



ANALYST PRESENTATION 2018

Financial results for the year ended
31 December 2018

Presented by
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CONTENTS

The Santam business portfolio

Market context

Financial results

Capital management

Group strategy and priorities



THE SANTAM BUSINESS PORTFOLIO

Santam Commercial and Personal

Our multi-channel insurance business in South Africa and Namibia

- Intermediated
- Strategic partnerships
- Direct

Santam Specialist

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

- Agri
- Niche
- Centriq
- SSI

MiWay

Our direct insurance business in South Africa

- Personal
- Business
- Life

Santam re

Our reinsurance business in South Africa and international markets

- Group
- Non-group

Santam's Emerging Markets Investments

Our investments in emerging markets

- Africa
- India
- SE Asia

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 Santam Commercial and Personal, Santam Specialist (niche and agriculture business), credit insurance written by Santam Structured Insurance (SSI), Santam re and MiWay
Alternative risk transfer insurance	Alternative risk transfer insurance business written on insurance licences of Centriq and SSI
Sanlam Emerging Markets (SEM) partner businesses	Santam's share of the insurance results of the SEM general insurance businesses, including SAN JV (Saham Finances)

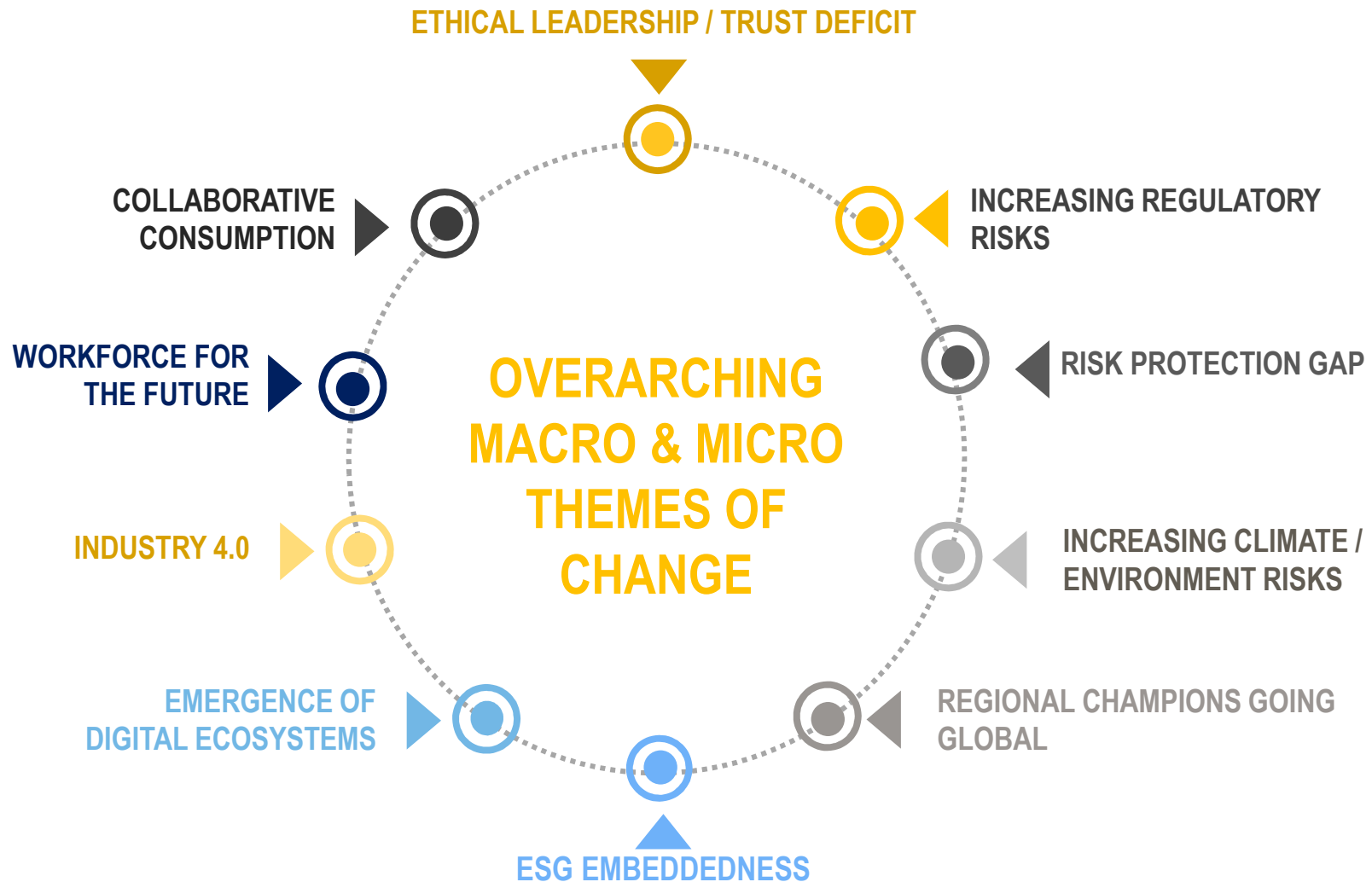


MARKET CONTEXT

INSURANCE MARKET



10 material drivers of change over the medium term



INSURANCE MARKET

Outlook to 2020



All markets

- Intense competition, marked impact of technology / insurtech
- New business models and non-traditional competitors emerging, with incumbents remaining strong
- Changing client behaviour and expectations par for the course
- Intensifying extreme weather events
- Business positioning as “positive impact” and “human” brands
- Low general insurance penetration offers opportunity and concern - rising risk protection gap

INSURANCE MARKET

Outlook to 2020



In South Africa

- Economic growth subdued, more positive, yet rising unemployment remains concerning
- Improved political environment over last two years
- Increased pressure for transformative / inclusive policies; financial inclusion and access will remain high on the agenda
- Municipal service delivery remain concerning, as does SOE viability, impact of extreme weather events and the skills deficit



FINANCIAL RESULTS

REPORTING ENVIRONMENT



REPORTED RESULTS AFFECTED BY:

Insurance events

- Absence of significant catastrophe events in contrast with Knysna fire and Gauteng / KZN storms in 2017
- Fewer commercial fire claims
- Liability business negatively impacted by Listeriosis outbreak as well as estimate adjustments on previously reported claims

Exchange rate volatility

- Significant Rand weakness in December 2018 resulted in foreign currency gains of R376 million (2017: losses of R116 million)

EXCHANGE RATE VOLATILITY



CURRENCY	CLOSING RATES		MOVEMENT	AVERAGE RATES		MOVEMENT
	2018	2017	%	2018	2017	%
United States Dollar	14.39	12.34	16.6%	13.17	13.24	(0.5%)
Pound Sterling	18.32	16.61	10.3%	17.60	17.13	2.7%
Moroccan Dirham	1.51	1.32	14.4%	1.42	1.37	3.6%
Malaysian Ringgit	3.49	3.07	13.7%	3.28	3.11	5.5%
Indian Rupee	0.21	0.19	10.5%	0.19	0.21	(9.5%)

SANTAM 2018



Key facts

- Group gross written premium growth of **11%** (conventional insurance: **7%**)
- Underwriting margin of **9.2%** (2017: **6.0%**) for conventional insurance business
- Headline earnings per share increased by **47%**
- Return on capital of **31.8%**
- Economic capital coverage ratio of **159%**
- Final dividend of **665 cps**, up **8%**





CONVENTIONAL INSURANCE

CONVENTIONAL INSURANCE



Net insurance result

	2018 R'm	% of NEP	2017 R'm	% of NEP	2018/ 2017	5Yr ave %	10Yr ave %
Gross written premium	27 711		25 853		7%	8.3	8.5
Net earned premium	22 371	100.0	20 893	100.0	7%	100.0	100.0
Net claims incurred	13 499	60.4	13 753	65.9	(2%)	63.1	65.1
Net acquisition cost	6 806	30.4	5 880	28.1	16%	28.8	28.1
Net underwriting result	2 066	9.2	1 260	6.0	64%	8.1	6.8
Investment return on insurance funds	532	2.4	584	2.8	(9%)	2.6	2.6
Net insurance result	2 598	11.6	1 844	8.8	41%	10.7	9.4
Combined ratio		90.8		94.0		91.9	93.2

CONVENTIONAL INSURANCE



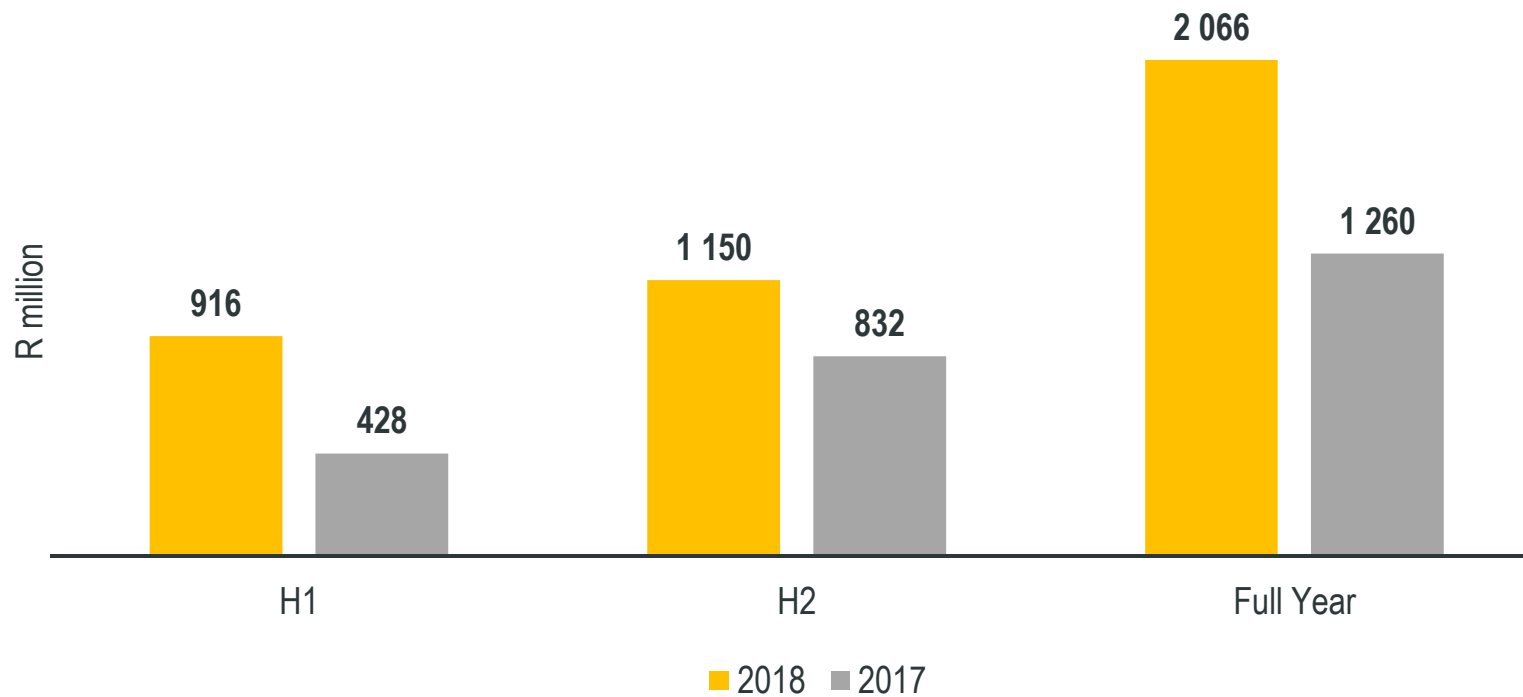
Net insurance results (H1 vs H2)

% of NEP	H1	H2	FULL YEAR 2018
Net earned premium	100.0	100.0	100.0
Net claims incurred	62.0	58.7	60.4
Net acquisition cost	29.6	31.3	30.4
Net underwriting margin	8.4	10.0	9.2
Investment return on insurance funds	2.4	2.4	2.4
Net insurance margin	10.8	12.4	11.6
Combined ratio	91.6	90.0	90.8

CONVENTIONAL INSURANCE



Net underwriting results (H1 vs H2)

