santam

2023

ANALYST PRESENTATION

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

PRESENTED BY: TAVAZIVA MADZINGA AND WIKUS OLIVIER

CONTENT

- Key messages
- Operating environment
- Strategy overview
- Performance update
- Financial results
- Capital management
- Closing remarks

KEY MESSAGES

- The Group has achieved a resilient performance for the year despite tough operating environment and extreme weather conditions
- We refreshed our FutureFit strategy and implemented our client-facing multichannel operating model: the dedicated focus on our direct businesses and partnerships (including MTN) lays the foundation for accelerated growth
- Our management actions are showing positive outcomes: significant turnaround in the motor book, power surge losses mitigated, good progress with geocoding and actions to address underperforming SA property book, cancellation of unprofitable business provides 2024 earnings momentum at Santam Re
- Our continued market dominance is underpinned by strong Broker partnerships
- Diversification supported earnings in 2023: good investment returns and strong performance from both Specialist Solutions and Alternative Risk Transfer businesses
- We remain focused on driving disciplined strategy execution in pursuit of top-line growth and improved underwriting margins

OPERATING ENVIRONMENT

OPERATING ENVIRONMENT REMAINS CHALLENGING

- **Geopolitical tensions:** Ukraine/Russia, brewing Middle East war, China/US tensions
- **Supply chain disruptions**: Suez-canal attacks forcing certain ships to take longer route
- **Slowing global economy**
- **NatCat events**: Record high temperatures across Europe and the US, frequent and severe climate-related events, above-average NatCAT insured losses, earthquakes in Türkiye and Morocco
- **Increased pressure** on sustainability and climate-related disclosures

- **Weak SA economic growth:** elevated interest rates, exchange rate
- **High unemployment:** affordability and shrinking client pool
- **Severe electricity constraints:** loadshedding equivalent of 289 days of the year
- **Infrastructure challenges**: Municipality, roads and port deterioration not conducive to economic growth
- **Extreme weather events:** floods in the Western Cape, exacerbated by failing infrastructure

INDUSTRY IMPACT

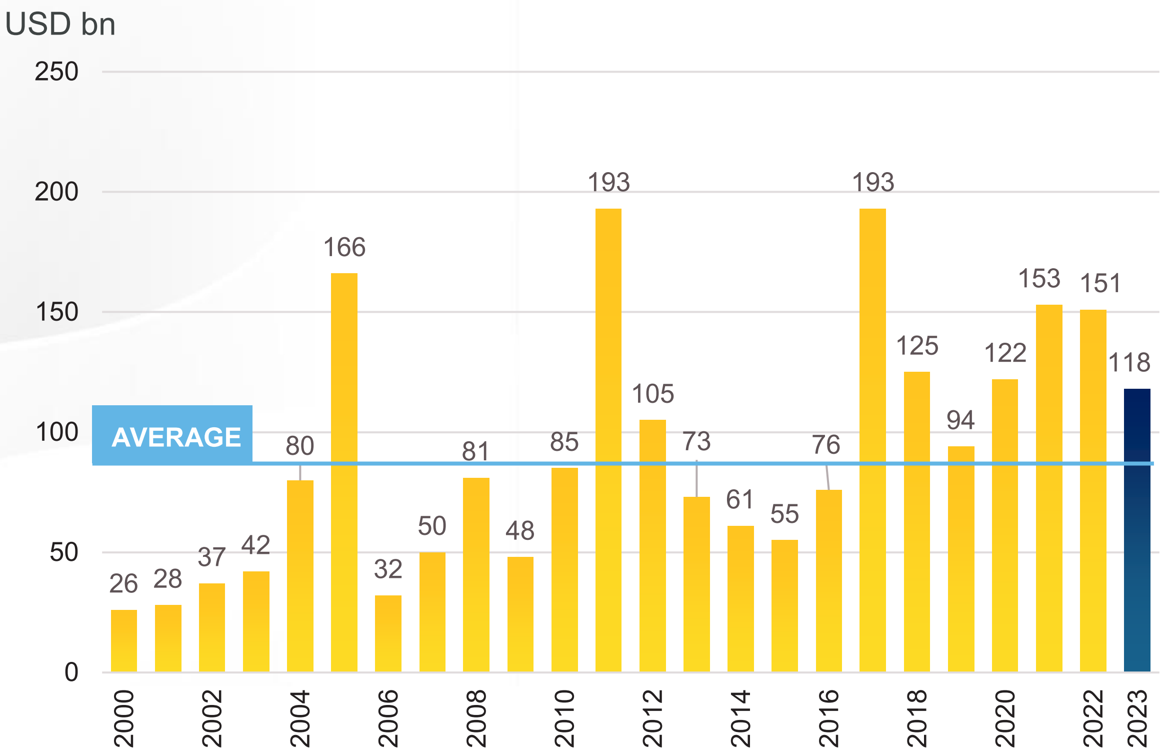
- Global economic uncertainty
- Elevated claims inflation
- A higher interest environment benefits investments; however, with pressure on consumer disposable income
- Increased claims frequency and severity, leading to earnings volatility
- Increasing cost of reinsurance
- Increased disclosures and cost of compliance
- Widening risk protection gap
- Increased competitive environment
- Corporate actions to address growth and profitability challenges

Source: IMF; World Bank; SA Reserve Bank; StatSA, GlobalData; Swiss Re, TheOutlier&EskomSePush

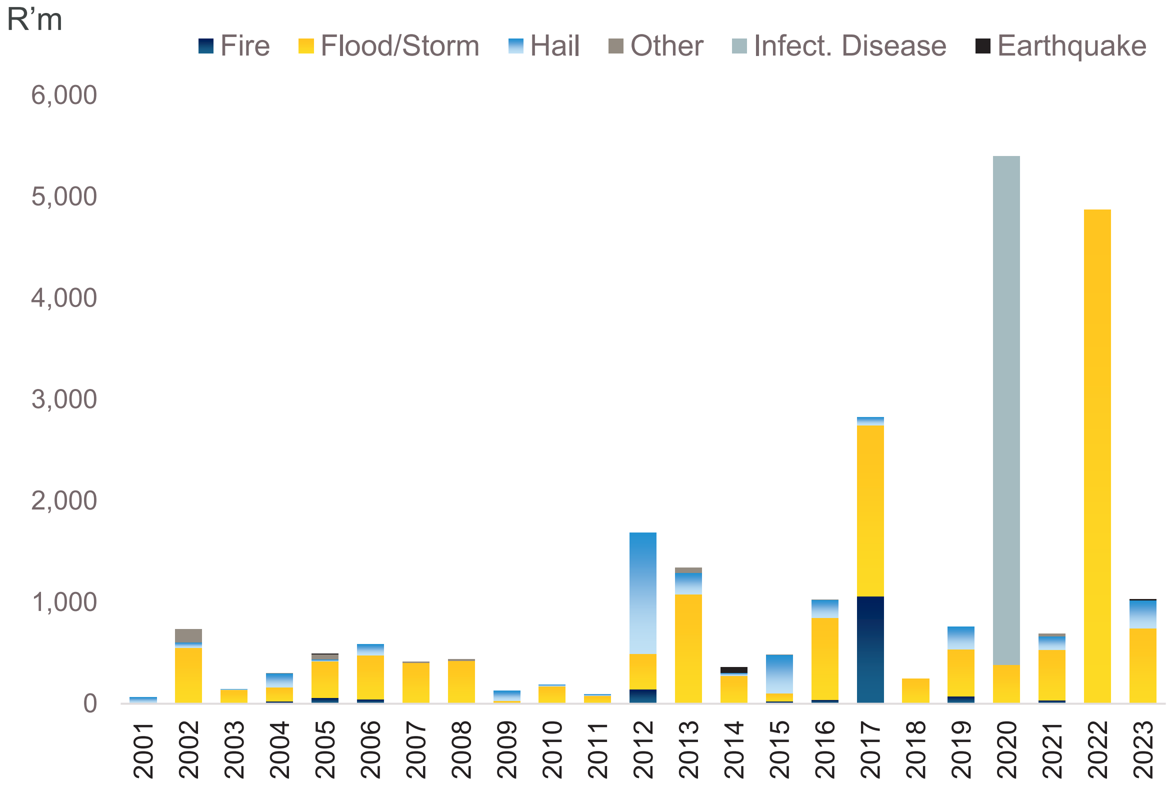
CATASTROPHE LOSSES

Catastrophe losses have been elevated over the last few decades due to high-loss events such as storms and floods. The size and frequency of catastrophe claims have increased in South Africa and around the world.

GLOBAL INSURED LOSSES: ALL PERILS ($ BN)



SANTAM: GROSS TOTAL CATASTROPHE CLAIMS, ALL PERILS (RM)



Sources: AON, Santam

STRATEGY OVERVIEW

WE HAVE MADE PROGRESS IN IMPLEMENTING OUR REFRESHED STRATEGY AND ENHANCED OUR ABILITY TO WITHSTAND THE HEADWINDS

OUR PURPOSE: **Fulfilling our purpose to safeguard what is important to our clients**

STRATEGIC INTENT: Leading South African insurer driven by data, with the client at the centre of everything we do

Values	Care	Collaboration	Integrity	Innovation

GROWTH VECTORS:

1 **Strengthen leadership position in South Africa**

- Shift to multichannel model
- Maintain dominance in Broker
- Scale Direct and tied agency

2 **Drive international expansion and diversification**

- Leverage SPA/Allianz
- Specialist capability
- Scale Reinsurance

3 **Scale ecosystems and explore new markets through partnerships**

- Ecosystem/platform play
- Cross-sell with Sanlam
- Partnerships, MTN

UNLOCK AND DEVELOP DATA CAPABILITIES TO SOLIDIFY OUR COMPETITIVE ADVANTAGES

- Modernise IT and digital capabilities
- Digitise our E2E value chain and customer journey
- Leverage data and AI to enhance innovation and underwriting (pricing/risk selection)

GOOD CORPORATE CITIZEN AND DRIVE TRANSFORMATION

- Win the war on talent (Talent mobility)
- Cost excellence
- Build resilient communities and establish leadership in sustainability

Client and intermediary experience

PERFORMANCE UPDATE: DECEMBER 2023

GROWTH

Conventional insurance GWP growth of **5.5%** (2022: **8.2%**)

Conventional insurance NEP growth of **5.8%** (2022: **5.3%***)

NEP grew by **8%,** excluding cancelled business

EARNINGS

Underwriting margin for conventional insurance business of **3.5%** (2022: **5.1%**)

Alternative Risk Transfer earnings of **R516 million** (2022: **R368 million**)

Net income **R3 250 million** (2022: **R1 980 million**)

Return on Capital **28.5%** (2022: **18.5%**)

FINANCIAL STRENGTH

Group economic capital coverage ratio of **155%** (Dec 2022: **156%**)

Final dividend of **905 cps** (2022: **845 cps**), up **7.1%**

Total distributions of **3180 cps** including special dividend of **1780 cps**

VALUE DRIVERS

Direct as % of GWP **17%** (2022: **16%**)

International as % of GWP **16%** (2022: **15%**)

Policy count: **1.3 million**

RESULTS AFFECTED BY:

Negatives: Attritional weather losses, Western Cape Floods, Türkiye earthquake, Large fire losses and Hail

Positives: Motor, Power surge under control, Specialist, ART performance and MTN partnership

