



2023 Financial Results Presentation

INTERIM FINANCIAL
RESULTS FOR THE SIX
MONTHS ENDED 30
JUNE 2023

PRESENTED BY:
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CONTENT



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

KEY MESSAGES



Diversity of our portfolio provides stability with improved earnings

- Despite extreme weather events and a tough operating environment, the underwriting margin improved compared to 1H22
- Significant turnaround in the motor book and power surge experience; benefits from underwriting actions
- Risk management actions led to the pruning of underperforming business, reducing GWP by R800 million
- Strong performance by Specialist Solutions and ART
- MiWay growth remained subdued due to consumer pressure, but with a positive growth trajectory from new initiatives
- Group benefited from good investment returns



Strategic priorities: Traction with 2030 FutureFit strategy

- Early this year, we established our refreshed strategy, anchored around three growth vectors
- Specialist business geared for accelerated growth in partnership with Sanlam/Allianz JV
- Good progress in driving value through data, e.g. our geocoding initiative covers 50% of our property book to date
- Decisive underwriting actions yielding desired benefits
- MTN and other partnerships lay the foundation for growth in untapped markets and drive inclusive insurance
- SA digital insurance solution launched to drive inclusive insurance



Embedding operating model and strengthening the team

- Good progress in implementing our client-facing multichannel operating model to grow market share in current core segments and access new client segments
- All key appointments finalised
- We are refining our shared services model for enhanced business enablement and cost efficiency gains
- Driving increased collaboration with the Sanlam Group
- Scaling direct business and broker franchise model
- Improving our client experience



2H23 Outlook: Focus on top-line growth and improved underwriting margins

- Drive growth in GWP through new client-centric operating model and innovative value propositions; focus remains on profitability
- Underwriting margin supported by premium increases through remainder of renewal cycle; improved data analytics and risk management; other underwriting actions
- Accelerate roll-out of geocoding and flood risk assessments
- Property class needs further attention
- New inbound and commercial strategy launched at MiWay to drive accelerated growth in 2H23
- Finalise our climate scenario work
- Return excess capital post closing of SAN JV/Allianz



OPERATING ENVIRONMENT

Santam is an authorised financial services provider (FSP 3416), a licensed non-life insurer and controlling company for its group companies.

CHALLENGES CREATING A FRAGILE ECONOMY



Uncertain global operating environment

- **Rising geopolitical tension**
 - Russia/Ukraine conflict
 - US/China tension
 - SA foreign policy
- **Slowing global economy**
 - Elevated inflation (consumer and repair/replacement cost for insurers)
 - High interest rates
 - Market volatility
 - Tight monetary policy



The insurance sector is poised for growth, despite challenges

- Continuation of structural market dynamics **with rate hardening spilling into personal lines** (higher reinsurance costs)
- **Above average NatCAT insured losses**
 - Property class continues to experience rate increases in CAT-hit areas; not yet at a sustainable level
- Inflationary pressures leading to **increased premium collection challenges**
- **Corporate actions to address growth and profitability challenges**
- **Higher interest rates** benefit investment returns; however, with pressure on disposable income



SA Inc continues to be under pressure

- **Weak SA economic growth**
- **Severe electricity constraints, which led to increased load shedding**
- **High consumer inflation, but may have peaked**
- **350 bps rise in interest rates since June 2022**
- **Increasing strain on personal disposable income**
- **Old and frail infrastructure**
- **SA foreign policy under scrutiny**



Climate change remains an ever-present risk

- **Frequent and severe climate-related events**
 - Earthquakes in Türkiye
 - Cyclone Freddy in Madagascar and Mozambique
 - Highest average temperature across Europe and the U.S in history
 - Wildfires in Canada and US-Hawaii
 - Rainfall leading to flooding - Eastern Cape, Mpumalanga, KZN, Western Cape
- **Increasing sustainability and climate-related disclosures (ISSB)**

The background features a 3D bar chart with vertical bars of varying heights, colored in a gradient from yellow to red. The chart is set against a dark blue background with glowing digital elements, including a grid of light blue lines, scattered data points, and a network of red and white circles connected by thin lines. The overall aesthetic is high-tech and data-driven.

STRATEGY OVERVIEW

OUR REFRESHED STRATEGY IS ANCHORED AROUND THREE KEY STRATEGIC GROWTH VECTORS, UNDERPINNED BY DATA AND ANALYTICS



STRATEGIC INTENT:

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

GROWTH VECTORS:



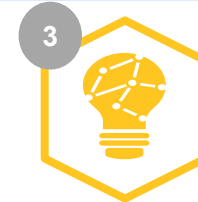
Strengthen leadership position in South Africa

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



Drive international expansion and diversification

- Leverage SPA/Allianz
- Specialist capability
- Scale Reinsurance



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

Fulfilling our purpose to safeguard what is important to our clients

EXECUTED THROUGH CLIENT FACING OPERATING MODEL GEARED TOWARDS MULTICHANNEL DISTRIBUTION



Old Operating Model



SANTAM EXPERIENCE

New Operating Model

CLIENT SOLUTIONS

BROKER SOLUTIONS

PARTNER SOLUTIONS

SANTAM RE & INTERNATIONAL

SPECIALIST SOLUTIONS

MIWAY

ART CENTRIQ, SSI

SHARED SERVICES

Enabling services

RISK MANAGEMENT

GROUP UNDERWRITING

FINANCE

Santam is an authorised financial services provider (FSP 3416), a licensed non-life insurer and controlling company for its group companies.

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

PERFORMANCE UPDATE: JUNE 2023



GROWTH

Conventional insurance
GWP growth of **7%**
(2022: **7%**)

GWP grew by **12%**,
excluding cancelled
business

EARNINGS

Underwriting margin for
conventional insurance
business of **3.8%**

(2022: **3.0%**)

Alternative Risk Transfer
earnings of **R200 million**
(2022: **R117 million**)

Return on Capital **24%**
(2022: **12%**)

FINANCIAL STRENGTH

Group economic capital
coverage ratio of **159%**
(Dec 2022: **156%**)

Interim dividend of **495 cps**
(2022: **462 cps**), up **7%**

VALUE DRIVERS

Direct as % of GWP **15%**
(2022: **19%**)

International as % of GWP
17% (2022: **18%**)

Policy count: **over 1 022 000**

RESULTS AFFECTED BY:

Negatives: Attritional weather losses, Western Cape Floods, Large losses

Positives: Motor, Power surge under control, Specialist performance



FINANCIAL RESULTS

Santam is an authorised financial services provider (FSP 3416), a licensed non-life insurer and controlling company for its group companies.

IFRS 17 BASIS OF PREPARATION

IFRS17 adopted on a retrospective basis from 1 January 2022

Conventional insurance

- Increase in underwriting result (2023: R67 million; 2022: R106 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
- June 2022 underwriting margin increases from 2.3% to 3.0%, with a 0.5% positive impact on the margin for June 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 six months ended 30 June 2023	For the six months ended 30 June 2022
GWP Growth	7%	7%
Claims ratio	66.0%	68.1%
Acquisition costs ratio	30.2%	28.9%
Underwriting margin	3.8%	3.0%
Investment return on insurance funds	2.2%	0.2%
Net insurance result margin	6.0%	3.2%
Return on Capital	24.0%	11.9%

EXCHANGE RATE VOLATILITY



CLOSING RATES

Currency	Jun 2023	Dec 2022	% change
United States Dollar	18.89	17.02	11.0%
Euro	20.61	18.16	13.5%
Indian Rupee	0.23	0.21	11.9%

AVERAGE RATES

Currency	Jun 2023	Jun 2022	% change
United States Dollar	18.20	15.40	18.2%
Euro	19.66	16.84	16.7%
Indian Rupee	0.22	0.20	9.5%

INVESTMENT MARKET PERFORMANCE



RETURN FOR THE PERIOD

INDEX	Jun 2023	Dec 2022	Jun 2022
JSE All Share	4.1%	(0.9%)	(10.2%)
JSE Swix 40	3.2%	0.5%	(6.5%)
JSE All Bond	1.7%	4.3%	(1.9%)
SA Money Market (STeFI)	3.7%	5.2%	2.2%
USD Money Market (3M Libor/ SOFR)*	5.5%	4.8%	2.3%

