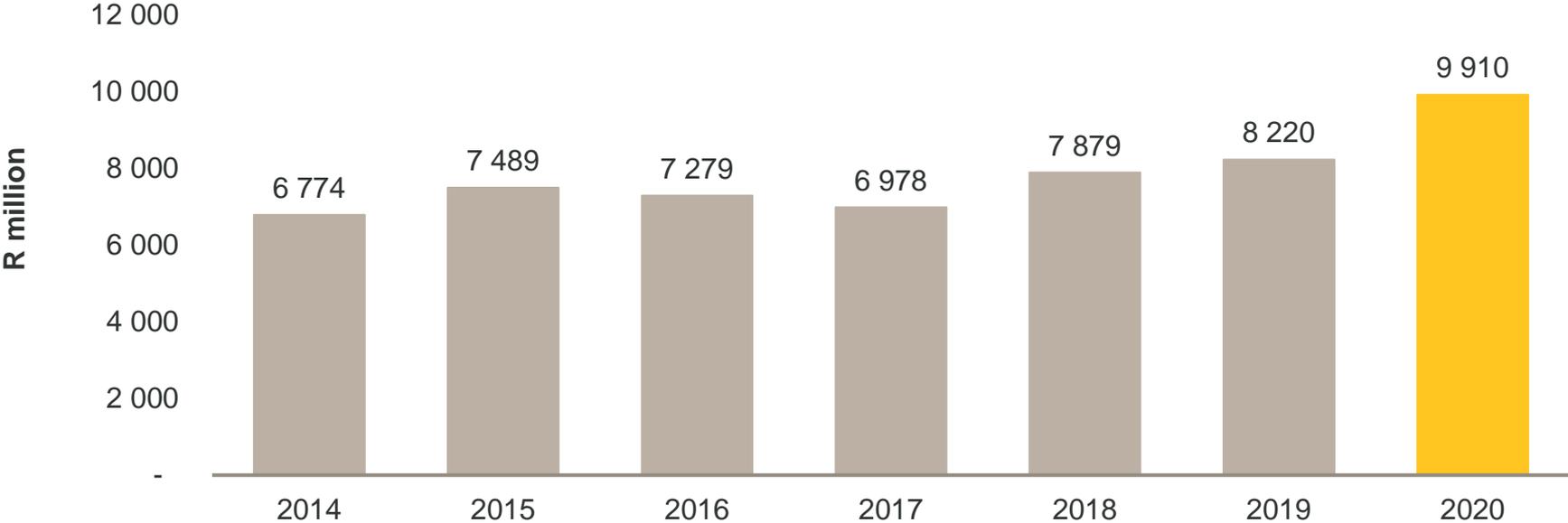
CONVENTIONAL INSURANCE

REINSURANCE AS % OF GROSS EARNED PREMIUM



CONVENTIONAL INSURANCE

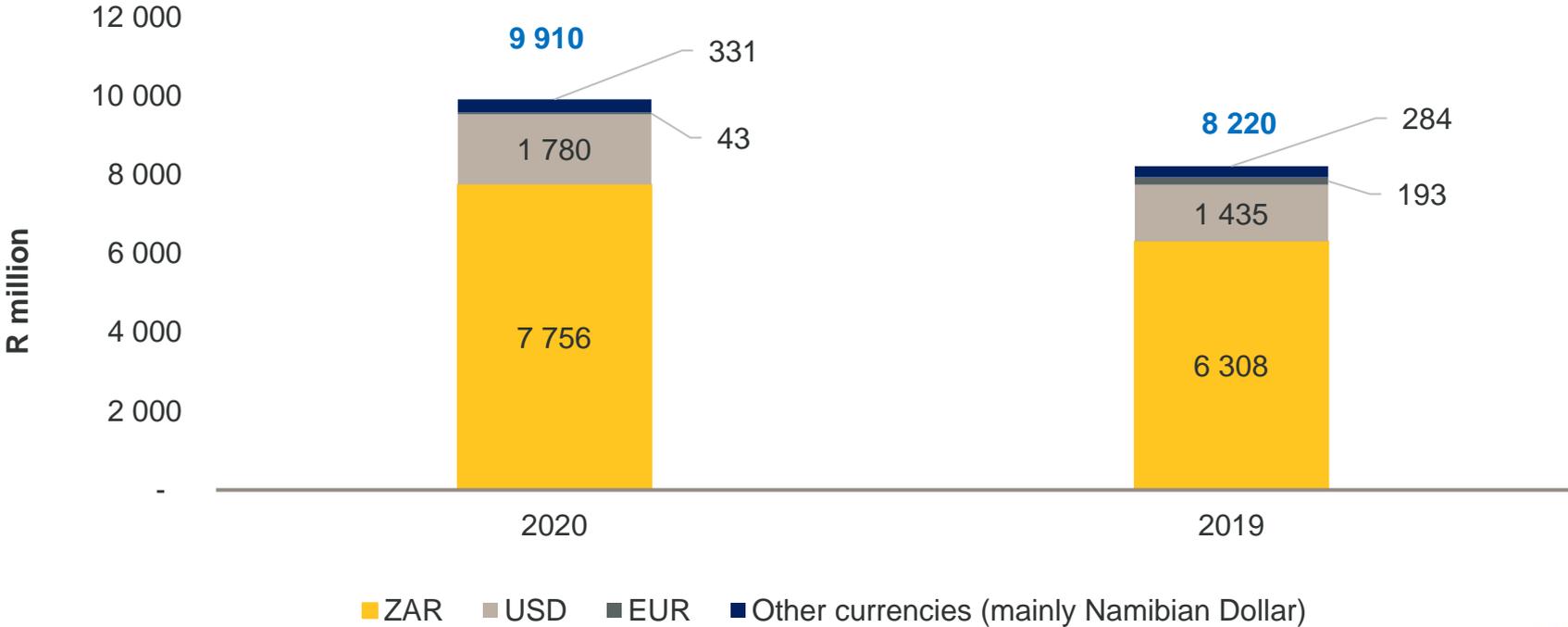
SIZE OF NET INSURANCE FUNDS



CONVENTIONAL INSURANCE

ASSETS BACKING NET INSURANCE FUNDS

Currency mix



CONVENTIONAL INSURANCE

MIWAY

	Dec 2020	Dec 2019	Change	H1 2020	H2 2020
Gross written premium (R million)	2 949	2 751	7%	1 428	1 521
Gross underwriting result, net of CAT recoveries (R million)	486	393	24%	308	178
Gross claims ratio, net of CAT recoveries	50.6%	54.2%		45.9%	55.1%
Gross acquisition cost ratio	32.8%	31.5%		32.5%	33.1%
Gross underwriting margin	16.5%	14.3%		21.6%	11.7%
Number of clients ¹	346 000	331 000	5%		

¹ Excluding value-added products



ALTERNATIVE RISK TRANSFER

ALTERNATIVE RISK TRANSFER INSURANCE (ART)

Includes the results from:

- Centriq Insurance
- Santam Structured Insurance, excluding credit insurance business

Types of business:

- Risk finance
- Underwriting managers
- Affinity business
- Structured insurance

ALTERNATIVE RISK TRANSFER INSURANCE

CENTRIQ

	2020 R'm	2019 R'm	2020/2019
Gross written premium	5 954	4 846	23%
Income from clients	263	209	26%
Participation in underwriting results	24	40	(40%)
Administration expenses	(152)	(114)	33%
Operating result	135	135	-

ALTERNATIVE RISK TRANSFER INSURANCE

SANTAM STRUCTURED INSURANCE

	2020 R'm	2019 R'm	2020/2019
Gross written premium	1 281	1 326	(3%)
Income from clients	122	122	-
Participation in underwriting results	10	19	(47%)
Administration expenses	(102)	(105)	(3%)
Operating result	30	36	(17%)

ALTERNATIVE RISK TRANSFER INSURANCE

COMBINED RESULTS

	2020 R'm	2019 R'm	2020/2019	5 Yr ave %	10 Yr ave %
Gross written premium	7 175	6 127	17%	15%	28%
Income from clients	385	331	16%		
Participation in underwriting results	34	59	(42%)		
Administration expenses	(254)	(219)	16%		