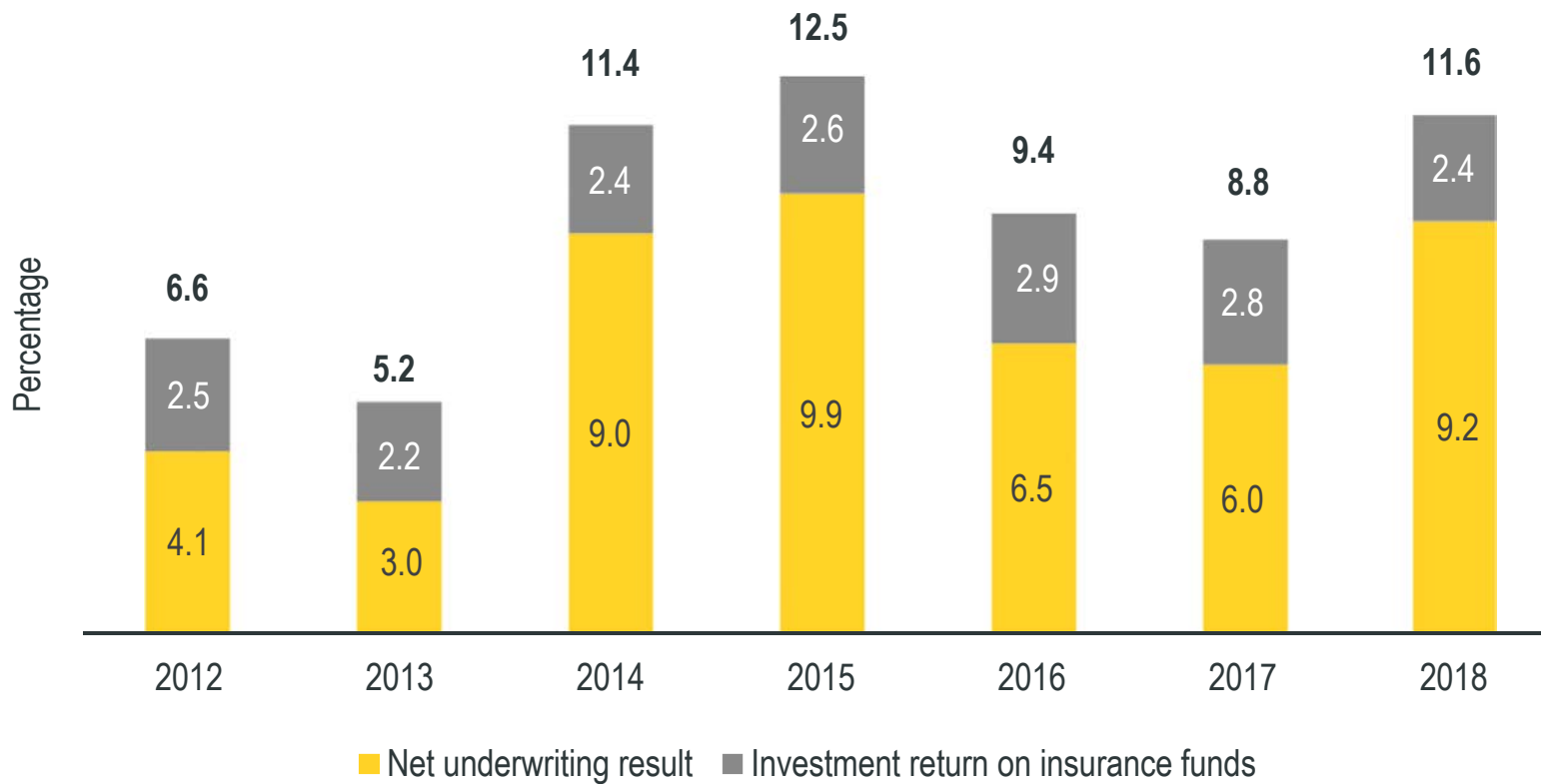


CONVENTIONAL INSURANCE



Net insurance result

AS % OF NET EARNED PREMIUM

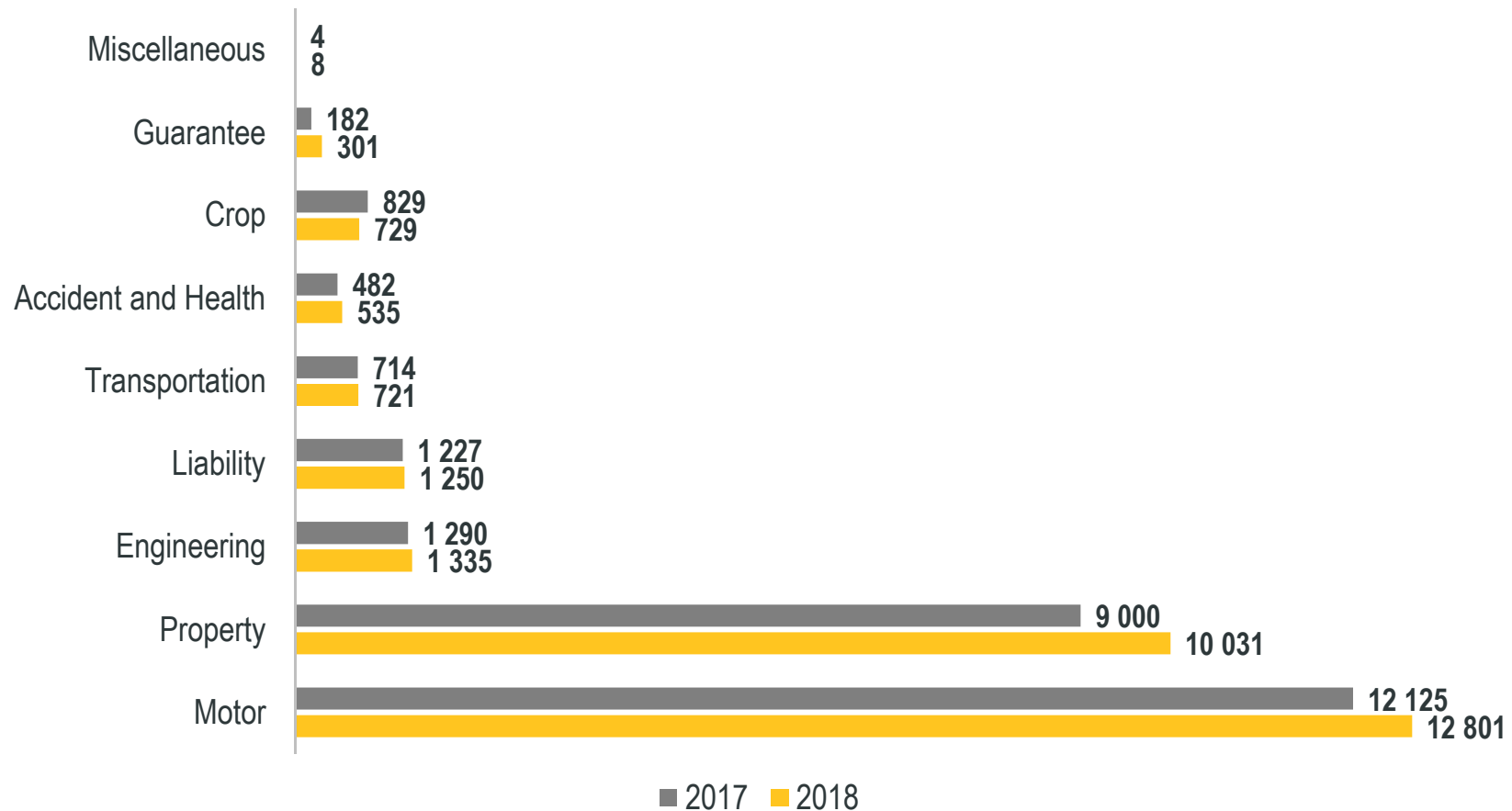


CONVENTIONAL INSURANCE



Gross written premium

PER INSURANCE CLASS (R MILLION)

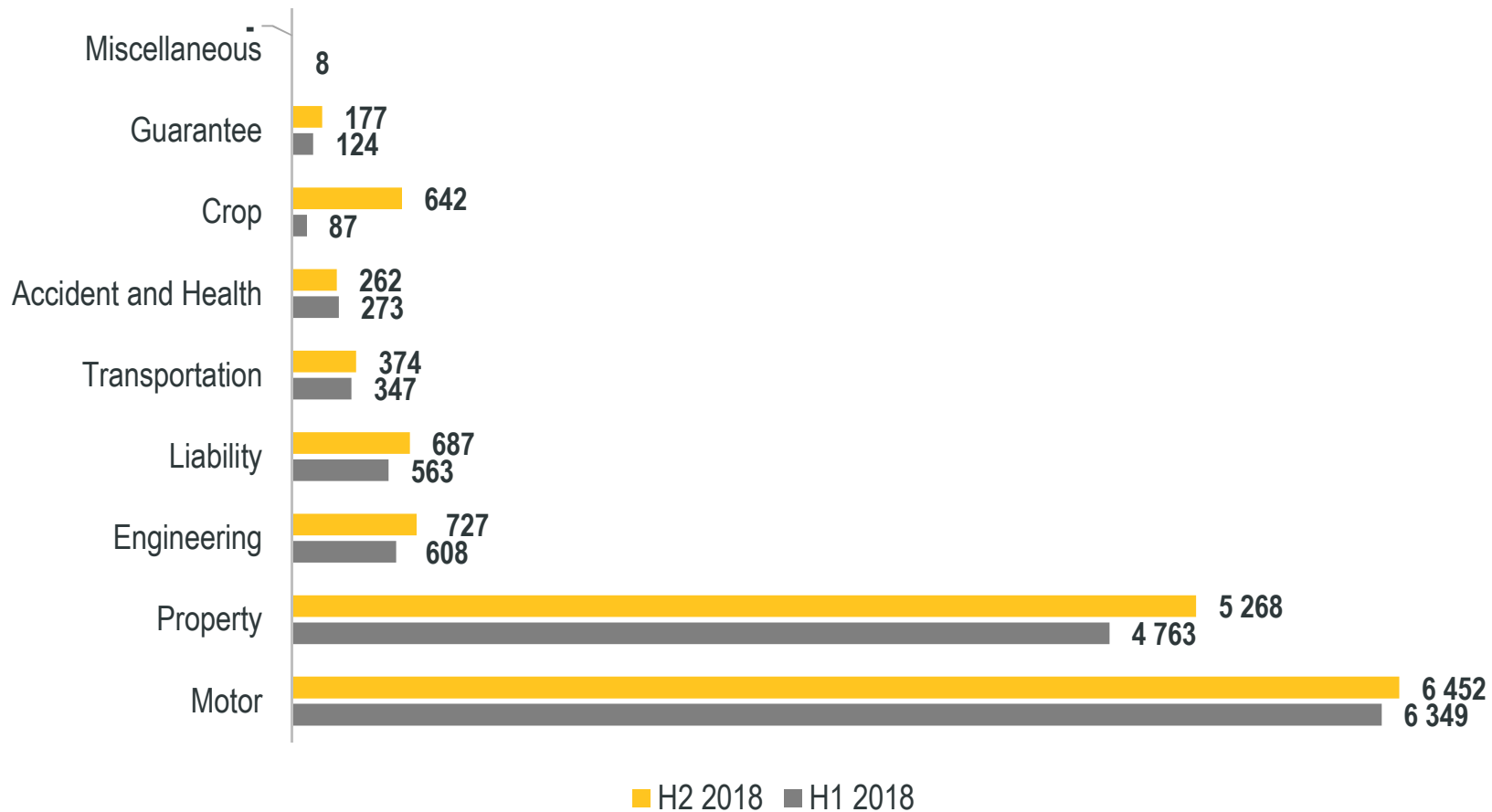


CONVENTIONAL INSURANCE



Gross written premium (H1 vs H2)

PER INSURANCE CLASS (R MILLION)

