



2020 ANALYST PRESENTATION

INTERIM FINANCIAL
RESULTS
FOR THE SIX MONTHS ENDED
30 JUNE 2020

Presented by:
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portfolio

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THE SANTAM BUSINESS PORTFOLIO



Santam Commercial and Personal



Our multi-channel insurance business in South Africa and Namibia

Santam Specialist



Our specialist insurance business portfolio in Africa, India and SE Asia

Santam re



Our reinsurance business in South Africa and international markets

MiWay



Our direct insurance business in South Africa

Santam Alternative Risk Transfer



Our alternative risk transfer solutions business

Santam's Strategic Investment Partnerships inclusive of Saham



Our investments in emerging markets

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• Credit insurance written by Santam Structured Insurance (SSI) (in run-off)• 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 has placed significant pressure on the global economy and insurance demand
- Global premium growth expected to shrink in 2020, however recovery is expected in 2021, largely driven by emerging markets in particular China, albeit at low rates
- Uncertainty around the evolution and persistence of the pandemic, with contingent business interruptions leading to rising claims disputes and court cases
- Accelerated digitalisation and increased investments in new business models e.g. parametric, usage based insurance
- Low interest rates continue to put pressure on insurers to focus on cost optimisation measures
- Growing significance of ESG factors and the increasing pressure to implement climate risk responses



INSURANCE MARKET OUTLOOK

South Africa

- The severe lockdown expected to have devastating impact on the economic activity
- Economic growth revised further downward with high unemployment rate expected to persist
- Premium growth expected to turn negative in 2020, in line with the economy
- Pressure to secure corporate and customer data amid increased cyber attacks
- Focus on transformation and inclusive policies remain high
- Continued risk of critical infrastructure failure, along with electricity shortages to lead to higher than expected frequency and severity of property and non-property losses
- Low interest rates expected to impact investment returns



CONTINGENT BUSINESS INTERRUPTION COVER

CURRENT STATUS

- Santam's position is that cover is provided for losses due to an insured peril in the policy contract. This requires that any interruption of an insured's business must be directly attributable to a localised COVID-19 infection and not for any other reason, such as the national lockdown or other international response, which are not insured perils.
- Santam's position is in line with the majority of Santam's counterparts and reinsurers in the non-life insurance industry, both locally and globally.
- A number of legal cases are in progress worldwide. Santam's Ma-Afrika case was heard in the Western Cape High Court on 1 September 2020.
- Santam's reinsurance program will only respond to claims covered under the terms of our policies.
- In terms of Santam's application of the policy wording, our best estimate of the net CBI exposure will be R250 million.
- Santam announced on 26 July 2020 that it will provide up to R1 billion of relief payments to support mainly small and medium sized commercial CBI policyholders in the most affected industries. R950 million of this amount was paid by 2 September 2020.
- A claims provision of R1 290 million was raised at 30 June 2020 as a best estimate of our CBI exposure. The claims provision held is higher than the best estimate of our net exposure in order to reflect the legal uncertainty. The provision will be utilised for the R1 billion relief payments.

SANTAM JUNE 2020

KEY FACTS

- Group gross written premium growth of **7%**
- Conventional insurance gross written premium growth of **4%**

- Underwriting margin of **4.3%** (2019: **5.3%**) for conventional insurance business
- Headline earnings per share decreased by **33%**

- Return on capital of **11.6%**
- Economic capital coverage ratio of **150%**
- **No** interim dividend declared



FINANCIAL RESULTS



COVID-19 IMPACT ON REPORTING ENVIRONMENT

Reported results affected by:

Insurance events

- COVID-19 lockdown impacted positively on the motor book
- Provided premium relief to personal and commercial policyholders amounting to R310 million
- Contingent business interruption claims provision of R1 290 million

Market volatility

- Significant market volatility in March and April 2020
- Weaker average Rand exchange rate had a positive impact on foreign earnings
- A foreign currency gain of R647 million for the year to date 30 June 2020 (2019: R25 million loss)

EXCHANGE RATE VOLATILITY

Currency	CLOSING RATES			AVERAGE RATES		
	Jun 2020	Dec 2019	% change	H1 2020	H1 2019	% change
United States Dollar	17.37	13.98	24.3	16.46	14.18	16.1
Pound Sterling	21.47	18.52	15.9	20.79	18.35	13.3
Moroccan Dirham	1.78	1.47	21.1	1.70	1.49	14.1
Malaysian Ringgit	4.05	3.44	17.7	3.90	3.45	13.0
Indian Rupee	0.23	0.20	16.6	0.22	0.20	10.0



CONVENTIONAL INSURANCE



CONVENTIONAL INSURANCE

NET INSURANCE RESULT

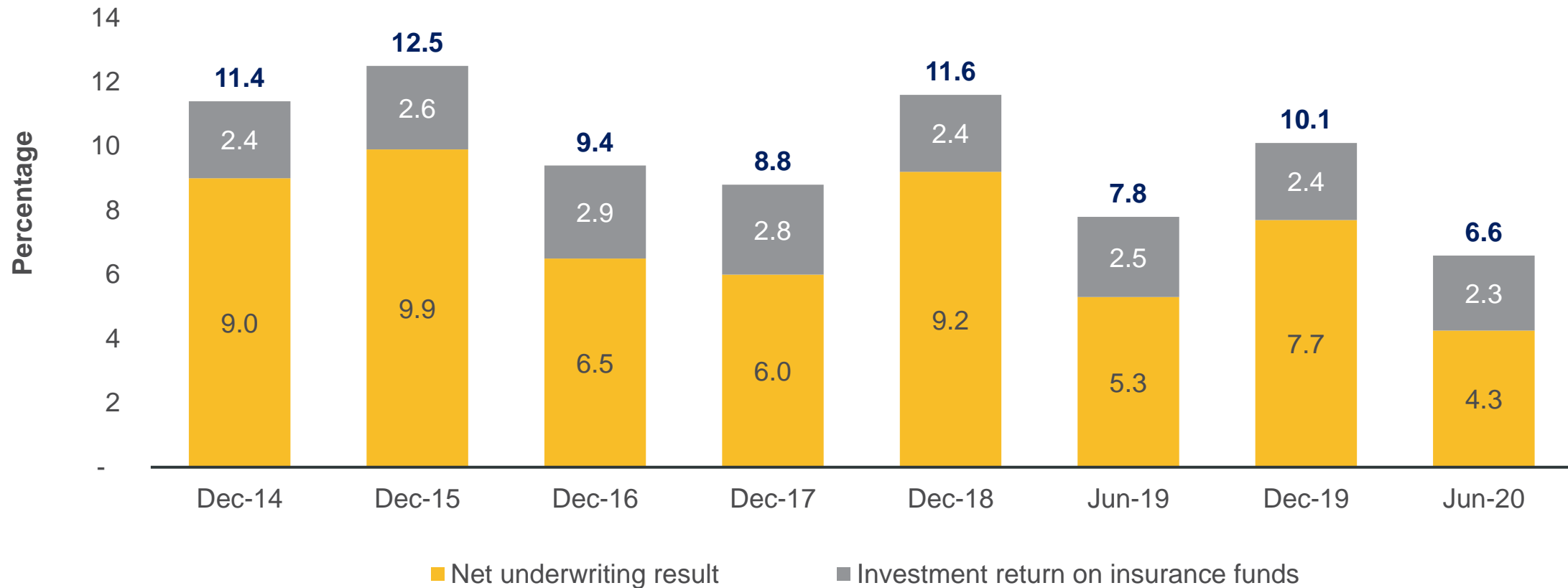
	Jun 2020 R'm	% of NEP	Jun 2019 R'm	% of NEP	% change 2020/2019	5 Yr ave %	10 Yr ave %
Gross written premium	14 812		14 220		4	7.0 ¹	8.5 ¹
Net earned premium	11 761	100.0	11 457	100.0	3	100.0	100.0
Net claims incurred	7 699	65.5	7 388	64.5	4	63.7	64.4
Net acquisition cost	3 557	30.2	3 467	30.2	3	29.5	28.8
Net underwriting result	505	4.3	602	5.3	(16)	6.8	6.8
Investment return on insurance funds	275	2.3	285	2.5	(4)	2.6	2.5
Net insurance result	780	6.6	887	7.8	(12)	9.4	9.3
Combined ratio		95.7		94.7		93.2	93.2