*Comparatives not restated for adoption of IFRS 17

CORRECTIVE ACTIONS TO FIX THE UNDERWRITING MARGIN

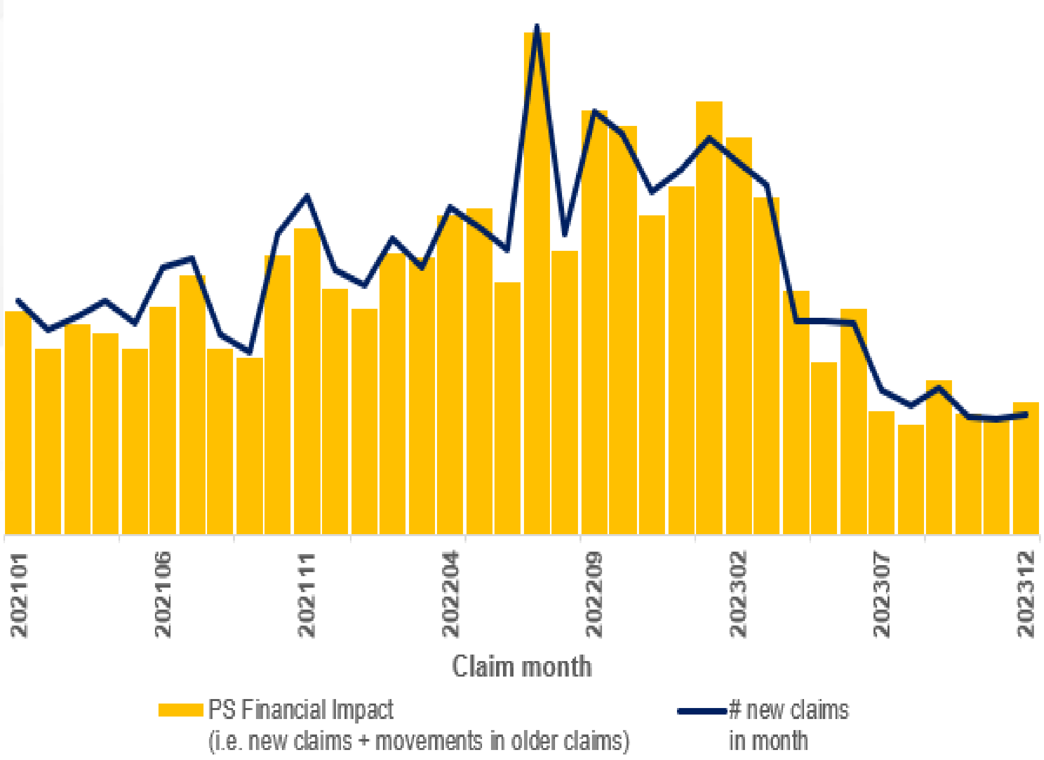
We have taken corrective actions to fix the underwriting margin, and these have shown positive results. We continue to take further management actions to return to our target underwriting margin range.

	2023 R'm	% of NEP	2022 R'm	% of NEP	RAG status
Underwriting result - actual	1 031	3.5%	1 402	5.1%	
CBI release and other	(185)	-0.6%	(797)	-2.9%	
Power surge claims	-	0.0%	227	0.8%	
Motor-related claims	-	0.0%	553	2.0%	
NatCat / Weather-related claims	583	2.0%	567	2.0%	
Cancelled business	551	1.9%	115	0.4%	
Large fire claims	422	1.4%	388	1.4%	
Underwriting result - adjusted	2 457	8.4%	2 455	8.9%	
Investment return on insurance funds	759	2.6%	341	1.2%	
Net Insurance Result - adjusted	3 216	11.0%	2 796	10.1%	

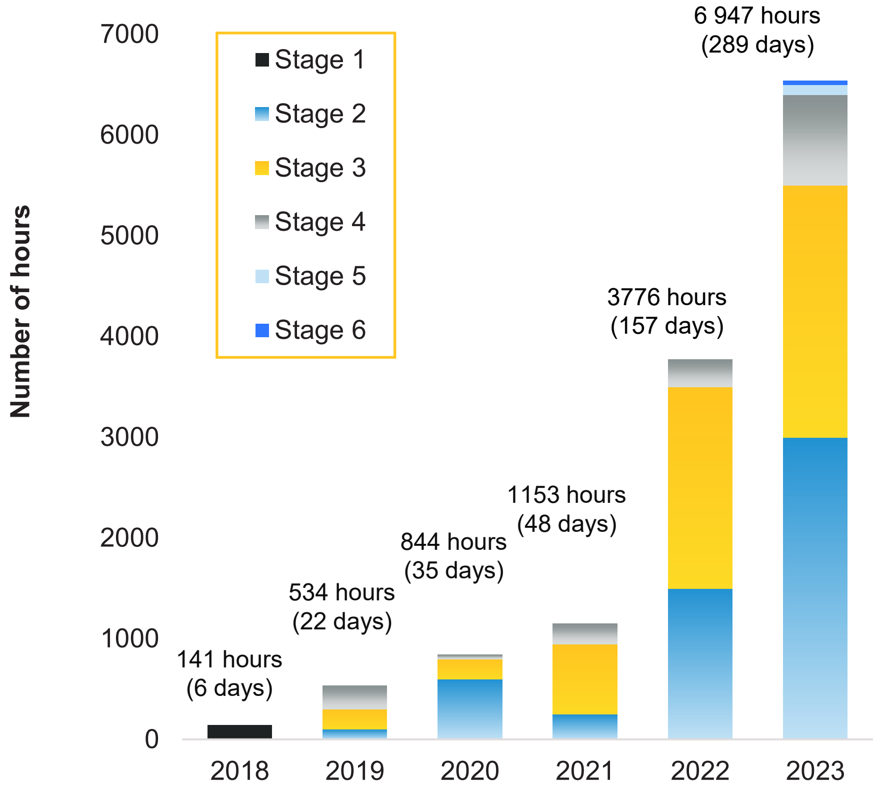
- We also improved security requirements for high-risk vehicles, which has improved the profitability of the motor book.
- We have cancelled the unprofitable business; this should not repeat in 2024.
- We have adjusted the investment duration of float funds; this has significantly improved Net Insurance results.
- We continue to geocode our property book; so far, 86% of the on-platform has been completed.

POWER SURGE CLAIMS REDUCED DESPITE RECORD LOADSHEDDING

POWER SURGE CLAIMS PER MONTH FROM 2021 – 2023 (ON-PLATFORM POLICIES)



NATIONAL LOAD SHEDDING HOURS BY STAGE FROM 2018 TO 2023



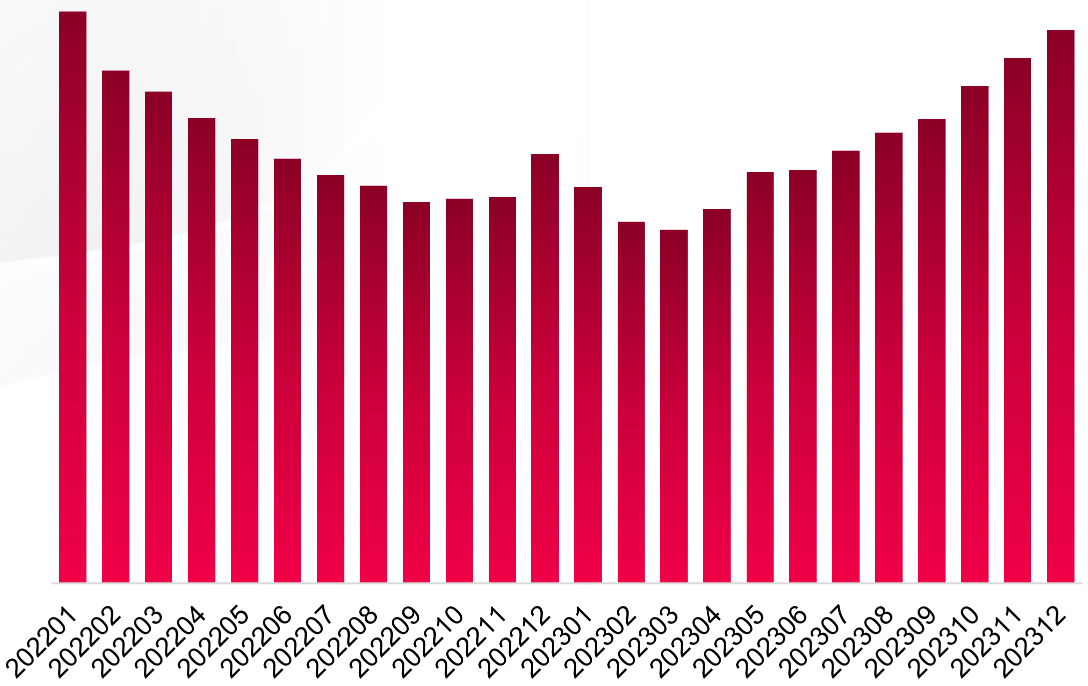
Sources: Santam data, TheOutlier&EskomSePush

- We have enhanced risk assessments and changed excess amounts, and power surge losses significantly reduced both in count and amount despite the record load-shedding schedule in 2023.

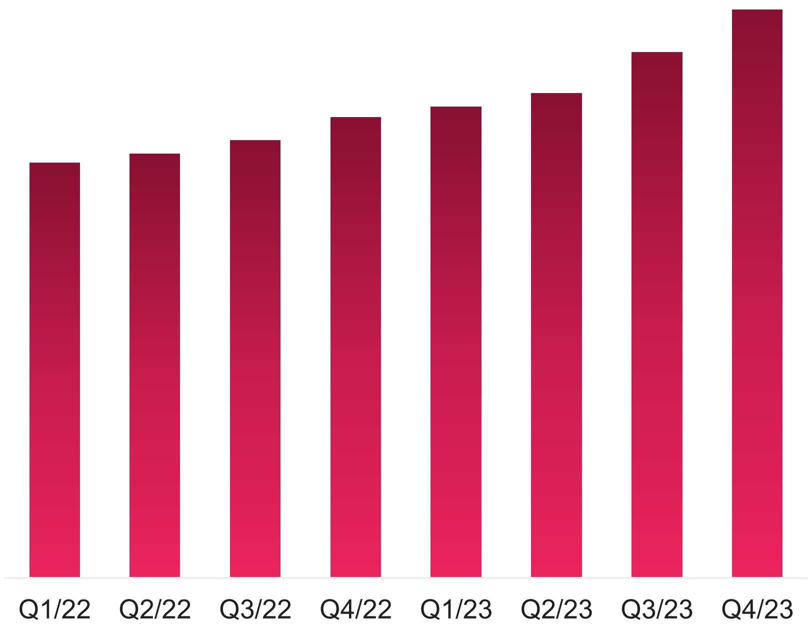
MIWAY TURNAROUND

MiWay turnaround is encouraging despite the tough operating environment. The strategic initiatives are gaining traction.

POLICY GROWTH RECOVERY MONTH-ON-MONTH



GWP - QUARTERLY TRENDS



- MiWay's monthly growth almost doubled towards the end of the year compared to the first-half 2023 results, ending at an increase of 5% (2.5%: 2022) for the full year.
- The strategic focus on an inbound model is driving positive growth in policy count, complemented by good growth in business insurance and value-added services.
- Net inception policy count is positive, and the In-force policy count is also steadily increasing due to inbound marketing and retention efforts.