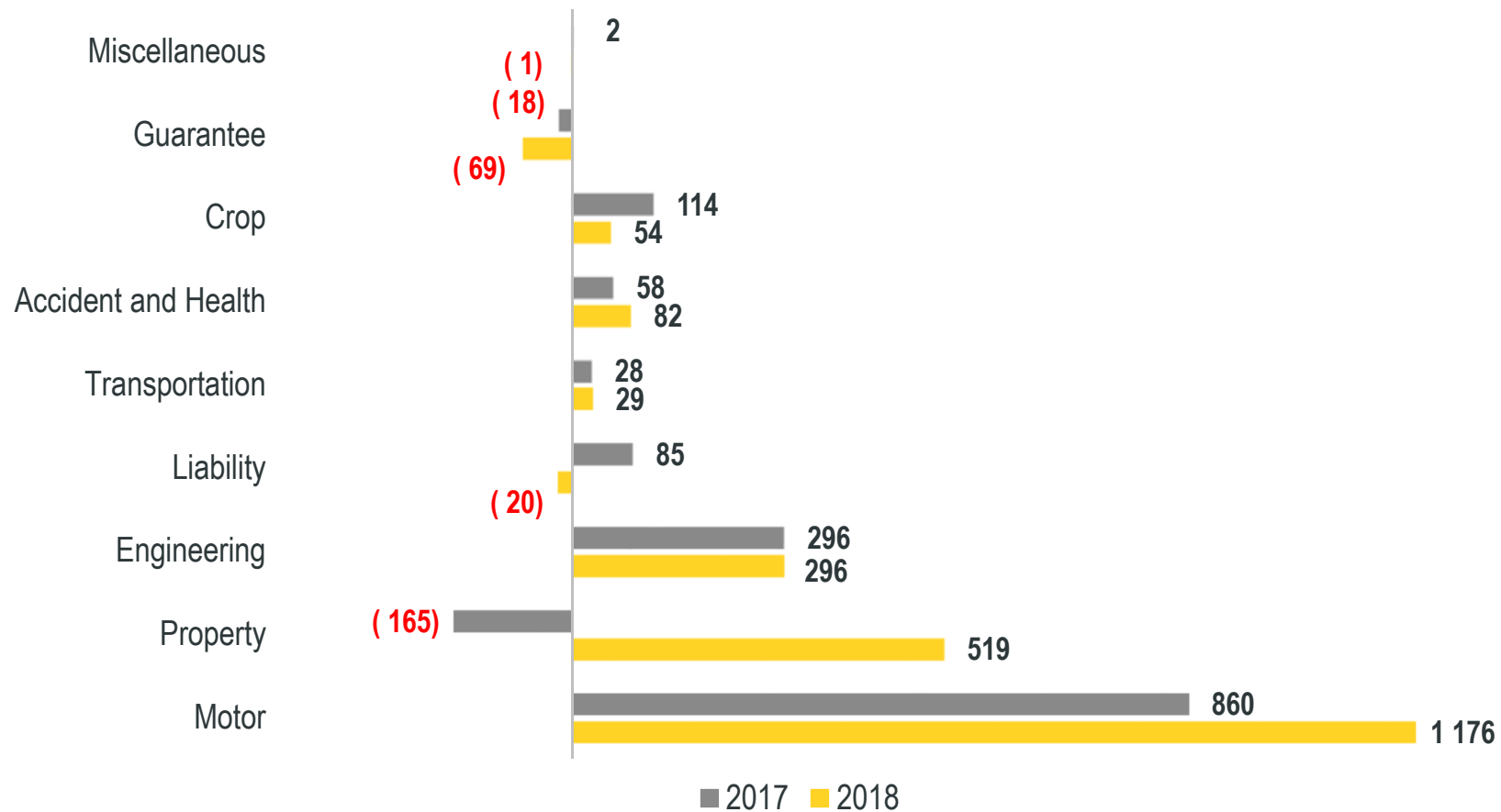


CONVENTIONAL INSURANCE



Net underwriting surplus

PER INSURANCE CLASS (R MILLION)

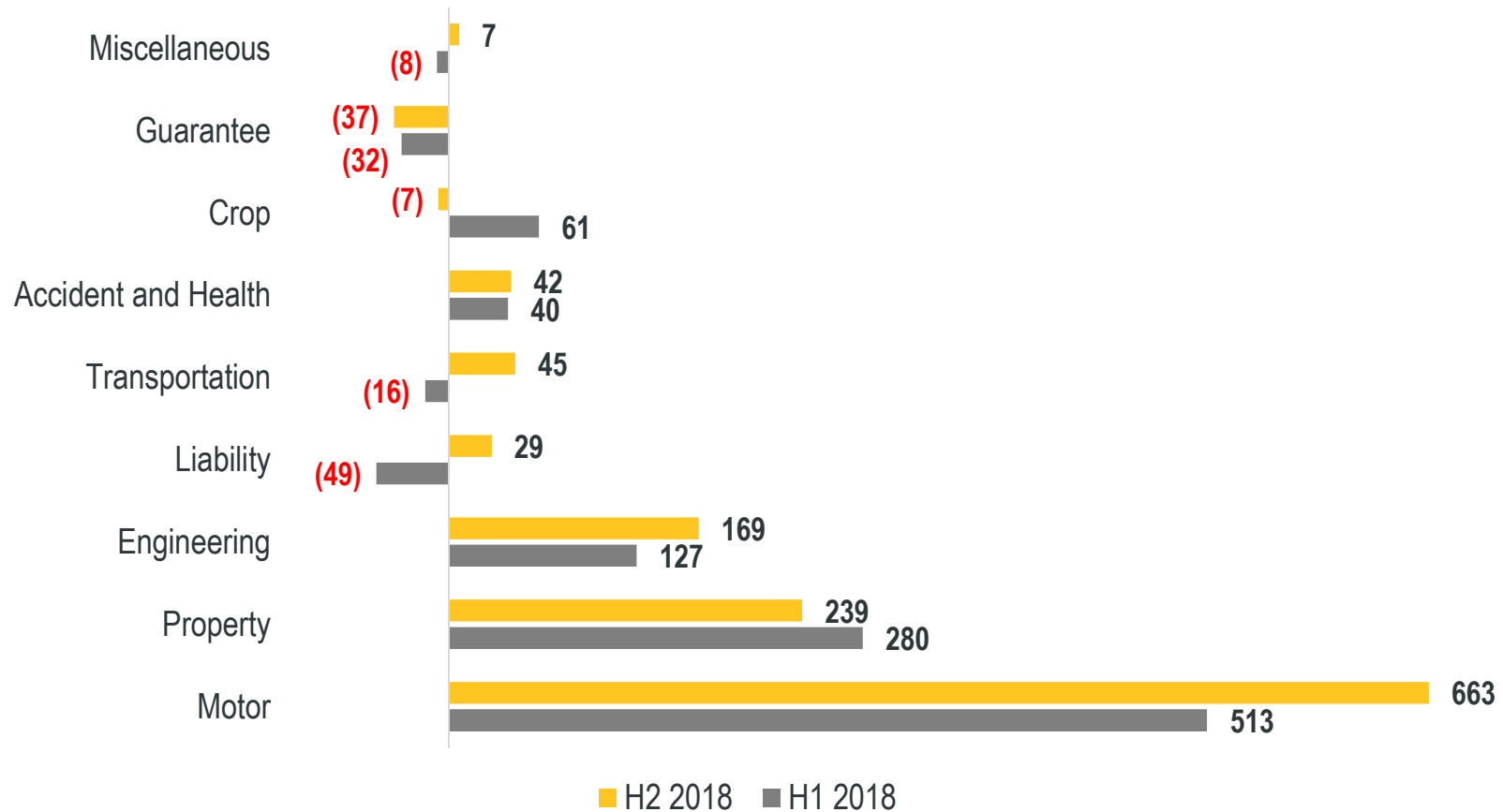


CONVENTIONAL INSURANCE



Net underwriting surplus (H1 vs H2)

PER INSURANCE CLASS (R MILLION)