1. Average growth

CONVENTIONAL INSURANCE

NET INSURANCE RESULT

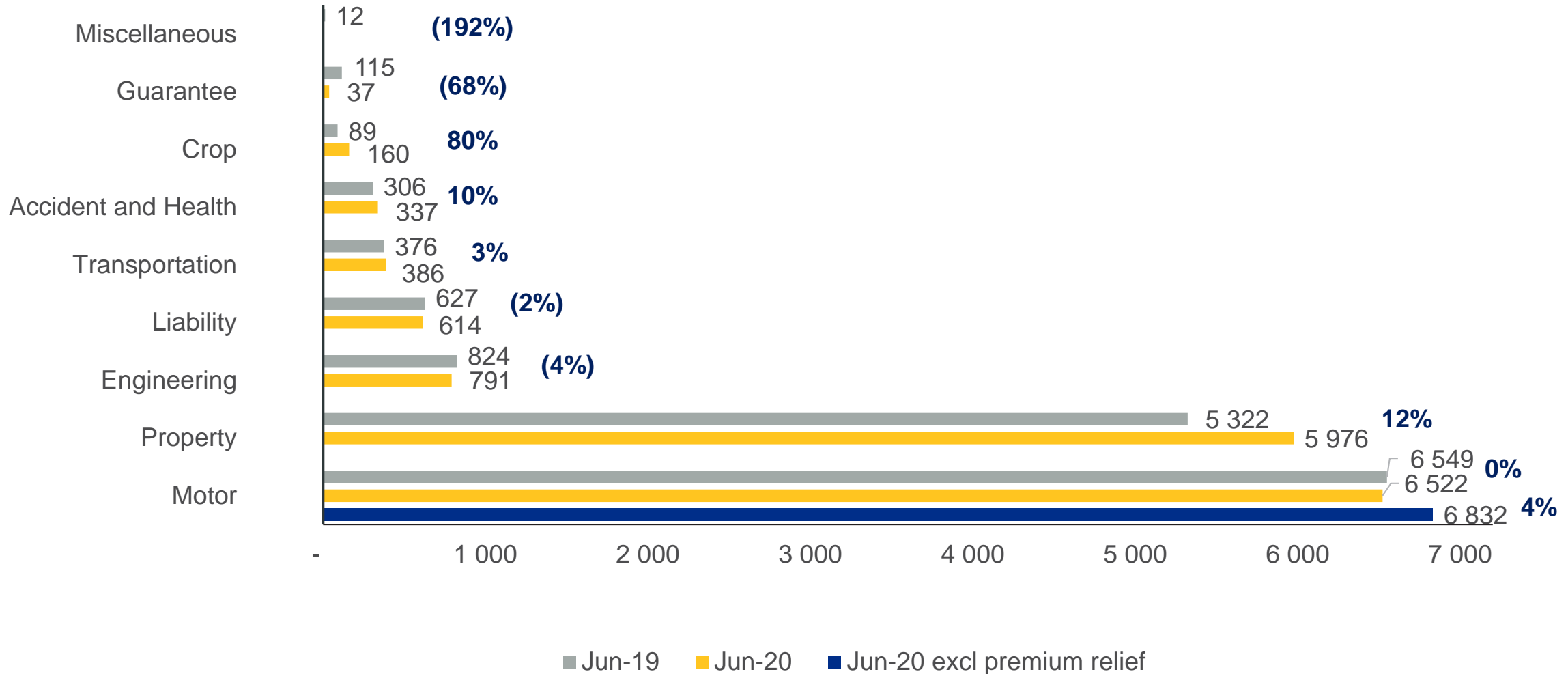
As % of net earned premium



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

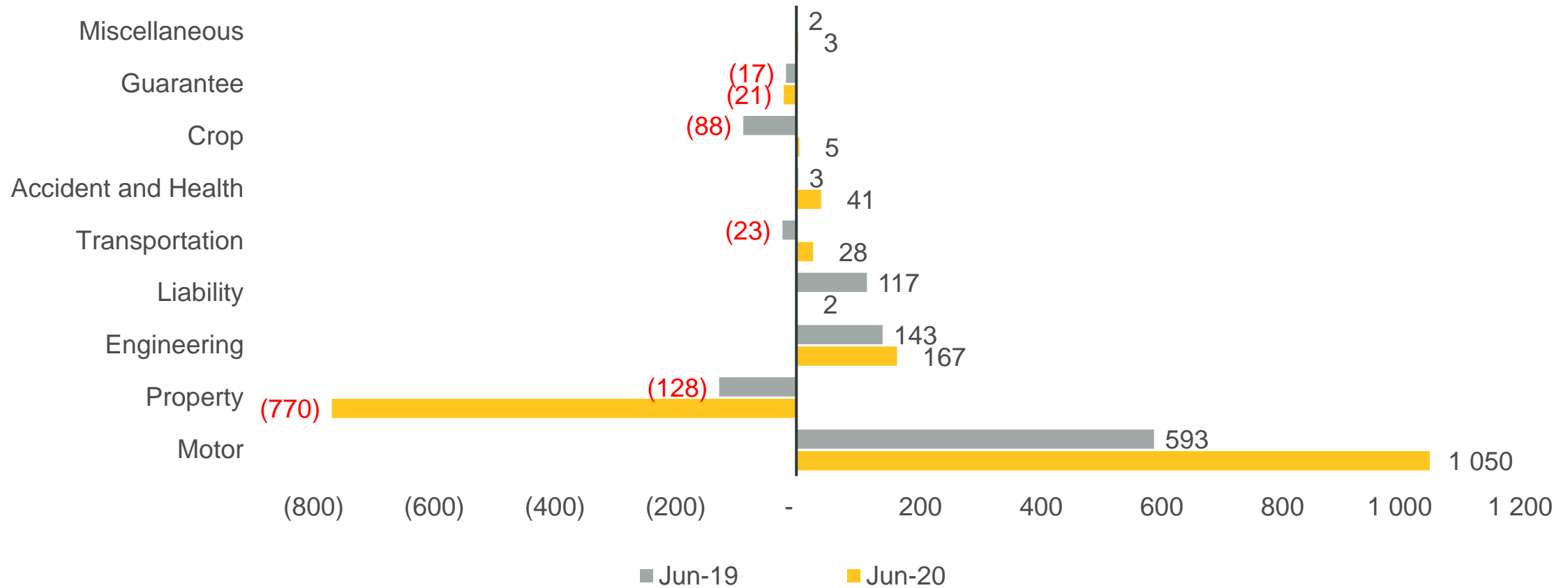
Per insurance class (R million)



CONVENTIONAL INSURANCE

NET UNDERWRITING SURPLUS

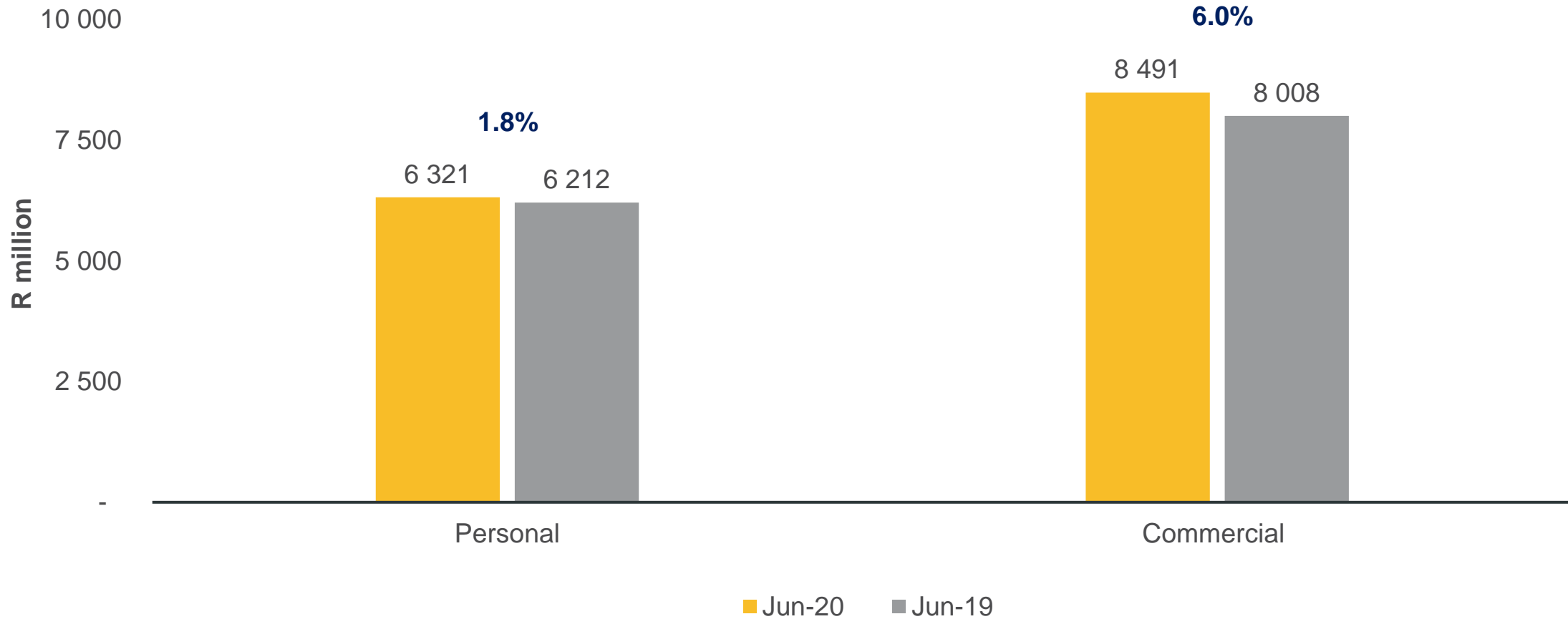
Per insurance class (R million)