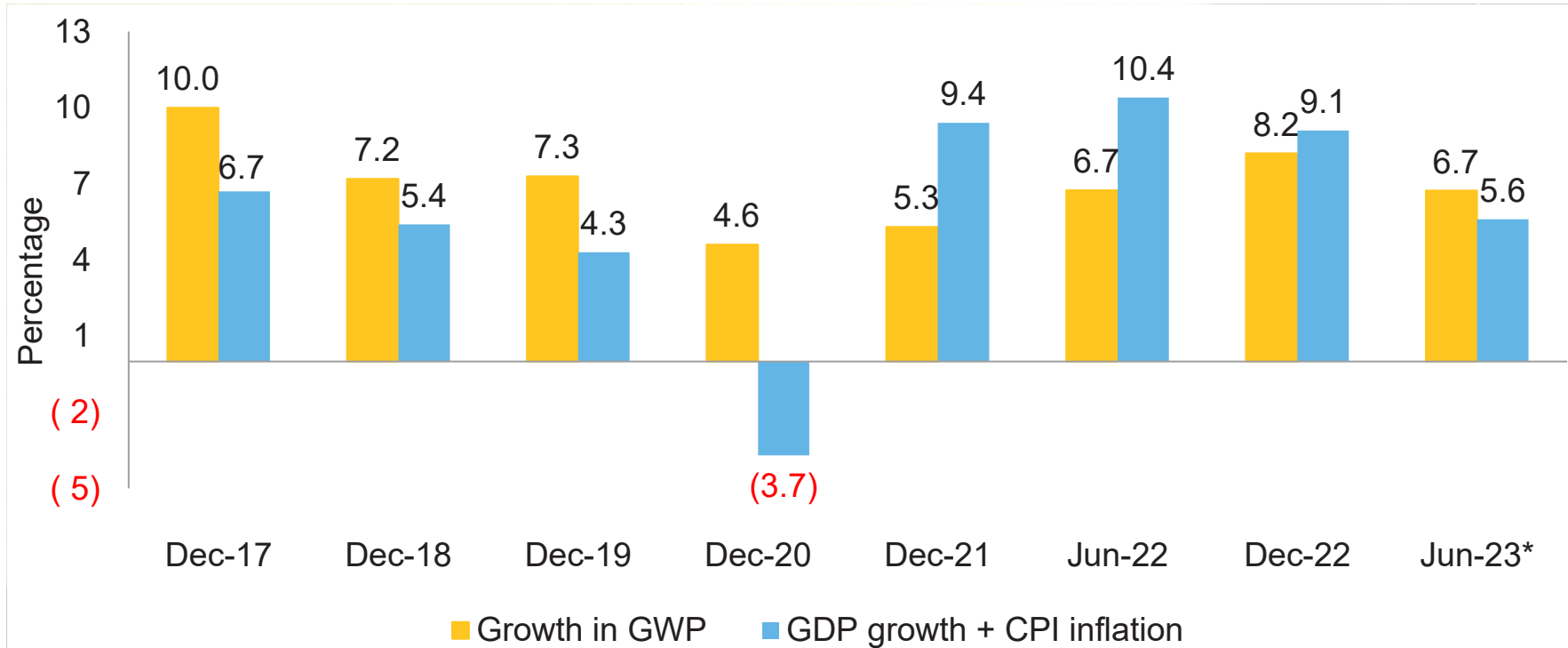
*3-month Libor presented for June 2022 and December 2022. 3-month Secured Overnight Financing Rate (SOFR) presented for June 2023.

BUSINESS VOLUMES



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM VS CPI + GDP GROWTH



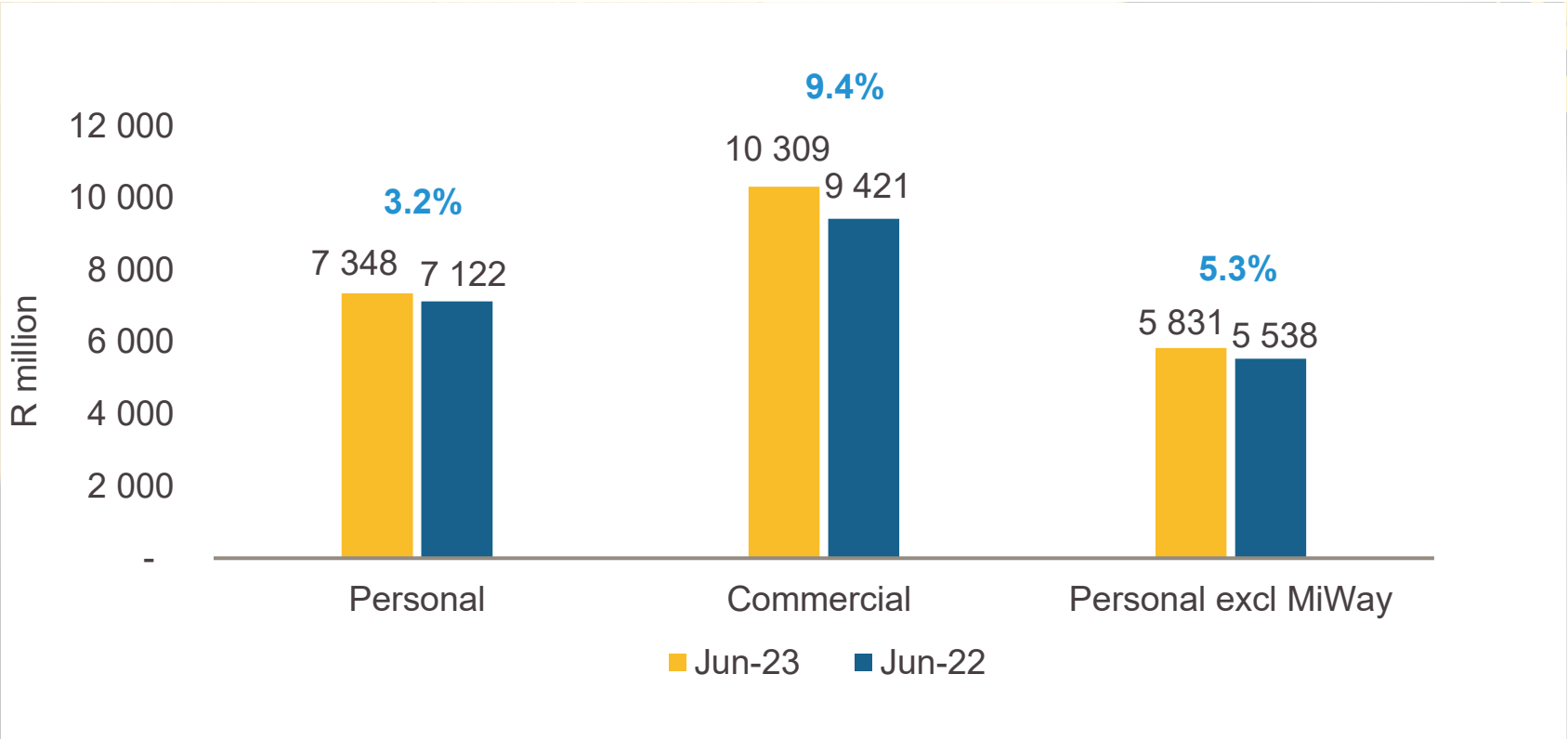
*Year-on-year Q1 2023 GDP of 0.2%, CPI of 5.4%

- 12% growth excluding cancelled business
- Excellent contribution from Specialist Solutions
 - Engineering, marine, property
- Segmented premium increases achieved – double digit growth in Broker Services with persistency remaining within expectations
- MiWay reflects pressure on consumer

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

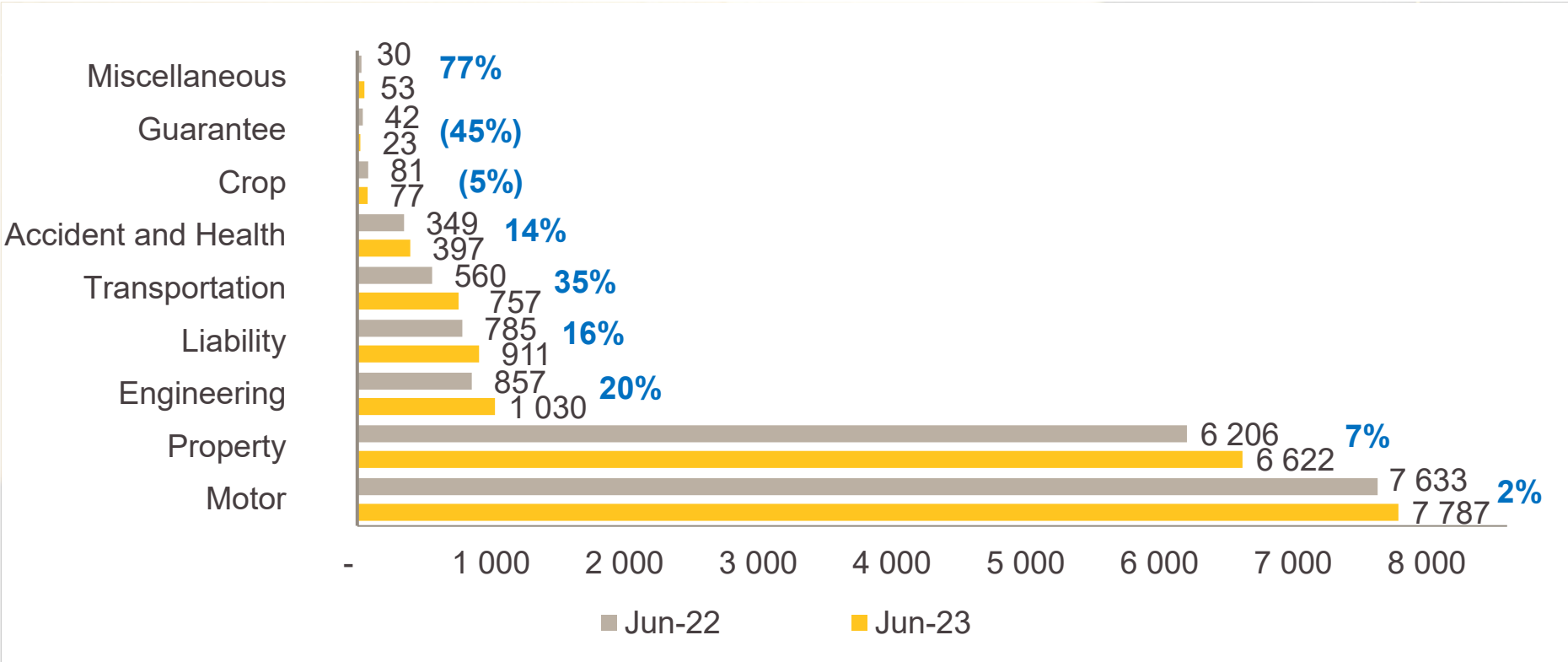


- Personal lines impacted by MiWay, pressure on quote volumes in Outsourced business and cancelled motor business in Israel
- Commercial lines affected by Outsourced business volumes, as well as management actions in Hospitality and Leisure, Santam Real Estate and Santam Re

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

PER INSURANCE CLASS (R'M)