Operating result	165	171	(4%)		



SEM PARTNER BUSINESSES

SEM PARTNER BUSINESSES

Saham

- Operates in 26 countries in Africa and the Middle East
- Santam's effective interest of 10% held through SAN JV

Main Saham territories

- Morocco
- Ivory Coast
- Mauritius
- Angola

Main SEM territories

- SGI (India) – 35% participation
- P&O (Malaysia) – 31.5% participation
- 11 investments in African partner businesses – 10% participation

SEM PARTNER BUSINESSES

SANTAM EFFECTIVE HOLDING

	Domicile	Dec 2020	Dec 2019
SAN JV (Saham)	Morocco	10.0	10.0
Pacific and Orient Insurance Company Berhad	Malaysia	15.4	15.4
Shriram General Insurance Company Ltd	India	15.0	15.0
NICO Holdings general insurance subsidiaries	Malawi and Zambia	5.6	5.6
Sanlam General Insurance (Uganda) Ltd	Uganda	9.5	9.5
Sanlam General Insurance (Tanzania) Ltd	Tanzania	5.0	5.0
SORAS Assurances Générales Ltd	Rwanda	9.0	9.0
SOCAR s.a. Burundi	Burundi	3.1	3.1
FBN General Insurance Ltd	Nigeria	10.0	3.5
Sanlam General Insurance Ltd	Kenya	3.9	3.9
Botswana Insurance Company Ltd	Botswana	2.9	2.9
Zimnat Lion Insurance Company Ltd	Zimbabwe	4.0	4.0
Grand Reinsurance Company (Private) Ltd	Zimbabwe	4.0	4.0

SEM GENERAL INSURANCE PARTICIPATION INVESTMENTS

ANALYSIS OF SANTAM'S SHARE OF NET INSURANCE RESULT BEFORE TAXATION AND NON-CONTROLLING INTERESTS (EXCLUDING SAHAM)

	2020 R'm	% of NEP	2019 R'm	% of NEP	2020/2019
Gross written premium	1 183		1 140		4%
Net earned premium	994	100.0	879	100.0	13%
Net claims incurred	644	64.8	510	58.0	26%
Net acquisition cost ¹	301	30.3	254	28.9	19%
Net underwriting result	49	4.9	115	13.1	(57%)
Investment return on insurance funds	207	20.8	204	23.2	1%
Net insurance result	256	25.7	319	36.3	(20%)

¹ Santam's share of the costs to manage the SEM portfolio of R6 million (2019: R12 million) has been included in net acquisition cost.