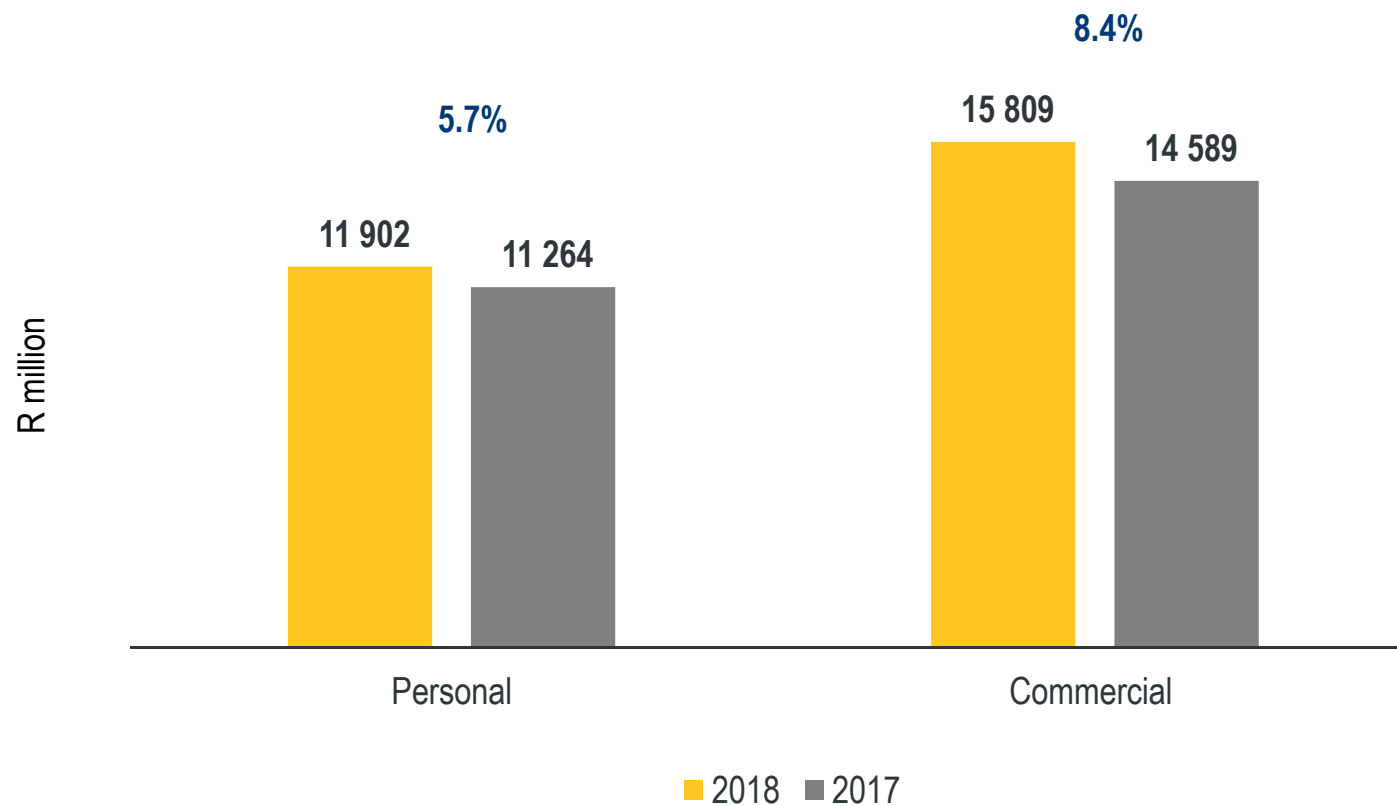


CONVENTIONAL INSURANCE



Segmental analysis

GROSS WRITTEN PREMIUM – PERSONAL AND COMMERCIAL

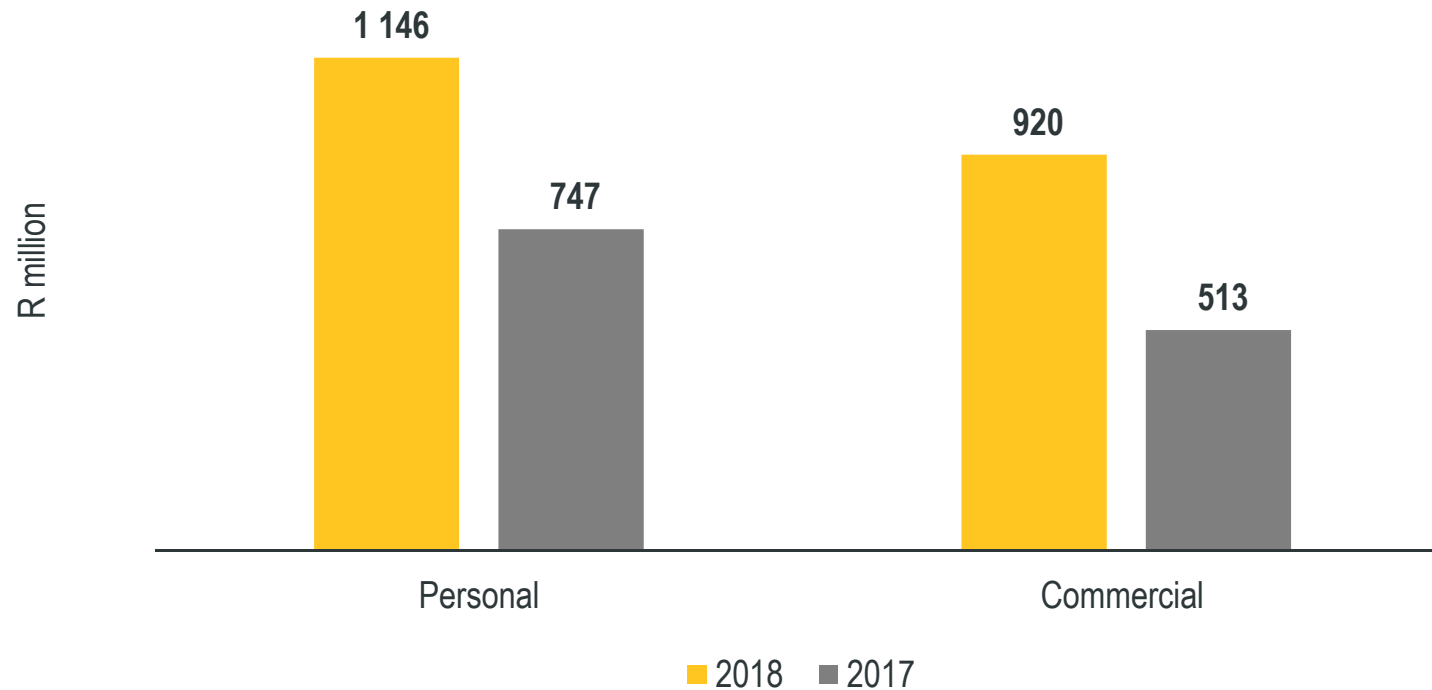


CONVENTIONAL INSURANCE

Segmental analysis



NET UNDERWRITING RESULT – PERSONAL AND COMMERCIAL

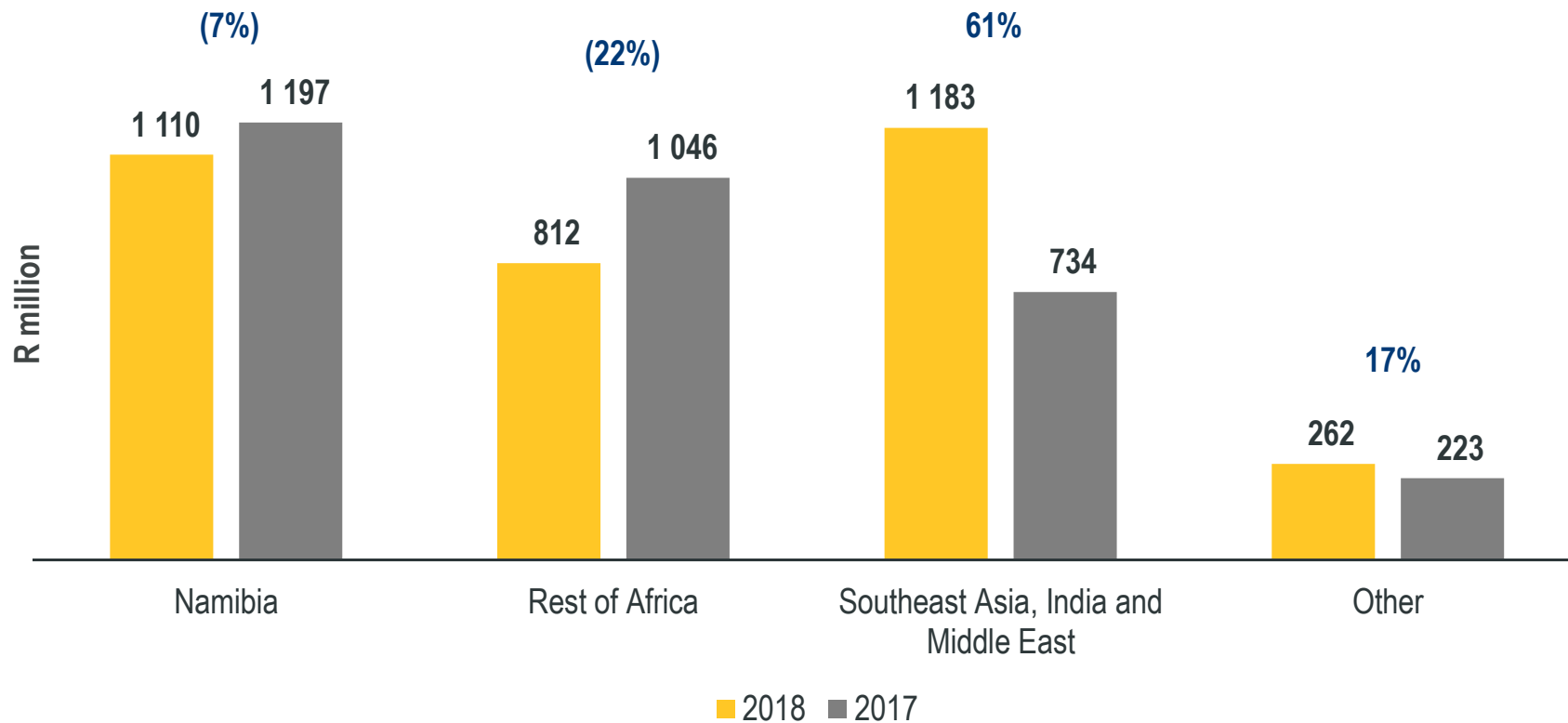


CONVENTIONAL INSURANCE



Gross written premium

FROM OUTSIDE SOUTH AFRICA



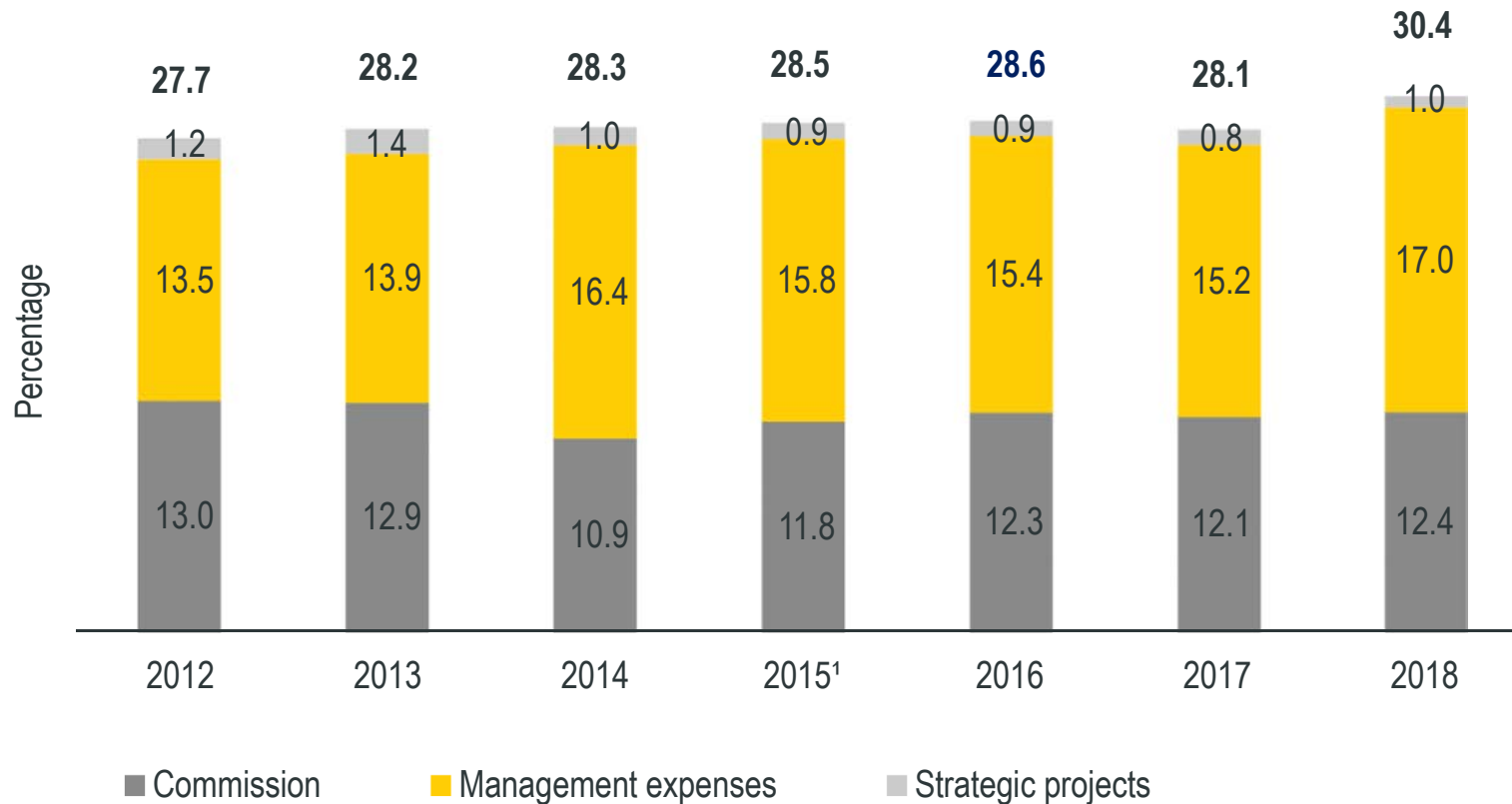
Excludes Santam's share of the gross written premium derived from its SEM partner businesses (including Saham Finances)
"Other" includes Santam re participations which are mainly originating from Europe

