

2021

ANALYST PRESENTATION

INTERIM FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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CONTENTS

- The Santam business portfolio

- Market context

- Financial results

- Capital management

- Group strategy and priorities



THE SANTAM BUSINESS PORTFOLIO



Conventional



Santam Commercial and Personal
Santam Specialist
Santam Re
MiWay

Alternative Risk Transfer (ART)



Centriq Insurance
Santam Structured Insurance

Santam's Strategic Investment Partnerships inclusive of SAN JV (Saham)



Santam's share of the insurance results of the SEM general insurance businesses, including SAN JV (Saham)



MARKET CONTEXT



INSURANCE MARKET

OUTLOOK

All markets

- Global economy is recovering with an expected recovery in global insurance premiums
- However, the future of the global economy remains uncertain due to uncertainty on how pandemic will unfold
- Weather related catastrophes and cyber events increasing significantly
- Rate hardening, growth of cyber insurance and the shift to digital distribution channels are key drivers to insurance growth
- Investment into Insurtech continues globally
- Pressure to tackle climate change risks and transition towards a low-carbon economy is growing



INSURANCE MARKET

OUTLOOK

South Africa

- Economic growth prospects positive
- Improvements in vaccine roll-out key to supporting growth prospects
- Premium growth expected to grow in line with the economy
- In line with global investments in Insurtech, the local market remains a growth opportunity to digitise and narrow the protection gap
- Ecosystems and partnerships with non-traditional players key to growth and accessing new markets
- Significant contingent business interruption (CBI) reinsurance claims, as well as recent riots and destruction of property to impact the availability of reinsurance capacity and pricing of insurance

CONTINGENT BUSINESS INTERRUPTION (CBI) COVER

CURRENT STATUS

- Santam's appeal against the Ma-Afrika judgment relating to the indemnity period was heard by the Supreme Court of Appeal (SCA) on 27 August 2021
- Santam is actively processing CBI claims since January 2021
- As at end of August 2021 Santam settled approximately R700 million CBI claims in addition to the R1 billion relief payments in August 2020
- Net CBI provision could still be significantly impacted by:
 - The outcome of the SCA case relating to indemnity period
 - The extent of reinsurance recoveries
 - CBI claims assumptions vs. actual claims settlements





SANTAM JUNE 2021

KEY FACTS

- Conventional insurance gross written premium growth of **5%**
- Underwriting margin for conventional insurance business of **6.7%** (Jun 2020: **4.3%**)
- Alternative Risk Transfer (ART) operating result of **R140 million** (Jun 2020: **R54 million**)
- Headline earnings per share increased by **30%**
- Return on capital of **18.1%**
- Economic capital coverage ratio of **160%**
- Interim dividend of **432** cents per share declared



FINANCIAL RESULTS

REPORTING ENVIRONMENT

REPORTED RESULTS AFFECTED BY:

Insurance events

- A more normalised claims environment compared to the hard lockdown in the comparative period
- Few natural catastrophe claims positively impacted the underwriting results in the current period
- Offset to some extent by several large corporate fire claims
- No adjustments to CBI claims estimates, other than payments made

Market volatility

- The lower interest rate environment resulted in lower investment return on insurance funds and investment income



EXCHANGE RATE VOLATILITY

Currency	CLOSING RATES			AVERAGE RATES		
	Jun 2021	Dec 2020	% change	YTD June 2021	YTD June 2020	% change
United States Dollar	14.28	14.69	(2.8)	14.52	16.46	(11.8)
Moroccan Dirham	1.60	1.65	(2.7)	1.63	1.70	(4.1)
Indian Rupee	0.19	0.20	(4.1)	0.20	0.22	(11.7)

CLOSING RATES			
Equity Markets	Jun 2021	Dec 2020	% change
South African All Share	66 249	59 409	11.5
South African SWIX Top 40	11 983	11 109	7.9



CONVENTIONAL INSURANCE

CONVENTIONAL INSURANCE

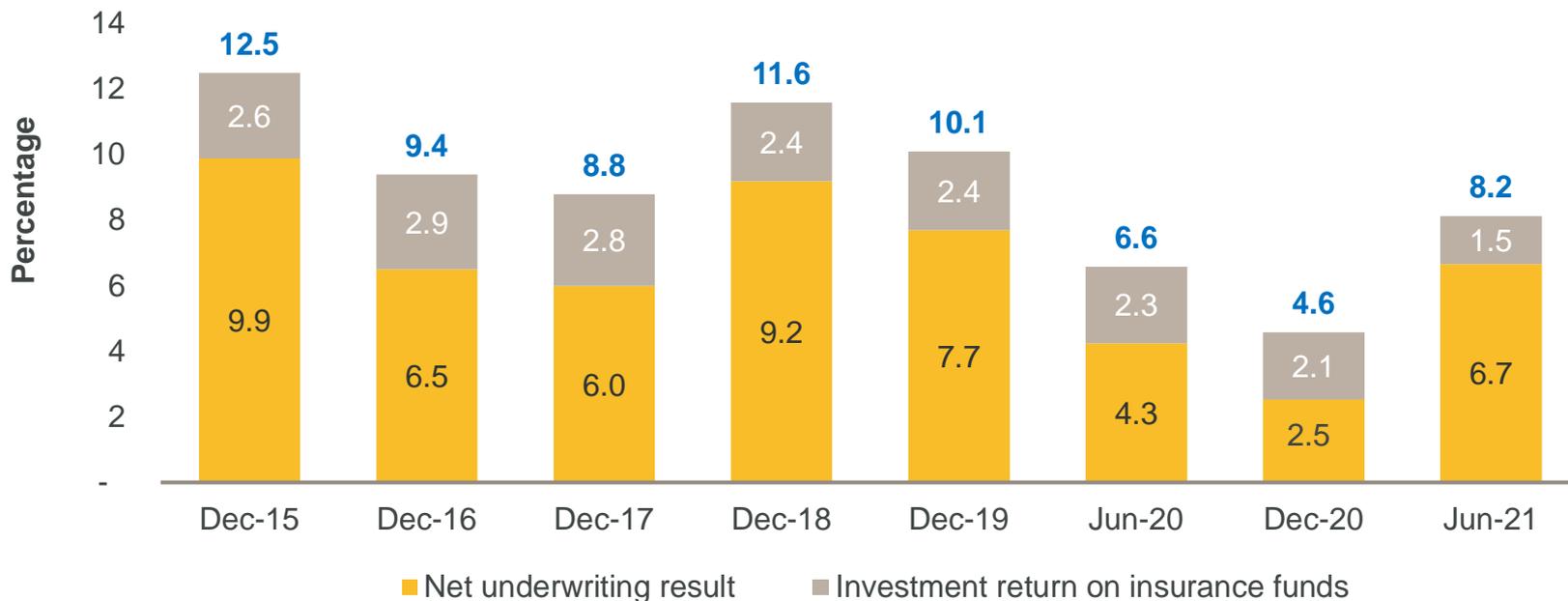
NET INSURANCE RESULT

	Jun 2021 R'm	% of NEP	Jun 2020 R'm	% of NEP	2021/2020	5 Yr ave %	10 Yr ave %
Gross written premium	15 498		14 812		5%	6.7	8.2
Net earned premium	12 791	100.0	11 761	100.0	9%	6.8	6.6
Net claims incurred	8 109	63.4	7 699	65.5	5%	64.1	64.6
Net acquisition cost	3 829	29.9	3 557	30.2	8%	29.4	28.8
Net underwriting result	853	6.7	505	4.3	69%	6.5	6.6
Investment return on insurance funds	200	1.5	275	2.3	(27%)	2.4	2.4
Net insurance result	1 053	8.2	780	6.6	35%	8.9	9.0
Combined ratio		93.3		95.7		93.5	93.4