CONVENTIONAL INSURANCE

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

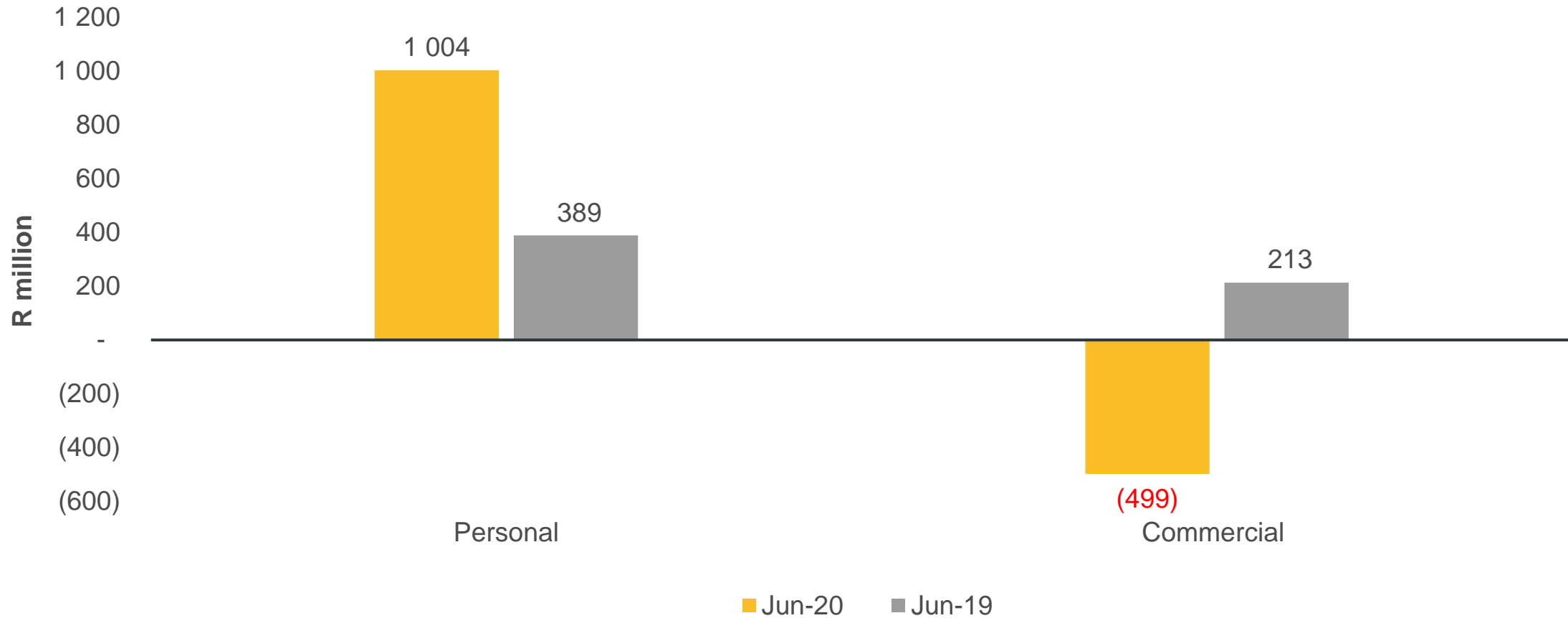
Gross written premium



CONVENTIONAL INSURANCE

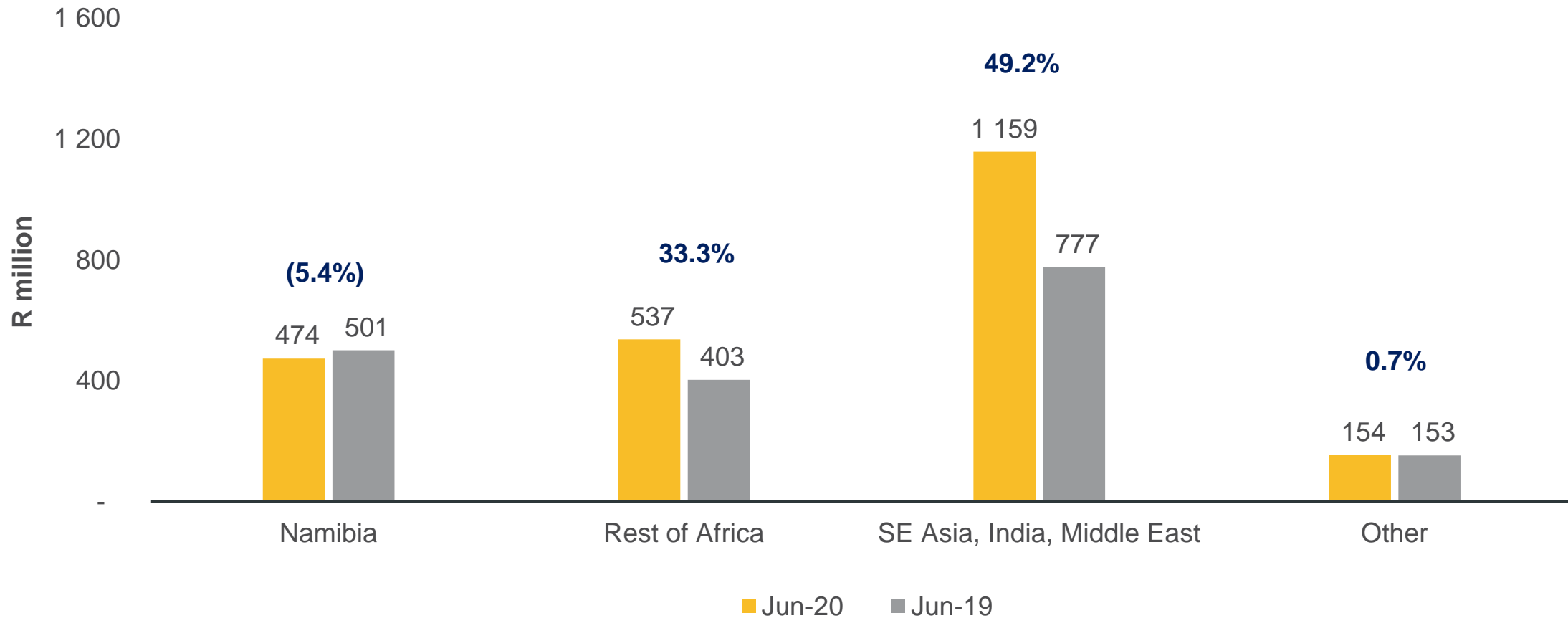
SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

Net underwriting result



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM FROM OUTSIDE SA

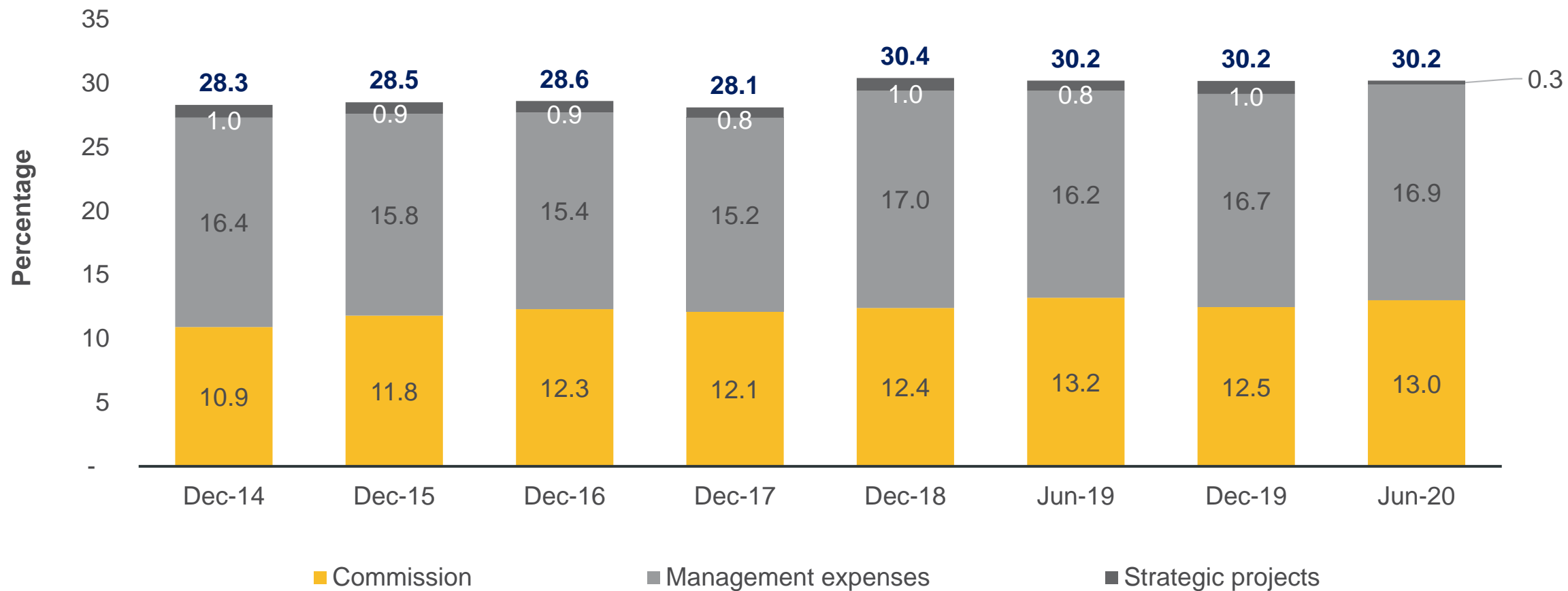


Excludes Santam's share of the gross written premium derived from its SEM investments and Saham
 "Other" includes Santam re participations which are mainly originating from Europe