CONVENTIONAL INSURANCE



Acquisition cost ratio

AS % OF NET EARNED PREMIUM



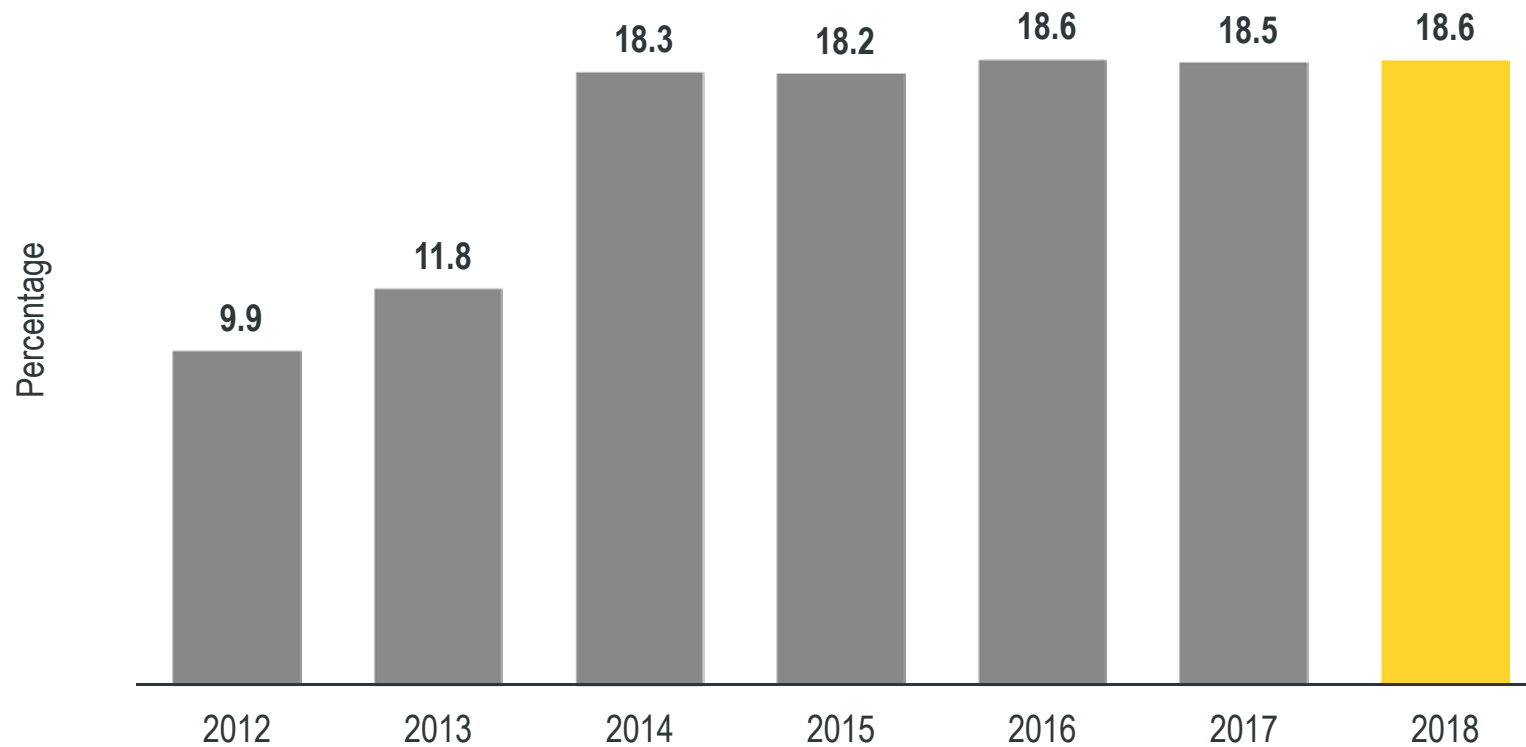
¹) 2015 excludes the impact of Indwe

CONVENTIONAL INSURANCE



Reinsurance

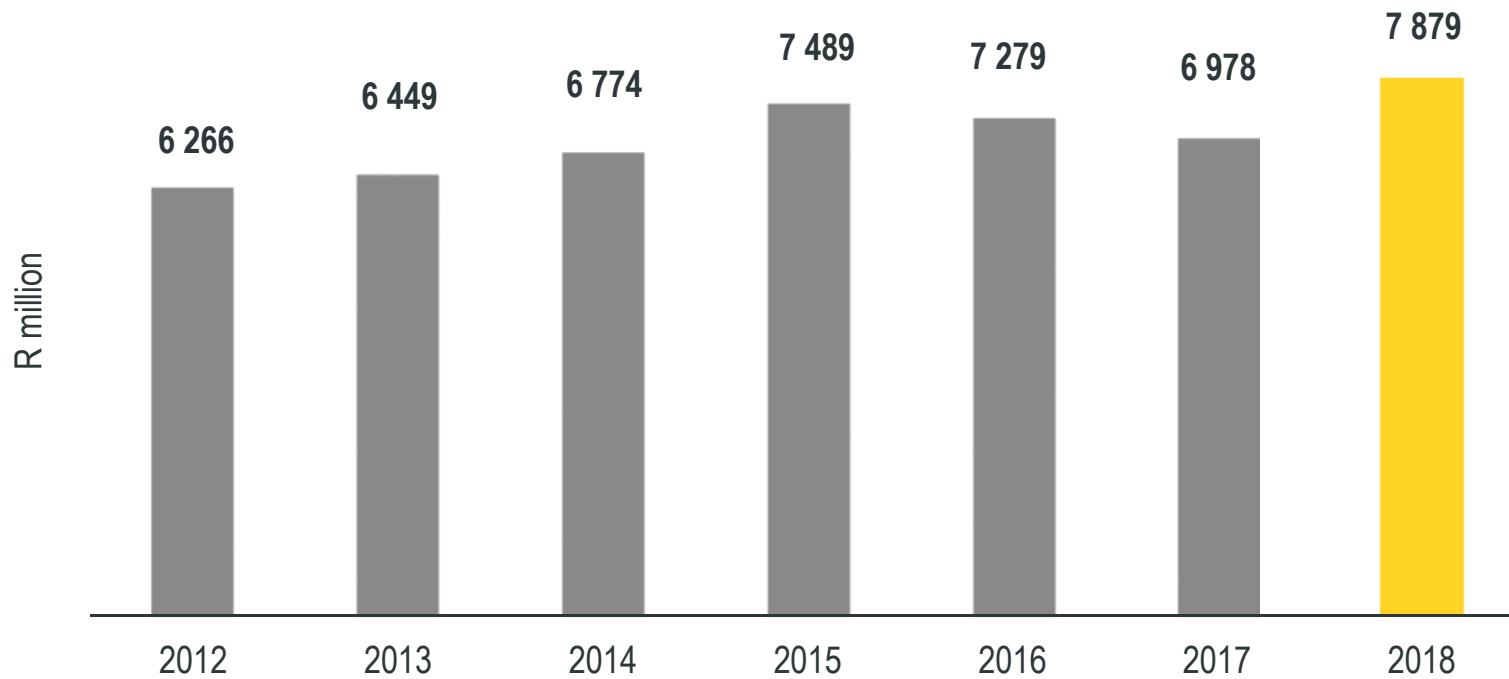
AS % GROSS EARNED PREMIUM



CONVENTIONAL INSURANCE



Size of net insurance funds

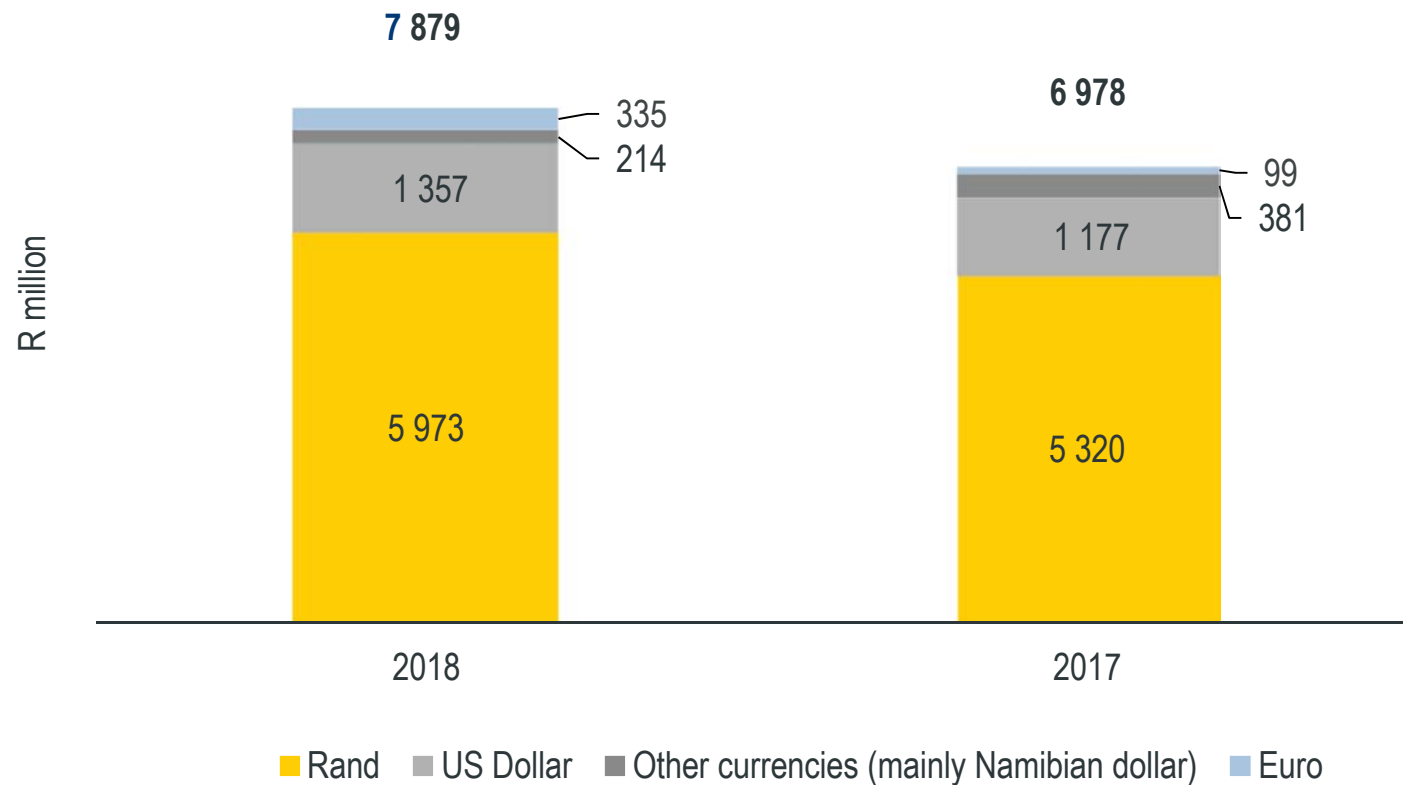


CONVENTIONAL INSURANCE



Assets backing net insurance funds

CURRENCY MIX



CONVENTIONAL INSURANCE



MiWay

	2018	2017	CHANGE
Gross written premium (R'm)	2 496	2 319	7.6%
Gross underwriting result, net of CAT recoveries (R'm)	334	317	5.4%
Gross claims incurred ratio, net of CAT recoveries	55.2%	56.9%	
Gross acquisition cost ratio	31.3%	29.3%	
Gross underwriting margin	13.5%	13.8%	
Number of clients*	315 461	295 279	6.8%

* Excluding value added products



ALTERNATIVE RISK TRANSFER

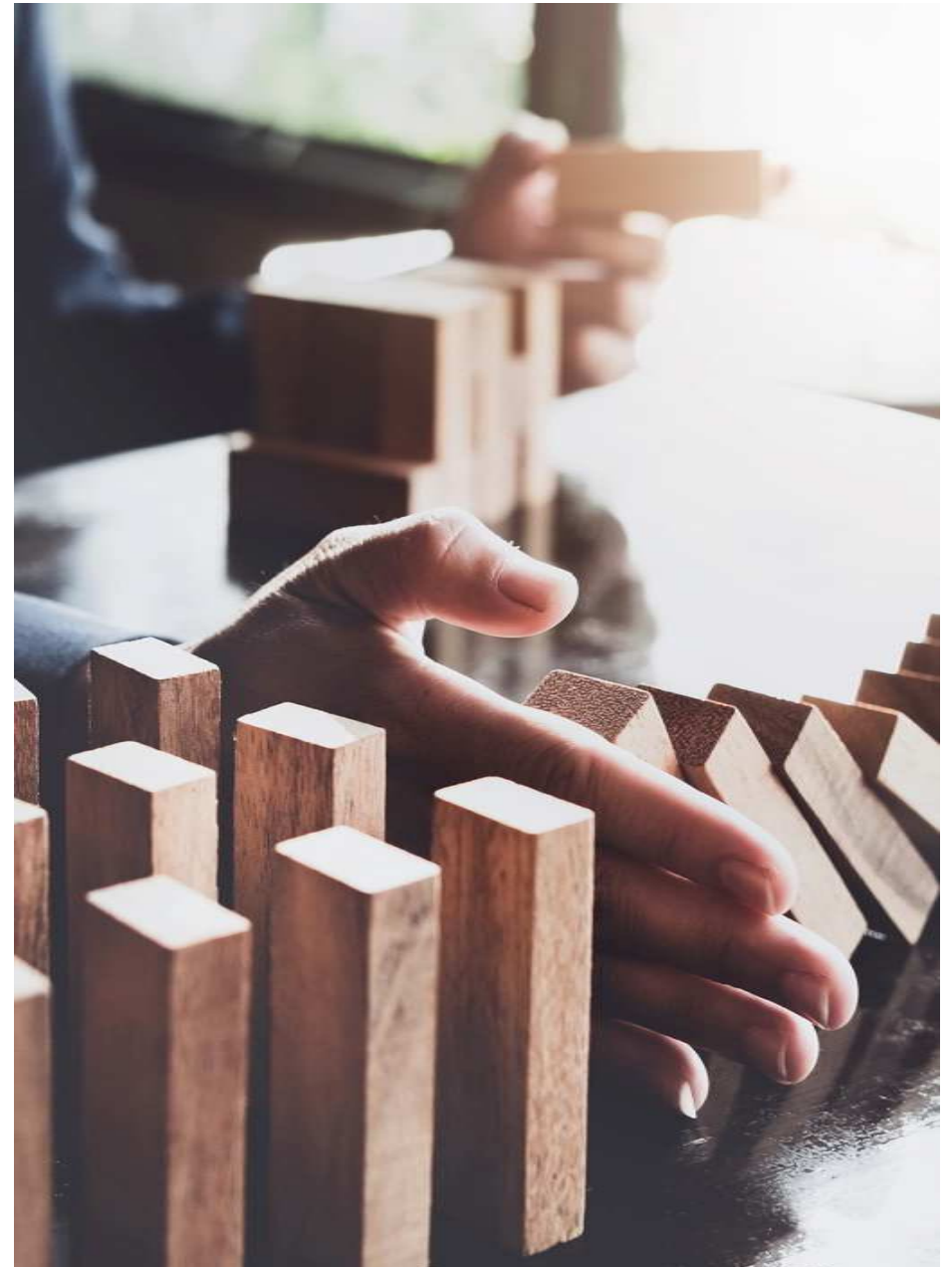
ALTERNATIVE RISK TRANSFER INSURANCE (ART)