CONVENTIONAL INSURANCE

NET INSURANCE RESULT

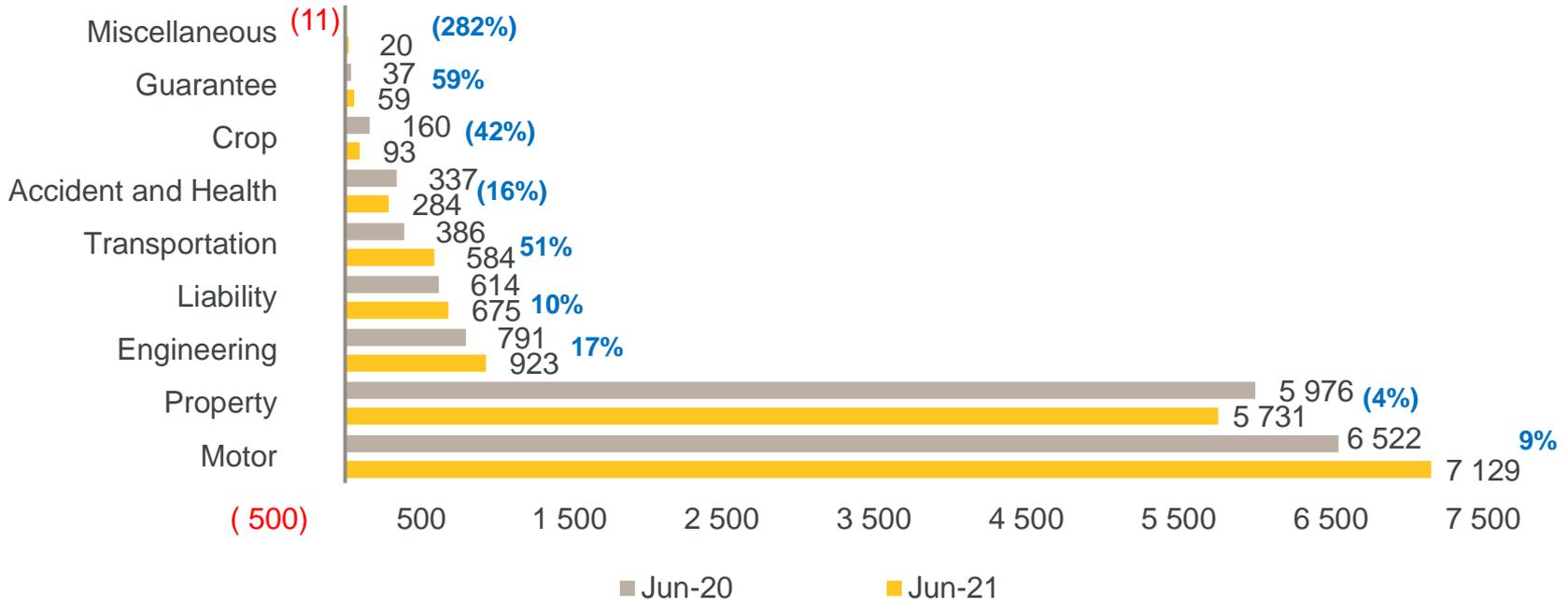
As % of net earned premium



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

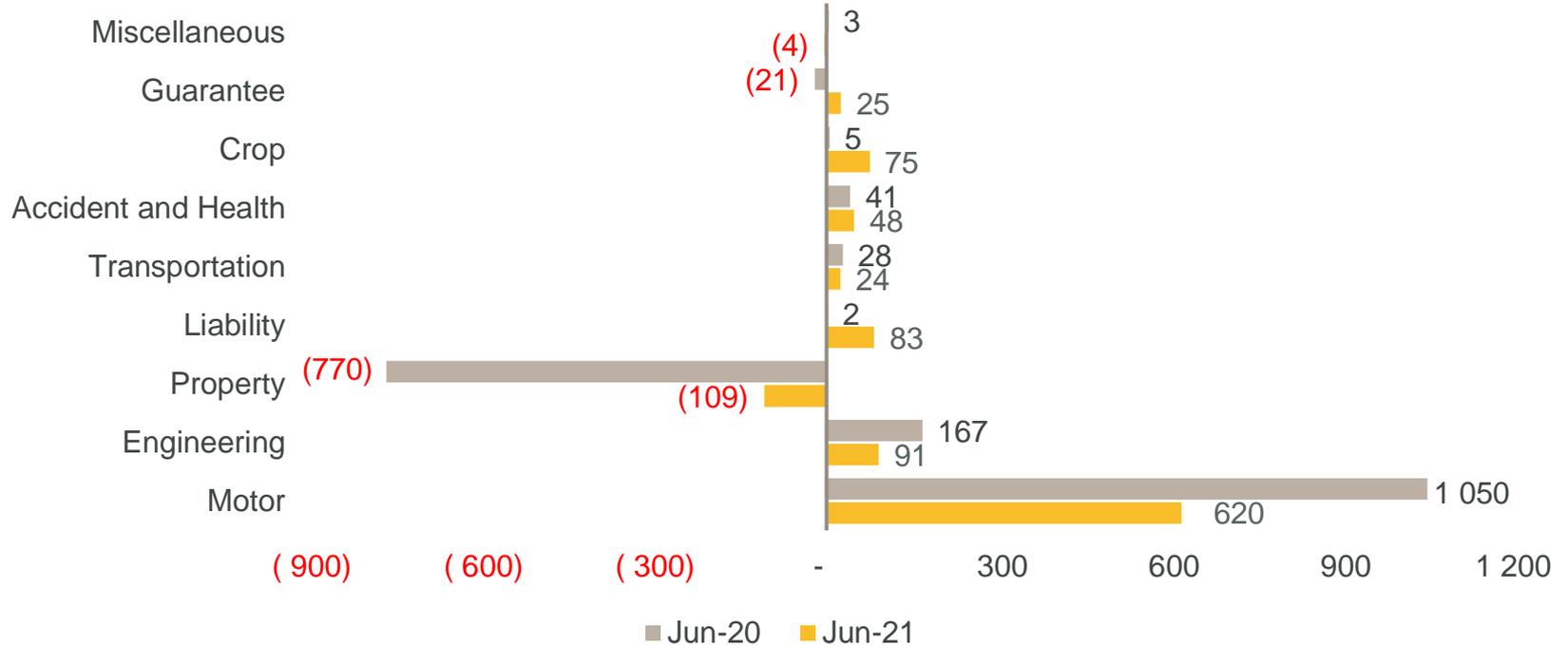
Per insurance class (R million)



CONVENTIONAL INSURANCE

NET UNDERWRITING SURPLUS

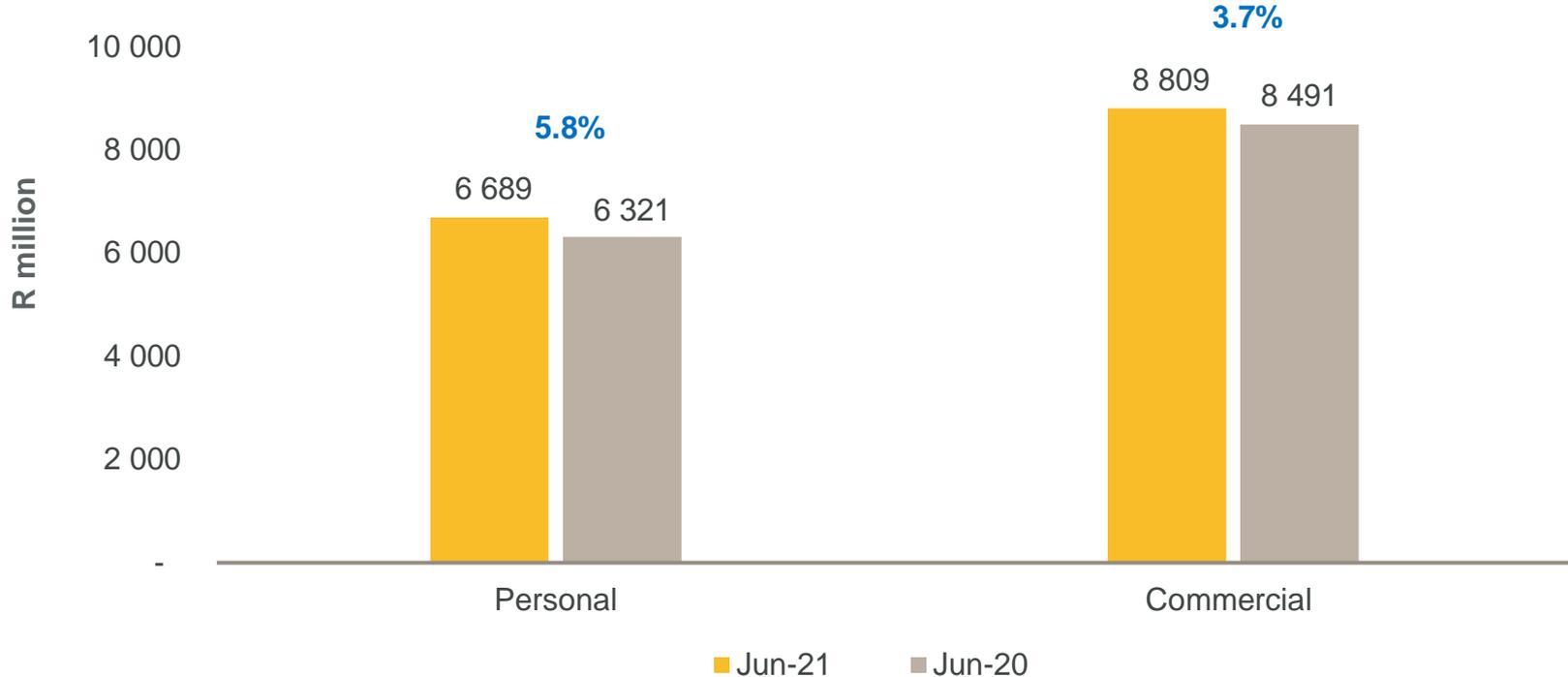
Per insurance class (R million)