OUR LONG TERM TARGETS TO 2030

FINANCIAL

GWP GROWTH RATE
CPI + GDP + 1 to 2%

NET UNDERWRITING MARGIN
5% to 10%

DIVERSIFICATION
International GWP >20%
Direct GWP> 30%

RETURN ON CAPITAL
>24%

DIVIDEND GROWTH
In line with GWP growth

CAPITAL COVERAGE RATIO
145% to 165%

NON- FINANCIAL

POLICY COUNT
>2 million

CUSTOMER EXPERIENCE (NPS SCORE)
>60%

EMPLOYEE ENGAGEMENT SCORE
>75%

MARKET SHARE
>24%

TRANSFORMATION
Maintain B-BBEE Level 1

ESG
Maintain Top 30 JSE Responsible Investment Index

FINANCIAL RESULTS

IFRS 17 BASIS OF PREPARATION

IFRS 17 adopted on a retrospective basis from 1 January 2022

Conventional insurance

- Increase in underwriting result (2023: R100 million; 2022: R13 million), largely due to risk-attaching reinsurance cost being spread over a longer period
- Discounting of claims incurred liability benefits underwriting result, but largely offset by unwinding of prior period discounting
- Reinstatement premiums recognised as claims expense; reduced net earned premiums under IFRS 4. Shift between line items with corresponding impact on underwriting ratios
- All binder fees recognised as administration costs under IFRS 4; portion relating to sales activity reclassified to commission under IFRS 17. Shift between commission and administration cost ratios
- 0.3% positive impact on the underwriting margin for December 2023

General

- No change in capital management and dividend policies
- Format of segmental information remains largely unchanged

Alternative Risk Transfer business

- Upfront fees and acquisition costs for longer duration contracts spread over coverage period instead of upfront recognition
- Immaterial impact on earnings

RESULTS AT A GLANCE

	For the year ended 31 December 2023	For the year ended 31 December 2022
NEP Growth	5.8%	5.3%*
Claims ratio	66.2%	65.0%
Acquisition costs ratio	30.3%	29.9%
Underwriting margin	3.5%	5.1%
Investment return on insurance funds	2.6%	1.2%
Net insurance result	6.1%	6.3%
Return on Capital	28.5%	18.5%

*Comparatives not restated for adoption of IFRS 17

EXCHANGE RATE VOLATILITY

CLOSING RATES

Currency	Dec 2023	Dec 2022	% change
United States Dollar	18.29	17.02	7.5
Euro	20.20	18.16	11.2
Indian Rupee	0.22	0.21	7.9

AVERAGE RATES

Currency	Dec 2023	Dec 2022	% change
United States Dollar	18.44	16.31	13.1
Euro	19.93	17.18	16.0
Indian Rupee	0.22	0.21	7.2

INVESTMENT MARKET PERFORMANCE

RETURN FOR THE PERIOD

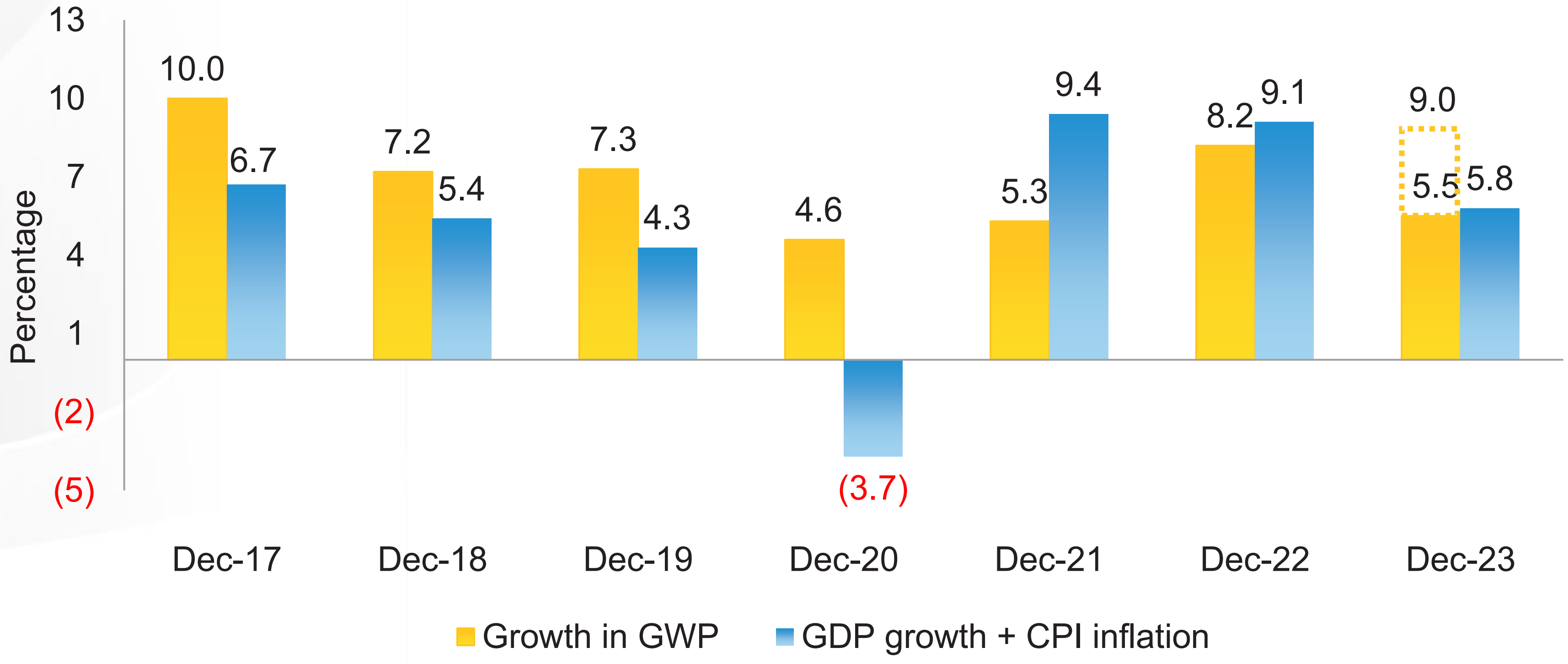
INDEX	Dec 2023	Dec 2022
JSE All Share	5.3%	(0.9%)
JSE Swix 40	3.4%	0.5%
JSE All Bond	9.7%	4.3%
SA Money Market (STeFI)	8.0%	5.2%
USD Money Market (3M Libor/ SOFR)*	5.6%	4.8%

*3-month Libor presented for December 2022. 3-month Secured Overnight Financing Rate (SOFR) presented for December 2023.

BUSINESS VOLUMES

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM VS CPI + GDP GROWTH



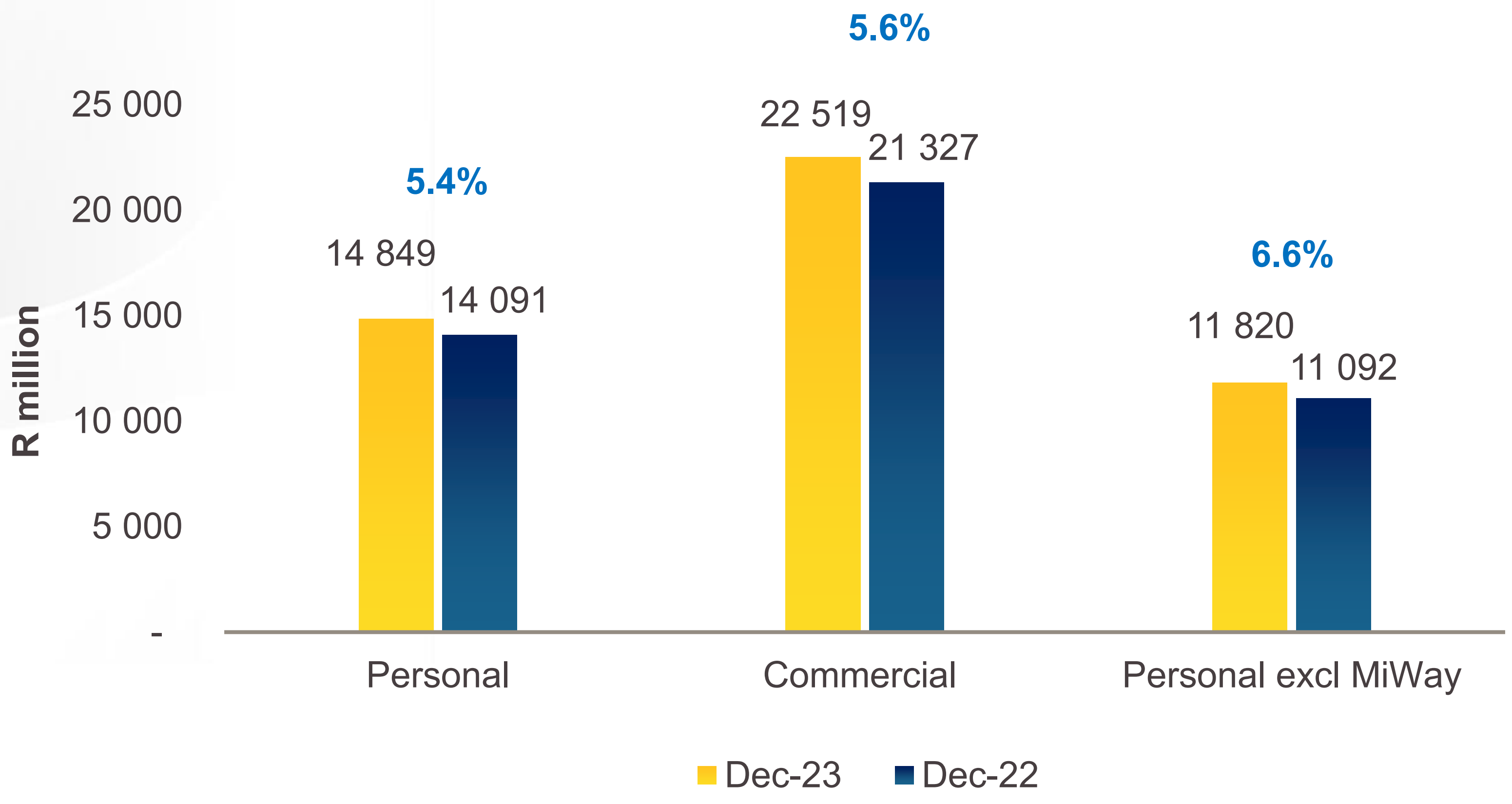
*Year-on-year SARB forecasted GDP of 0.7%, CPI of 5.1%

- **9% growth** excluding cancelled business of **R1.3bn**
- Solid contributions from Broker, Client and Specialist Solutions
- Segmented premium increases in response to claims inflation and frequency
- MiWay impacted by pressure on consumer in **1H23**; growth accelerating on monthly basis
- Net earned premiums grew by **5.8%** (**8%** excluding cancelled business)