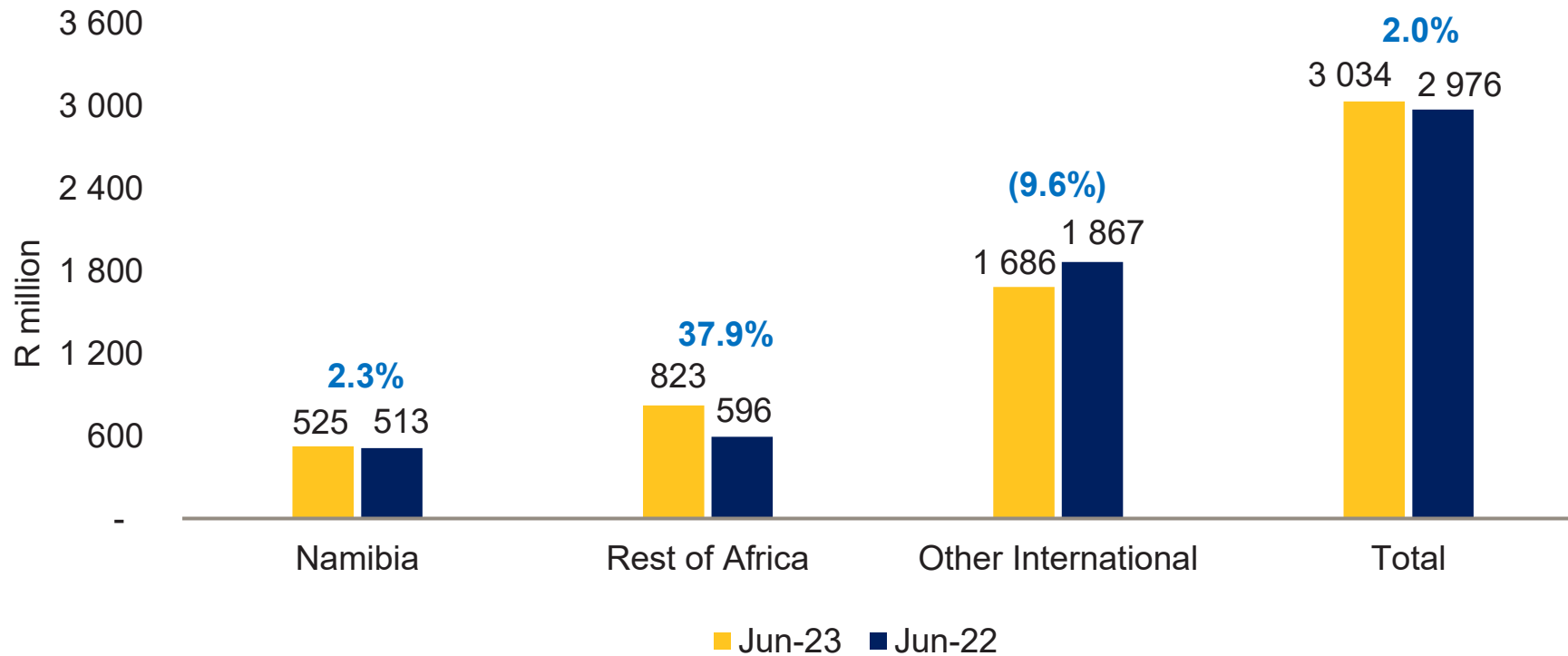


- Motor grew by 8% excluding cancelled business at Santam Re
- Property supported by strong growth from Specialist Solutions, MiWay and Broker Solutions; offset by lower exposure in the Santam Re portfolio
- Engineering growth mostly outside of South Africa

CONVENTIONAL INSURANCE



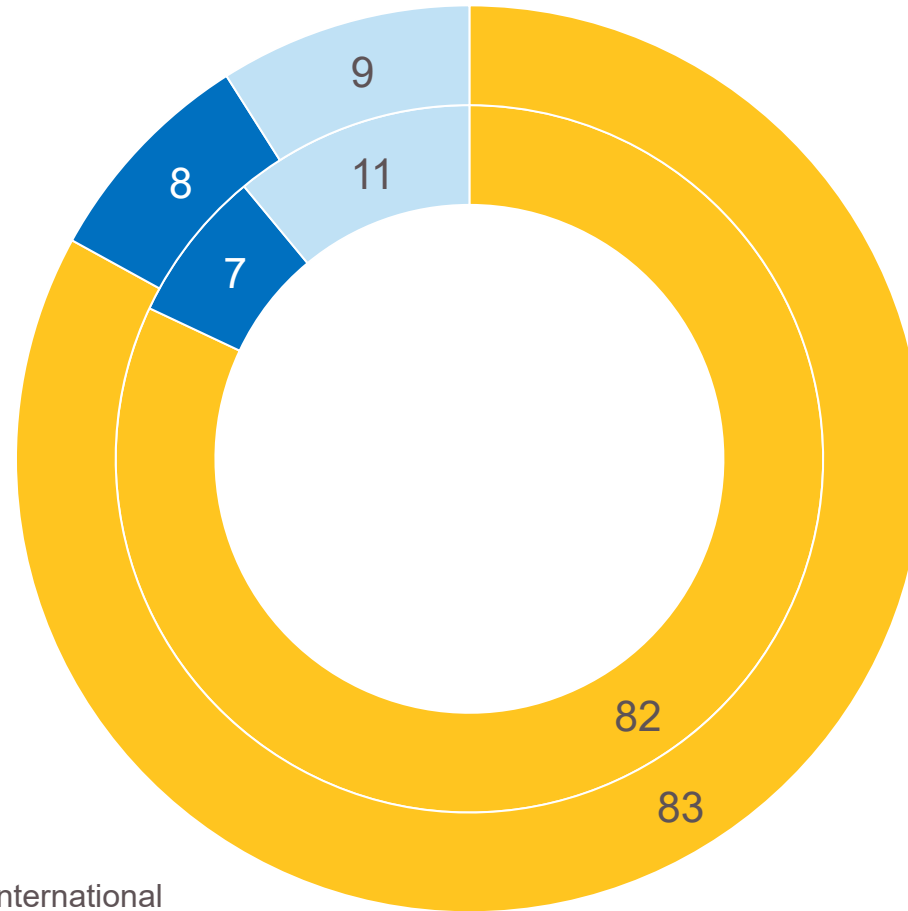
GROSS WRITTEN PREMIUM FROM OUTSIDE SA



- Strong growth from Santam/SPA partnership across Africa – up 48%
- Lower specialist business in Namibia
- Other international suppressed by cancellations in Israel

CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM GEOGRAPHIC ANALYSIS (%)



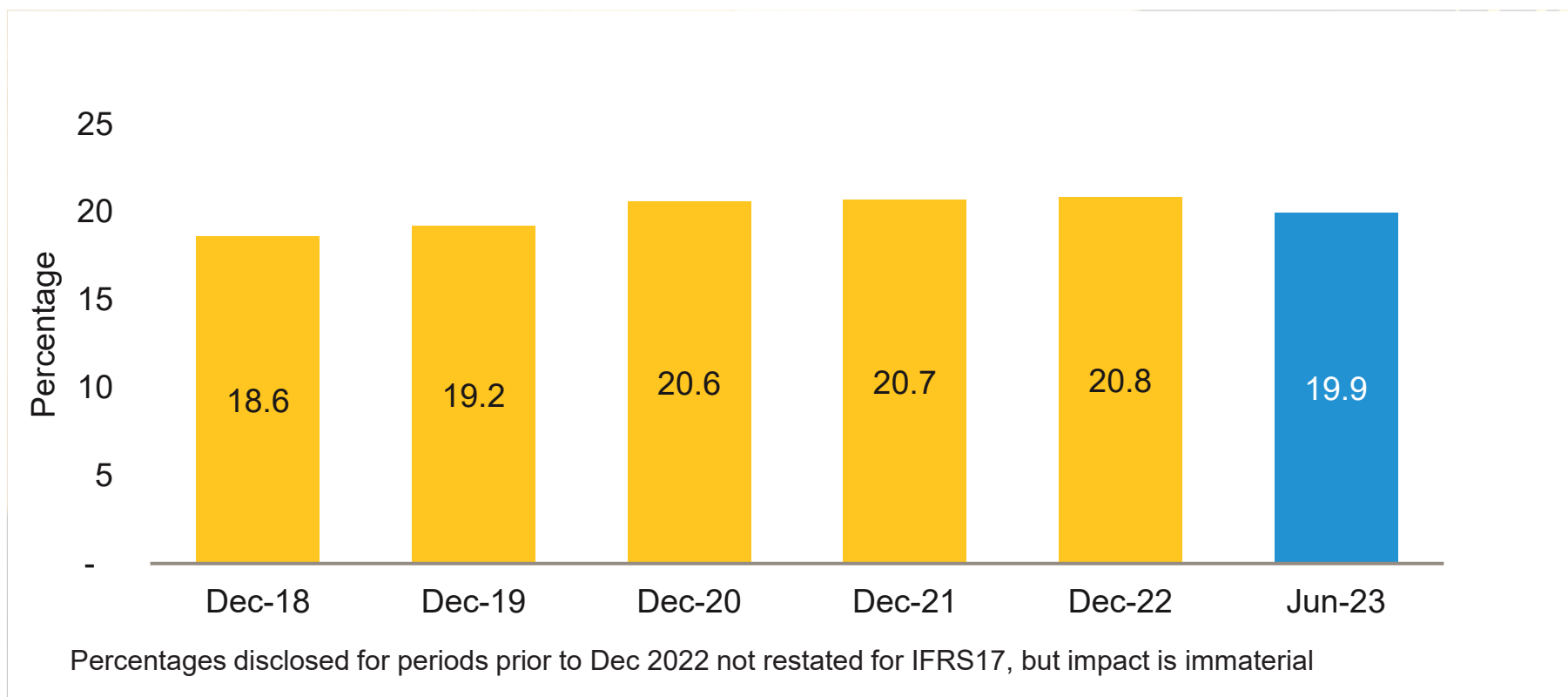
■ South Africa ■ Rest of Africa ■ Other International

Outer ring: current YTD split Inner ring: prior YTD split

- South Africa remains largest contributor to group results
- Slightly higher exposure to South Africa following cancellation of Israel business
- Strategic focus on growing international contribution through Santam Re and existing capabilities in Specialist Solutions

CONVENTIONAL INSURANCE

REINSURANCE AS % OF GROSS EARNED PREMIUM



- Catastrophe losses resulted in substantial increase in the cost of non-proportional reinsurance – CAT programme premium up 78% since 2019 to R725m
- Retention increased from R150m to R505m for SA book. Santam Re still protected above R150m in international market
- Growth in overall book managed to retain reinsurance costs at a 20% level



EARNINGS

Santam is an authorised financial services provider (FSP 3416), a licensed non-life insurer and controlling company for its group companies.