CONVENTIONAL INSURANCE

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

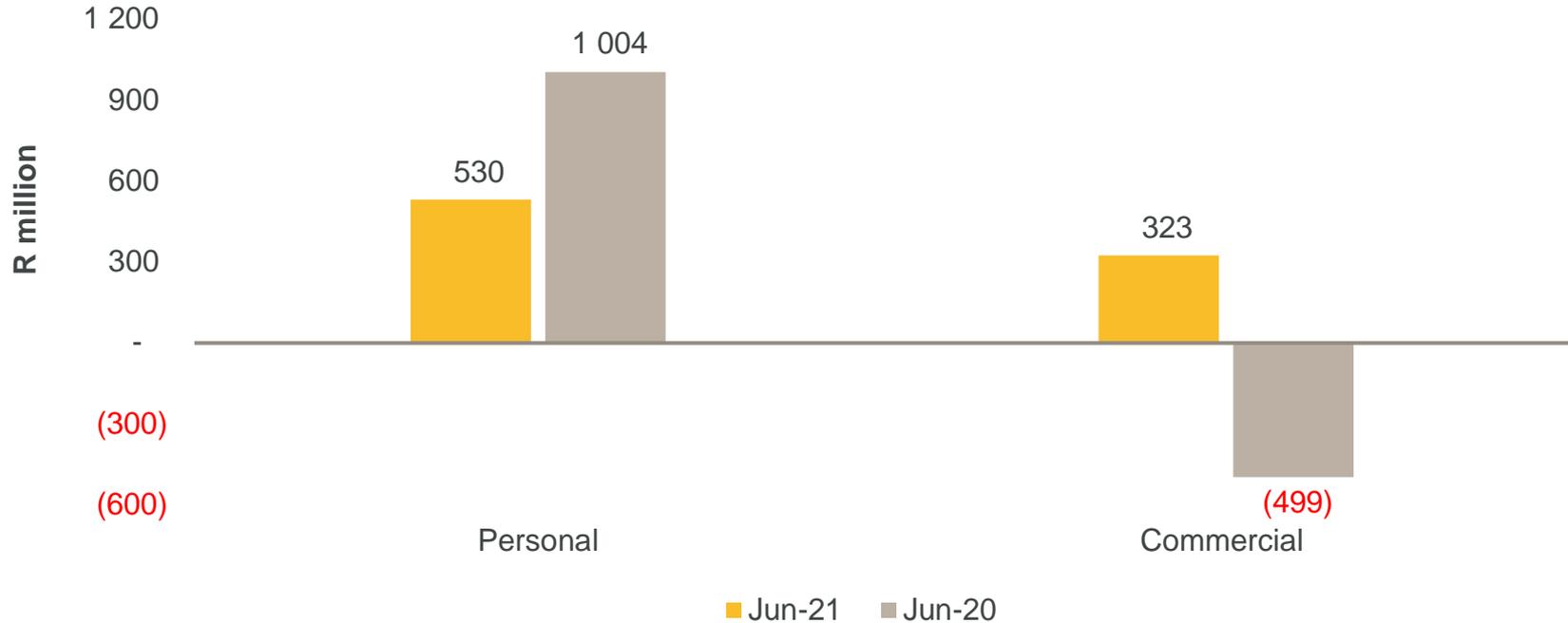
Gross written premium



CONVENTIONAL INSURANCE

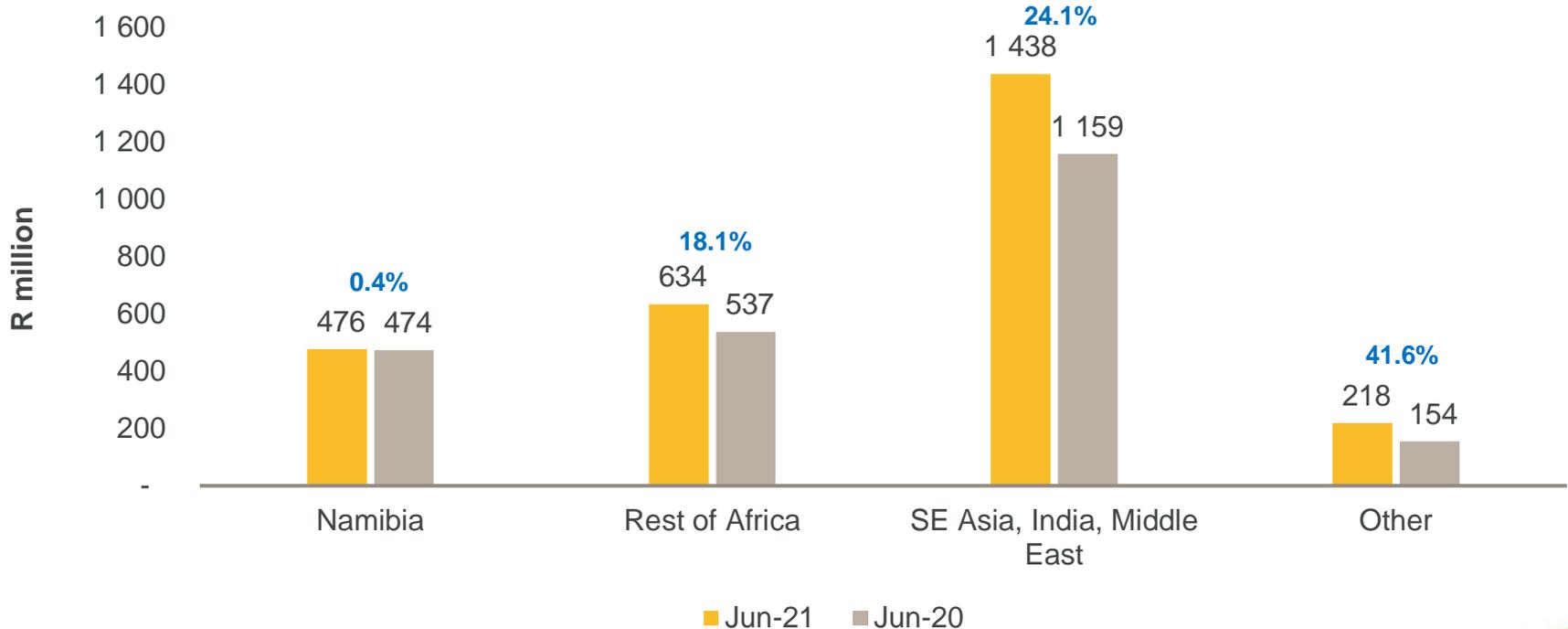
SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