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

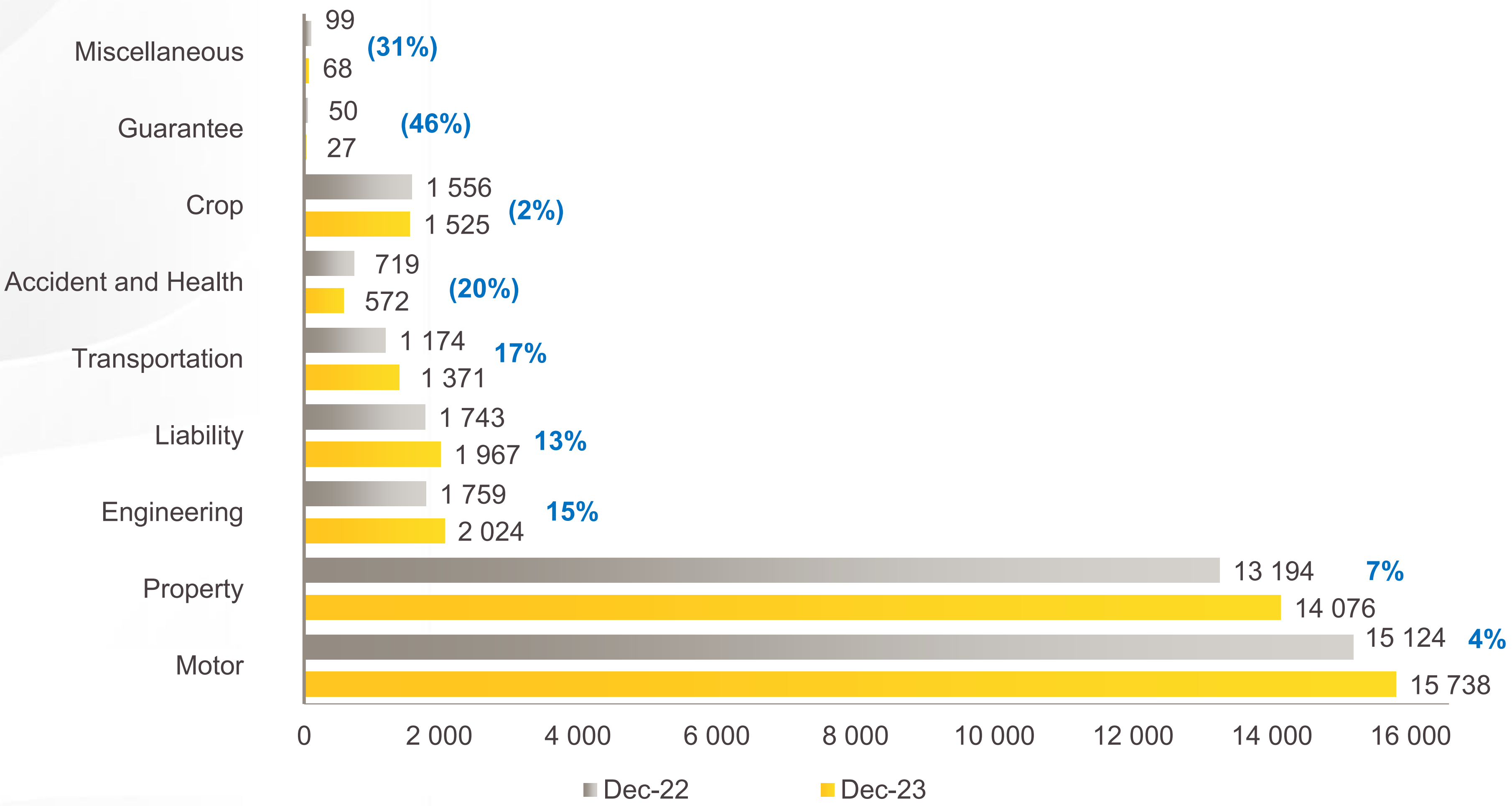


- Personal lines impacted by MiWay, pressure on quote volumes in Outsourced business and cancelled motor business in Israel
- Commercial lines reflecting non-renewals at Emerald and management actions in Hospitality and Leisure, Santam Real Estate and Santam Re

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

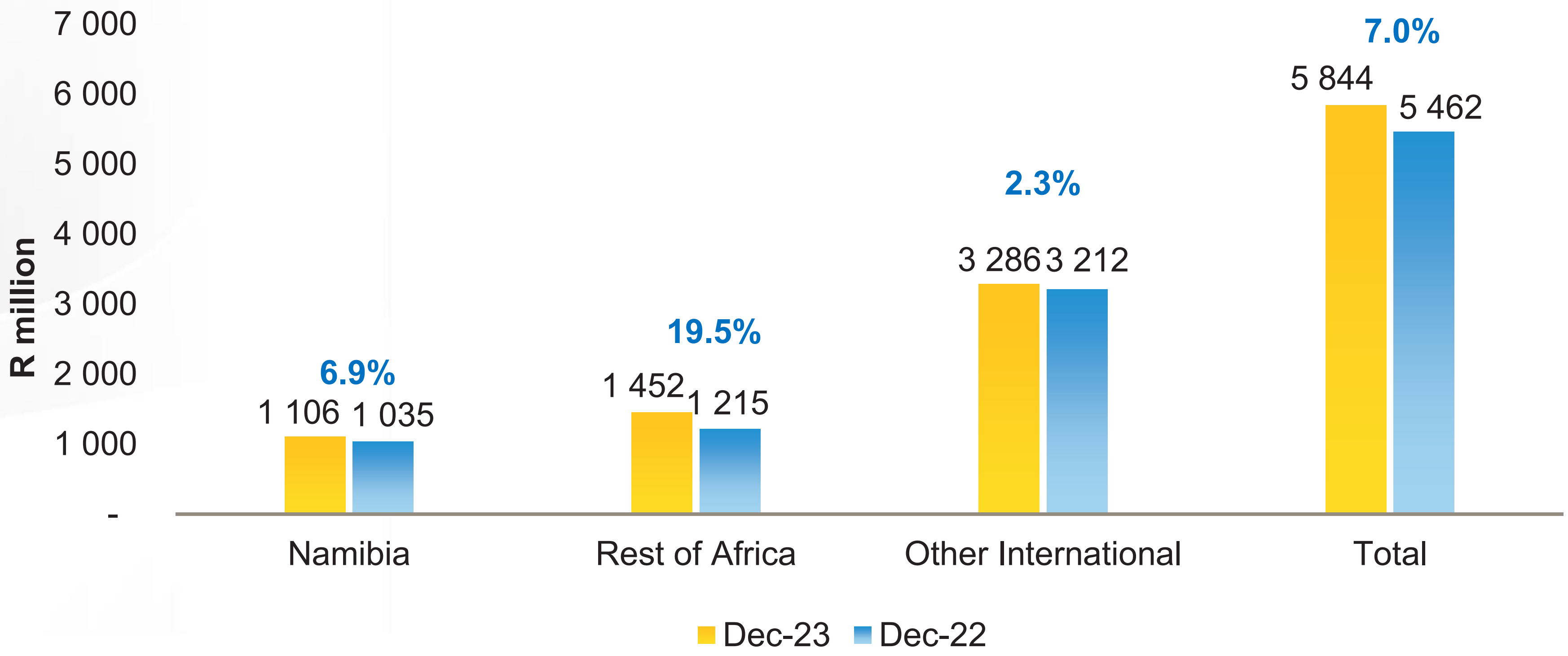
PER INSURANCE CLASS (R'M)



- Motor grew by **7%** excluding cancelled business at Santam Re
- Property up **11%** excluding cancelled/non-renewed business
  - Strong growth at Santam Re and Broker/Client Solutions
- Engineering growth mostly non-SA
- Liability driven by SHA renewals and Santam Re
- Specialist Solutions main contributor to Transportation growth

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM FROM OUTSIDE SA

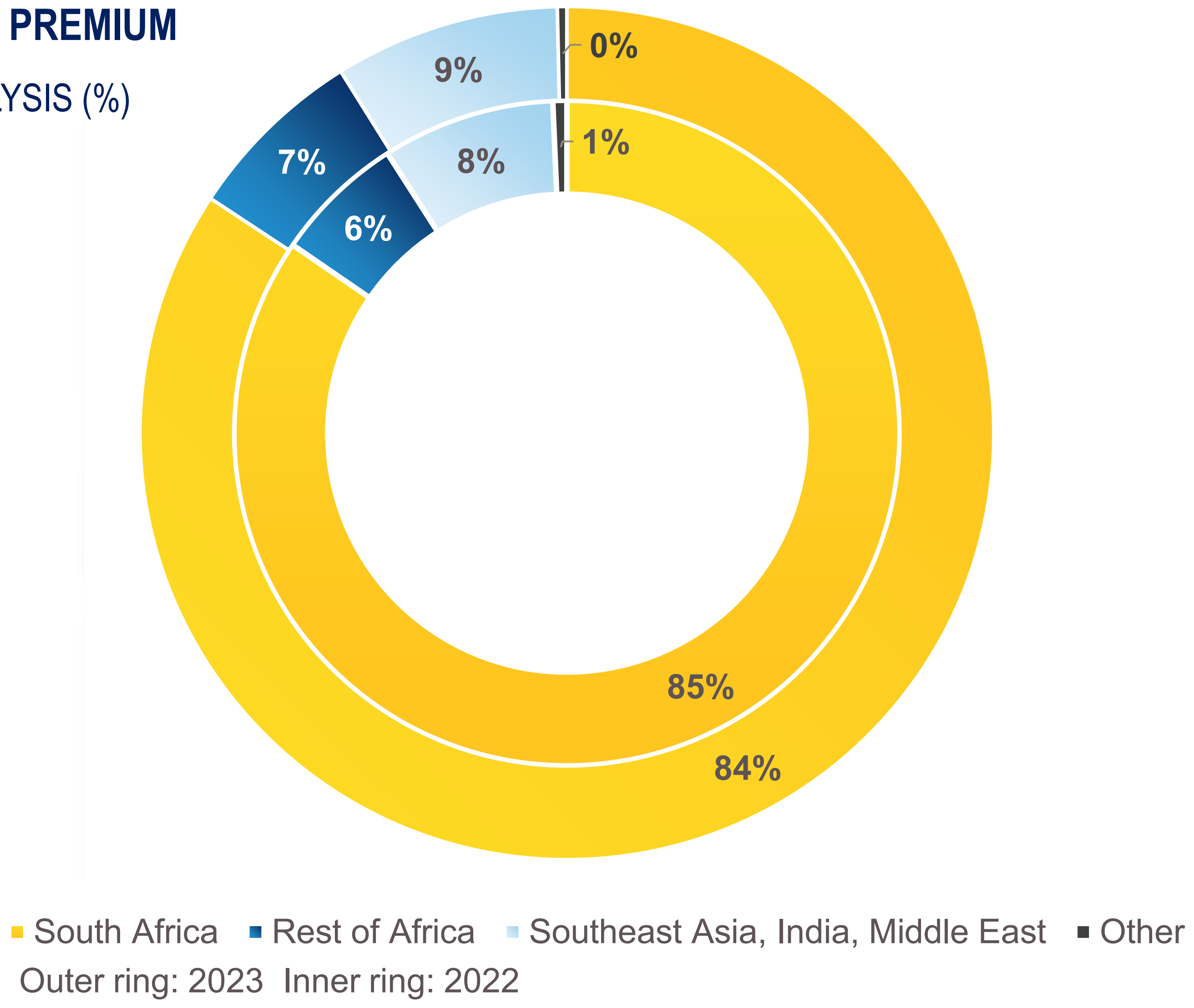


- Acceleration in Namibia from 2.3% in 1H23
- Continued strong growth from SanlamAllianz partnership across Africa – up 28%
- Other international impacted by cancellations

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

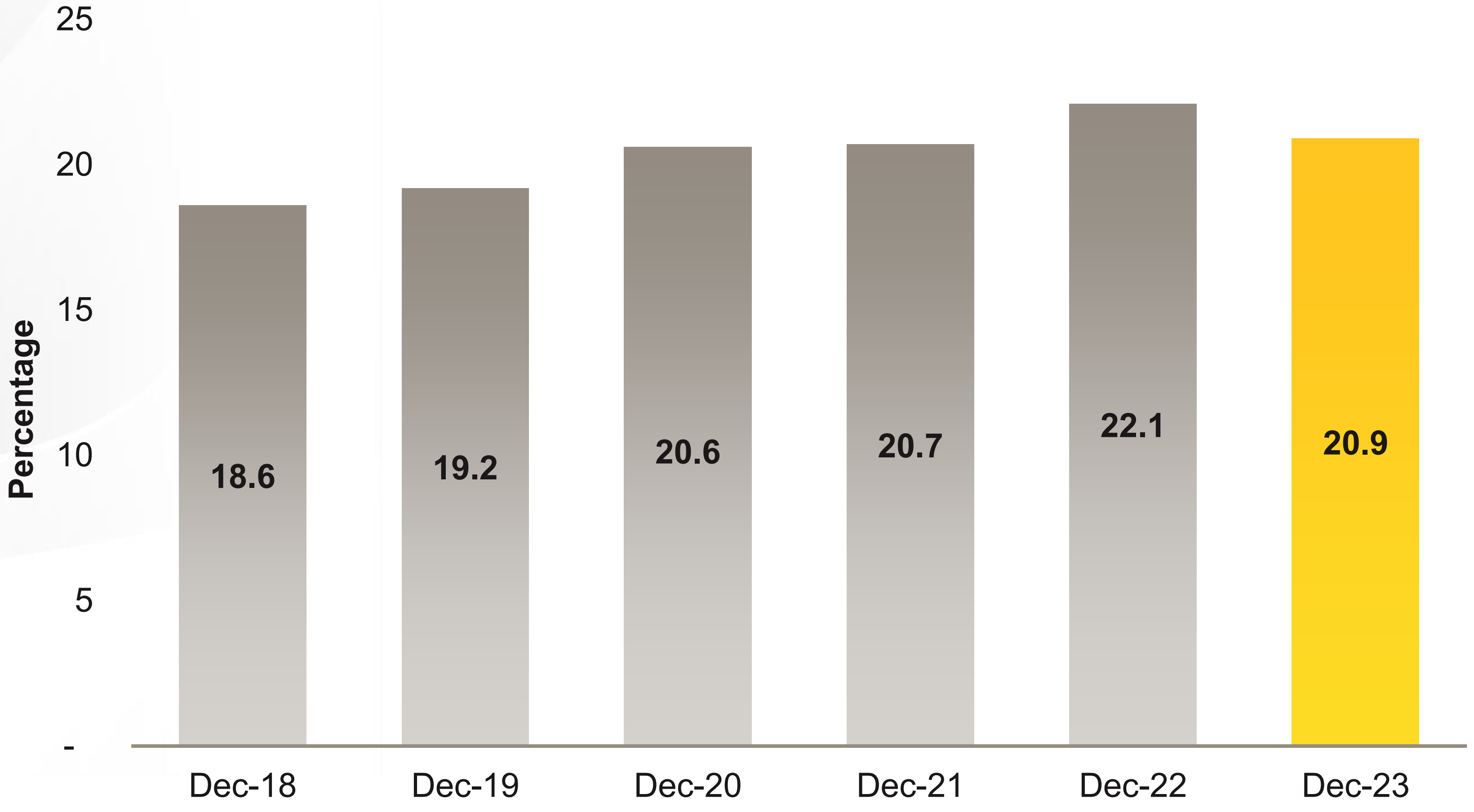
GEOGRAPHIC ANALYSIS (%)