ANALYSIS OF EARNINGS



R million	Jun 2023	Jun 2022	Variance
Conventional	1 587	563	182%
• Net insurance result	864	434	99%
• Investment return on capital	723	129	460%
Net income ART	200	117	71%
Associates	45	27	67%
Amortisation & other	(34)	(12)	(183%)
Income before tax & non-controlling interests	1 798	695	159%
Tax & non-controlling interests	(517)	(158)	227%
Net income	1 281	537	139%



OPERATING EARNINGS

NET INSURANCE RESULT: CONVENTIONAL

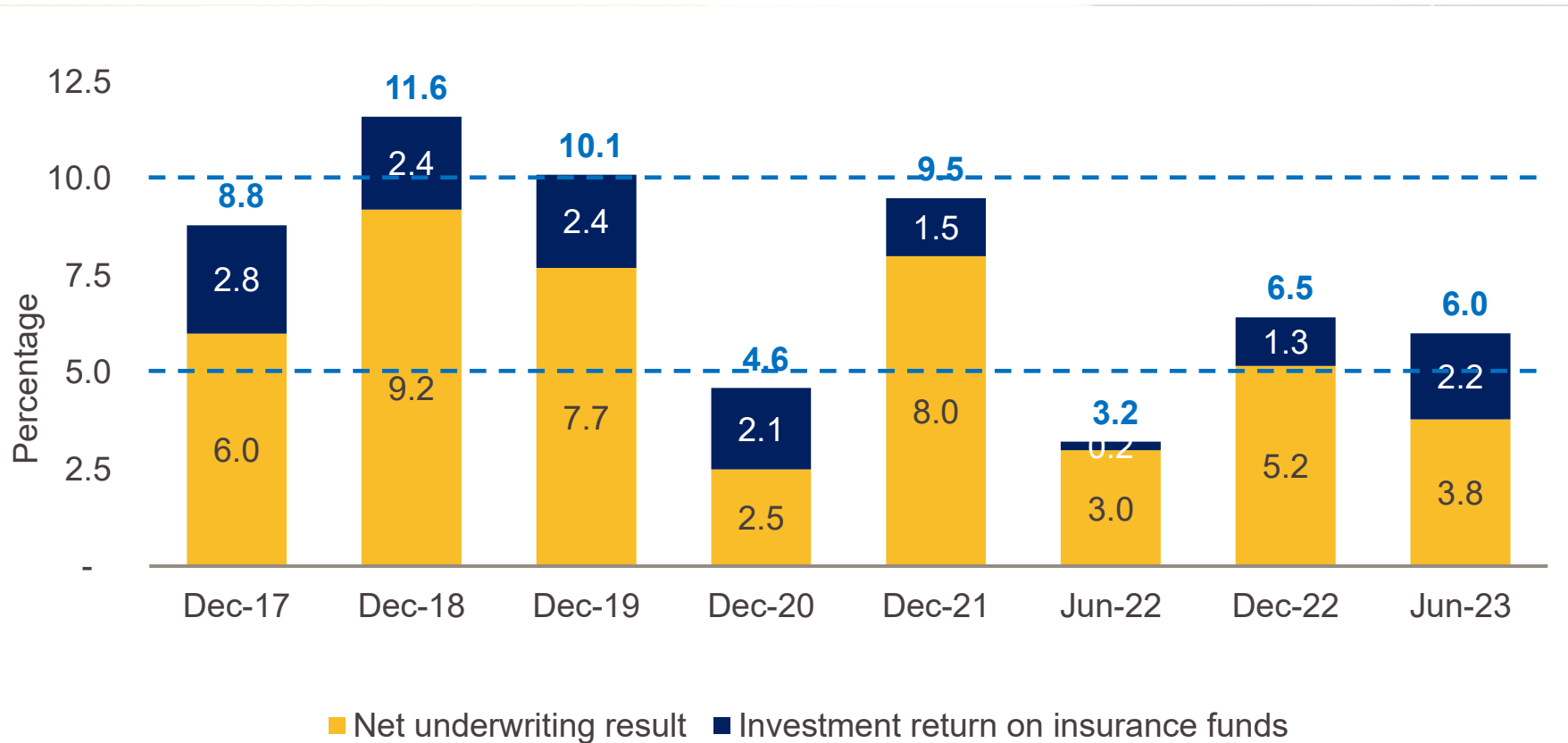


	Jun 2023 R'm	% of NEP	Jun 2022 R'm	% of NEP	% change
Gross written premium	17 657		16 543		7%
Net earned premium	14 377	100%	13 496	100%	7%
Claims incurred	9 491	66.0%	9 196	68.1%	3%
Acquisition cost	4 341	30.2%	3 896	28.9%	11%
• Commission	2 070	14.4%	2 032	15.1%	2%
• Management expenses	2 271	15.8%	1 864	13.8%	22%
Underwriting result	545	3.8%	404	3.0%	35%
Investment return on insurance funds	319	2.2%	30	0.2%	963%
Net insurance result	864	6.0%	434	3.2%	99%
Combined ratio		96.2%		97.0%	

CONVENTIONAL INSURANCE

NET INSURANCE RESULT

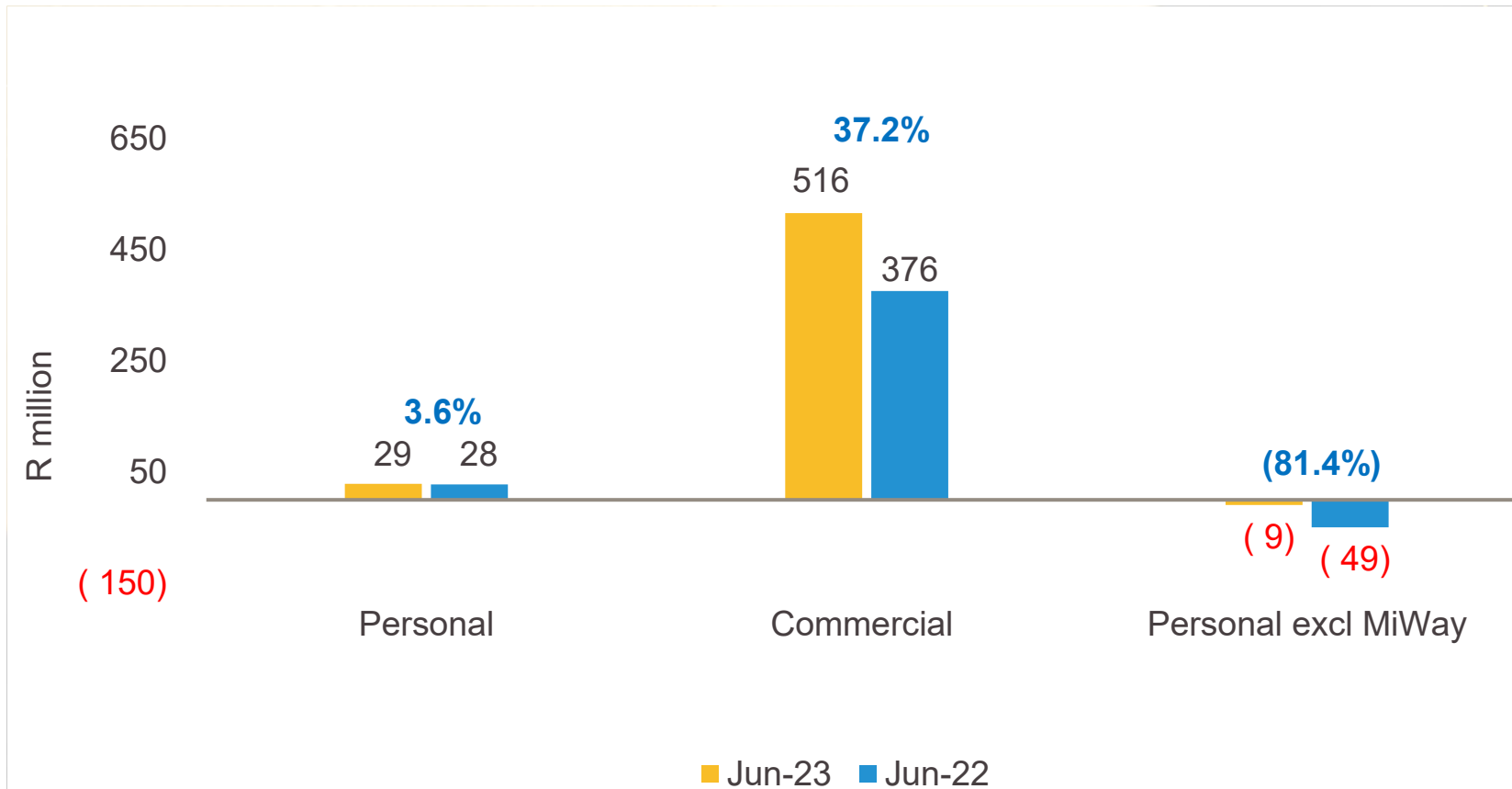
AS A % OF NET EARNED PREMIUM



- Large losses in both periods
- 2023: Türkiye, run-off losses in Israel, Western Cape floods, fire claims
 - CBI reserve release of R155m
- 2022: KZN floods, fire claims
 - CBI reserve release of R397m
 - Reversal of variable remuneration accruals of R180m
- Adjusted underwriting margin of 7.5% for 1H23 and 5.6% for 1H22