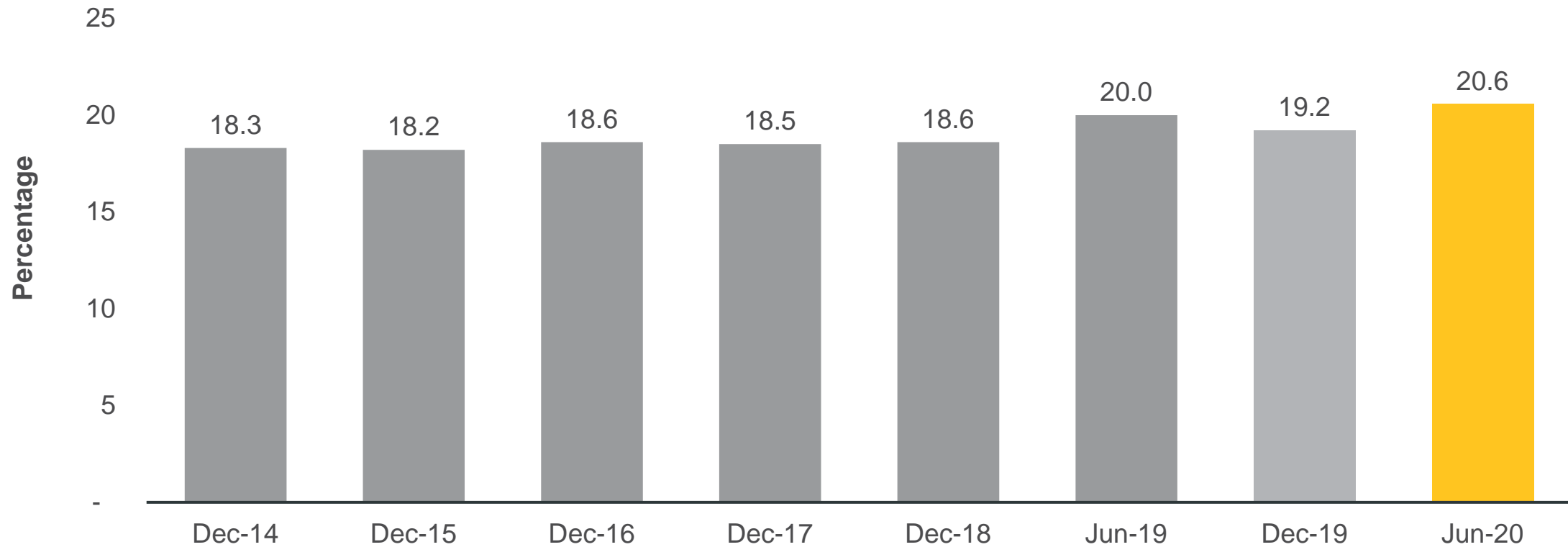
CONVENTIONAL INSURANCE

NET ACQUISITION COST RATIO

As % of net earned premium

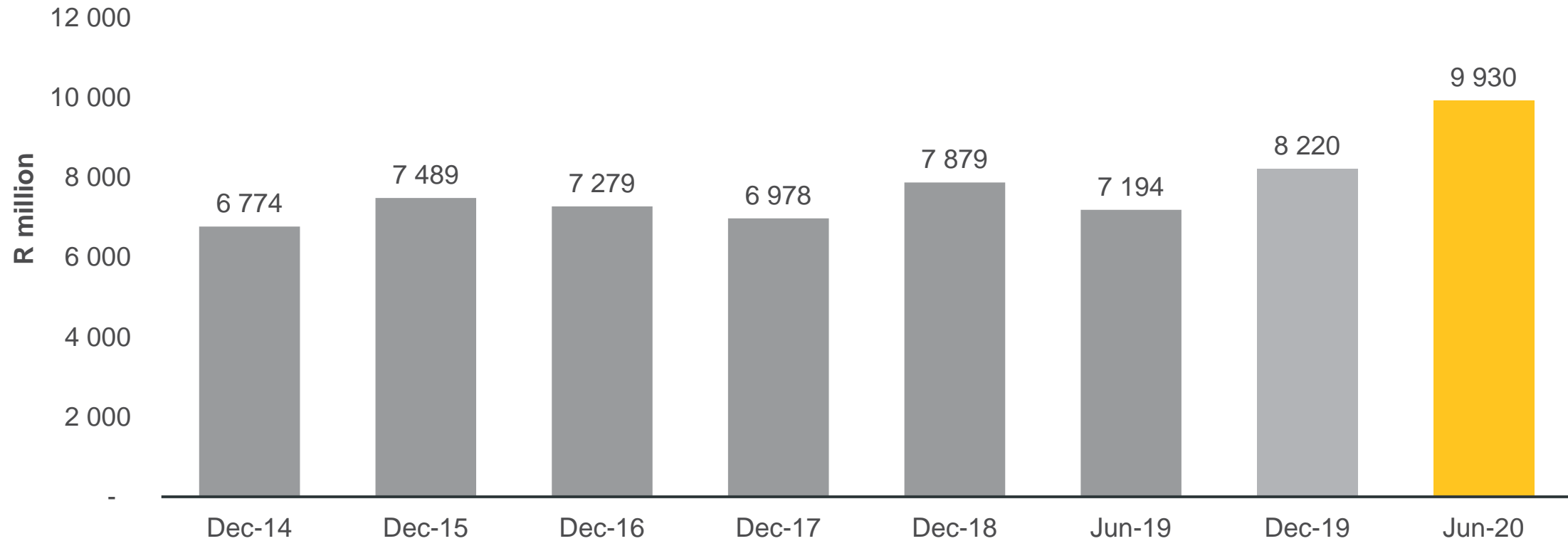


CONVENTIONAL INSURANCE REINSURANCE AS % OF GROSS EARNED PREMIUM



CONVENTIONAL INSURANCE

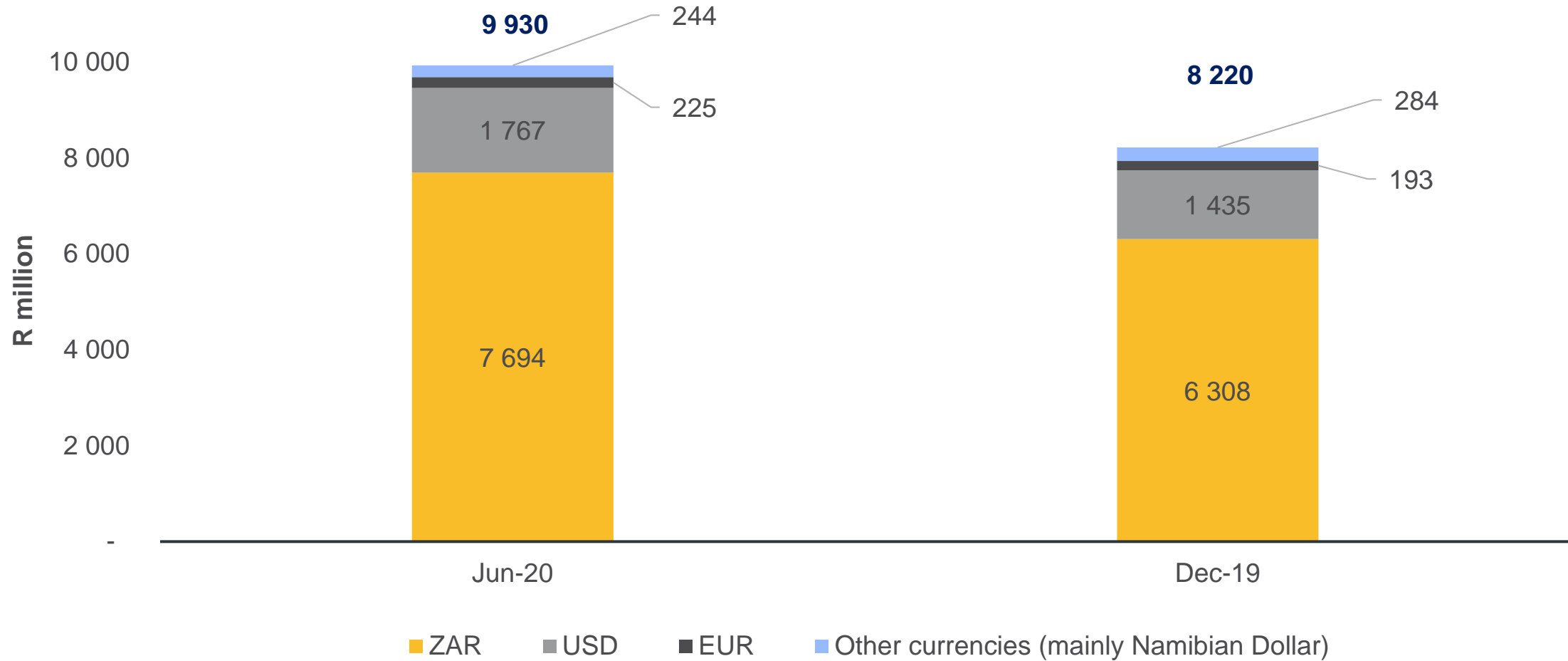
SIZE OF NET INSURANCE FUNDS



CONVENTIONAL INSURANCE

ASSETS BACKING NET INSURANCE FUNDS

Currency mix



CONVENTIONAL INSURANCE

MIWAY

	Jun 2020	Jun 2019 ²	Change
Gross written premium (R million)	1 428	1 324	8%
Gross underwriting result, net of CAT recoveries (R million)	308	203	52%
Gross claims ratio, net of CAT recoveries	45.9%	54.2%	
Gross acquisition cost ratio	32.5%	30.5%	
Gross underwriting margin	21.6%	15.3%	
Number of clients ¹	333 000	315 000	6%

¹ Excluding value-added products

² The June 2019 amounts presented were prior to the acquisition of X'S Sure.