- Slight improvement in non-SA contribution
- Hampered by cancellations at Santam Re
- Focus remains on growing international contribution through Santam Re and existing capabilities in Specialist Solutions

CONVENTIONAL INSURANCE

REINSURANCE AS % OF GROSS EARNED PREMIUM



Percentages disclosed for periods prior to Dec 2022 not restated for IFRS17, but impact is immaterial

- Substantial increase in the cost of non-proportional reinsurance – CAT premium up **78%** since 2019
- Growth in overall book limited reinsurance cost to **21%**
- Single digit rate increases in January 2024 renewal
- Ongoing optimisation of programme
  - **R1bn** CAT retention
  - **R100m** per risk retention
  - Saving in premium compensates for increased exposure

EARNINGS

ANALYSIS OF EARNINGS

R million	Dec 2023	Dec 2022	Variance
Conventional	2 910	2 328	25%
• Net insurance result	1 790	1 743	3%
• Investment return on capital	1 120	585	91%
Net income ART	516	368	40%
Associates	786	54	>100%
Amortisation & other	(113)	(24)	>(100%)
Income before tax & non-controlling interests	4 099	2 726	50%
Tax & non-controlling interests	(849)	(746)	(14%)
Net income	**3 250**	**1 980**	**64%**

- Conventional earnings supported by good investment returns
- Forex gains of **R254m (2022: R229m)**
- **R433m (2022: R346m)** revaluation of investments in India/Malaysia
- Associates includes **R705m** profit realised on disposal of SAN JV

OPERATING EARNINGS

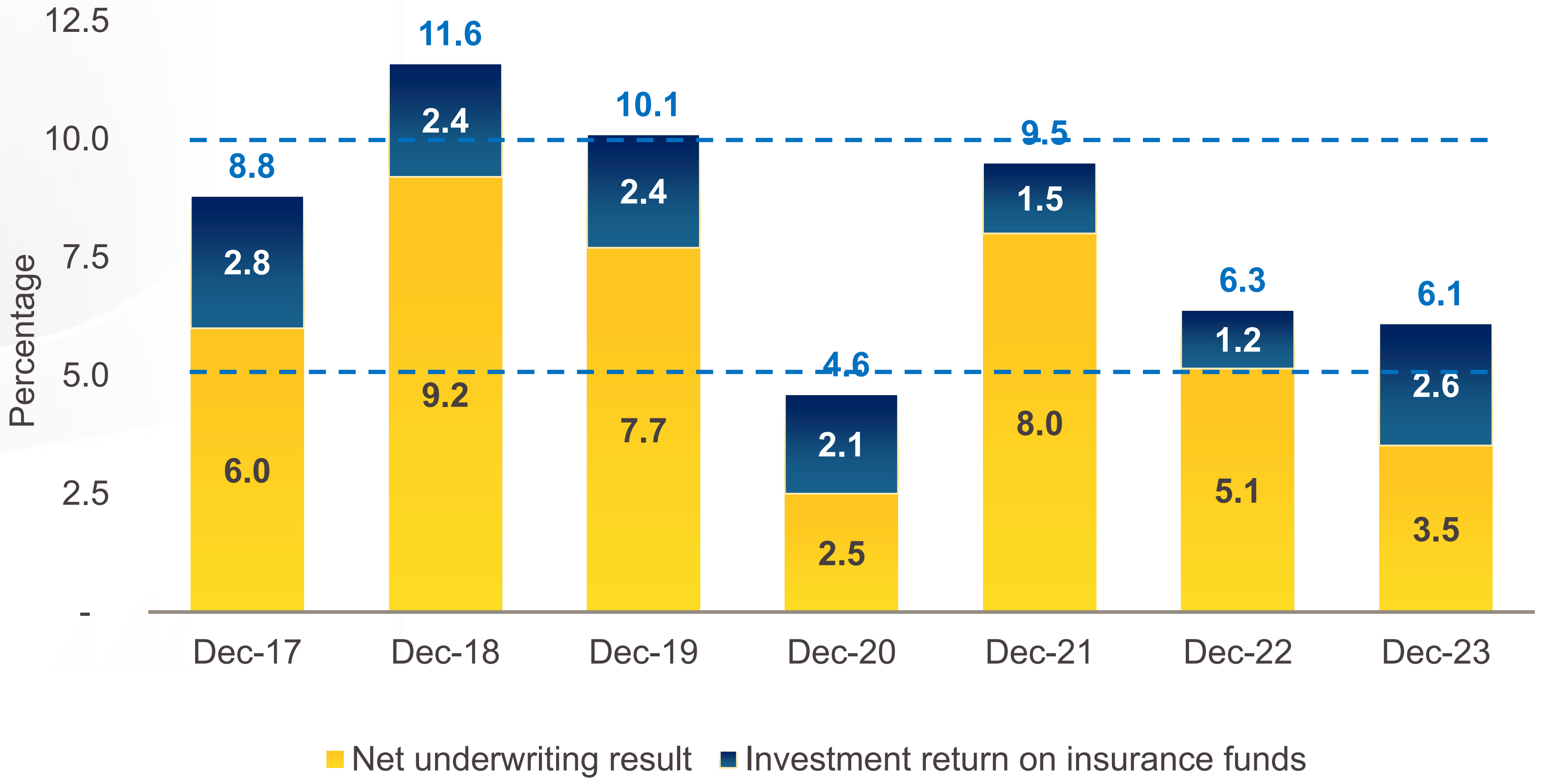
NET INSURANCE RESULT: CONVENTIONAL

	Dec 2023 R'm	% of NEP	Dec 2022 R'm	% of NEP	% change
Gross written premium	37 368		35 418		6%
Net earned premium	29 335	100%	27 727	100%	6%
Claims incurred	19 420	66.2%	18 030	65.0%	8%
Acquisition cost	8 884	30.3%	8 295	29.9%	7%
• Commission	4 049	13.8%	3 860	13.9%	5%
• Management expenses	4 835	16.5%	4 435	16.0%	9%
Underwriting result	**1 031**	**3.5%**	**1 402**	**5.1%**	**(26%)**
Investment return on insurance funds	759	2.6%	341	1.2%	123%
Net insurance result	**1 790**	**6.1%**	**1 743**	**6.3%**	**3%**
Combined ratio		96.5%		94.9%	

CONVENTIONAL INSURANCE

NET INSURANCE RESULT

AS A % OF NET EARNED PREMIUM

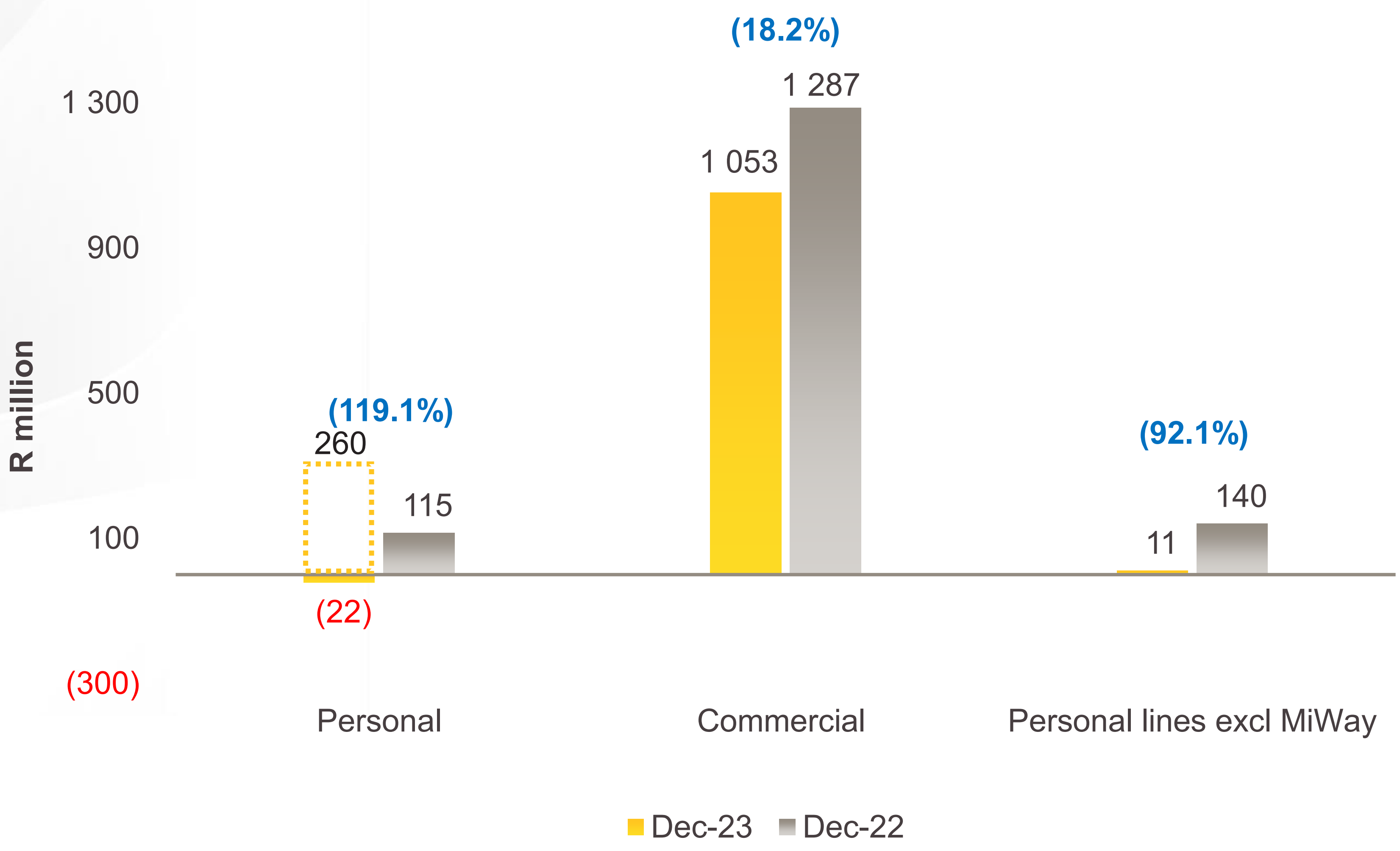


*Periods before 2022 not restated for adoption of IFRS 17

- Large losses in both periods
- 2023: Turkey, run-off losses on cancelled business, Western Cape floods, hail, fire claims
  - CBI reserve release of R215m
- 2022: KZN floods, fire claims
  - CBI reserve release of R714m
  - Lower variable remuneration
- Adjusted underwriting margin of 8.4% for 2023 and 6% for 2022