SAHAM

ANALYSIS OF SAHAM GENERAL INSURANCE'S NET INSURANCE RESULT BEFORE TAXATION AND NON-CONTROLLING INTERESTS (100% VIEW)

	2020 R'm	% of NEP	2019 R'm	% of NEP	2020/2019
Gross written premium	17 853		16 310		9%
Net earned premium	12 577	100.0	12 248	100.0	3%
Net claims incurred	7 570	60.2	7 757	63.3	(2%)
Net acquisition cost	4 088	32.5	4 251	34.7	(4%)
Net underwriting result	919	7.3	240	2.0	283%
Investment return on insurance funds	372	3.0	1 454	11.8	(74%)
Net insurance result	1 291	10.3	1 694	13.8	(24%)

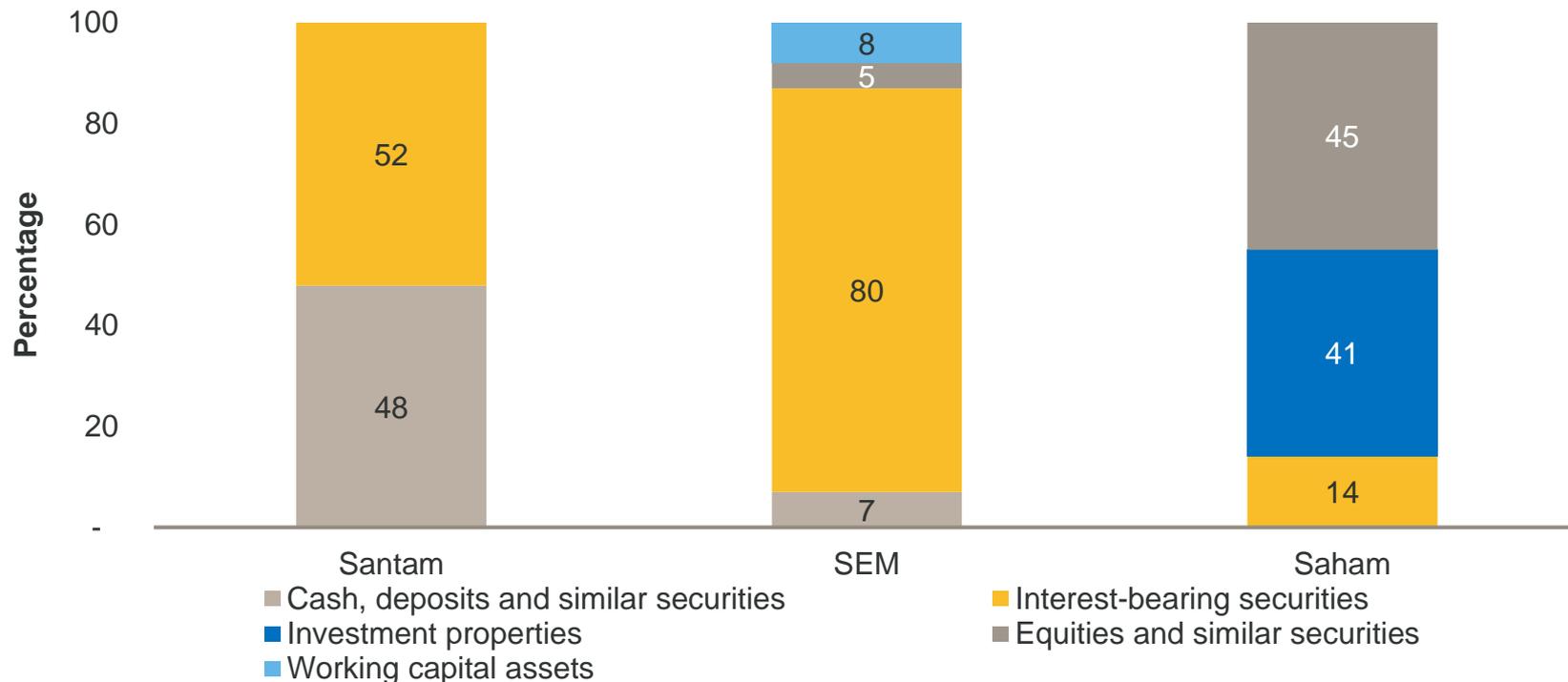
SEM PARTNER BUSINESSES

INSURANCE RATIOS 31 DECEMBER 2020

% of NEP	Santam	SEM participations	Saham
Net earned premium	100.0	100.0	100.0
Net claims incurred	68.2	64.8	60.2
Net acquisition cost	29.3	30.3	32.5
Net underwriting margin	2.5	4.9	7.3
Investment return on insurance funds	2.1	20.8	3.0
Net insurance margin	4.6	25.7	10.3
Target investment return on insurance funds	2.5		6 to 9

ANALYSIS OF INSURANCE FUNDS

SEM AND SAHAM INSURANCE FUNDS AT 31 DECEMBER 2020



SAHAM

RECONCILIATION OF SAN JV CARRYING VALUE AS AT 31 DECEMBER 2020

	R'm
Carrying value at 1 January 2020	2 323
Dividend - restructure	(46)
Equity accounted loss	(658)
After tax Operating profit	50
Amortisation of other intangible assets	(28)
Impairment of goodwill	(656)
Other – consolidation adjustments	(24)
Statement of changes in Equity	204
Foreign currency translation differences	209
Other reserve movements	(5)
Carrying value at 31 December 2020	1 823
Fair value at 31 December 2020	2 034

* There was no additional impairment since June 2020 in local currency terms.