CONVENTIONAL INSURANCE

NET UNDERWRITING RESULT: PERSONAL AND COMMERCIAL

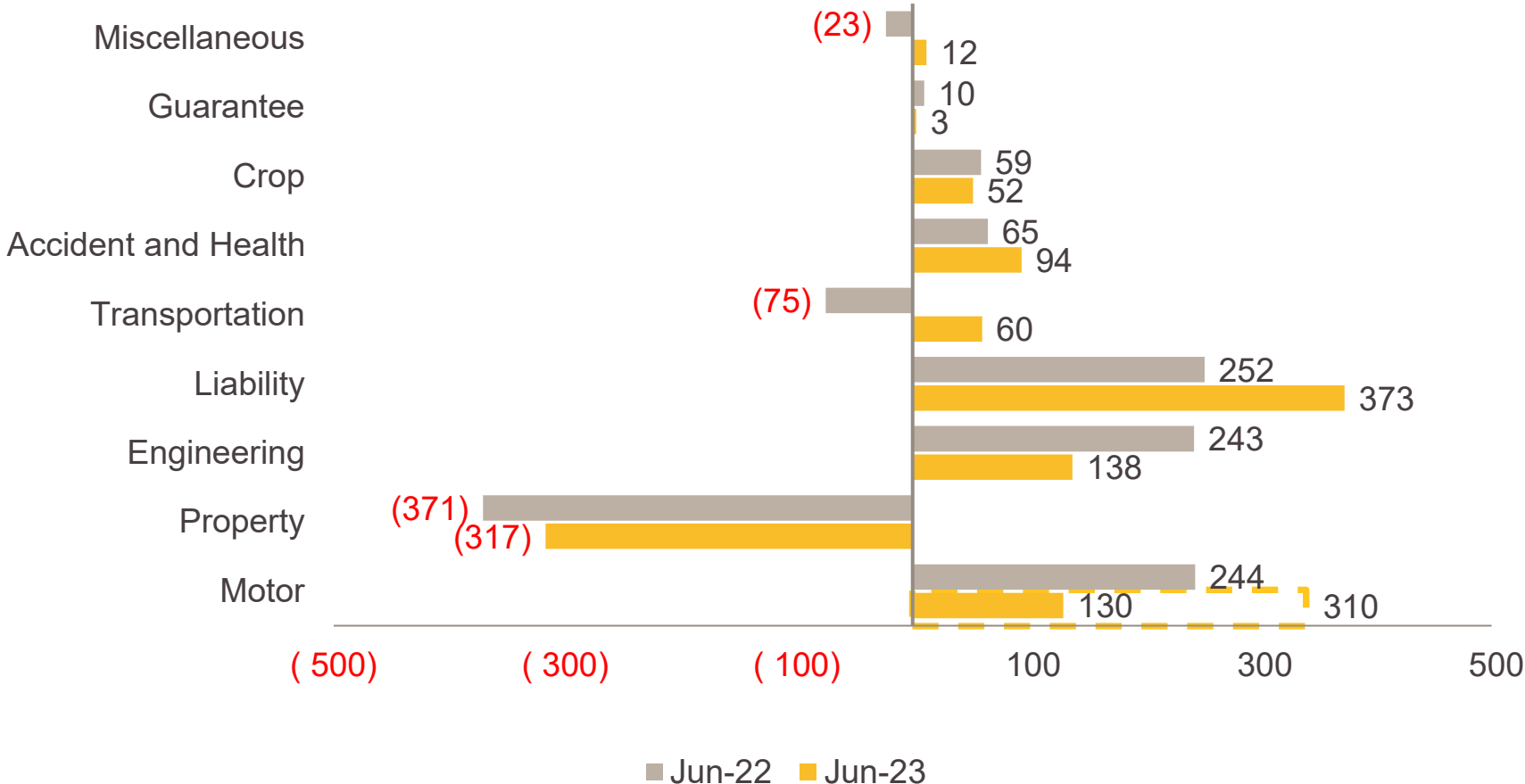


- Personal lines impacted by attritional weather-related claims in Q1, Western Cape flooding in June and Israel run-off losses
- KZN flooding in 2022 suppressed personal and commercial lines' performance

CONVENTIONAL INSURANCE

NET UNDERWRITING RESULT

PER INSURANCE CLASS (R'M)

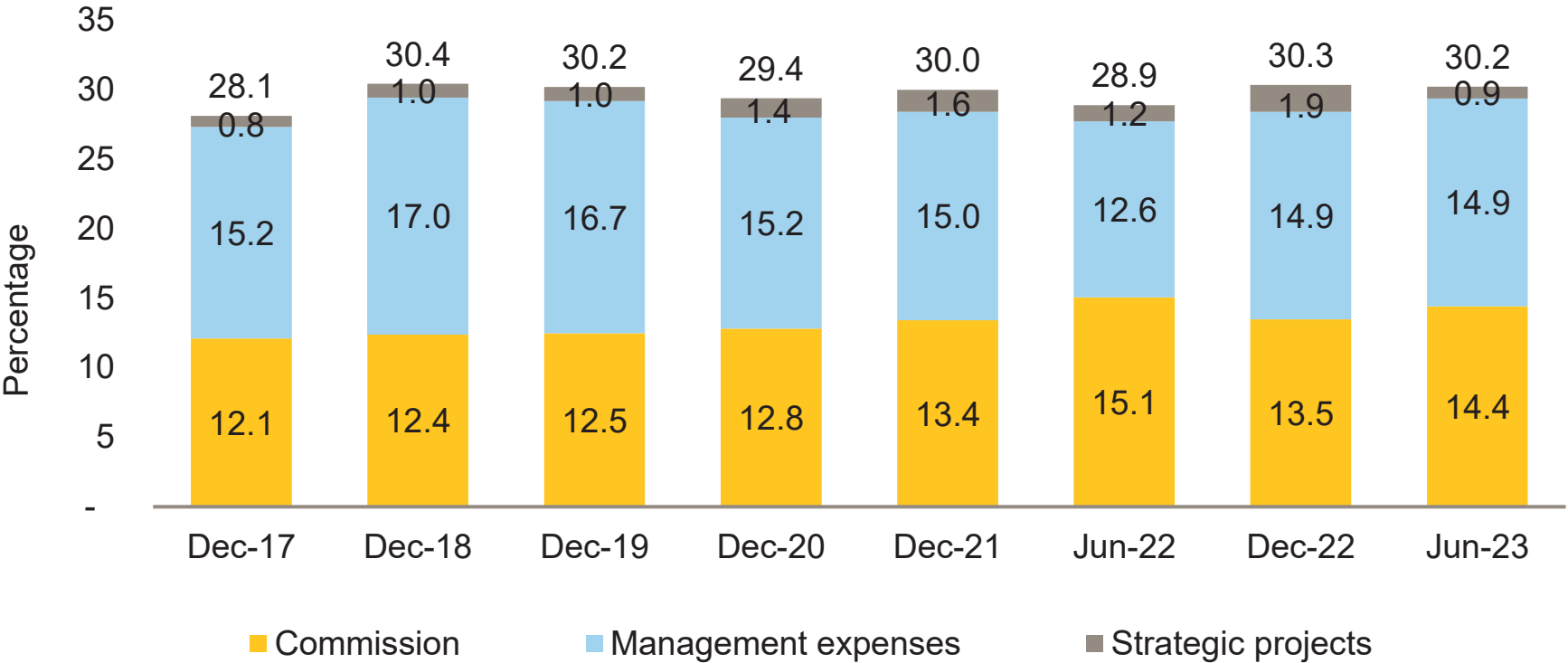


- Significant turn-around in SA motor book offset by Santam Re experience (R180m reserve strengthening)
- Property remained loss making due to weather and fire claims; additional underwriting and risk management actions required
- Engineering benefited from positive estimate adjustments in 2022
- Low frequency of large liability claims

CONVENTIONAL INSURANCE

NET ACQUISITION COSTS

AS A % OF NET EARNED PREMIUM



- June 2022 benefited from reversal of variable remuneration accruals
- Investment in strategic initiatives will increase projects and manex ratio towards the end of 2023

CONVENTIONAL INSURANCE



MIWAY

	Jun 2023	Jun 2022	Var %
Gross written premium (R million)	1 685	1 626	3.6%
Gross underwriting result net of CAT recoveries (R million)	123	122	0.8%
Gross claims ratio net of CAT recoveries	58.8%	61.3%	
Gross acquisition cost ratio	33.9%	30.2%	
Gross underwriting margin	7.3%	7.5%	
Number of clients ¹	340 000	339 000	0.3%

¹ Excluding value-added products

- Strong GWP growth from commercial lines - up 22%
- Personal lines up marginally
- Adverse claims frequency in 1H23; 1H22 impacted by KZN flooding
- Acquisition cost ratio in 2022 benefited from variable remuneration reversal
- Investment in new strategic initiatives in 2023 to drive accelerated growth, effectively doubling our marketing spend

ALTERNATIVE RISK TRANSFER INSURANCE



	Jun 2023 R'm	Jun 2022 R'm	Var %
Fee income	181	156	16%
Investment margin	83	40	108%
Underwriting income	47	34	38%
Expenses	(137)	(122)	(12%)
Operating result	174	108	61%
Investment income	26	9	189%
Net profit before tax and NCI	200	117	71%

- All profit lines benefited from growth in the size of book
- Improved investment returns in 1H23

SEM TARGET SHARES



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

	Jun 2023 R'm	% of NEP	Jun 2022 R'm	% of NEP	Dec 2022 R'm	% of NEP
Gross written premium	482		381		746	
Net earned premium	338	100.0	303	100.0	603	100.0
Net claims incurred	199	58.9	192	63.4	419	69.5
Net acquisition cost	149	44.1	124	40.9	242	40.1
Net underwriting result	(10)	(3.0)	(13)	(4.3)	(58)	(9.6)
Investment return on insurance funds	116	34.3	99	32.7	200	33.2
Net insurance result	106	31.4	86	28.4	142	23.5

- Strong GWP growth at SGI from Shriram ecosystem and own channels
- Growth in SGI book, lower long-term interest rates and forex gains benefited valuation
- P&O struggling in both top-line and earnings performance

A photograph showing several small green seedlings with two leaves each, growing out of stacks of gold coins. The stacks of coins are of varying heights, and the seedlings are planted in soil on top of them. The background is a soft, out-of-focus green.