CONVENTIONAL INSURANCE

NET UNDERWRITING RESULT: PERSONAL AND COMMERCIAL

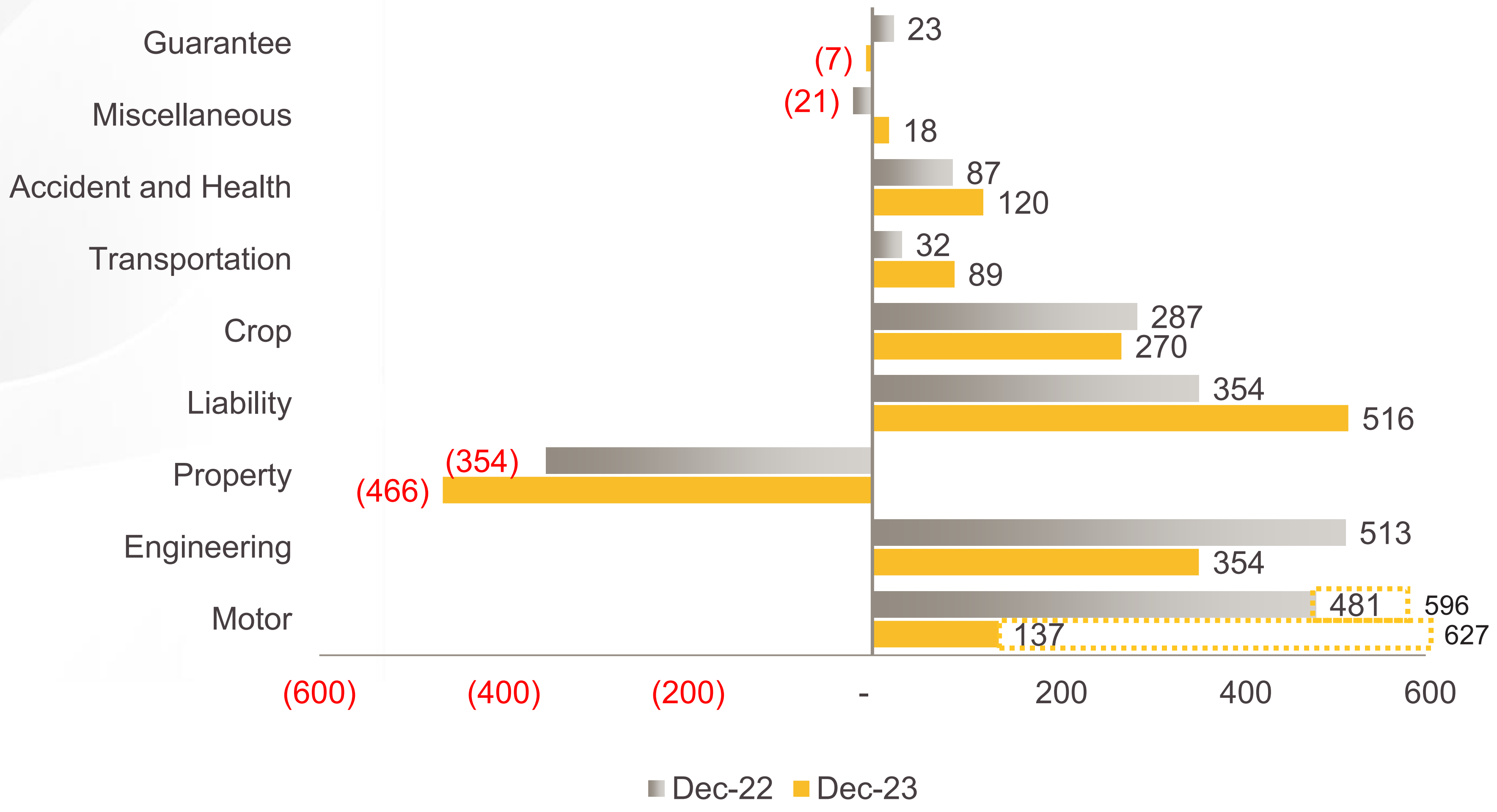


- Personal lines impacted by attritional weather-related claims in Q1, Western Cape floods, hail in Gauteng and run-off losses on cancelled business. More than **doubled** excluding cancelled business
- Commercial benefited in 2022 from larger CBI reserve release

CONVENTIONAL INSURANCE

NET UNDERWRITING RESULT

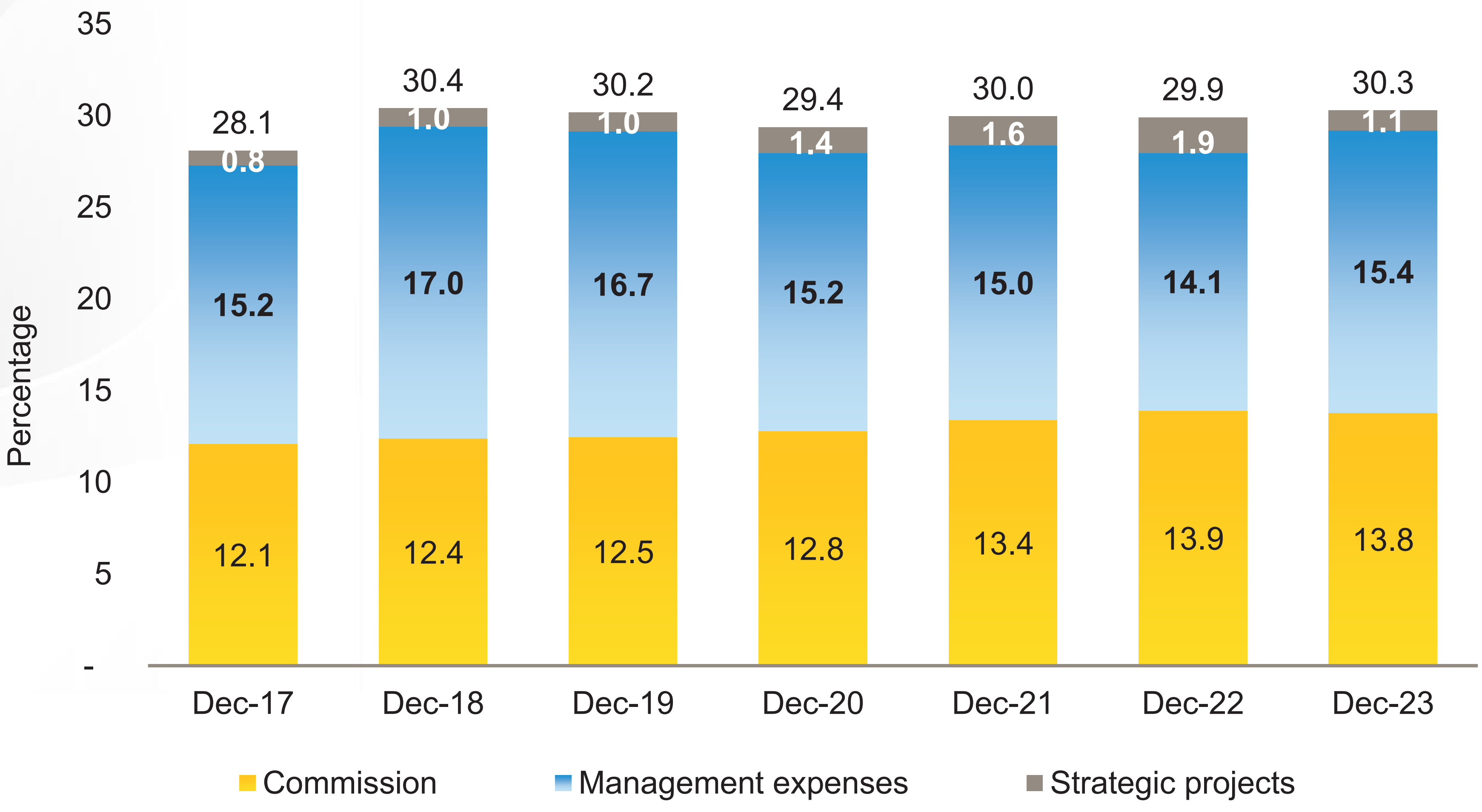
PER INSURANCE CLASS (R'M)



- Inflation and high-value theft in motor book successfully addressed – up **5%** excluding cancelled business and Gauteng hail
- Property rate strength and risk management not yet at sustainable level - further underwriting actions required
- Power-surge losses mitigated
- Engineering benefited from positive estimate adjustments in 2022
- Benign crop claims environment in 2022

CONVENTIONAL INSURANCE

NET ACQUISITION COSTS
AS A % OF NET EARNED PREMIUM



- 2022 benefited from lower variable remuneration
- New strategic initiatives in 2023

CONVENTIONAL INSURANCE

MIWAY

	Dec 2023	Dec 2022	Var %
Gross written premium (R million)	3 441	3 283	4.8%
Gross underwriting result net of CAT recoveries (R million)	168	254	(34%)
Gross claims ratio net of CAT recoveries	58.8%	60.0%	
Gross acquisition cost ratio	36.3%	32.1%	
Gross underwriting margin	4.9%	8.7%	
Number of clients[1]	345 000	340 000	1.5%

[1] Excluding value-added products

- Strong growth in GWP from commercial lines and VAPS - up more than **20%**
- Personal lines accelerating towards the end of the year; growth in policy count
- Acquisition cost ratio includes expenditure on new initiatives; 2022 benefited from lower variable remuneration

ALTERNATIVE RISK TRANSFER INSURANCE

	Dec 2023 R'm	Dec 2022 R'm	Var %
Fee income	379	303	25%
Investment margin	324	207	57%
Underwriting income	85	114	(25%)
Expenses	(345)	(292)	(18%)
Operating result	**443**	**332**	**33%**
Investment income	73	36	103%
Net profit before tax and NCI	**516**	**368**	**40%**

- Fee income and investment margins reflect growth in size of book
- Improved investment returns in 2023
- Underwriting income declined following deliberate closure of certain UMAs