ALTERNATIVE RISK TRANSFER



ALTERNATIVE RISK TRANSFER INSURANCE (ART)

Includes the results from:

- Centriq
- Santam Structured Insurance, excluding credit insurance business

Types of business:

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

ALTERNATIVE RISK TRANSFER INSURANCE

CENTRIQ

	Jun 2020 R'm	Jun 2019 R'm	2020/2019
Gross written premium	2 798	2 087	34%
Income from clients	101	102	(1%)
Participation in underwriting results	23	19	21%
Administration expenses	(67)	(71)	(6%)
Operating result	57	50	14%

ALTERNATIVE RISK TRANSFER INSURANCE

SANTAM STRUCTURED INSURANCE

	Jun 2020 R'm	Jun 2019 R'm	2020/2019
Gross written premium	672	735	(9%)
Income from clients	50	64	(22%)
Participation in underwriting results	1	11	(91%)
Administration expenses	(54)	(53)	2%
Operating result	(3)	22	(114%)

ALTERNATIVE RISK TRANSFER INSURANCE

COMBINED RESULTS

	Jun 2020 R'm	Jun 2019 R'm	2020/2019	5 Yr ave %	10 Yr ave %
Gross written premium	3 446	2 798	23%	28.8 ¹	15.1 ¹
Income from clients	151	166	(10%)		
Participation in underwriting results	24	30	(20%)		
Administration expenses	(121)	(124)	(2%)		
Operating result	54	72	(25%)		

1. Average growth



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
- Lebanon

SEM general insurance participation investments

- 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 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)

	Jun 2020 R'm	% of NEP	Jun 2019 R'm	% of NEP	2020/2019
Gross written premium	654		574		13.9%
Net earned premium	505	100.0	429	100.0	17.7%
Net claims incurred	295	58.4	211	49.2	39.8%
Net acquisition cost ¹	176	34.9	120	28.0	46.7%
Net underwriting result	34	6.7	98	22.8	(65.3%)
Investment return on insurance funds	106	21.0	106	24.7	0.0%
Net insurance result	140	27.7	204	47.5	(31.4%)

¹ Overhead costs to manage the SEM portfolio of R5 million (2019: R8 million) has been included in net acquisition cost.

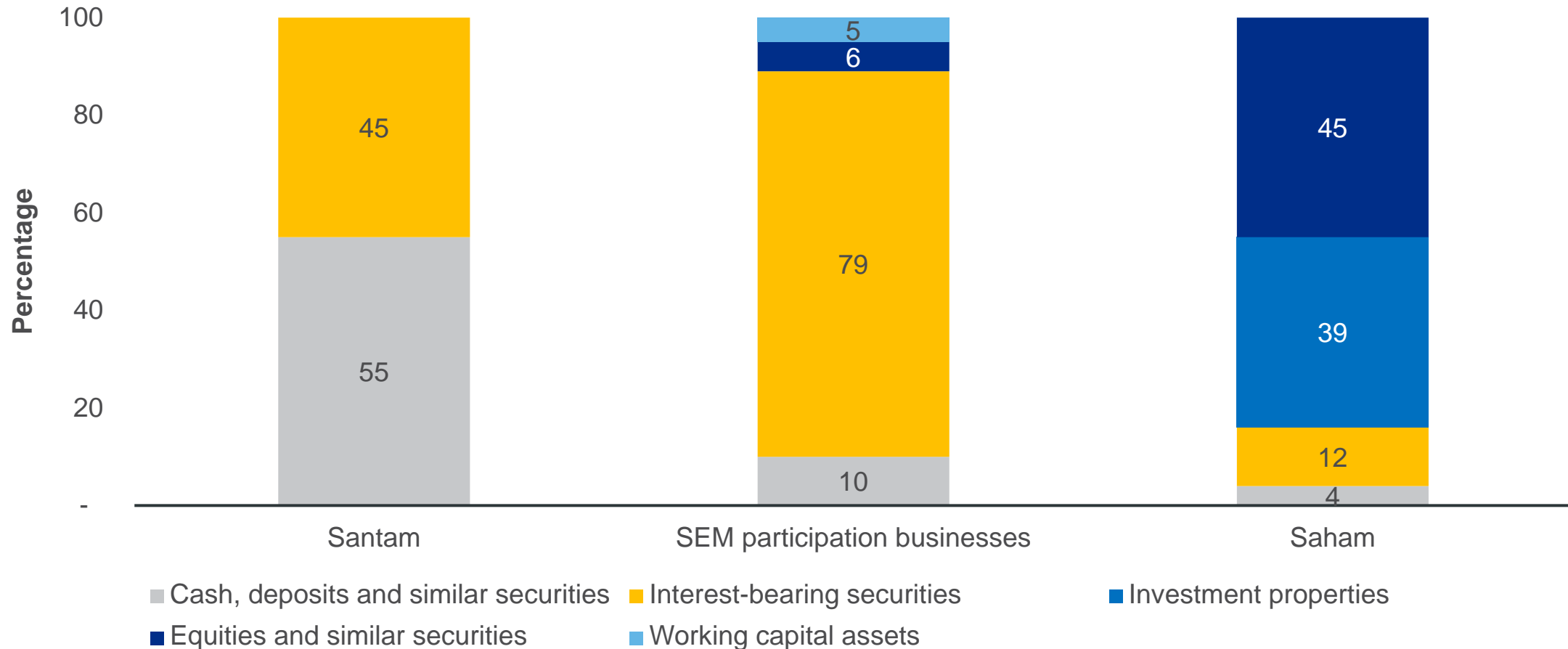
SAHAM

ANALYSIS OF SANTAM'S SHARE OF SAHAM GENERAL INSURANCE AND REINSURANCE NET INSURANCE RESULT BEFORE TAXATION AND NON-CONTROLLING INTERESTS

	Jun 2020 R'm	% of NEP	Jun 2019 R'm	% of NEP	2020/2019
Gross written premium	1 044		891		17.1%
Net earned premium	652	100.0	592	100.0	10.1%
Net claims incurred	382	58.5	372	62.9	2.7%
Net acquisition cost	221	33.9	206	34.8	7.3%
Net underwriting result	49	7.6	14	2.3	250.0%
Investment return on insurance funds	(19)	(2.8)	72	12.1	(126.4%)
Net insurance result	30	4.8	86	14.4	(65.1%)

ANALYSIS OF INSURANCE FUNDS

SEM PARTICIPATION INVESTMENTS AND SAHAM INSURANCE FUNDS AT 30 JUNE 2020



RECONCILIATION OF SAN JV CARRYING AND FAIR VALUE AS AT 30 JUNE 2020

	R million
Carrying value at 1 January 2020	2 323
Dividend - restructure	(46)
Equity accounted loss	(787)
Attributable earnings	(58)
VOBA amortisation after tax	(20)
Impairment of intangible assets	(690)
Other – consolidation adjustments	(19)
Statement of changes in Equity	522
Foreign currency translation differences	532
Other reserve movements	(10)
Carrying value at 30 June 2020	2 012
Cash flow hedge on acquisition	191
Fair value at 30 June 2020	2 203



SANTAM GROUP



SANTAM GROUP

NET OPERATING INCOME

R million	Jun 2020	Jun 2019	2020/2019
Conventional insurance	776	891	(12.9%)
Alternative risk transfer insurance	54	72	(25.0%)
SEM partner businesses	171	290	(41.0%)
Net operating income including SEM partner businesses	1 001	1 253	(20.1%)
SEM partner businesses	(171)	(290)	
Net operating income	830	963	(13.8%)