Net underwriting result



CONVENTIONAL INSURANCE

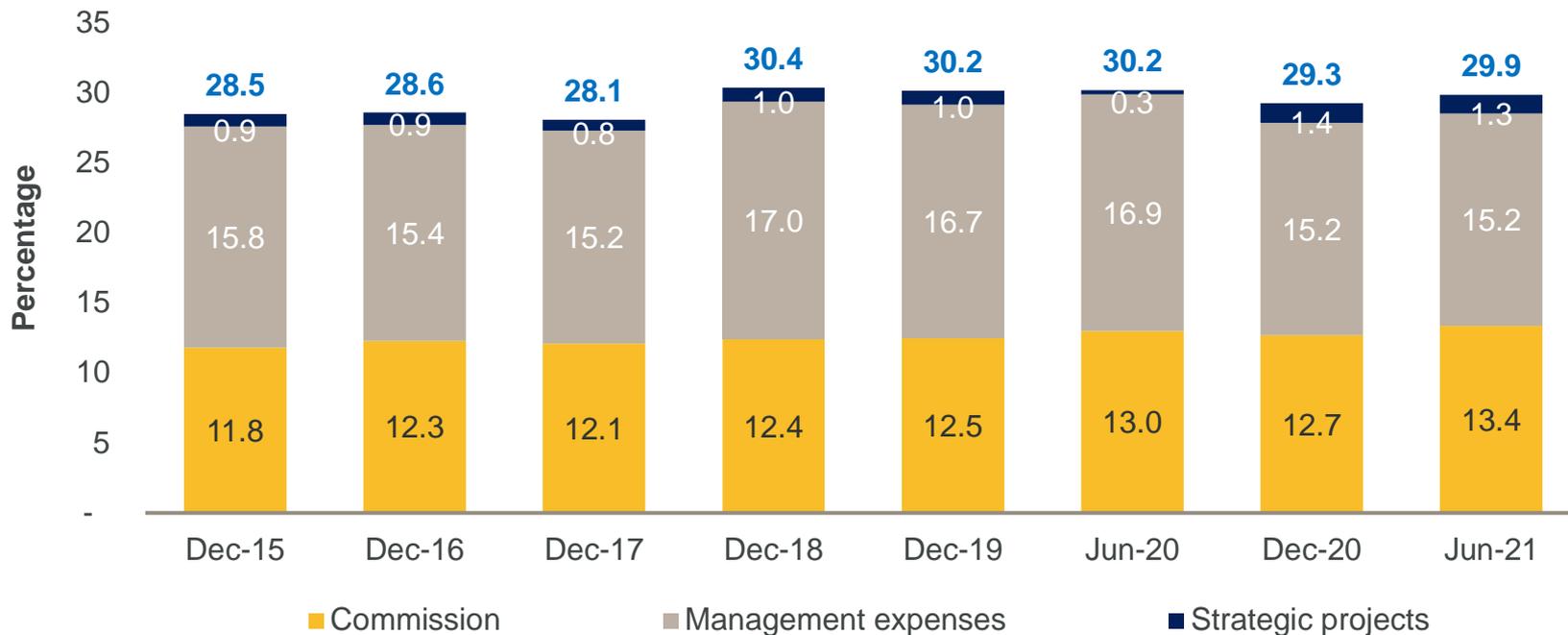
GROSS WRITTEN PREMIUM FROM OUTSIDE SA



CONVENTIONAL INSURANCE

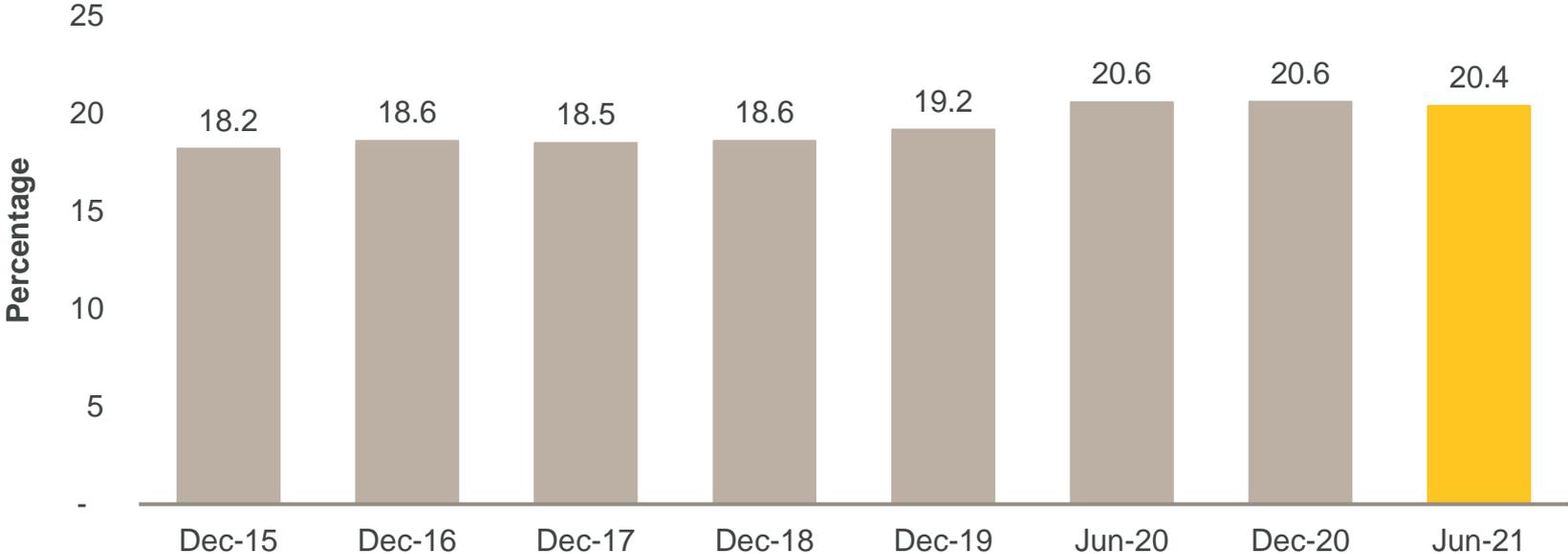
NET ACQUISITION COST RATIO

As % of net earned premium



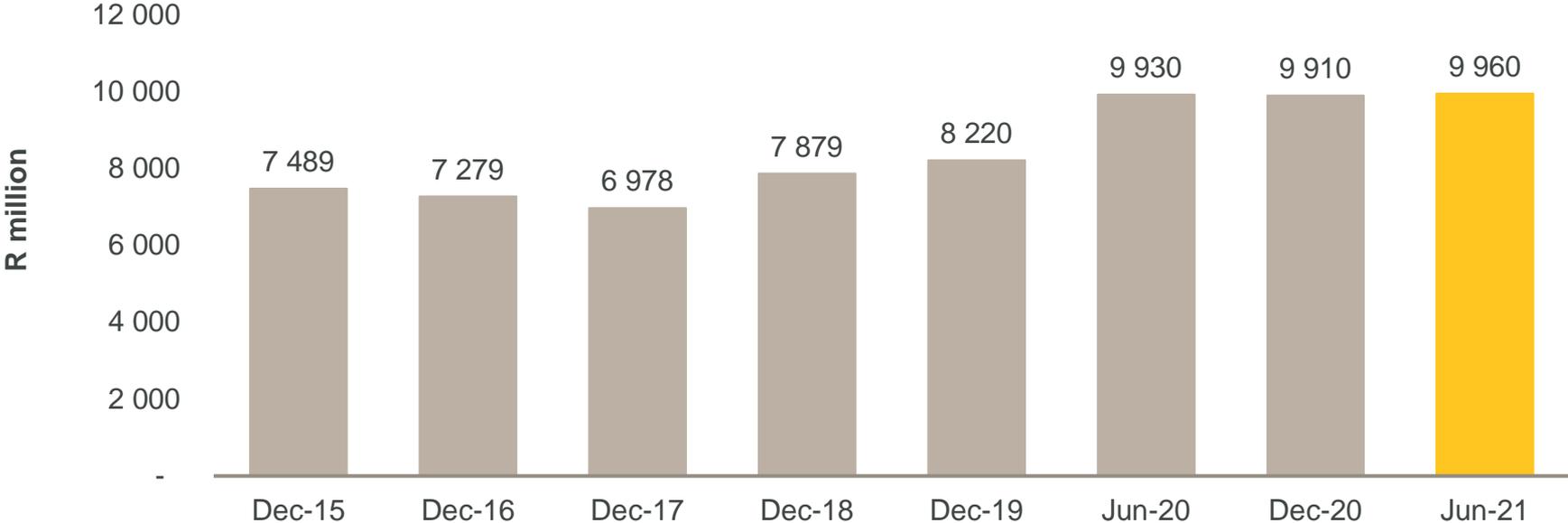
CONVENTIONAL INSURANCE

REINSURANCE AS % OF GROSS EARNED PREMIUM



CONVENTIONAL INSURANCE

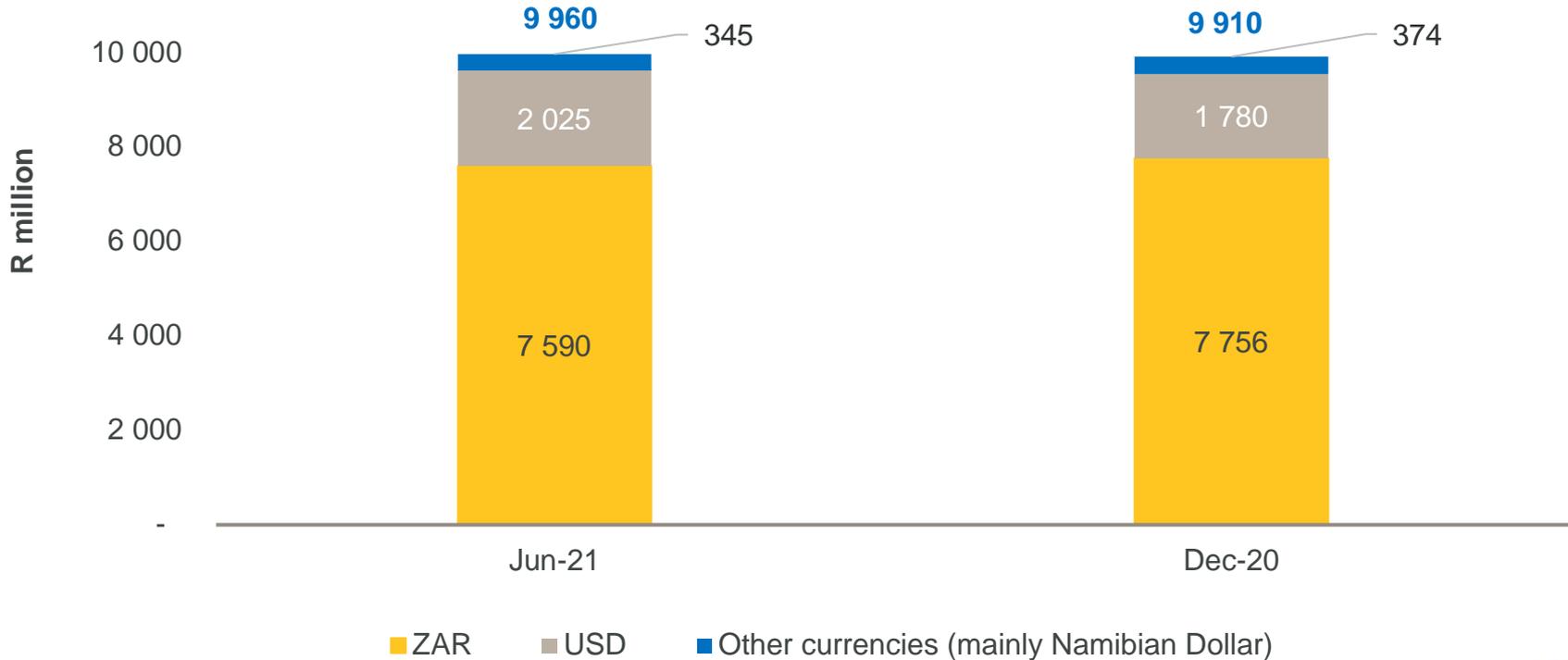
SIZE OF NET INSURANCE FUNDS



CONVENTIONAL INSURANCE

ASSETS BACKING NET INSURANCE FUNDS

Currency mix



CONVENTIONAL INSURANCE

MIWAY

	Jun 2021	Jun 2020	Change
Gross written premium (R million)	1 585	1 428	11%
Gross underwriting result, net of CAT recoveries (R million)	159	308	(48%)
Gross claims ratio, net of CAT recoveries	58.2%	45.9%	
Gross acquisition cost ratio	31.7%	32.5%	
Gross underwriting margin	10.1%	21.6%	
Number of clients ¹	347 000	333 000	4%