INDIA/MALAYSIA TARGET SHARES

ANALYSIS OF SANTAM'S SHARE OF NIR IN R'M FOR P&O AND SGI

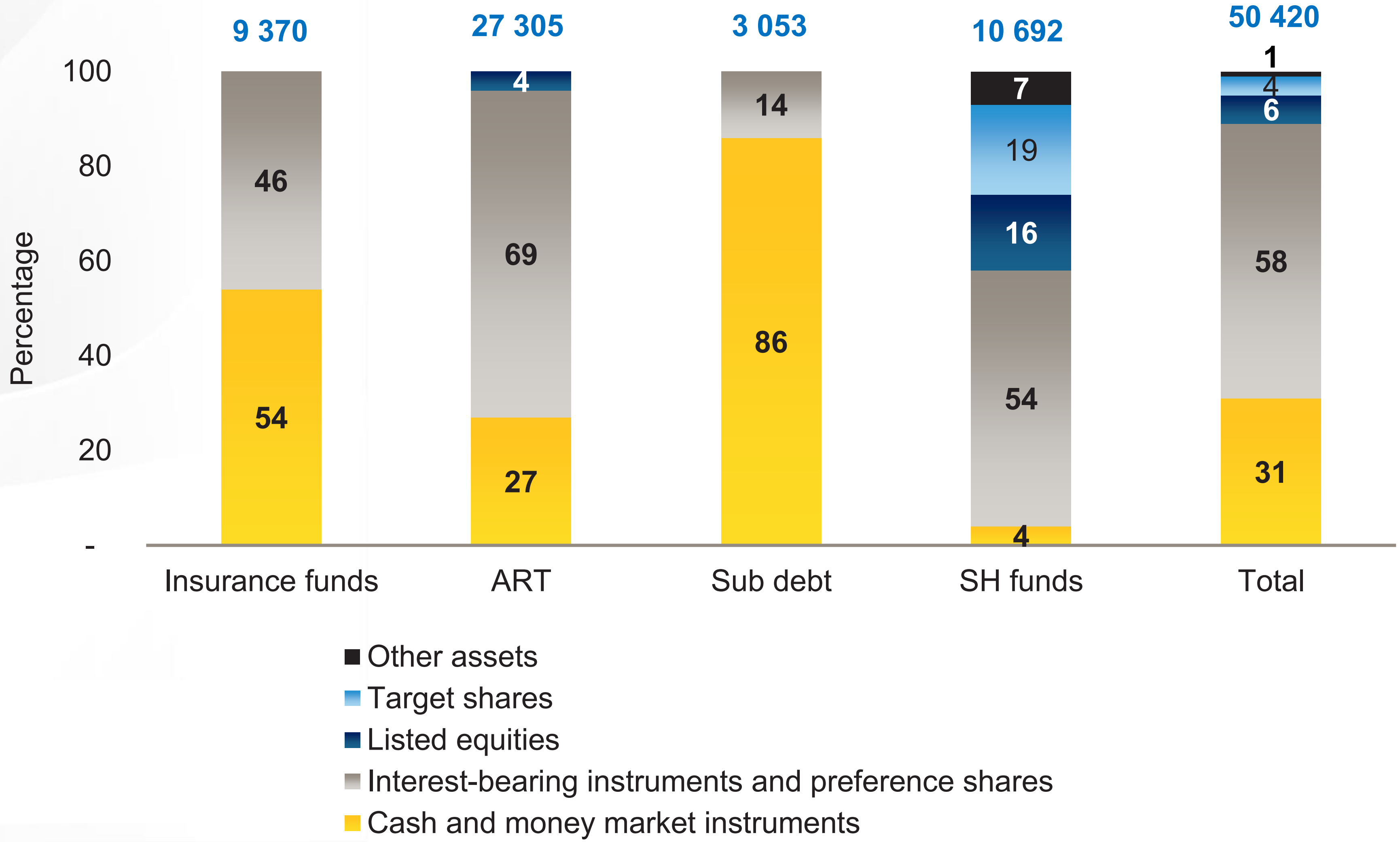
	Dec 2023 R'm	% of NEP	Dec 2022 R'm	% of NEP
Gross written premium	937		716	
Net earned premium	728	100.0	631	100.0
Net claims incurred	443	60.9	438	69.4
Net acquisition cost	311	42.7	253	40.1
Net underwriting result	(26)	(3.6)	(60)	(9.5)
Investment return on insurance funds	221	30.4	209	33.1
Net insurance result	195	26.8	149	23.6

- Strong GWP growth at SGI from Shriram ecosystem and own channels
- Revaluation of SGI by R433m in line with improved performance and outlook; forex gain
- P&O continued to struggle in both top-line and earnings performance

INVESTMENT RESULTS

ASSET LIABILITY MATCHING

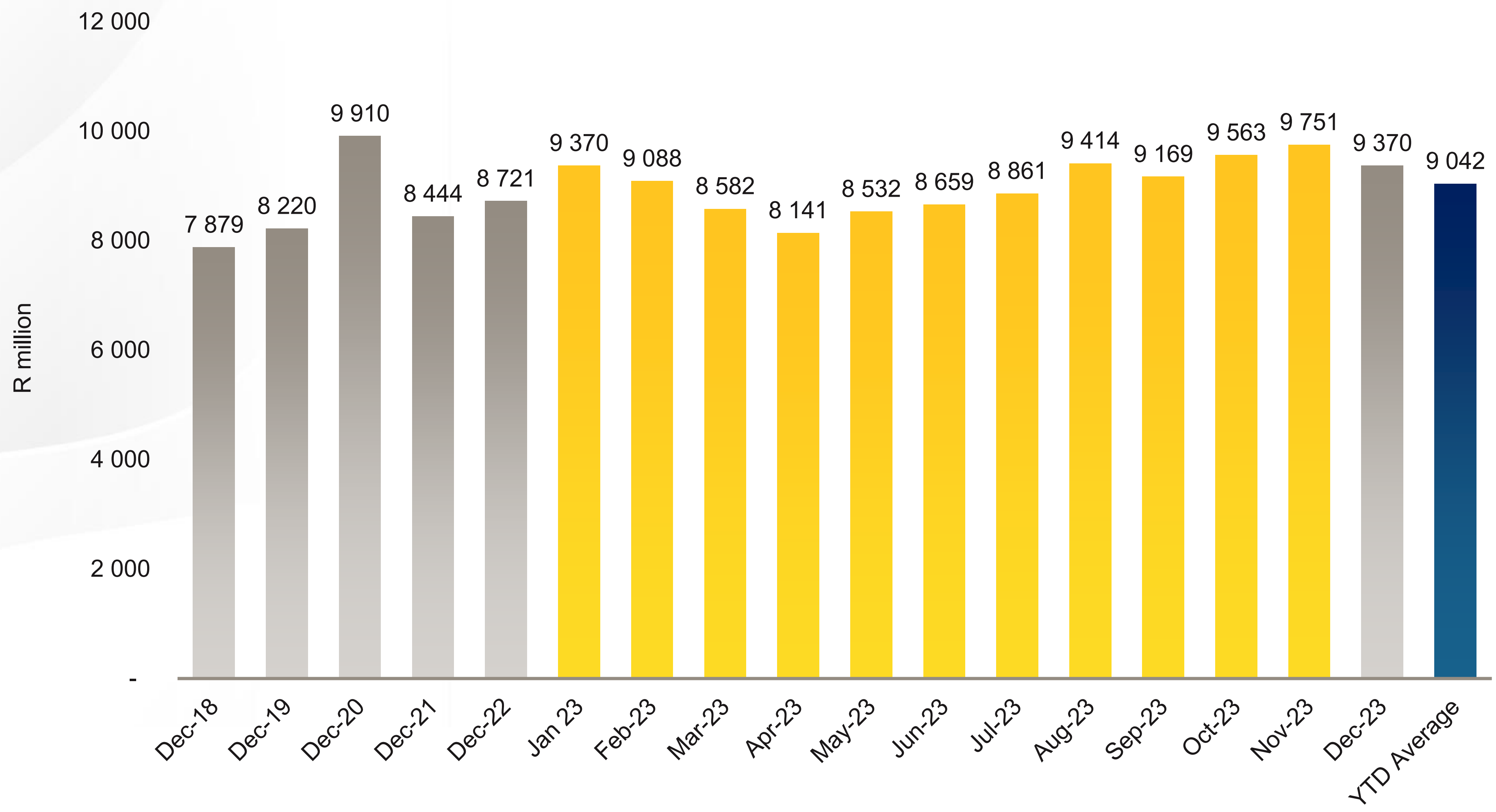
GROUP CONSOLIDATED ASSETS AT 31 DECEMBER 2023



- No significant change in investment mandates of key portfolios
- Subdebt portfolio increased by **R500m** during the year

CONVENTIONAL INSURANCE

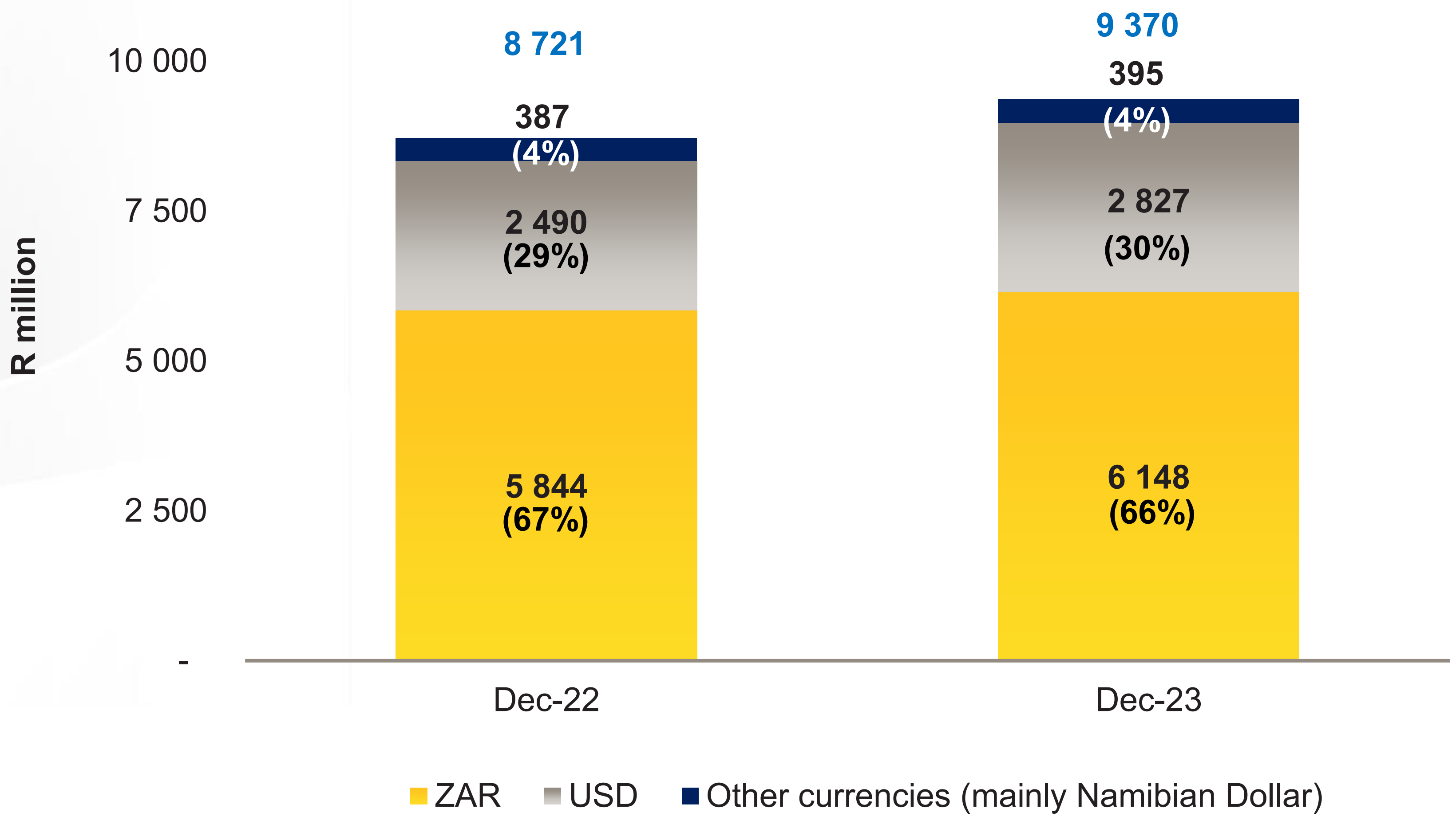
SIZE OF NET INSURANCE FUNDS



- Average float balance up **7.5%** on 2022 compared to **8%** growth in NEP excluding cancelled business
- CBI reserve releases decreased overall level of float