Includes the results from:

- Centriq Insurance
- Santam Structured Insurance, excluding credit insurance business (acquired March 2017)

Types of business

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



ALTERNATIVE RISK TRANSFER



Centriq

	2018 R'm	2017 R'm	2018/ 2017
Gross written premium	4 099	2 799	46%
Net insurance result	61	83	
Investment income	38	15	
Income from associates	-	6	
Profit before tax	99	104	

ALTERNATIVE RISK TRANSFER



Santam Structured Insurance (SSI) (excluding credit insurance)

	2018 R'm	2017 R'm	2018/ 2017
Gross written premium	1 350	1 068	26%
Net insurance result	35	7	
Investment income	29	18	
Income from associates	-	(3)	
Profit before tax	64	22	

ALTERNATIVE RISK TRANSFER



Combined operating result

	2018 R'm	2017 R'm	2018/ 2017
Gross written premium	5 398	3 867	40%
Net insurance result	96	84	
Investment income	67	33	
Income from associates	-	3	
Profit before tax	163	120	



SEM PARTNER BUSINESSES

SEM PARTNER BUSINESSES

Saham Finances

- Effective interest of 10% held through SAN JV
- Operates in 26 countries in Africa and the Middle East
- Main insurance business:
 - Morocco
 - Lebanon
 - Ivory Coast
 - Angola
 - Mauritius

SEM participation investments

- SGI (India)
- P&O (Malaysia)
- 12 investments in African partner businesses



SEM PARTNER BUSINESSES



	DOMICILE	SANTAM EFFECTIVE HOLDING DEC 2018	SANTAM EFFECTIVE HOLDING DEC 2017
SAN JV (Saham Finances)	Morocco	10.0	7.0
Pacific and Orient Insurance Company Berhad	Malaysia	15.4	15.4
Shriram General Insurance Company Ltd	India	15.0	15.0
BIHL Insurance Company Ltd	Botswana	21.2	21.2
NICO Holdings general insurance subsidiaries	Malawi and Zambia	19.8	19.8
Sanlam General Insurance (Uganda) Ltd	Uganda	28.6	28.6
Sanlam General Insurance (Tanzania) Ltd	Tanzania	17.4	17.4
SORAS Assurances Générales Ltd	Rwanda	26.1	26.1
SOCAR s.a. Burundi	Burundi	8.6	8.6
FBN General Insurance Ltd	Nigeria	12.3	12.3
Sanlam General Insurance Ltd	Kenya	13.7	13.7
Botswana Insurance Company Ltd	Botswana	10.3	10.3
Zimnat Lion Insurance Company Ltd	Zimbabwe	14.0	14.0
Grand Reinsurance Company (Private) Ltd	Zimbabwe	14.0	14.0

SEM GENERAL INSURANCE (EXCLUDING SAHAM)



Analysis of Santam's share of net insurance result before taxation and minorities

	2018 R'm	% of NEP	2017 R'm	% of NEP	2018/ 2017
Gross written premium	1 265		1 267		0%
Net earned premium	923	100.0	881	100.0	5%
Net claims incurred	679	73.6	723	82.1	(6%)
Net acquisition costs	297	32.2	266	30.2	12%
Net underwriting result	(53)	(5.7)	(108)	(12.3)	(51%)
Investment return on insurance funds	183	19.8	234	26.6	(22%)
Net insurance result	130	14.1	126	14.3	3%

SAHAM FINANCES



Analysis of 100% of Saham Finances' operating result before taxation and minorities

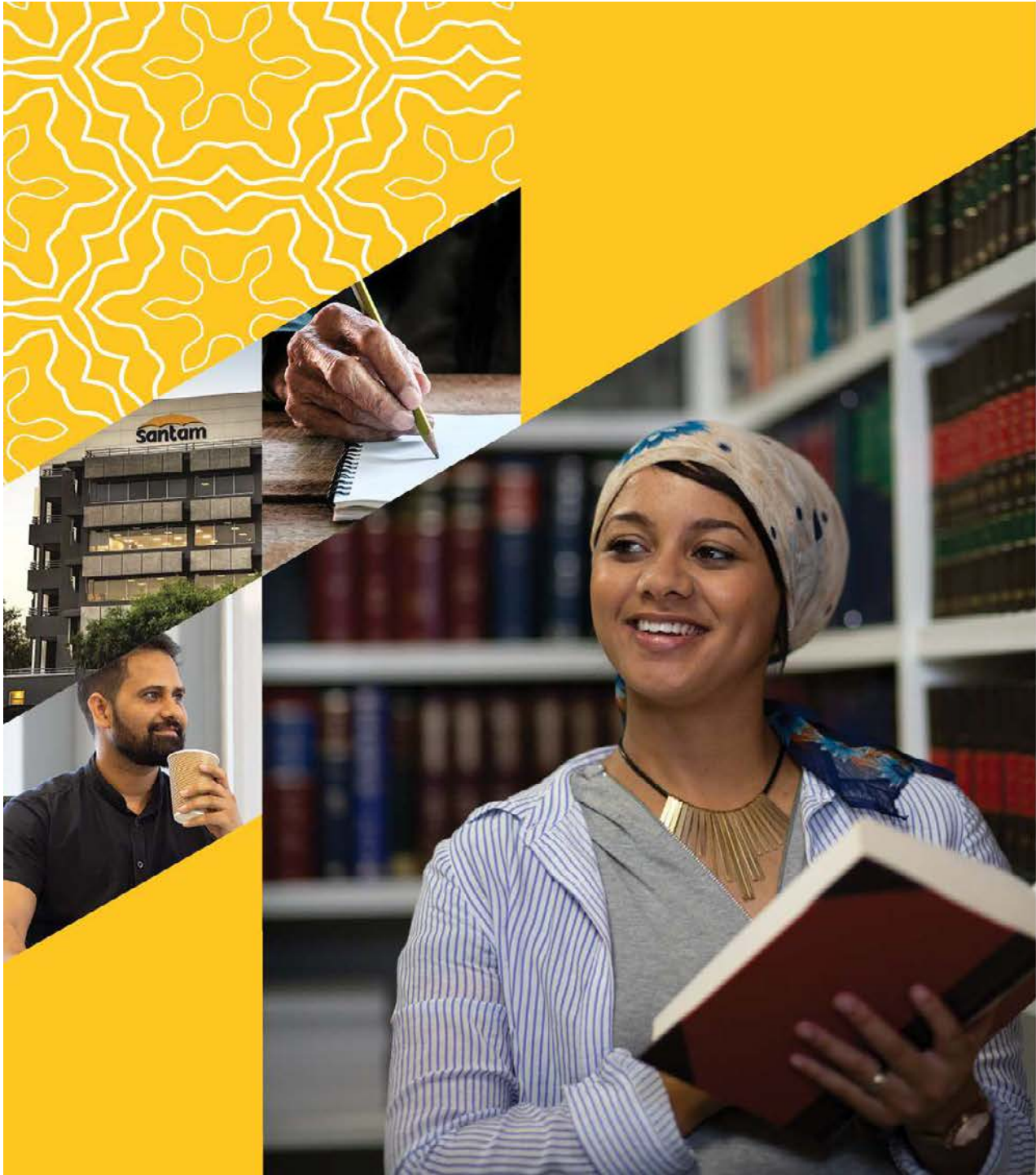
	2018 R'm	% of NEP	2017 R'm	% of NEP	2018/ 2017
Gross written premium	16 569		15 975		4%
Net earned premium	13 843	100.0	12 723	100.0	9%
Net claims incurred	9 448	68.3	8 537	67.1	11%
Net acquisition costs	4 099	29.6	3 861	30.3	6%
Net underwriting result	296	2.1	325	2.6	(9%)
Investment return on insurance funds	951	6.9	1 734	13.6	(45%)
Non-insurance earnings	52	0.4	116	0.9	(55%)
Operating result before taxation and minorities	1 299	9.4	2 175	17.1	(40%)

SAHAM FINANCES



Analysis of 100% of Saham Finances' normalised comprehensive income

R million	2018	2017
Comprehensive income	578	1 282
Operational adjustments	68	-
Prior year tax adjustment	49	-
Post-acquisition incentives	28	-
Profit on disposal of subsidiary	(80)	-
Net reduction in funding cost post acquisition	71	-
Investment market volatility	387	(271)
Marked-to-market adjustments – return on insurance funds	86	(371)
Marked-to-market adjustments – net investment return	123	215
One-off currency gains and losses	178	(115)
Normalised comprehensive income	1 033	1 011



SANTAM GROUP

SANTAM GROUP



Net insurance result

R million	2018	2017	CHANGE
Conventional insurance	2 598	1 844	41%
Alternative risk transfer insurance	96	84	14%
SEM partner businesses	283	244	16%
INSURANCE OPERATING RESULT	2 977	2 172	30%
SEM partner businesses	(283)	(244)	
INSURANCE OPERATING RESULT BEFORE MINORITIES AND TAXATION	2 694	1 928	40%

SANTAM GROUP

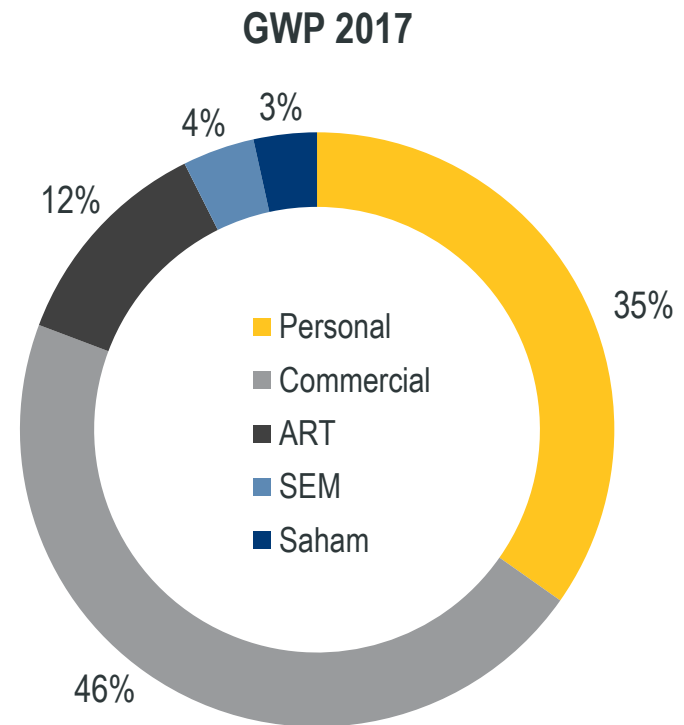
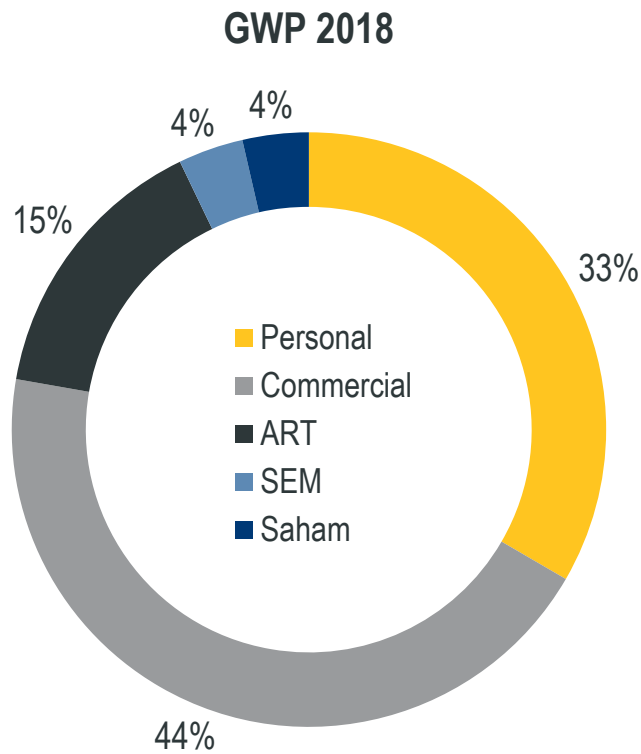