¹ Excluding value-added products



ALTERNATIVE RISK TRANSFER INSURANCE

ALTERNATIVE RISK TRANSFER INSURANCE (ART)

Includes the results from:

- Centriq Insurance
- Santam Structured Insurance

Types of business:

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

ALTERNATIVE RISK TRANSFER INSURANCE

CENTRIQ

Net income from clients	Jun 2021 Actual R'm	Jun 2020 Actual R'm	2021/2020
Gross written premium	3 645	2 798	30%
Income from clients	153	101	51%
Participation in underwriting results	32	23	39%
Administration expenses	(73)	(67)	9%
Operating result	112	57	96%

ALTERNATIVE RISK TRANSFER INSURANCE

SANTAM STRUCTURED INSURANCE

Net income from clients	Jun 2021 Actual R'm	Jun 2020 Actual R'm	2021/2020
Gross written premium	953	668	43%
Income from clients	75	50	50%
Participation in underwriting results	9	1	>100%
Administration expenses	(56)	(54)	4%
Operating result net of minority interest	28	(3)	>100%

ALTERNATIVE RISK TRANSFER INSURANCE

COMBINED RESULTS

Net income from clients	Jun 2021 Actual R'm	Jun 2020 Actual R'm	2021/2020	5 Yr ave %	10 Yr ave %
Gross written premium	4 572	3 466	32%	28.4	16.1
Income from clients	228	151	51%		
Participation in underwriting results	41	24	71%		
Administration expenses	(129)	(121)	7%		
Operating result net of minority interest	140	54	>100%		



SEM PARTNER BUSINESSES

SEM PARTNER BUSINESSES

SAN JV (Saham)

- Operates in 26 countries in Africa and the Middle East
- Santam's effective interest of 10% in Saham 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	Jun 2021	Dec 2020
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	10.0
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

SAN JV (SAHAM)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAHAM'S GENERAL AND REINSURANCE BUSINESS (EXCLUDING LIA)

	Jun 2021 R'm	% of NEP	Jun 2020 R'm	% of NEP	2021/2020
Gross written premium	1 006		993		1.3%
Net earned premium	608	100.0	622	100.0	(2%)
Net claims incurred	375	61.7	370	59.5	1%
Net acquisition cost	197	32.3	210	33.7	(6%)
Net underwriting result	36	6.0	42	6.8	(14%)
Investment return on insurance funds	103	16.9	(21)	(3.4)	>100%
Net insurance result	139	22.9	21	3.4	>100%

SEM GENERAL INSURANCE PARTICIPATION INVESTMENTS

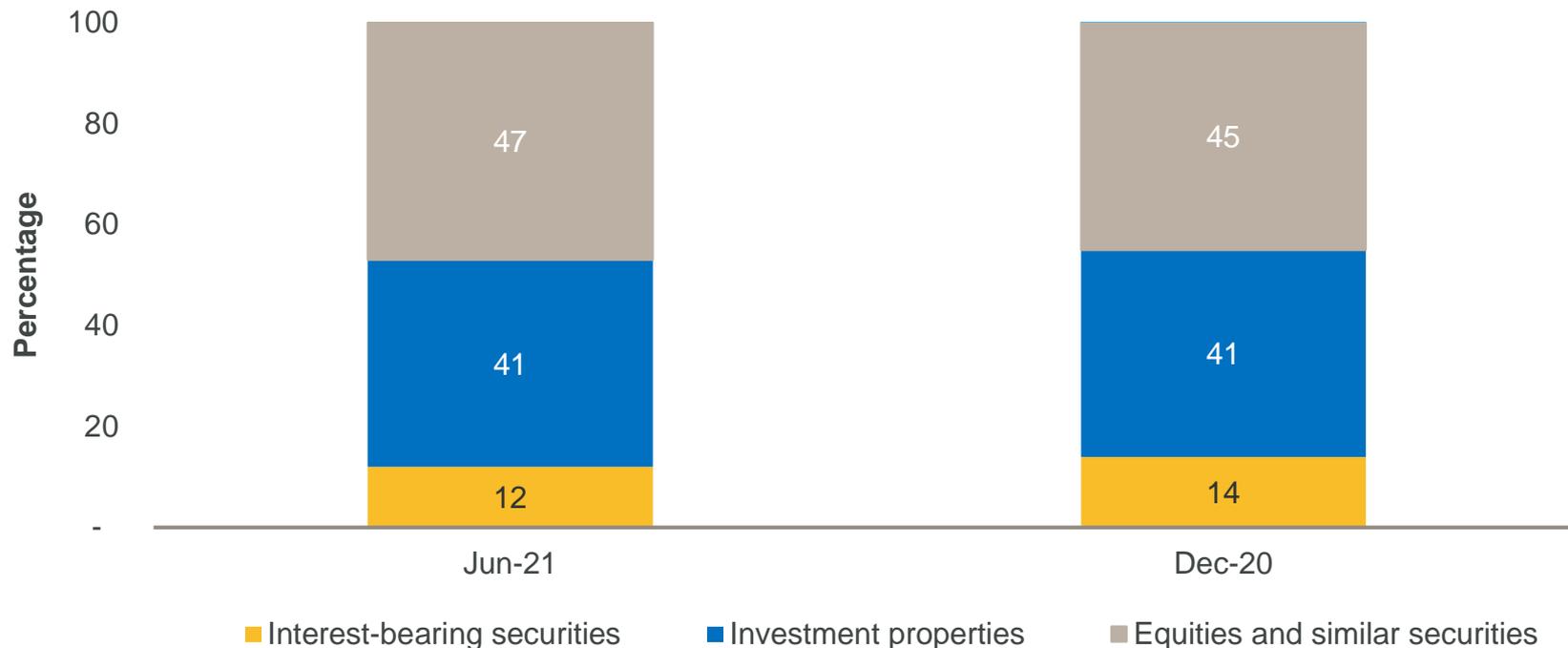
ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	Jun 2021 R'm	% of NEP	Jun 2020 R'm	% of NEP	2021/2020
Gross written premium	557		654		(15%)
Net earned premium	415	100.0	505	100.0	(18%)
Net claims incurred	327	78.8	295	58.4	11%
Net acquisition cost ¹	116	28.0	176	34.9	(34%)
Net underwriting result	(28)	(6.8)	34	6.7	(182%)
Investment return on insurance funds	100	24.1	106	21.0	(6%)
Net insurance result	72	17.3	140	27.7	(49%)

¹ Santam's share of the costs to manage the SEM portfolio of R2 million (2020: R5 million) has been included in net acquisition cost.

ANALYSIS OF INSURANCE FUNDS

ANALYSIS OF SAN JV'S INSURANCE FUNDS



SAN JV (SAHAM)

RECONCILIATION OF CARRYING VALUE AS AT 30 JUNE 2021

	R'm
Carrying value at 1 January 2021	1 823
Equity accounted profit	32
Operating profit after tax	49
Amortisation of other intangible assets	(16)
Other – consolidation adjustments	(1)
Statement of changes in equity	(107)
Foreign currency translation differences	(107)
Carrying value at 30 June 2021	1 748
Fair value at 1 January 2021	2 034
Valuation increase in constant currencies	63
Foreign currency translation impact	(80)
Fair value at 30 June 2021	2 017



SANTAM GROUP

SANTAM GROUP

NET OPERATING INCOME

R million	Jun 2021	Jun 2020	2021/2020
Conventional insurance	1 050	776	35%
Alternative risk transfer insurance	153 ¹	54	>100%
SEM partner businesses	211	171	23%
Net operating income	1 414	1 001	41%
SEM partner businesses	(211)	(171)	23%
Net operating income	1 203	830	45%

¹ This amount includes the profit of R13 million attributable to non-controlling interest of SSI.