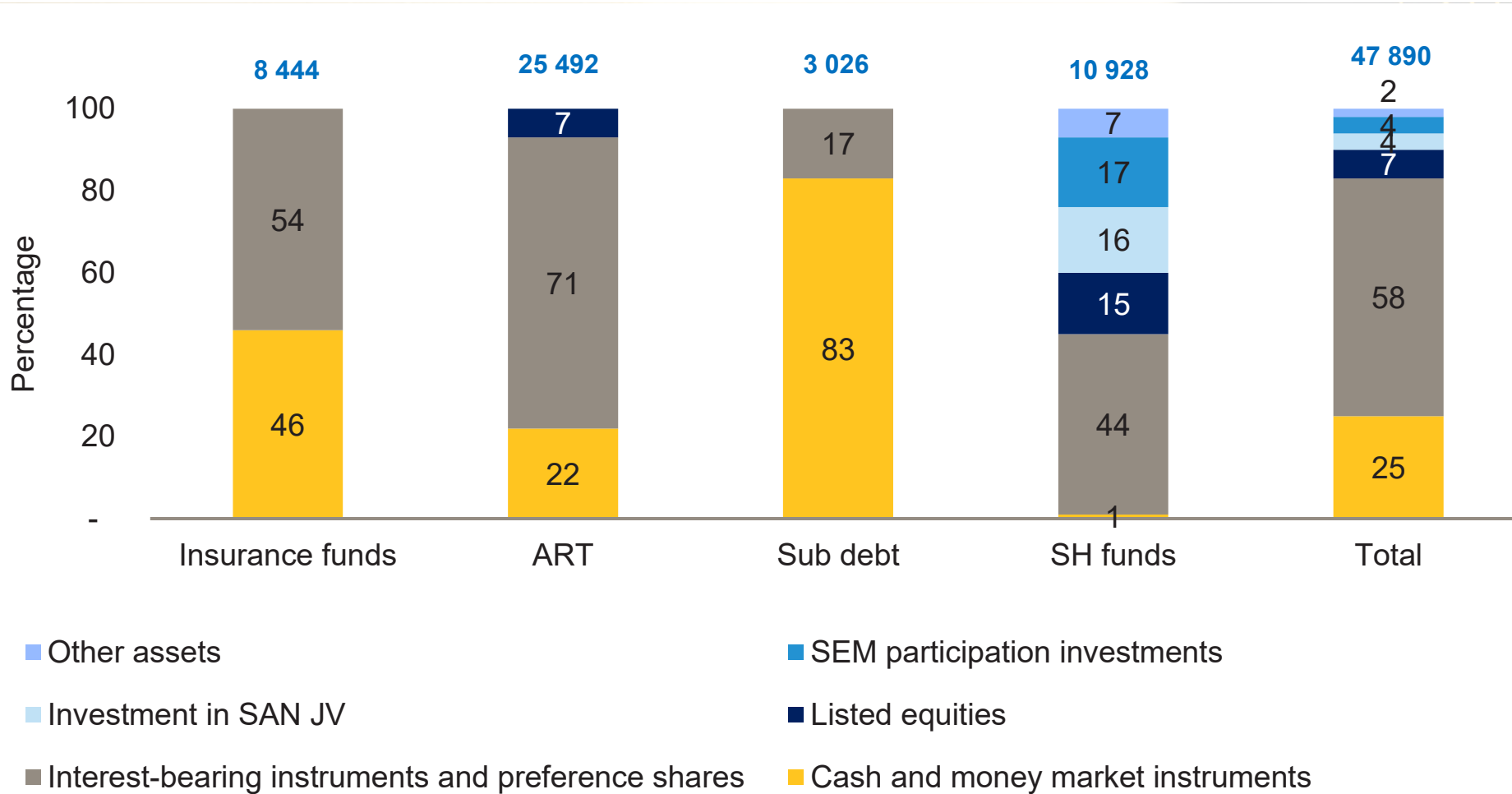
INVESTMENT RESULTS

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ASSET LIABILITY MATCHING

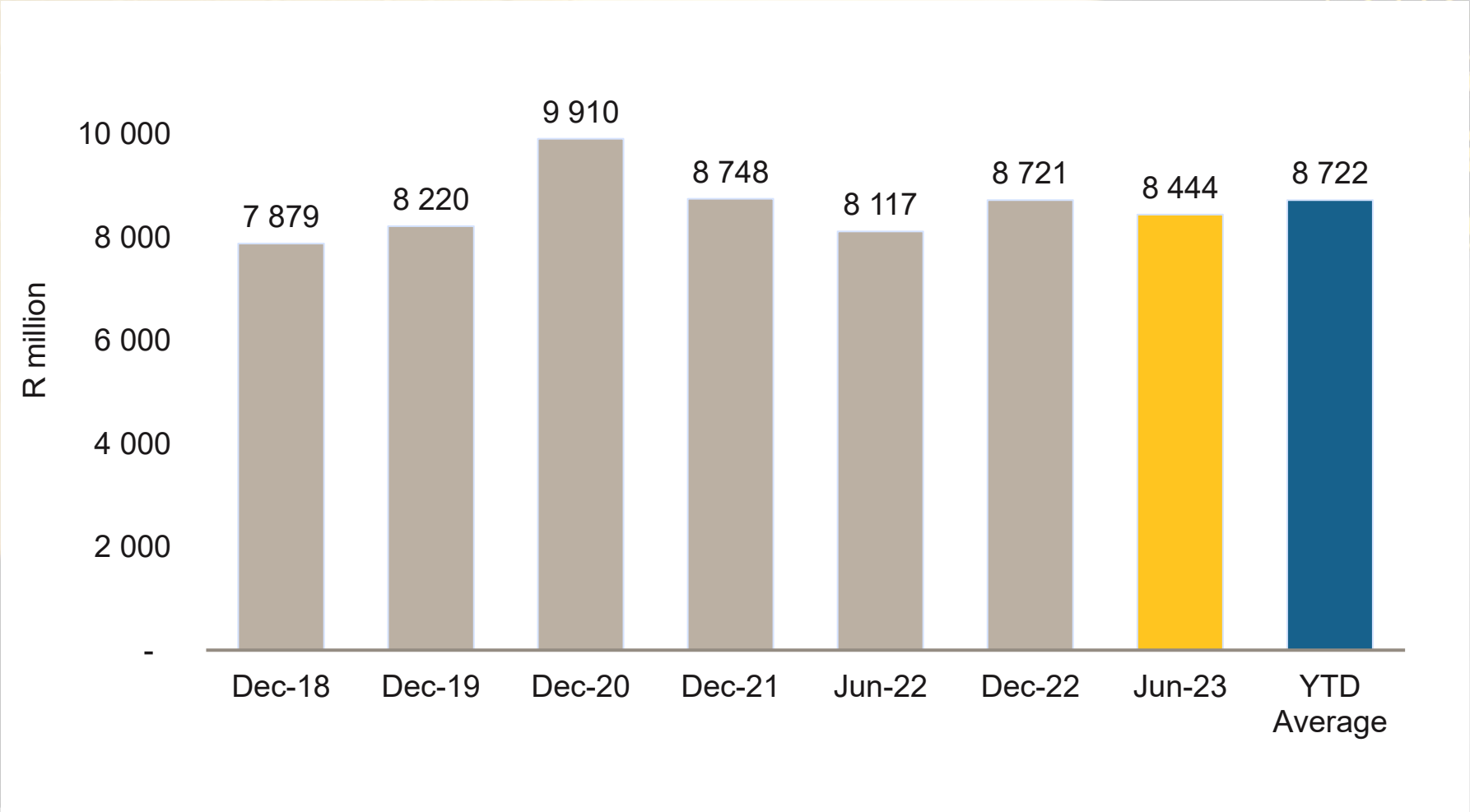
GROUP CONSOLIDATED ASSETS AT 30 JUNE 2023



- No significant change in investment mandates of key portfolios
- Subdebt portfolio increased by R500m