SANTAM GROUP

SANTAM GROUP

NET OPERATING INCOME

R million	2020	2019	2020/2019
Conventional insurance	1 118	2 400	(53%)
Alternative risk transfer insurance	165	171	(4%)
SEM partner businesses	381	495	(23%)
Net operating income	1 664	3 066	(46%)
SEM partner businesses	(381)	(495)	(23%)
Net operating income	1 283	2 571	(50%)

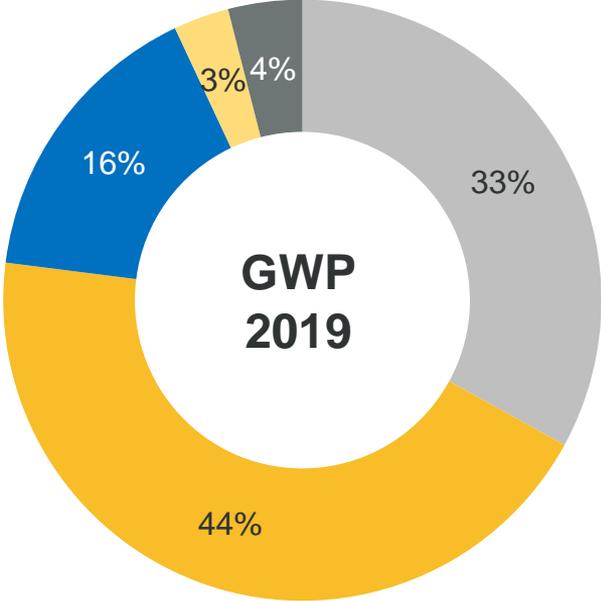
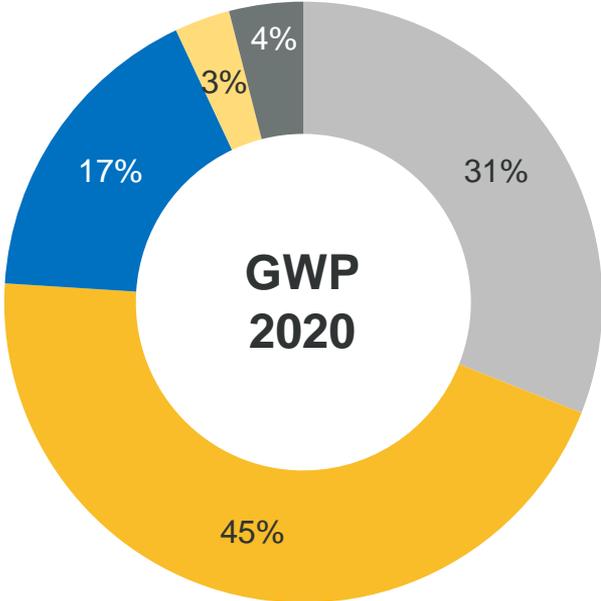
SANTAM GROUP

RECONCILIATION TO HEADLINE EARNINGS

	2020	2019	2020/2019
Net profit attributable to ordinary shareholders (R million)	542	2 199	(75%)
Per share (cents)	491	1 990	
Impairment of goodwill and other intangible assets	-	3	
Impairment of associates and joint ventures	15	4	
Share of associates' impairment of assets	692	80	
Tax charge on share of associates' impairment of assets	(36)	-	
Headline earnings (R million)	1 213	2 286	(47%)
Per share (cents)	1 100	2 069	

GROWTH DIVERSIFICATION

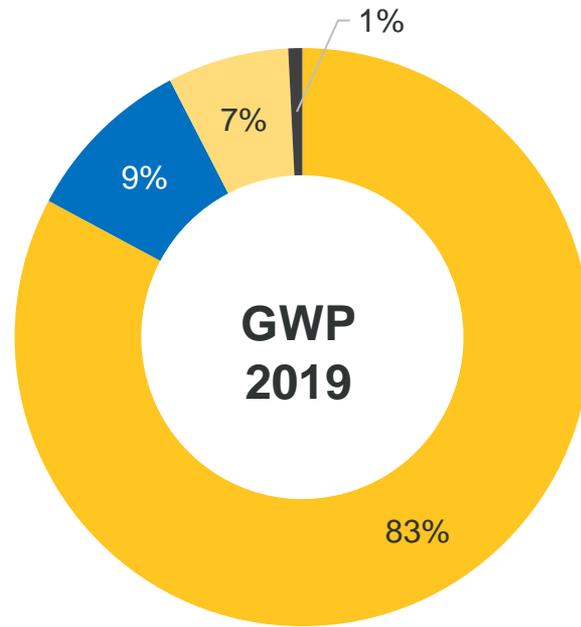
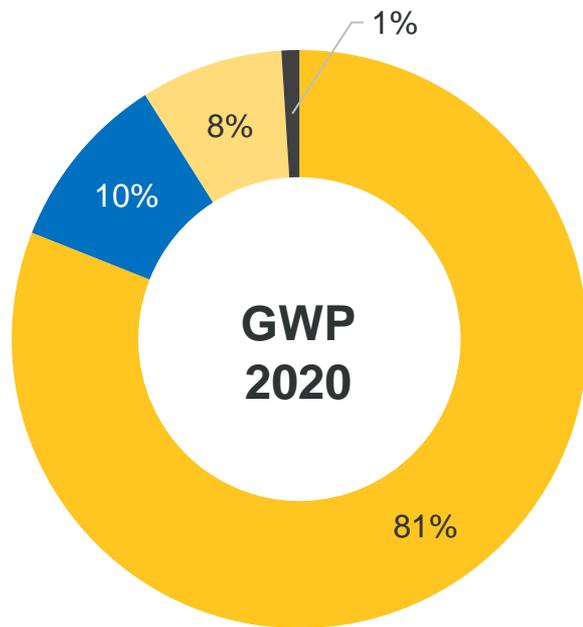
INCLUDING SEM PARTNER BUSINESSES