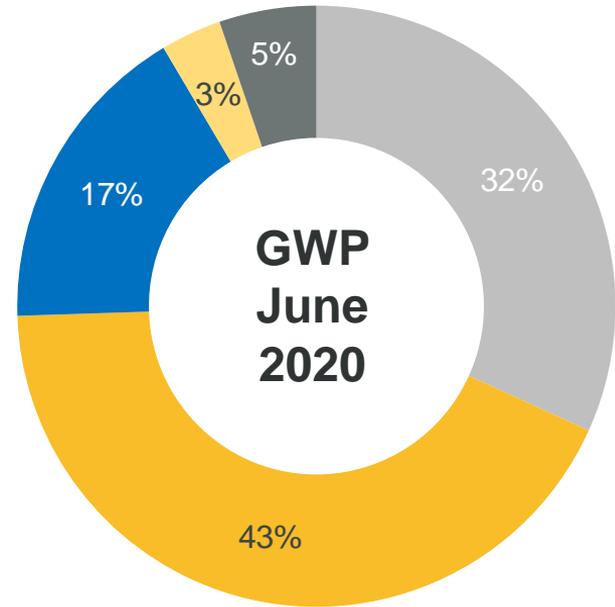
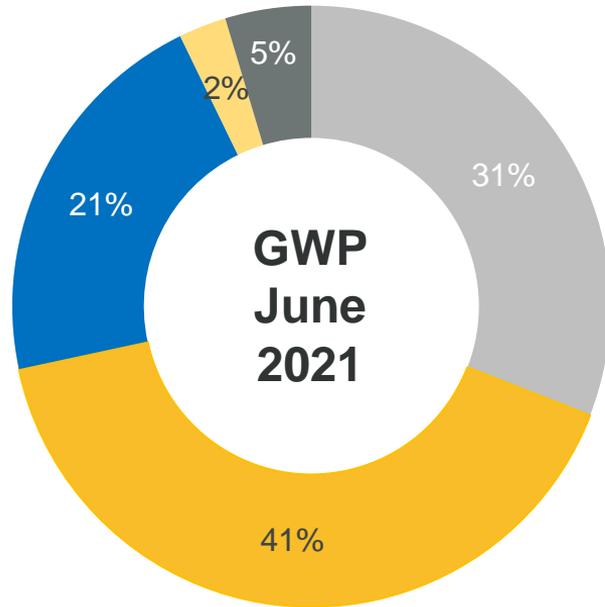
SANTAM GROUP

RECONCILIATION TO HEADLINE EARNINGS

	Jun 2021	Jun 2020	2021/2020
Net profit attributable to ordinary shareholders (R million)	952	26	>100%
Per share (cents)	863	24	
Impairment of joint venture	-	15	
Share of associates' impairment of assets	-	726	
Tax charge on share of associates' impairment of assets	-	(36)	
Headline earnings (R million)	952	731	30%
Per share (cents)	863	663	

GROWTH DIVERSIFICATION

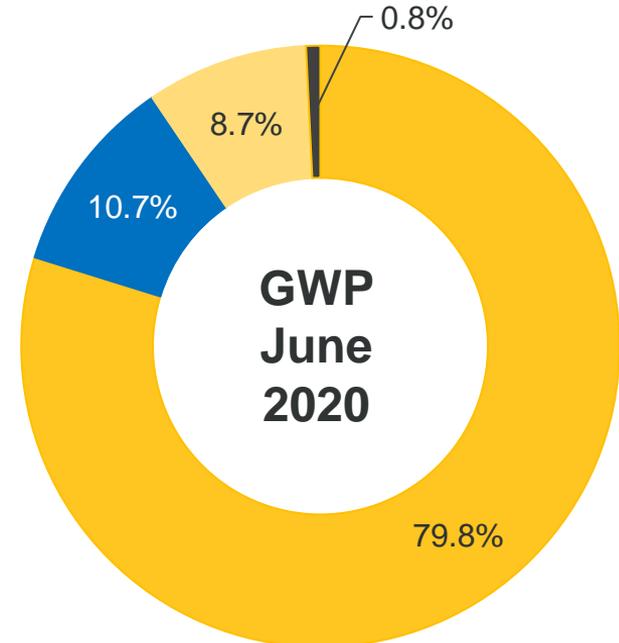
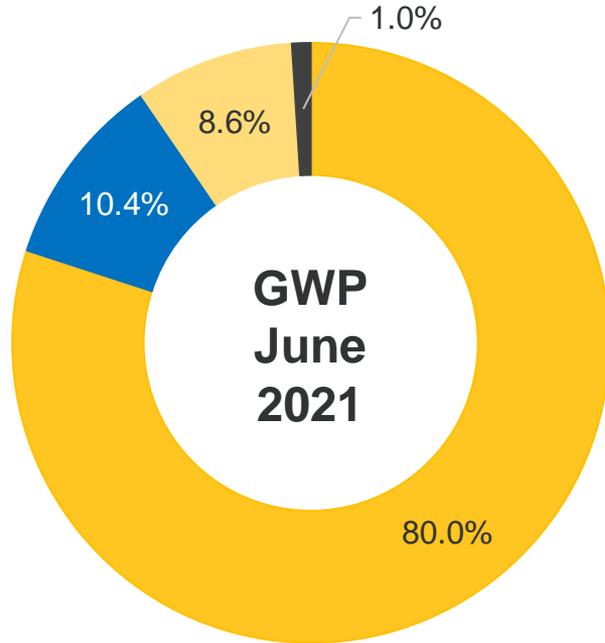
INCLUDING SEM PARTNER BUSINESSES