CONVENTIONAL INSURANCE

SIZE OF NET INSURANCE FUNDS

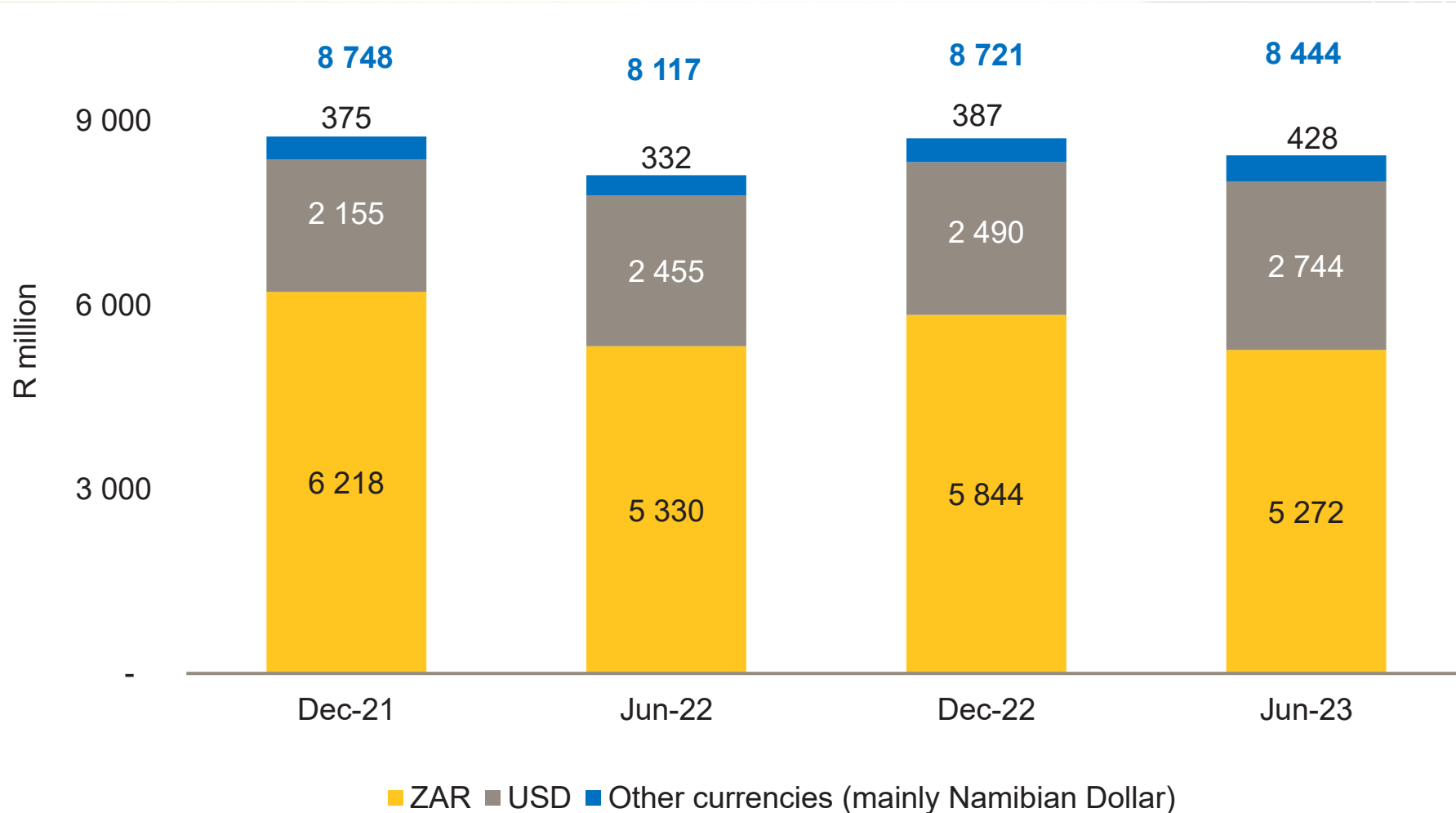


- Average float balance up 9.5% on 1H22
- Decrease since Dec 22 due to CBI and KZN settlements

CONVENTIONAL INSURANCE



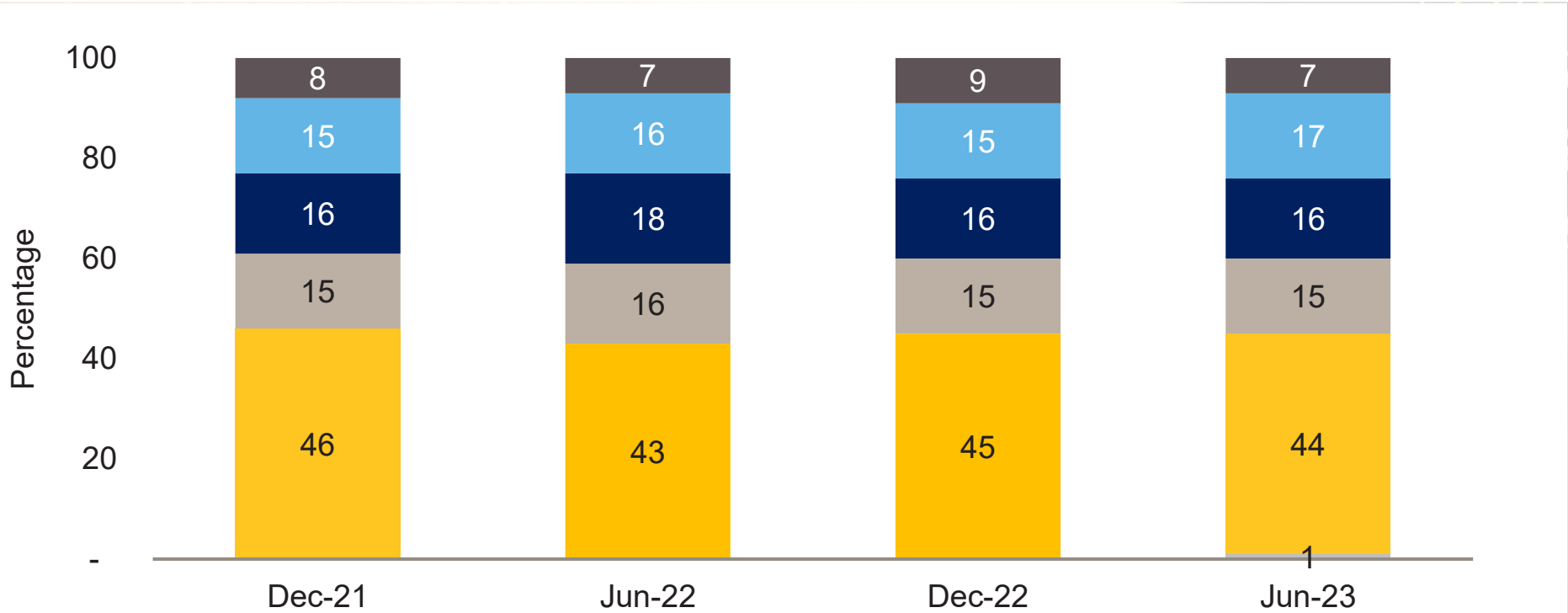
ASSETS BACKING NET INSURANCE FUNDS



- Settlement of CBI and KZN flood claims, as well as reserve releases, reduce ZAR float
- Weaker Rand exchange rate and Türkiye loss impacting US\$ component in ZAR

SHAREHOLDER FUNDS

ASSETS BACKING SHAREHOLDERS FUNDS



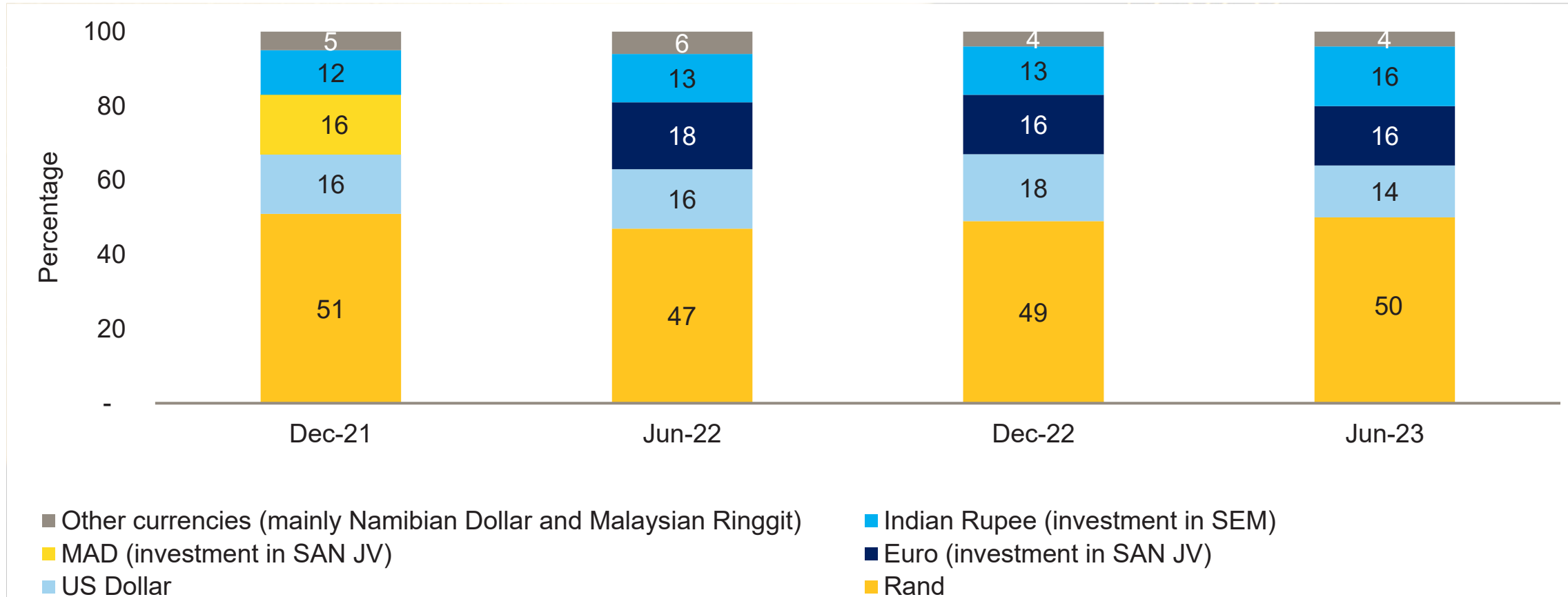
- Other assets
- Investment in SAN JV
- Interest-bearing instruments and preference shares
- SEM participation investments
- Listed equities
- Cash and money market instruments

- SEM participation investments mostly reflects economic interest in SGI
- Investment in SAN JV recognised at disposal value of Eur125m