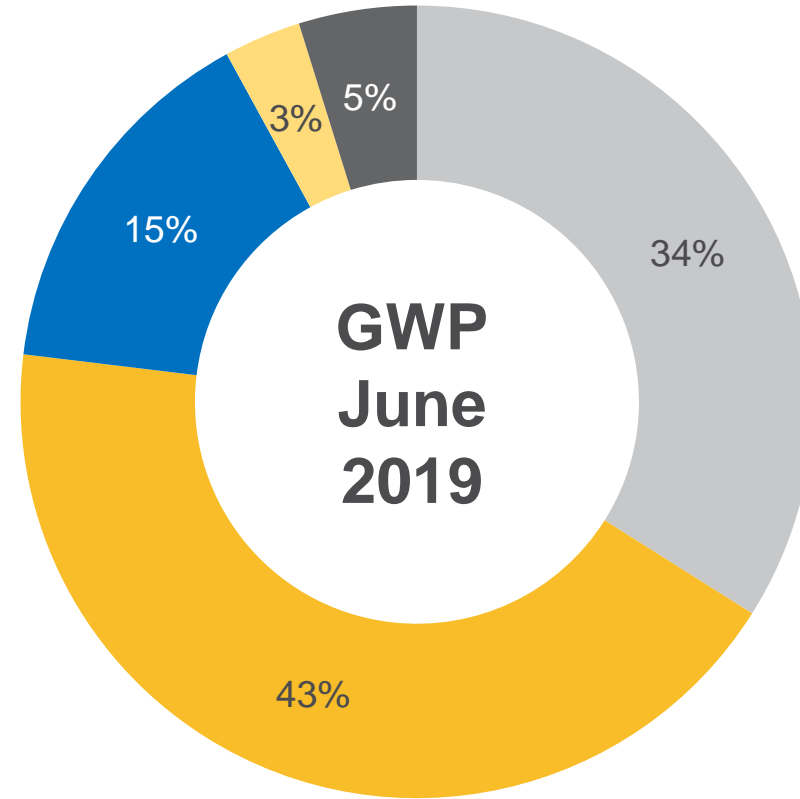
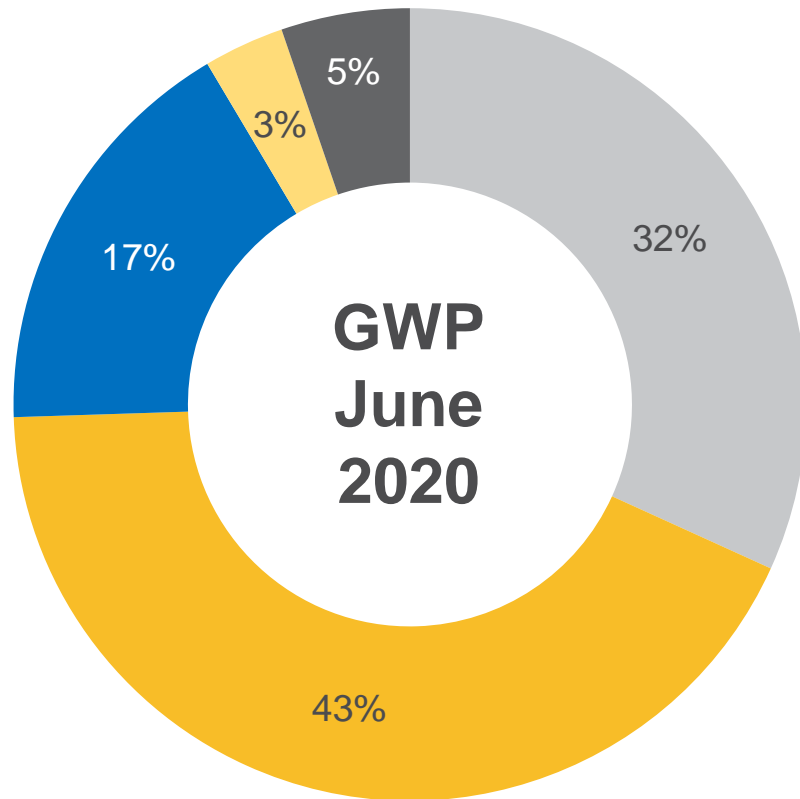
SANTAM GROUP

RECONCILIATION TO HEADLINE EARNINGS

	Jun 2020	Jun 2019	2020/2019
Net profit attributable to ordinary shareholders (R million)	26	1 094	(98%)
Per share (cents)	24	990	
Impairment of joint venture	15	-	
Share of associates' impairment of intangible assets	726	-	
Tax charge on share of associates' impairment of intangible assets	(36)	-	
Headline earnings (R million)	731	1 094	(33%)
Per share (cents)	663	990	

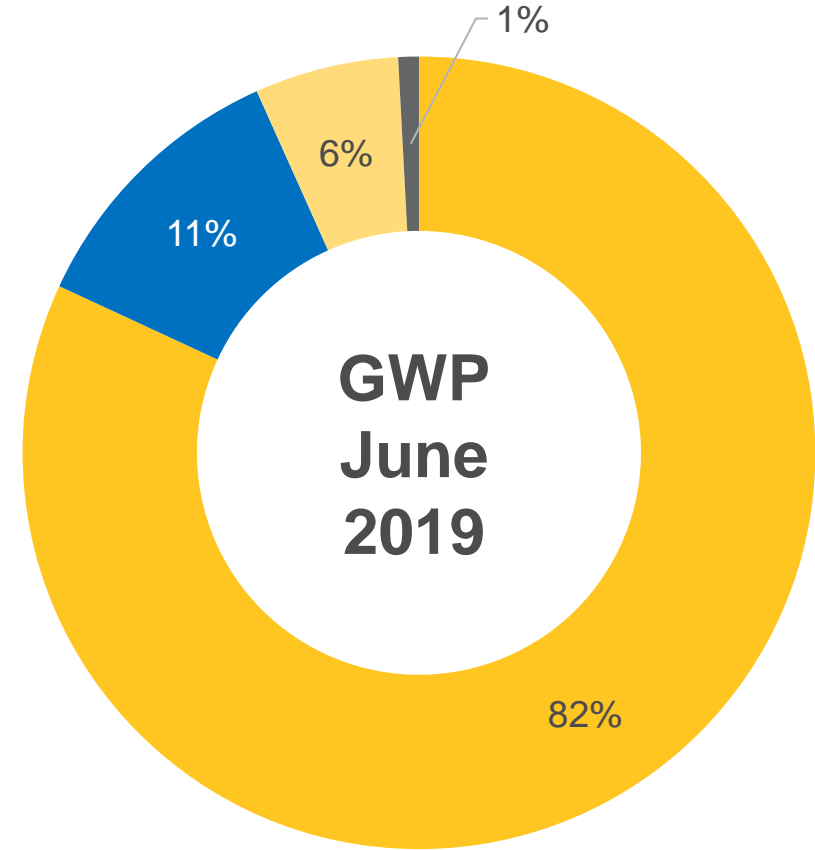
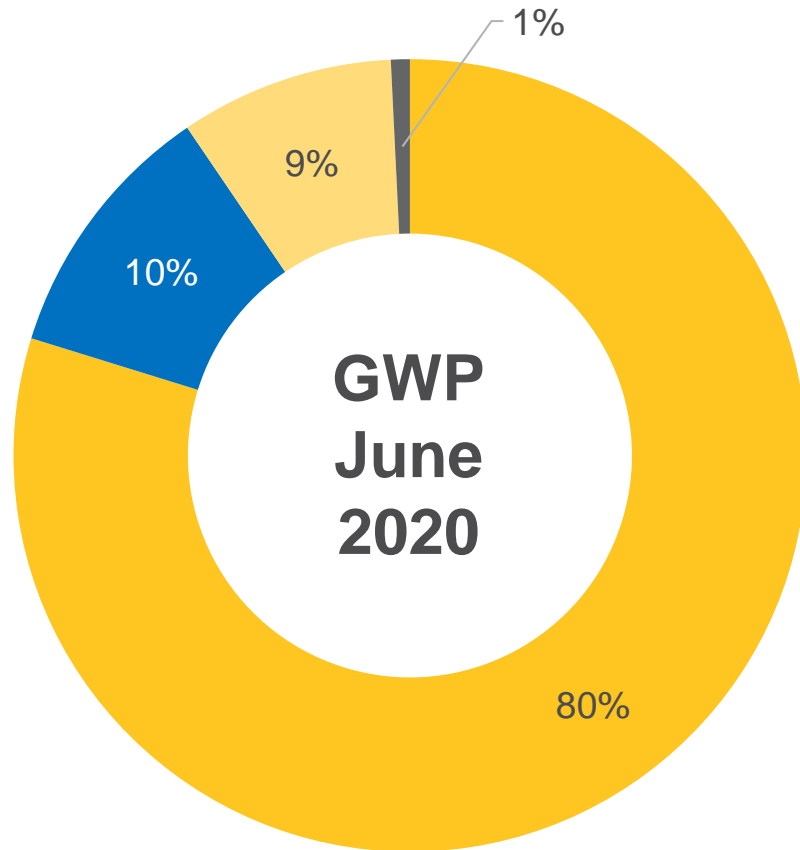
GROWTH DIVERSIFICATION