■ Personal ■ Commercial ■ ART ■ SEM ■ Saham

GEOGRAPHIC DIVERSIFICATION

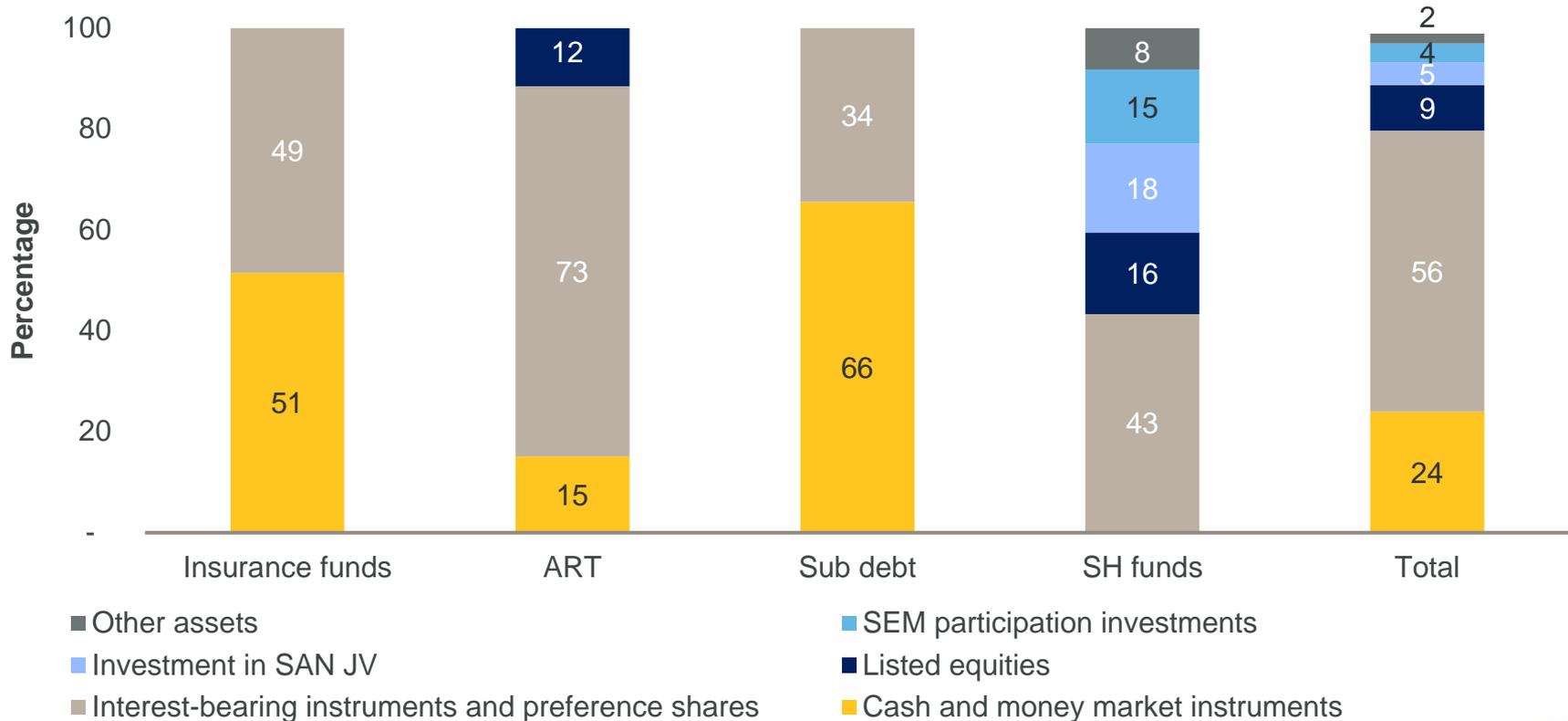
INCLUDING SEM PARTNER BUSINESSES



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

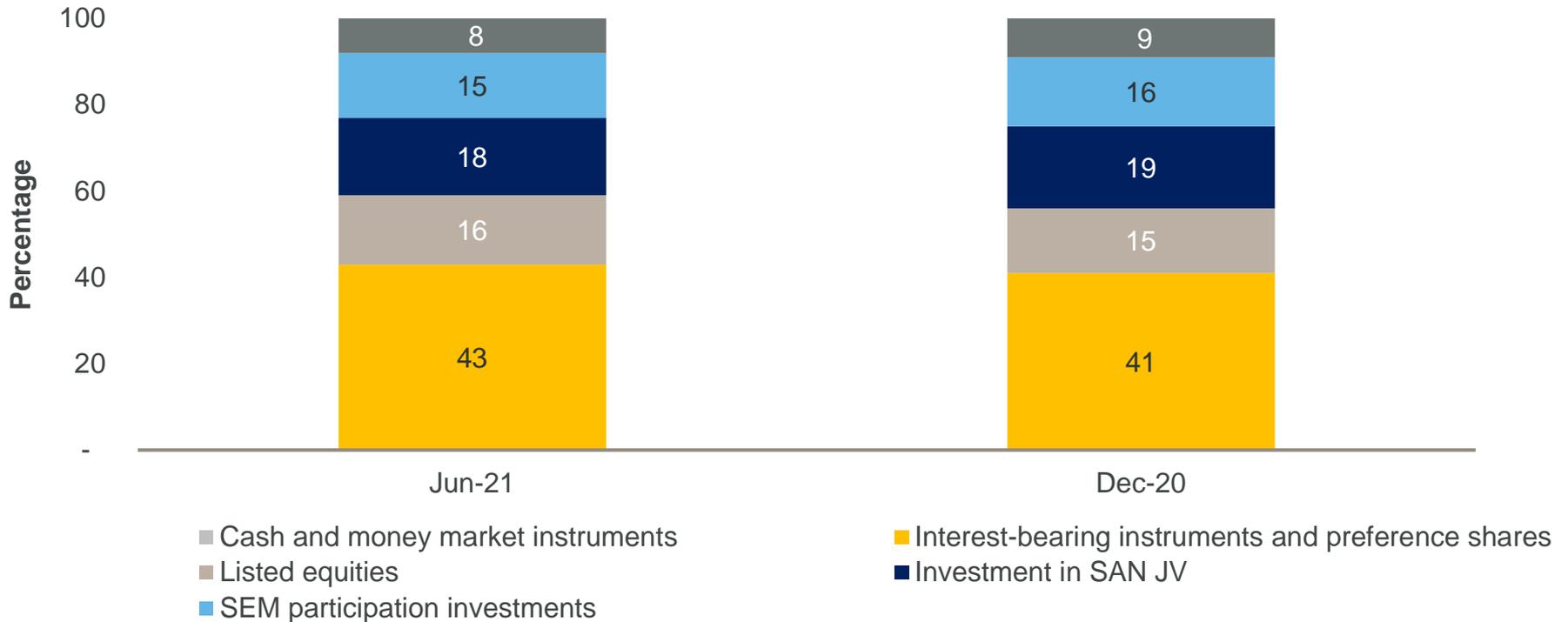
ASSET / LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 30 JUNE 2021