SHAREHOLDER FUNDS



CURRENCY EXPOSURE



INVESTMENT RETURN



Investment return on insurance funds	Jun 2023 R'm	Jun 2022 R'm	Var %	Dec 2022 R'm
Conventional	319	30	963%	341
Alternative Risk Transfer	121	46	163%	219
Santam Group	440	76	479%	560

Shareholder investment return	Jun 2023 R'm	Jun 2022 R'm	Var %	Dec 2022 R'm
Conventional	723	129	460%	585
Alternative Risk Transfer	26	9	189%	36
Santam Group	749	138	443%	621

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



■ CAPITAL MANAGEMENT

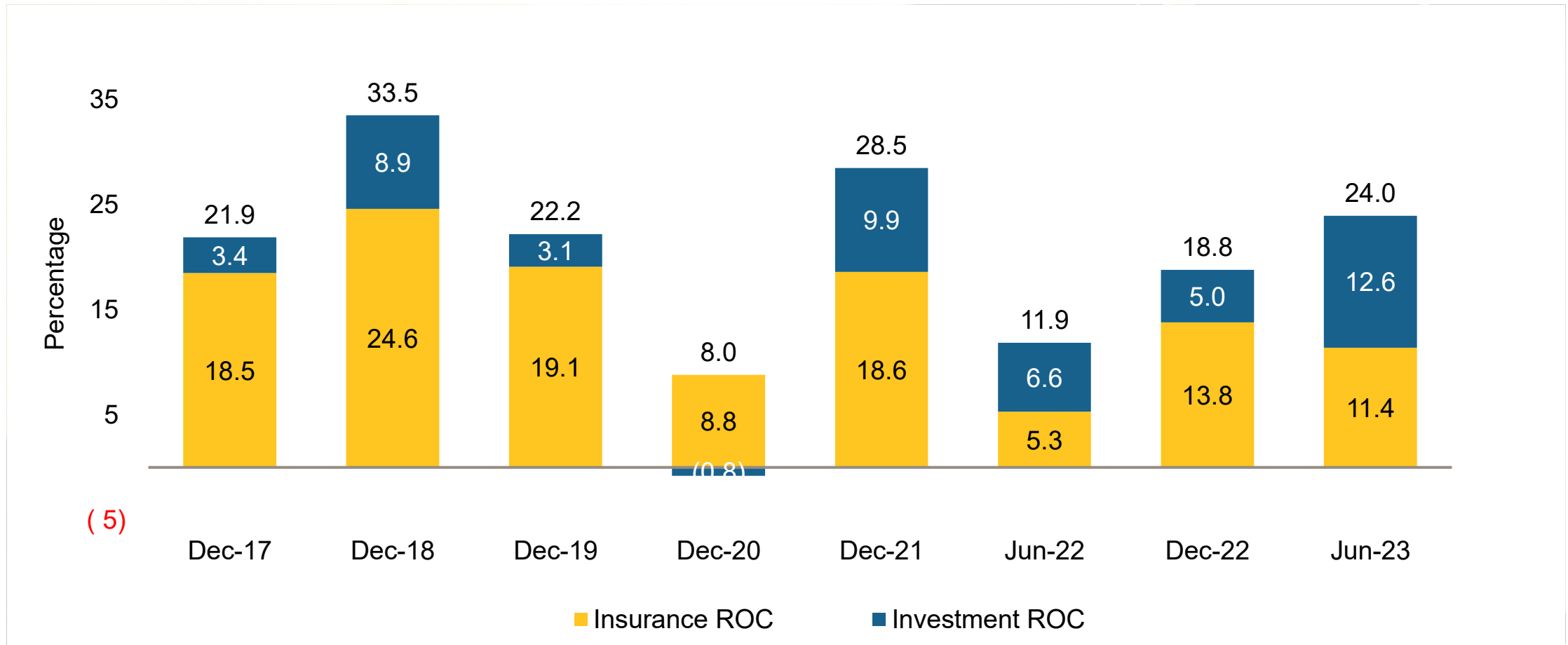
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RETURN ON CAPITAL



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

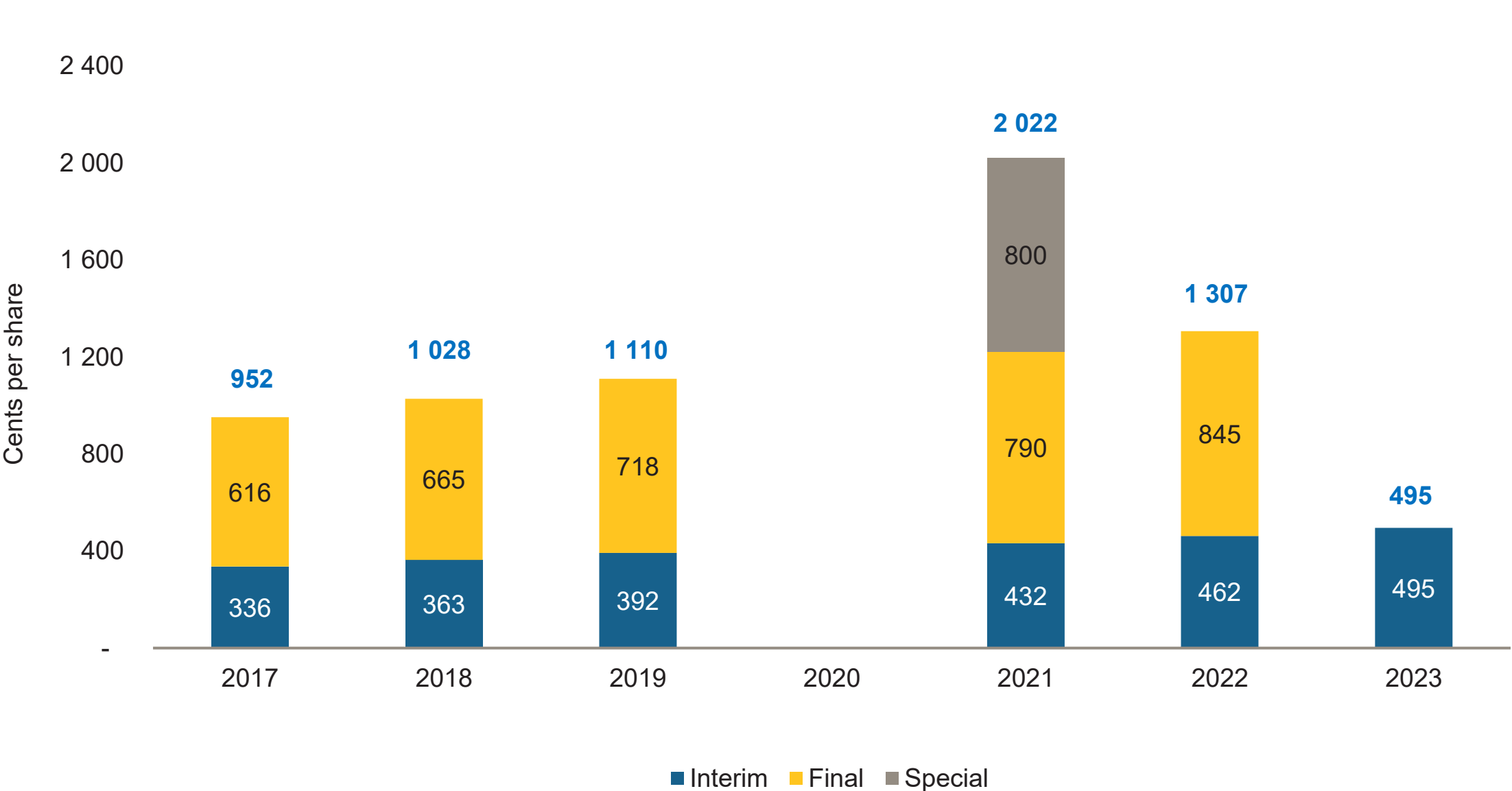


CAPITAL MANAGEMENT

- Group economic capital requirement based on the internal model **R8.7 billion** (Dec 2022: **R8.6 billion**)
- Current Group economic capital coverage ratio of **159%** (Dec 2022: **156%**)
- Regulatory internal model capital requirement is **R2.8 billion** lower than the standard formula capital requirement
- 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, an ordinary dividend of **495 cps** was declared that will reduce the economic capital coverage ratio to a level that remains well within the target band
- Disposal of SAN JV will generate discretionary capital – **special dividend** to be declared with quantum subject to capital requirements and solvency position at the time of declaration



DIVIDEND PER SHARE



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■ CLOSING REMARKS

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OUR ESG COMMITMENTS

SUPPORTING COMMUNITY RESILIENCE



POSITIVE IMPACT ON SOCIETY



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



ESG LEADERSHIP



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

DIVERSITY AND INCLUSION



Level 1 B-BBEE status

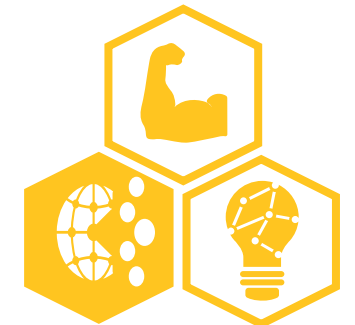
Appointed a **diverse leadership to execute** our new operating model focused on driving our new, refreshed FutureFit strategy



We invested **R160m** in companies that reduce long-term systemic risk through the **Santam Resilient Investment Fund**. The fund targets investments in companies that address ESG needs.



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



STRATEGIC PRIORITIES



FOCUS FOR THE REST OF THE YEAR



Continue to implement corrective underwriting actions where necessary



Continue to roll out data use cases and drive geo-coding of our book



Continue to drive profitable growth in MiWay through the new strategic growth vectors



The MTN device book key driver for growth in untapped market segments



Drive closer collaboration with Sanlam and leverage the large customer base



Complete climate risks assessments in line with ISSB/TCFD



QUESTIONS?

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THANK YOU

Santam is an authorised financial services provider (FSP 3416),
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santam