Reconciliation to headline earnings

R million	2018	2017	CHANGE
Net profit attributable to ordinary shareholders	2 427	1 667	46%
Per share	2 198	1 511	
Impairment of goodwill and other intangible assets	-	8	
Impairment of associates and joint ventures	12	3	
Profit on disposal of associate (net of tax)	(27)	(3)	
Share of associates' profit on deemed disposal	(164)	-	
Loss/(gain) on dilution of associate	88	(18)	
Reclassification of foreign currency translation reserve on dilution of associate	(19)	90	
Foreign currency translation reserve reclassified to profit and loss	-	(175)	
Headline earnings	2 317	1 572	47%
Per share	2 099	1 425	

GROWTH DIVERSIFICATION

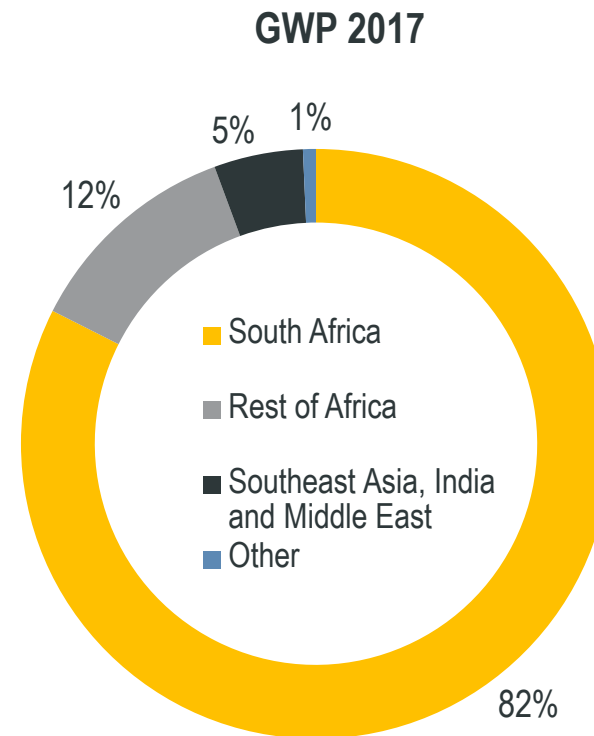
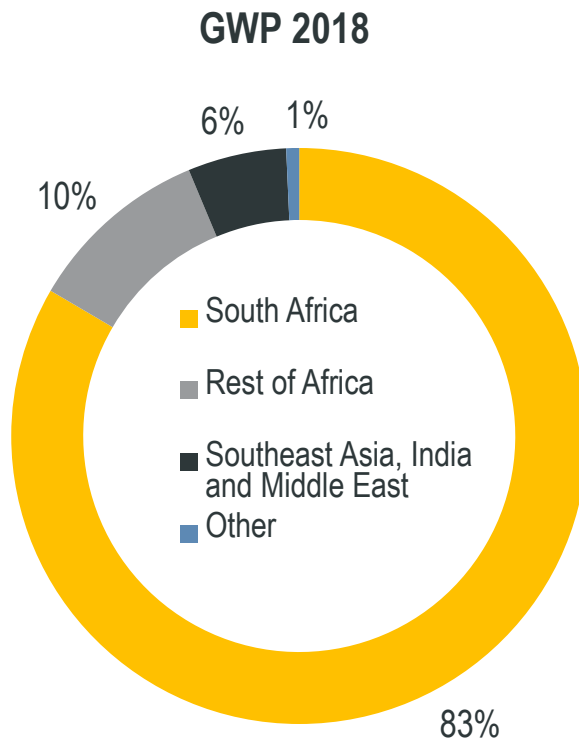
Including SEM partner businesses



GEOGRAPHIC DIVERSIFICATION



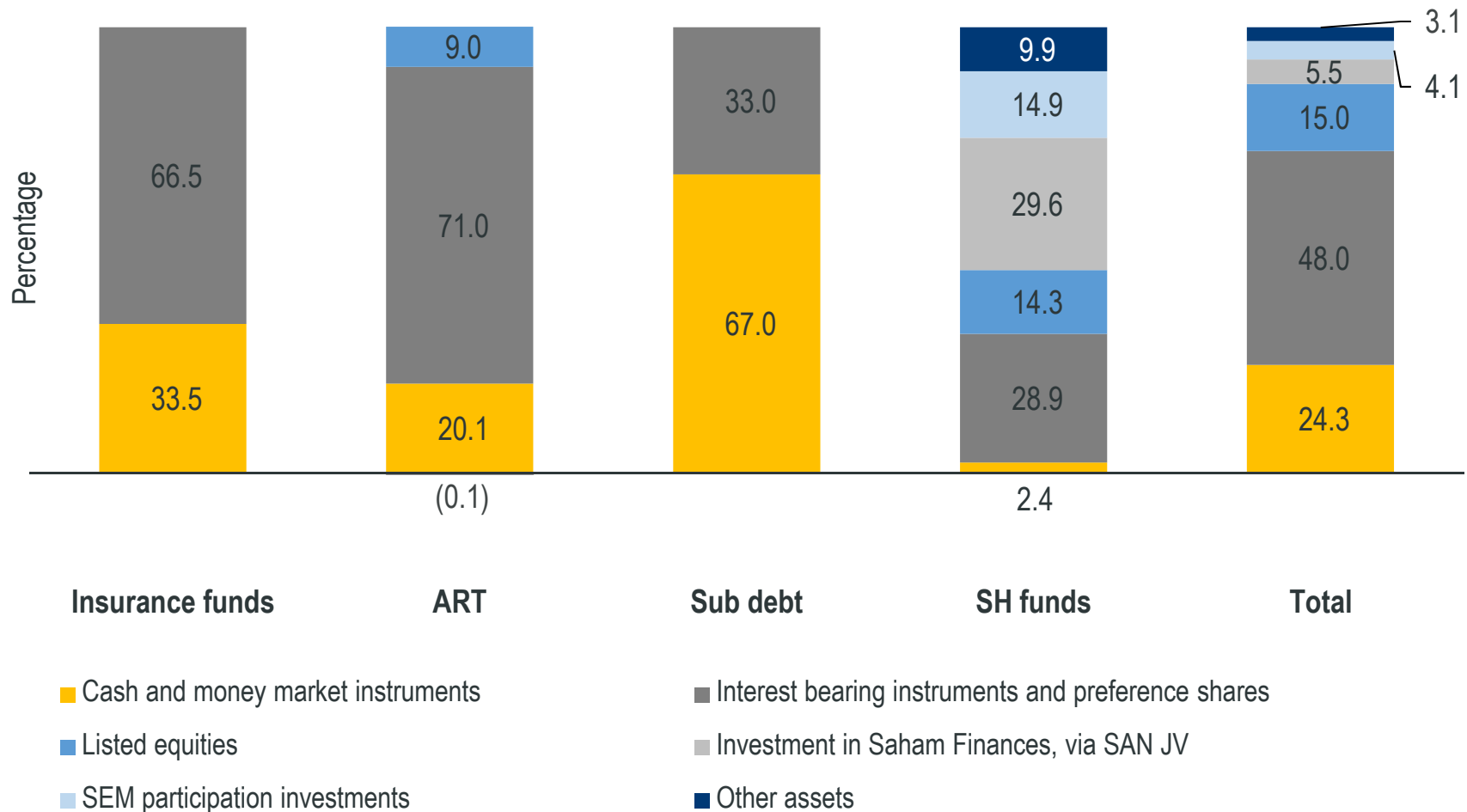
Including SEM partner businesses



ASSET / LIABILITY MATCHING



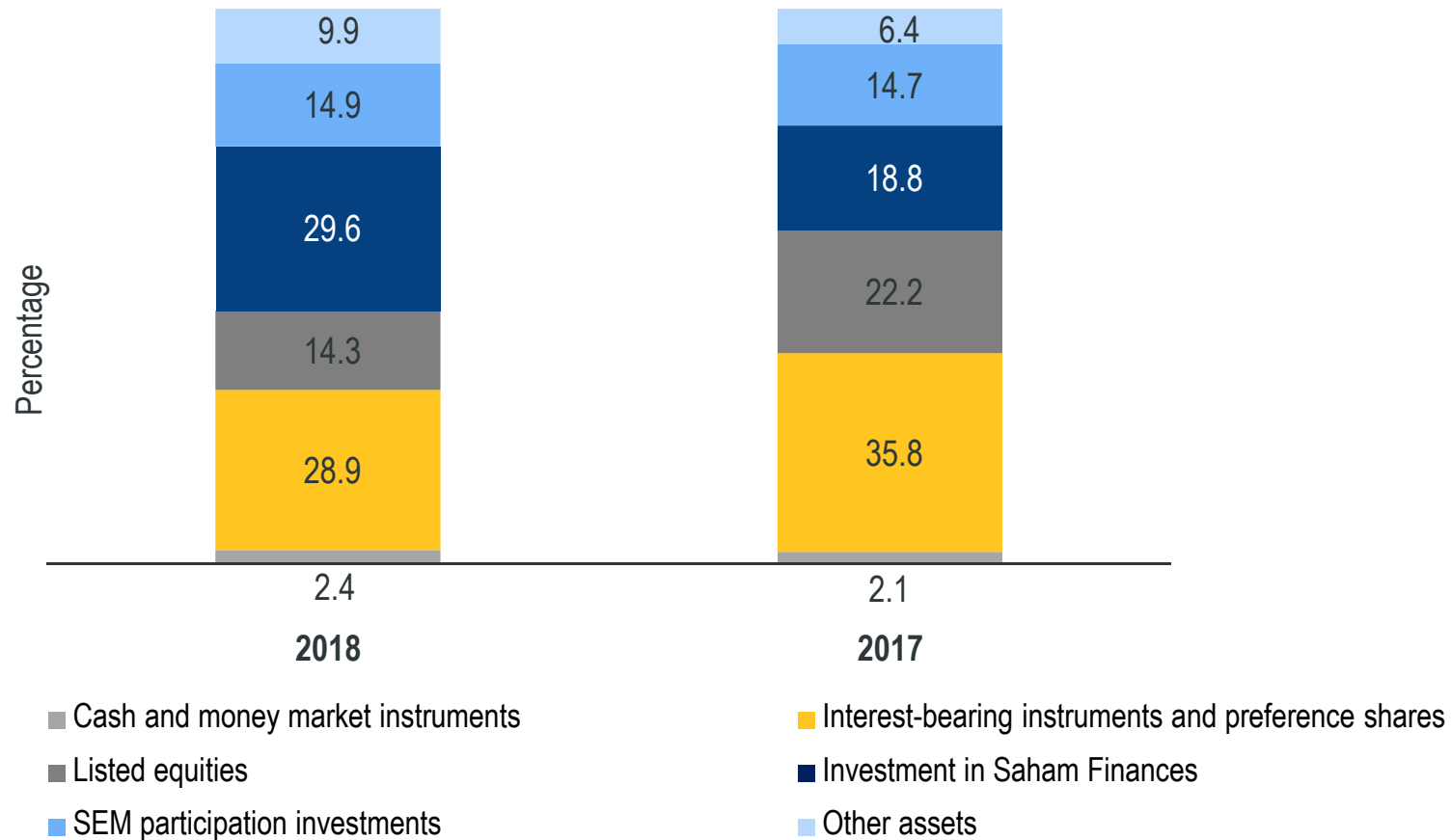
Group consolidated assets at 31 December 2018