INCLUDING SEM PARTNER BUSINESSES



■ Personal ■ Commercial ■ ART ■ SEM ■ Saham

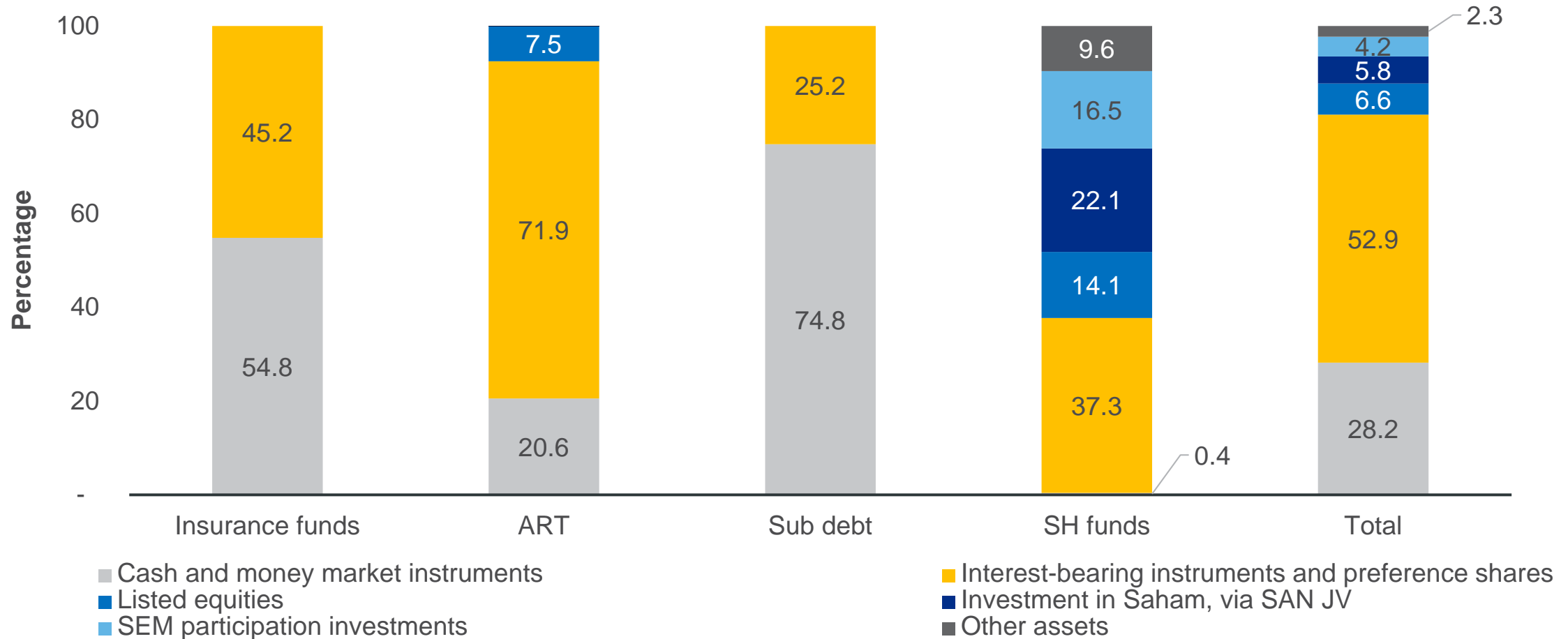
GEOGRAPHIC DIVERSIFICATION INCLUDING SEM PARTNER BUSINESSES



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

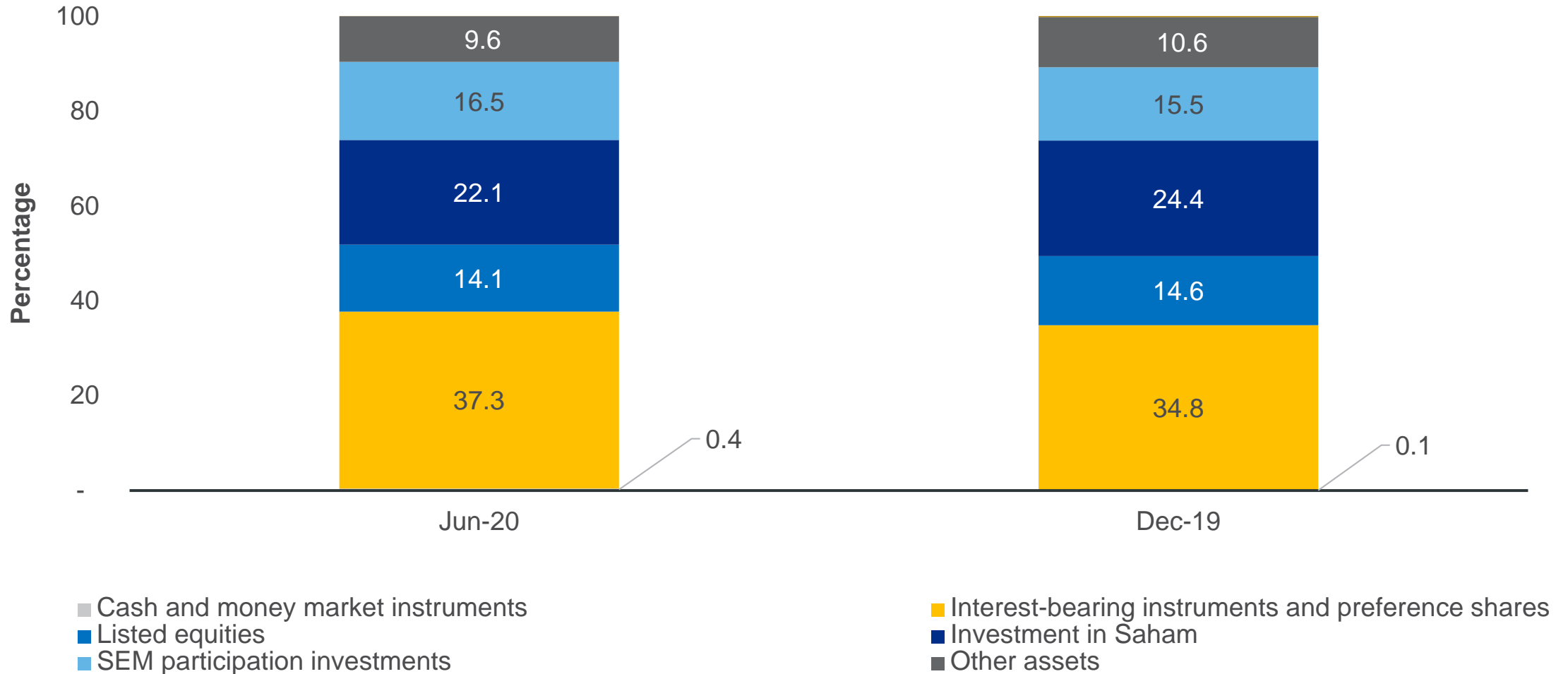
ASSET / LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 30 JUNE 2020