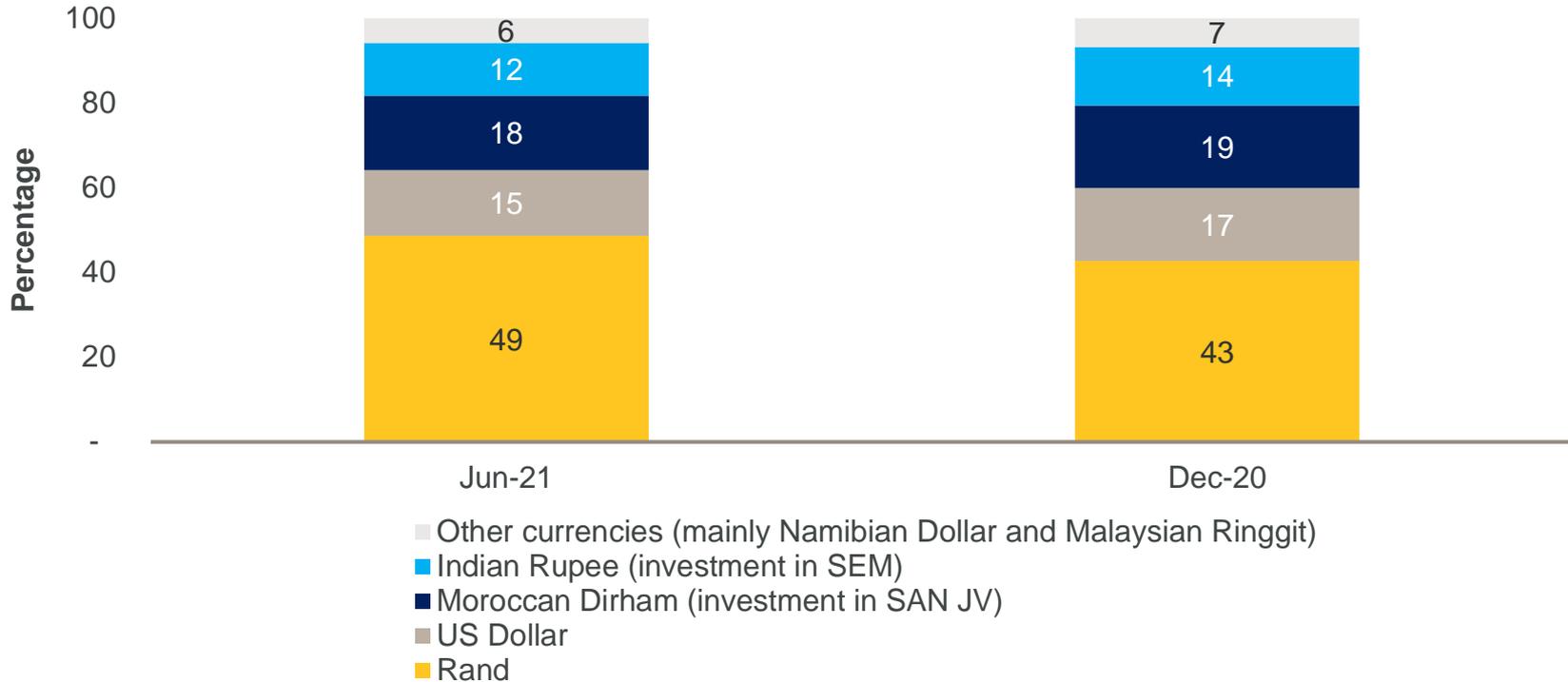
SHAREHOLDER FUNDS

ASSET MIX



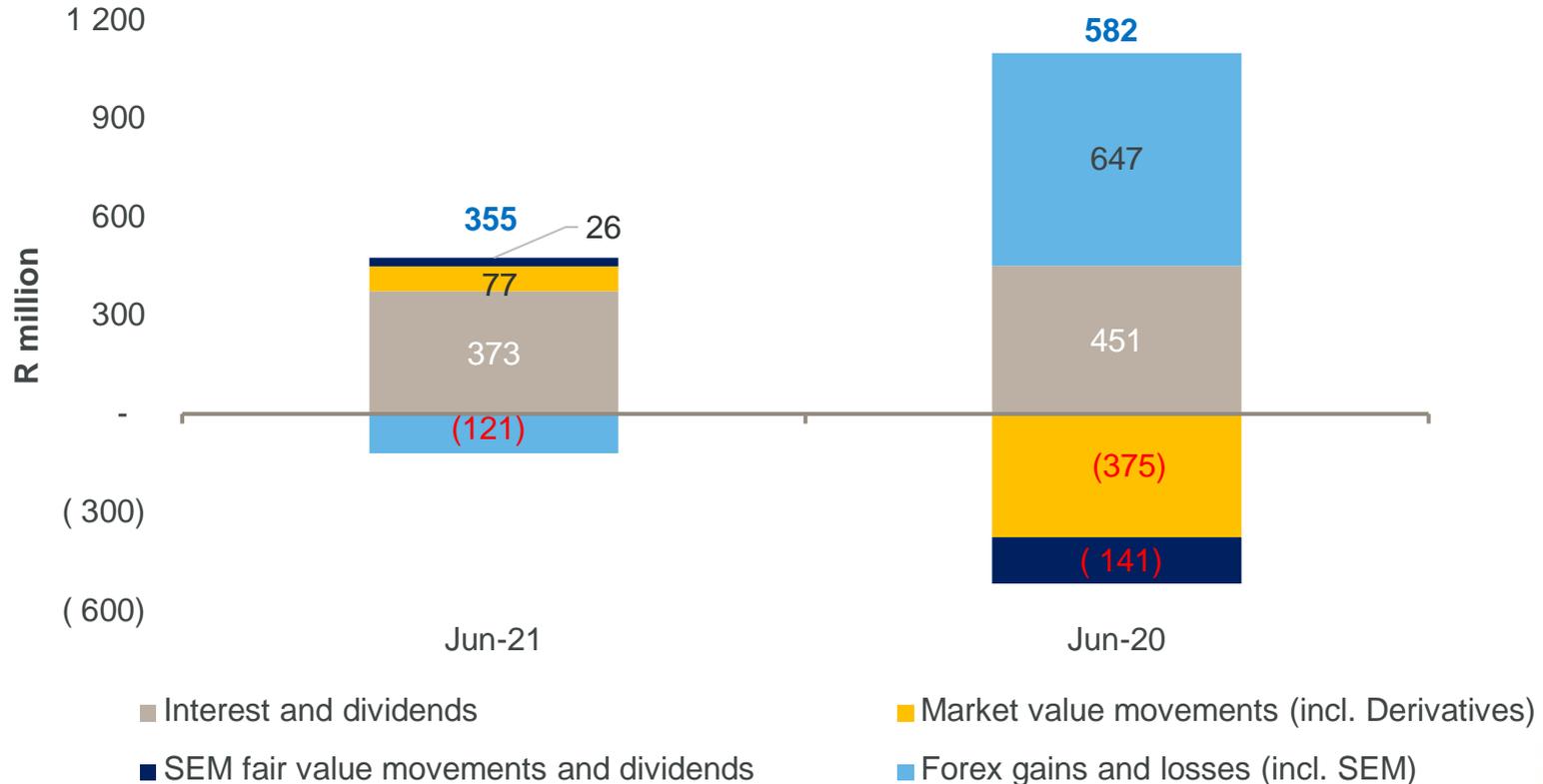
SHAREHOLDER FUNDS

CURRENCY MIX



INVESTMENT RETURN

ON SHAREHOLDERS' FUNDS



INVESTMENT RETURN

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

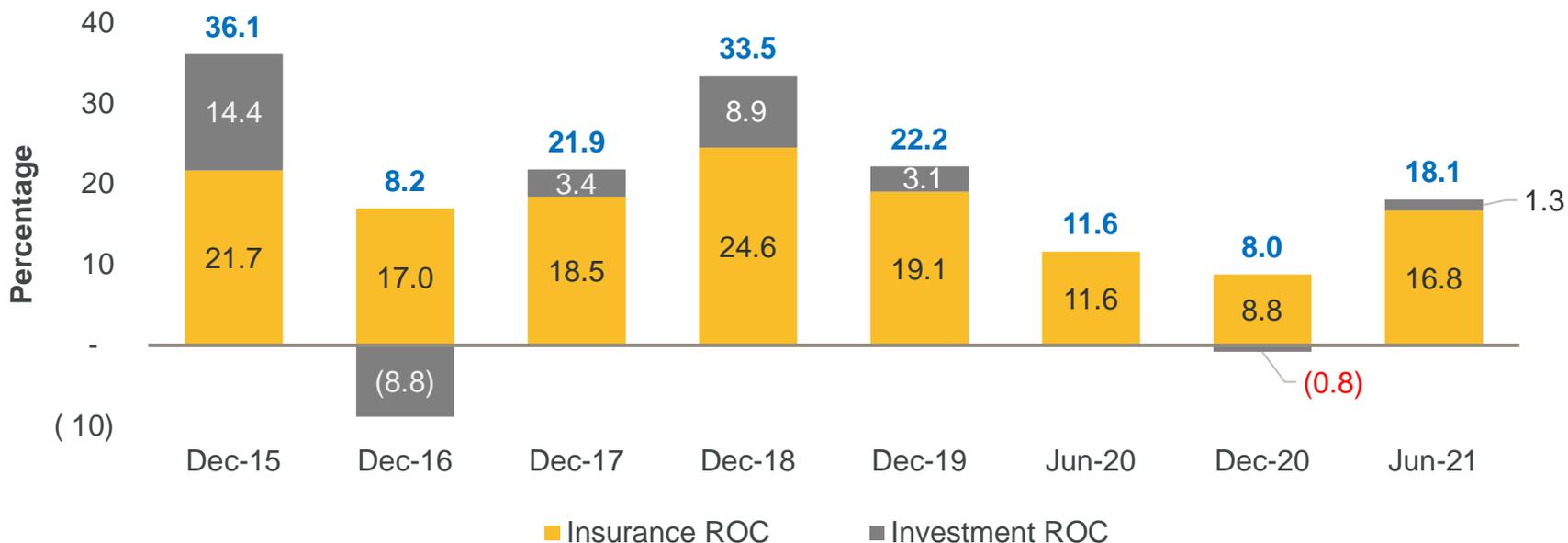
Region	Carrying value Dec 2020 R'm	Additions R'm	Change in exchange rates R'm	Change in valuation R'm	Carrying value Jun 2021 R'm
Africa	109	1	(6)	18	122
Southeast Asia	136	-	(7)	(17)	112
India	1 293	-	(53)	(6)	1 234
Total	1 538	1	(66)	(5)	1 468



CAPITAL MANAGEMENT

RETURN ON CAPITAL

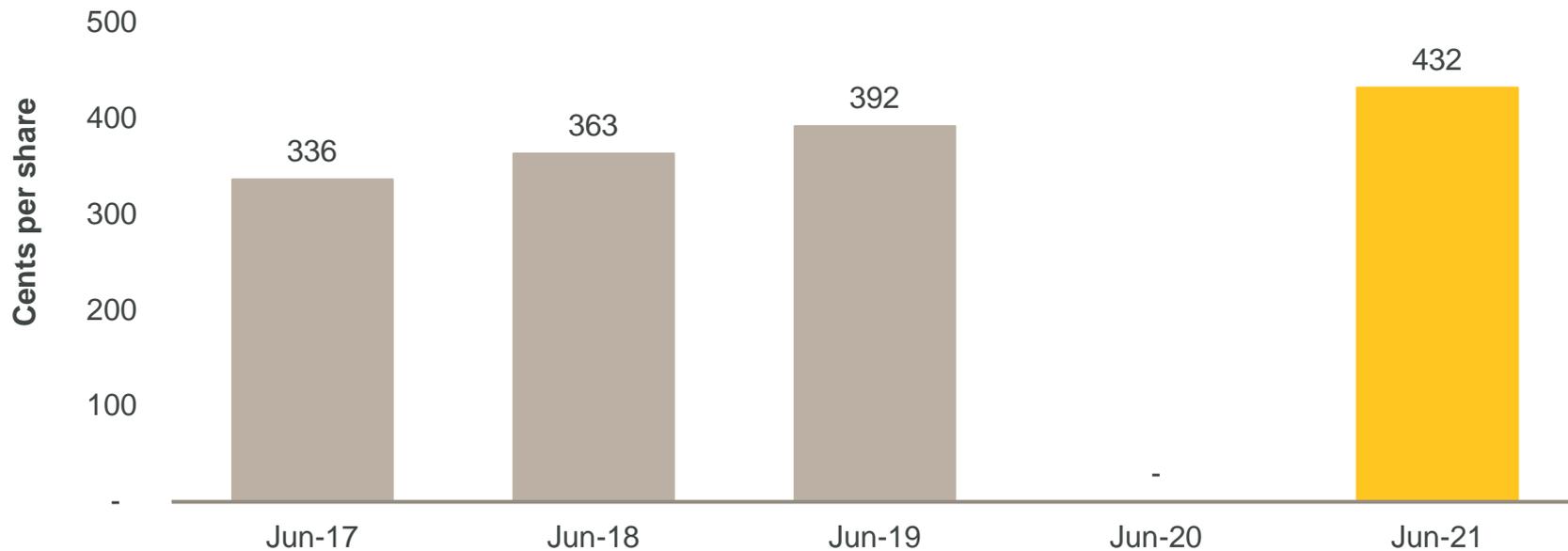
TOTAL COMPREHENSIVE INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



CAPITAL MANAGEMENT

- Group economic capital requirement based on the internal model is R7.8 billion (Dec 2020: R7.4 billion).
- Current Group economic capital coverage ratio as at 30 June 2021 of **160%** (Dec 2020: 161%).
- Santam's group economic capital coverage ratio of 160% lies at the mid-point of the 150% - 170% target band.
- Following good progress with the processing of CBI claims, the capital protection provided by the equity collar is no longer required and was not renewed when it expired on 3 August 2021.
- 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 R1.6 billion lower than the standard formula capital requirement.
- On 12 April 2021, the Group redeemed R500 million floating rate subordinated debt which became callable.

INTERIM DIVIDEND





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 a 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

- CBI: to resolve outstanding legal matters
- Continue to invest
 - Improving our digital E2E insurance offering
 - Digital capabilities such as improved self-service
 - New Guidewire claims module for the motor book, following successful non-motor book implementation
 - Client experience - creating intuitive client journeys enabled by technology
 - IFRS17 readiness and compliance
- Continue to balance profitable growth with an optimal underwriting margin and operational efficiency
 - Be the best intermediary enabler
 - Partner with Sanlam to pursue growth opportunities
 - Grow Pan-African specialist business with Saham
- Pilot the cross-selling initiative with Sanlam
- Invest in partnerships

OUR ESG COMMITMENTS

CONTRIBUTING TO A SUSTAINABLE AND TRANSFORMED ECONOMY

Employee Safety and wellbeing

- Continued to **support our employees**, with majority still working from home
- All **safety protocols adhered** to with employees working in office
- Driving and supporting the **vaccination adoption** and roll-out across the country in partnership with Sanlam and Afrocentric
- Revised our **employee assistance and wellbeing services** to support our employees through various mechanisms, including a wellness app
- Extended additional support and care resources to **all employees diagnosed with COVID-19** as well as to the families of those employees that we lost to the virus
- Promote a diverse and inclusive workforce
 - Creating employment for **more than 6,000 people**
 - Certified **Top Employer** for the fifth consecutive year
- Maintained **Level 1 BBBEE rating** in terms of the financial sector
- Continued with the **Santam Intermediary Growth and Development Programme (SIGDP)**

OUR ESG COMMITMENTS

SUPPORTING COMMUNITY RESILIENCE AND ESG COMMITMENTS

- We settled **R10.4 billion** in claims during the first half of 2021.
- We reached over 1 million people through **Consumer Financial Education (CFE) initiatives**
- We now support 58 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**
- We continue to support the UN Environmental Principles for Sustainable Insurance (PSI) with a particular focus on Africa
- We recently **adopted TCFD recommendations** to signal our commitment to sustainability practices and good governance

QUESTIONS?



THANK YOU