■ Personal ■ Commercial ■ ART ■ SEM ■ Saham

GEOGRAPHIC DIVERSIFICATION

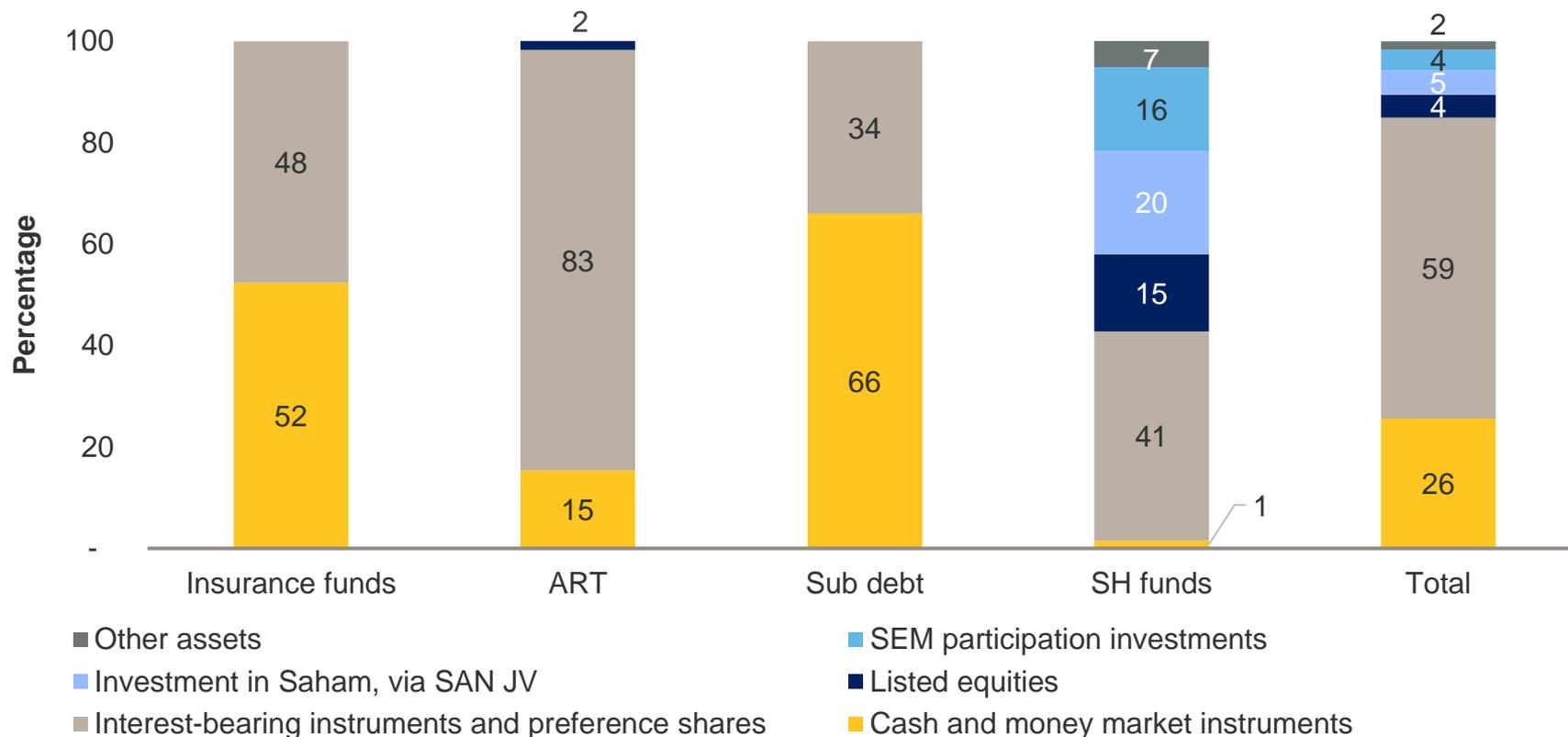
INCLUDING SEM PARTNER BUSINESSES



■ South Africa ■ Rest of Africa ■ SE Asia, India and Middle East ■ Other

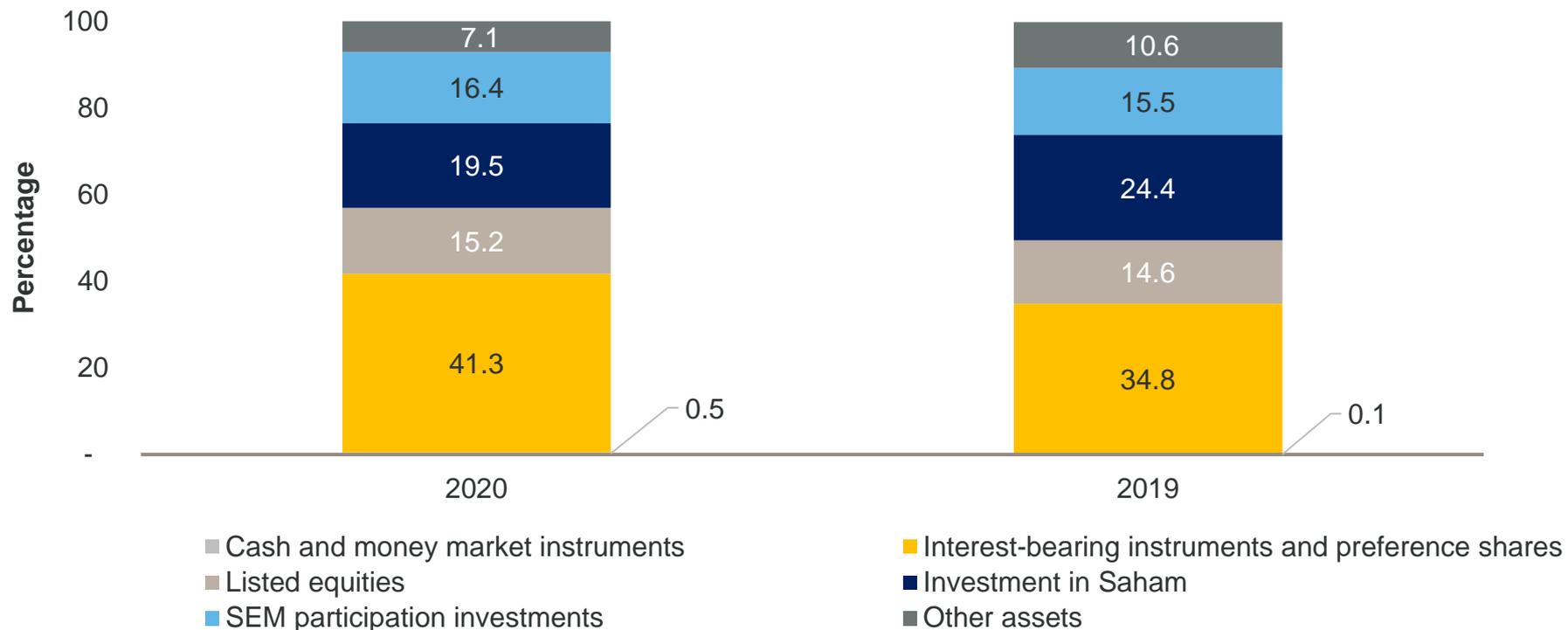
ASSET / LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 31 DECEMBER 2020