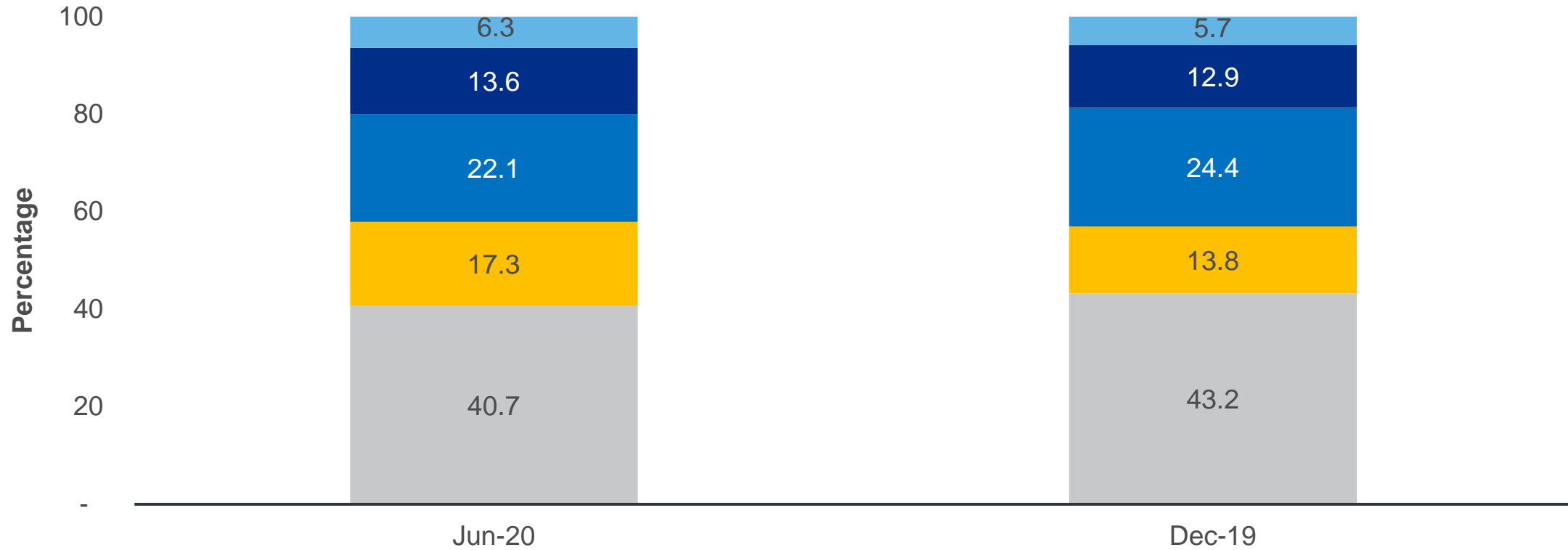
SHAREHOLDER FUNDS

ASSET MIX



SHAREHOLDER FUNDS

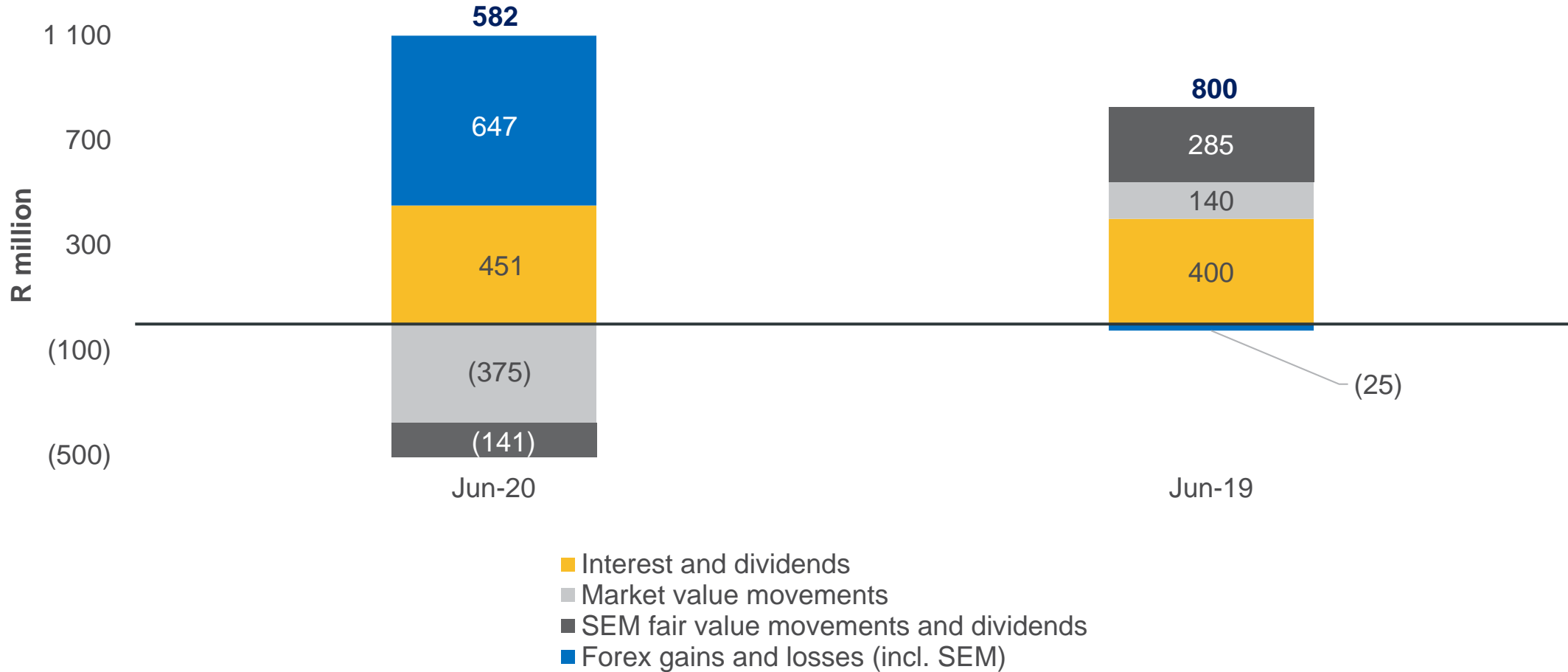
CURRENCY MIX



- Rand
- US Dollar
- Moroccan Dirham (investment in SAN JV)
- Indian Rupee (investment in SEM)
- Other currencies (mainly Namibian Dollar and Malaysian Ringgit)

INVESTMENT RETURN

ON SHAREHOLDERS' FUNDS ¹



¹ Net of finance costs and investment management expenses

INVESTMENT RETURN

ANALYSIS OF SANTAM'S SHARE OF NET INVESTMENT IN SEM PARTNER BUSINESSES (EXCL. SAHAM)

Region	Carrying value Dec 2019 R'm	Additions R'm	Change in exchange rates R'm	Change in valuation R'm	Carrying value Jun 2020 R'm
Africa	91	30	9	(12)	118
Southeast Asia	157	-	25	(39)	143
India	1 226	-	191	(174)	1 243
Total	1 474	30	225	(225)	1 504

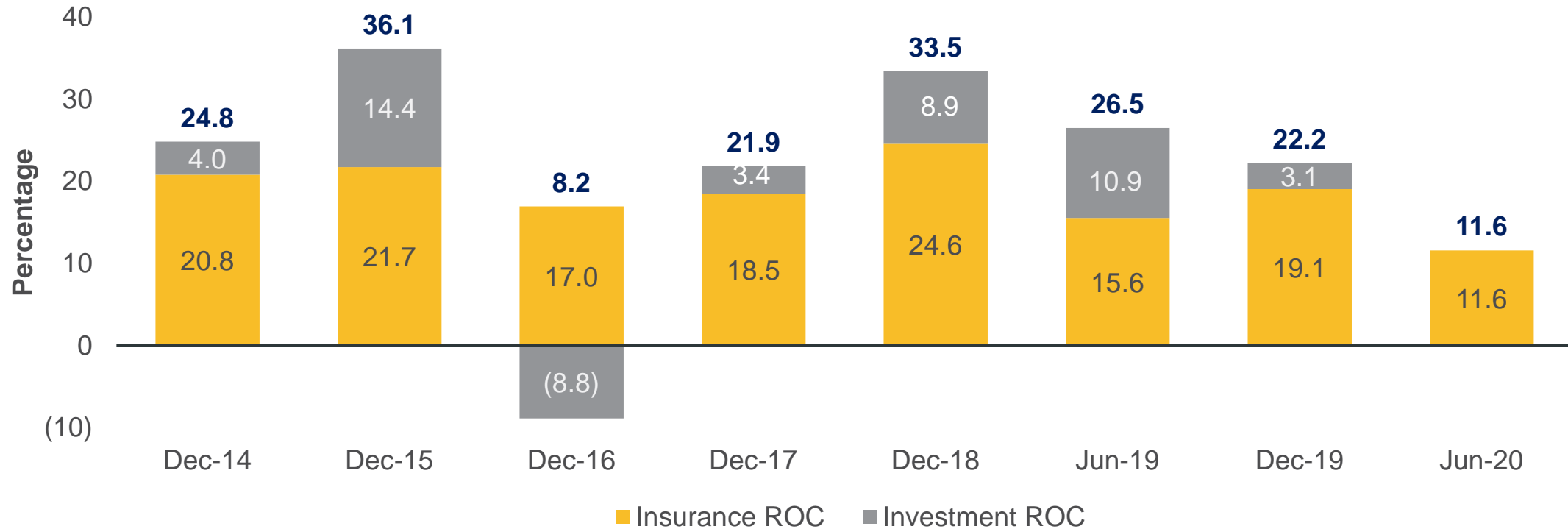


CAPITAL MANAGEMENT



RETURN ON CAPITAL – RESTATED¹

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



1 – ROC is calculated with reference to total comprehensive income attributable to equity holders. The investment in Saham is included at fair value to better reflect the economic return on capital to shareholders.

CAPITAL MANAGEMENT

- Group economic capital requirement based on the internal model R7.5 billion (Dec 2019: R7.3 billion)
- Current Group economic capital coverage ratio as at 30 June 2020 of **150%** (Dec 2019:160%)
- Partial internal model approval granted by the Prudential Authority
- Initial capital add-on of 20% of the benefit of model approval which can be reduced over time
- Regulatory capital requirement R1.3 billion lower than required under standard formula
- Santam comfortable to operate at the lower end of the economic capital band of 150% to 170%
- Stress and scenario testing performed. Economic and regulatory solvency position at acceptable levels under all COVID-19 claims scenarios assessed
- 3 month Equity collar entered into on 6 August 2020 over R1 billion of listed equities to provide capital protection

INTERIM DIVIDEND

- Current Group economic capital coverage ratio as at 30 June 2020 of **150%**
- No interim dividend declared given the current uncertainty around the eventual outcome of COVID-19 related claims.
- To consider position at full year



GROUP STRATEGY AND PRIORITIES



FUTUREFIT SANTAM

OUR BUILDING BLOCKS FOR CREATING STAKEHOLDER VALUE

Key focus areas:

- Continue to build a responsible business: Insurance good and proper
- Continue to help build resilient societies
- Extend our overall leadership position in South Africa
- Build a Pan-African specialist class business with SEM
- Build our international business selectively
- Build technology as an enabler and driver of innovation and efficiency
- Continue to build and improve human capital in the Santam group

STRATEGIC PRIORITIES 2H2020

- Effectively manage the impact of COVID-19 on the business
- Bed down and implement Santam Group's FutureFit strategy
- Continue to balance profitable growth with an optimal underwriting margin and cost ratio
 - > Digital E2E insurance
 - > Be the best broker enabler
 - > Partner with Sanlam to pursue growth opportunities
 - > Drive international growth through SEM GI, Santam re and UMA's
- Deliver on Santam experience and ecosystem
- Increase the impact of our partnerships to build risk and resilience in municipalities



MORE THAN JUST SHORT-TERM INSURANCE

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

Continued with the **Black Broker Development** programme

Creating employment for more than **6 000 people**

Continued as the constituent of the **FTSE/JSE Responsible Investment Top 30 index**

We settled **R9.3 bn in claims in 2020.**



Doing good for clients

Credited as leader in short-term insurance in the latest published SAcsi with score of 79.7%.

Provided **R400m in COVID-19 relief support** to our clients, intermediaries and suppliers.

Further **R1bn relief payments** in August 2020 to mainly SMME clients impacted by COVID-19.



Partnering for Resilience Building

48 Municipalities supported through Partnership for Risk and Resilience (P4RR).



Santam's investment in the **Resilient Investment Fund** increased to **R120m.**

Santam together with Emthunzini BBEE Community Trust donated **R10 million to the Solidarity Fund** to support COVID-19 efforts.



Building a Sustainable Insurance Environment

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



Santam, Insurance good and proper **then**.

Insurance good and proper **now**.

Insurance good and proper **always**.



**WE DO
INSURANCE
PROPERLY**



**INSURANCE
GOOD AND
PROPER**