CONVENTIONAL INSURANCE

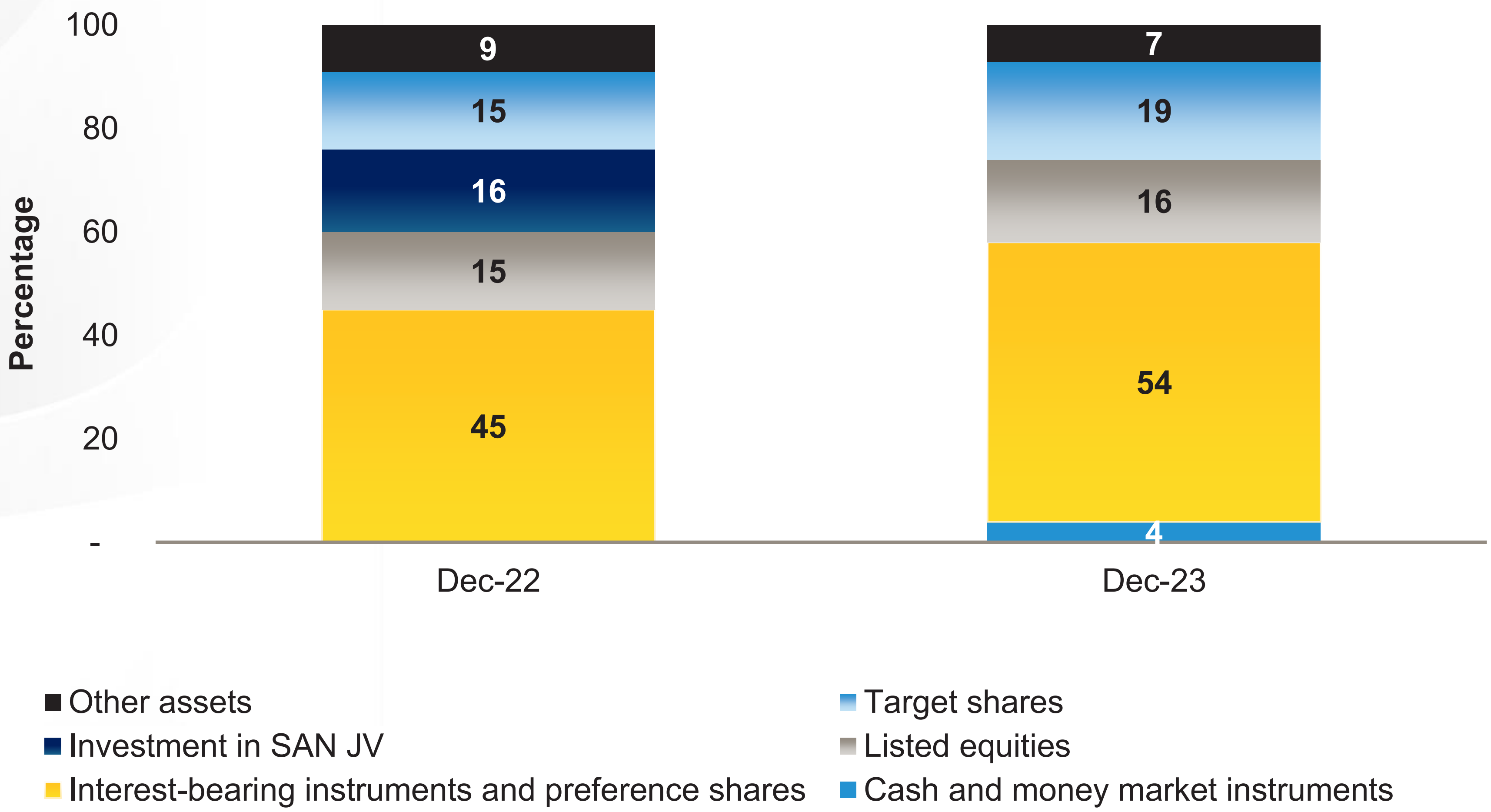
ASSETS BACKING NET INSURANCE FUNDS



- No significant change in composition of insurance funds

SHAREHOLDER FUNDS

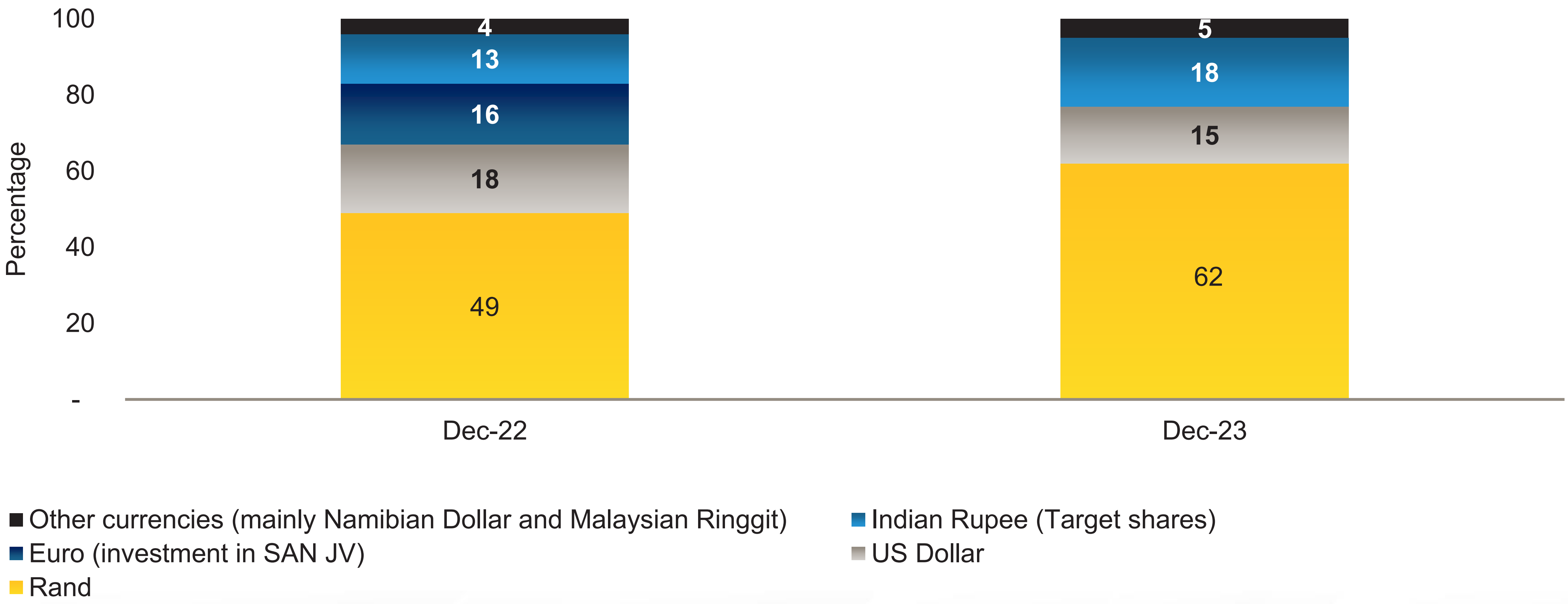
ASSETS BACKING SHAREHOLDERS FUNDS



- Target shares mostly reflect economic interest in SGI
- Disposal of investment in SAN JV

SHAREHOLDER FUNDS

CURRENCY EXPOSURE



INVESTMENT RETURN

Investment return on insurance funds	Dec 2023 R'm	Dec 2022 R'm	Var %
Conventional	759	341	123%
Alternative Risk Transfer	341	218	56%
Santam Group	1 100	559	97%

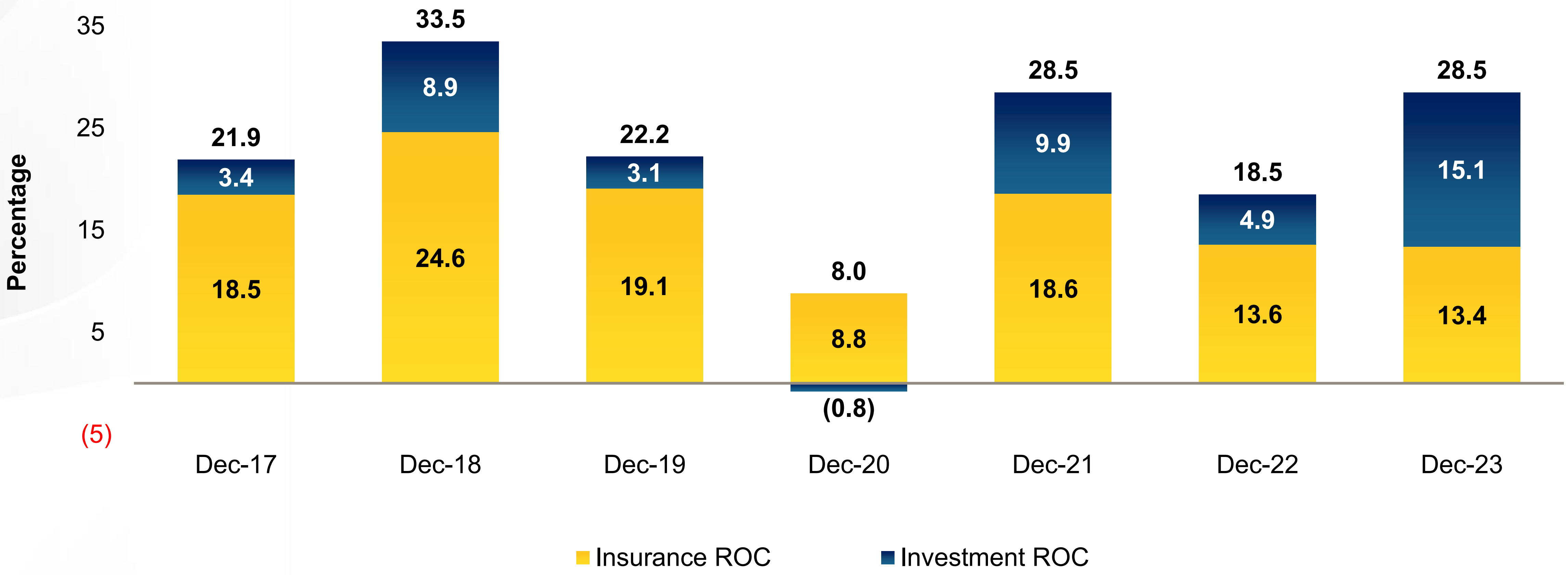
Shareholder investment return	Dec 2023 R'm	Dec 2022 R'm	Var %
Conventional	1 120	585	91%
Alternative Risk Transfer	73	36	103%
Santam Group	1 193	621	92%

- Improved investment return on all portfolios
- Performance exceeded benchmarks in general

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 **R8.8 billion** (Dec 2022: **R8.6 billion**)
- Current Group economic capital coverage ratio of **155%** (Dec 2022: **156%**)
- Additional **R500 million** sub-debt raised in April 2023, added 6% to economic capital coverage ratio
- Target economic capital coverage ratio band maintained at between **145%** and **165%**
- Considering the capital position, a final ordinary dividend of **905 cps** was declared that will reduce the economic capital coverage ratio to a level that remains well within the target band
- Total ordinary dividends per share of **1400 cps**
- Proceeds from disposal of SAN JV partly utilised to declare special dividend of **1 780 cps**
- Total distributions of **3 180 cps –** cash yield of **12.4%** based on opening share price

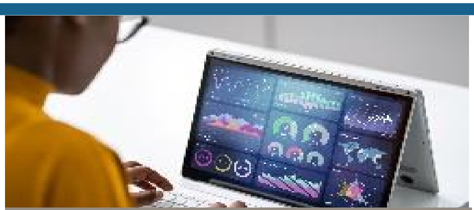
CLOSING REMARKS

OUR ESG COMMITMENTS

SUPPORTING COMMUNITY RESILIENCE

POSITIVE IMPACT ON SOCIETY	ESG LEADERSHIP	DIVERSITY AND INCLUSION

We now support 95 municipalities through **Partnership for Risk and Resilience (P4RR)**



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

Level 1 B-BBEE status

Appointed a **diverse leadership to execute** our new operating model focused on driving our new, refreshed FutureFit strategy

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We invested **R171m** in companies that reduce long-term systemic risk through the **Santam Resilient Investment Fund.** The fund targets investments in companies that address ESG needs.

FTSE Russell

FTSE4Good

We continue to invest in **our black broker programme** to contribute to the transformation of the sector

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STRATEGIC PRIORITIES FOR 2024

FOCUSED ON DELIVERING ON STRATEGY AND IMPROVED PROFITABILITY

- Fix property portfolio
- Complete the geo-coding of the core book and extend it to other businesses
- Continue being the best broker enabler
- Leverage the Sanlam group and grow our partnerships and ecosystem play for growth
- Drive diversification play through scaling Direct, Santam Re and Specialist Business
- Continue to embed ESG
- Accelerate our digital and data capabilities
- Exceptional employee experience and win the war on talent

QUESTIONS?

Santam

THANK YOU