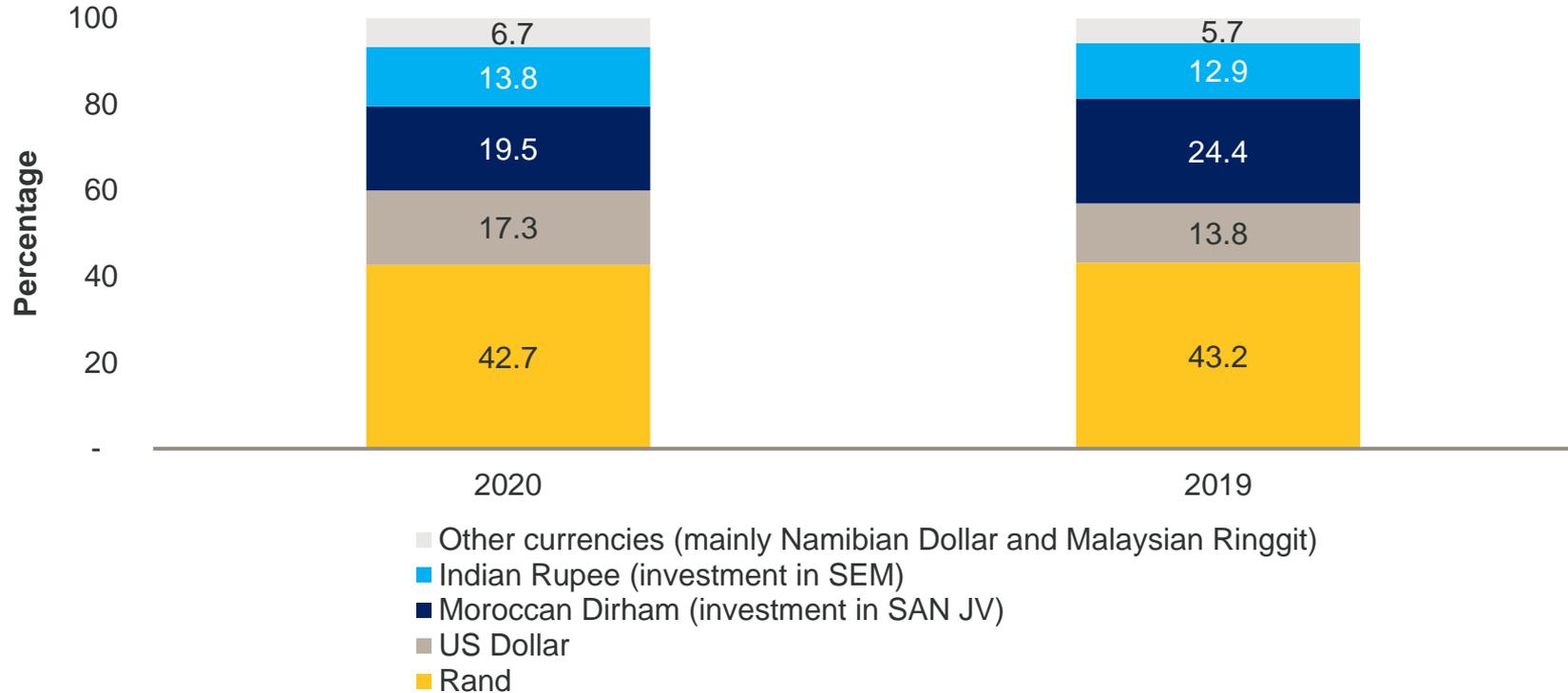
SHAREHOLDER FUNDS

ASSET MIX



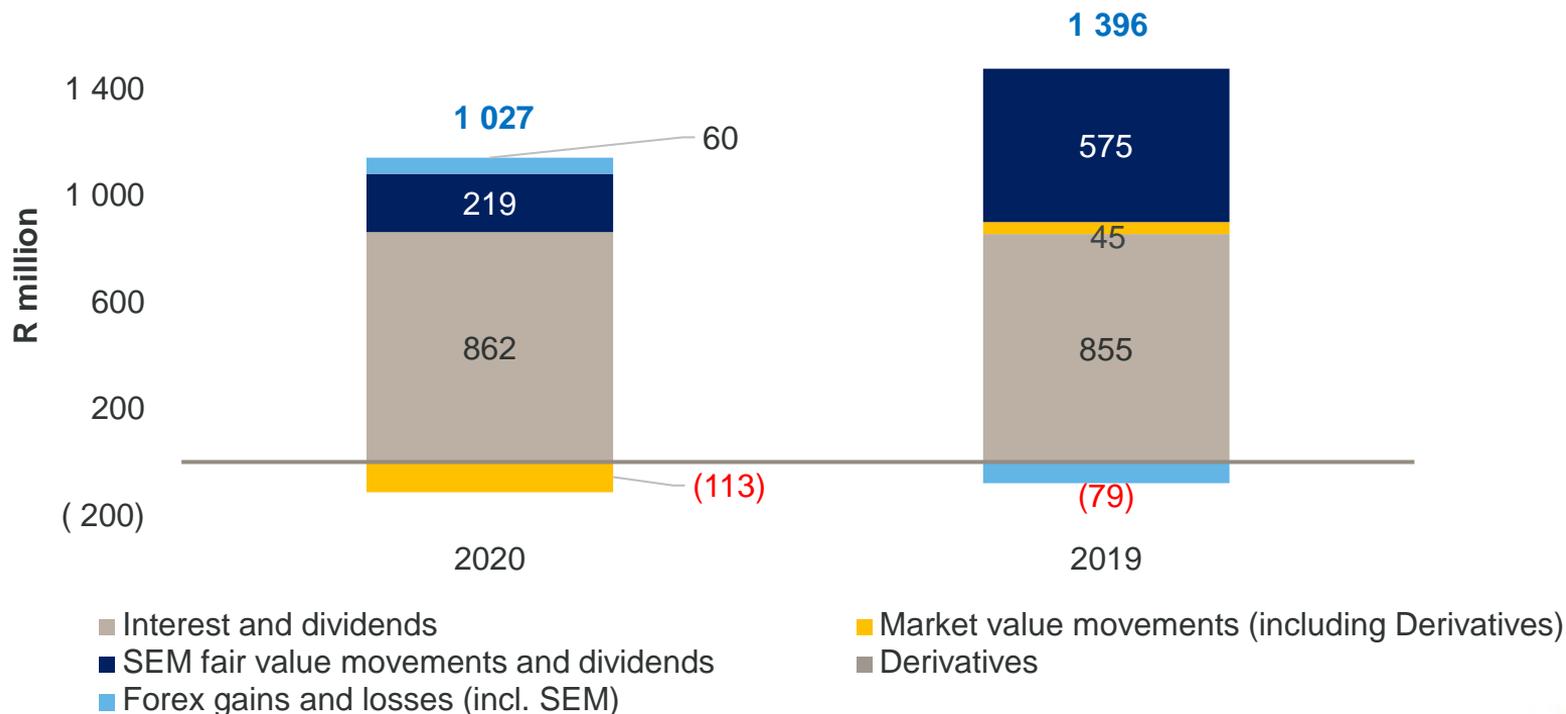
SHAREHOLDER FUNDS

CURRENCY MIX



INVESTMENT RETURN

ON SHAREHOLDERS' FUNDS



INVESTMENT RETURN

ANALYSIS OF SANTAM'S SHARE OF NET INVESTMENT IN SEM TARGET SHARES

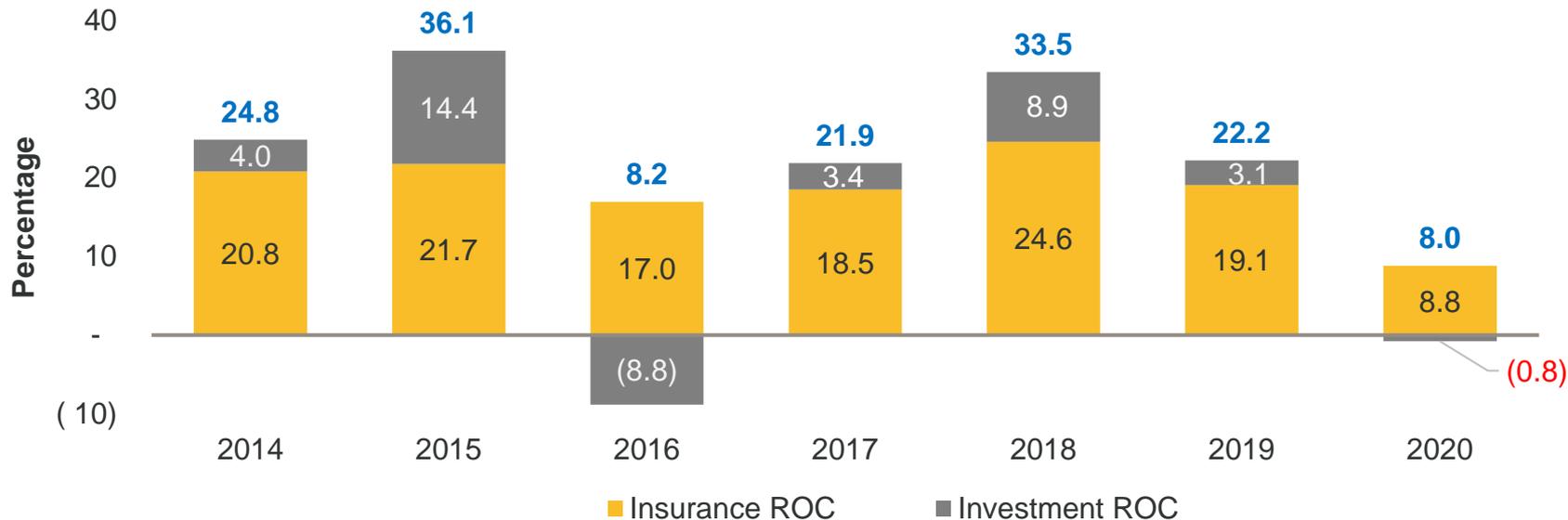
Region	Carrying value 2019 R'm	Additions R'm	Change in exchange rates R'm	Change in valuation R'm	Carrying value 2020 R'm
Africa	91	30	(9)	(3)	109
Southeast Asia	157	-	10	(31)	136
India	1 226	-	16	51	1 293
Total	1 474	30	17	17	1 538



CAPITAL MANAGEMENT

RETURN ON CAPITAL

TOTAL COMPREHENSIVE INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



CAPITAL MANAGEMENT

- Group economic capital requirement based on the internal model R7.4 billion (2019: R7.3 billion)
- Current Group economic capital coverage ratio as at 31 December 2020 of **161%**
- During 2019, the Prudential Authority granted Santam approval to use its partial internal model
- Initial capital add-on of 20% of the benefit of the partial internal model. Santam aims to reduce the 20% capital add-on over time
- Regulatory internal model capital requirement is R1.5 billion lower than the standard formula capital requirement
- Santam's Group economic coverage ratio of 161% lies at the mid-point of the 150% - 170% target band
- Issued unsecured subordinated callable floating rate notes to the value of R1 billion in November 2020
- The coverage ratio already includes the anticipated redemption of R500 million subordinated debt in April 2021
- No final dividend declared



GROUP STRATEGY AND PRIORITIES

FUTUREFIT SANTAM

OUR BUILDING BLOCKS FOR CREATING STAKEHOLDER VALUE

- Extend leadership position in South Africa through intermediary enablement, digital innovation and partnerships
- Deliver Insurance good and proper: most trusted, relevant and purpose driven brand
- Client experience: creating intuitive client journeys enabled by technology
- Help build resilient societies: through transformation, financial inclusion and P4RR
- International and African diversification: building the Pan-African specialist business and selectively building other international business through Santam Re and Santam Specialist
- Talent and culture: empowering our people and evolve our culture to be competitive in rapidly changing world
- Build technology as an enabler and driver of innovation, efficiency and optimal decision-making
- Optimise our financial performance: deliver sound results, stewardship and diversification

STRATEGIC PRIORITIES 2021

DELIVERING ON FUTUREFIT SANTAM

- Effectively manage CBI claim payments and resolve outstanding legal matters
- Deliver on Santam experience
- Invest in innovation and digital channels e.g. Digital E2E insurance
- Continue to balance profitable growth with an optimal underwriting margin and operational efficiency
 - > Be the best broker enabler
 - > Partner with Sanlam to pursue growth opportunities
 - > Grow Pan-African specialist business with Saham
 - > Invest in other international growth
- Increased cross selling initiatives with Sanlam
- Develop and launch solutions / products for new markets
- Invest in partnerships



MORE THAN JUST SHORT-TERM INSURANCE

Certified **Top Employer** for the fifth consecutive year

Continued with the **Black Broker Development** programme

Creating employment for more than **5 900 people**

Continued as the constituent of the **FTSE 4 Good index series** and **FTSE/JSE Responsible Investment Top 30 index**

We settled **R21 billion** in claims in 2020.



Rated by clients

Top business insurer in South Africa: 2020 Sunday Times Top Brands Survey



Building Risk and Resilience in Municipalities

54 Municipalities supported through Partnership for Risk and Resilience (P4RR)



Santam has increased its investment to R125 million in the Resilient Investment Fund

Santam together with Emthunzini Trust donated **R10 million** to the **Solidarity Fund**



Building a Sustainable Insurance Environment

We continue to support the UN Environment's Principles for Sustainable Insurance (PSI) with a particular focus on Africa

We are a **signatory to ClimateWise**



QUESTIONS?



THANK YOU