SHAREHOLDER FUNDS



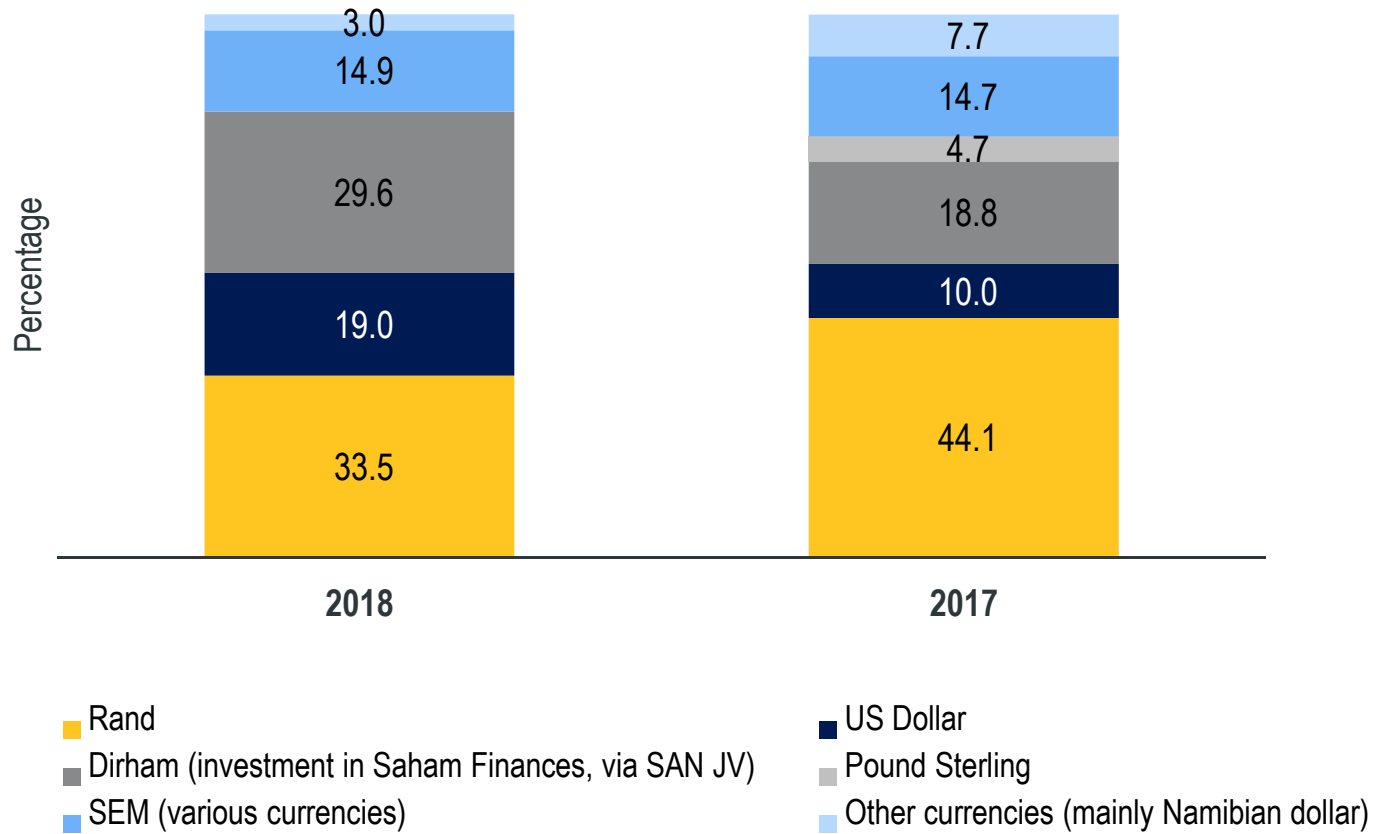
Asset mix



SHAREHOLDER FUNDS



Currency mix¹

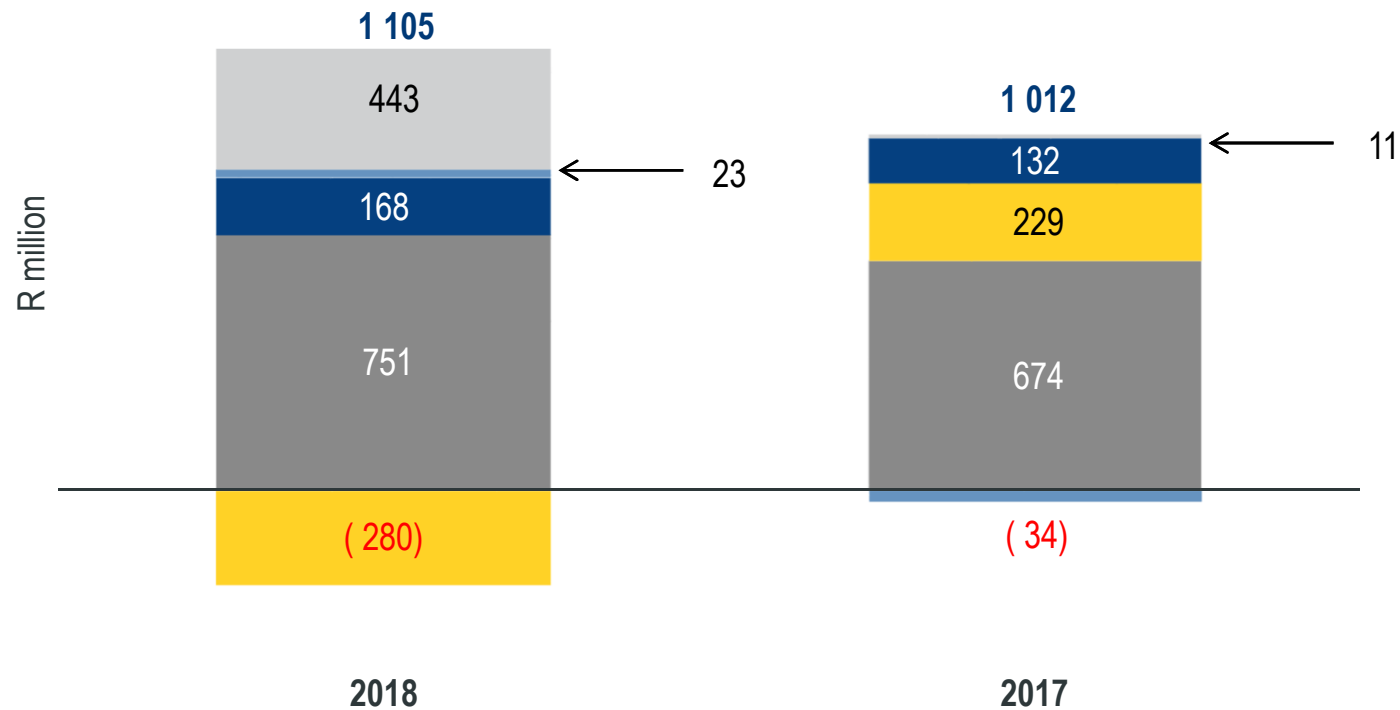


¹) Includes foreign denominated assets, as well as assets with foreign currency exposure

INVESTMENT RETURNS



On shareholders' funds



- Interest and dividends
- SEM fair value movement and dividends
- Forex gains and losses (incl. SEM & Santam Int FCTR)
- MV movements
- Derivatives

SEM PARTNER BUSINESSES



Analysis of Santam's share of net investment

REGION	CARRYING VALUE 2017	ADDITIONS/ (DISPOSALS)	FAIR VALUE MOVEMENTS		CARRYING VALUE 2018
			CHANGE IN EXCHANGE RATES	CHANGE IN VALUATION	
	R'm	R'm	R'm	R'm	R'm
Africa	226	-	28	10	264
Southeast Asia	187	-	26	-	213
India	676	-	50	120	846
TOTAL	1 089	-	104	130	1 323

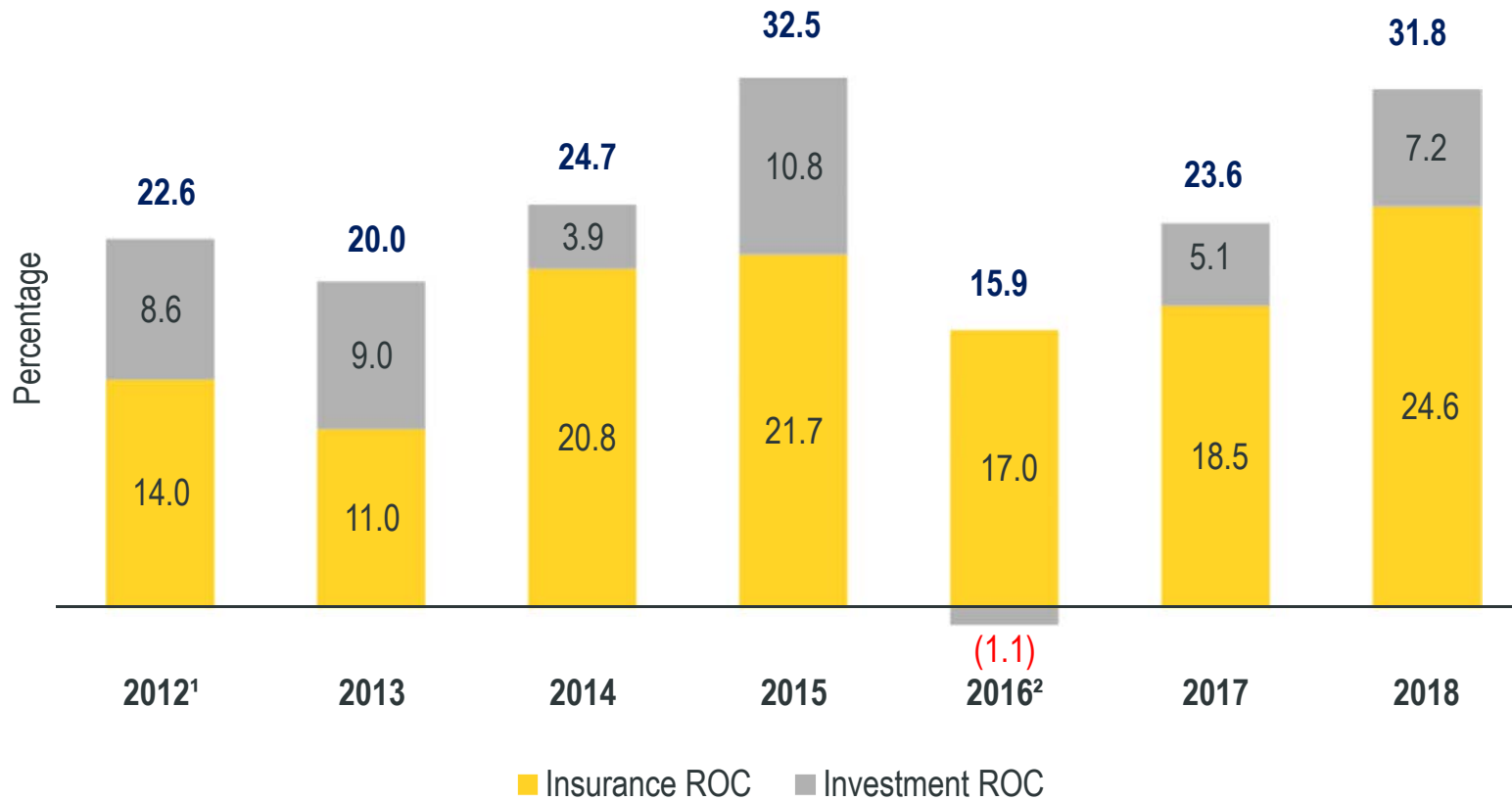


CAPITAL MANAGEMENT

RETURN ON CAPITAL



Net income expressed as % of weighted average shareholders' funds

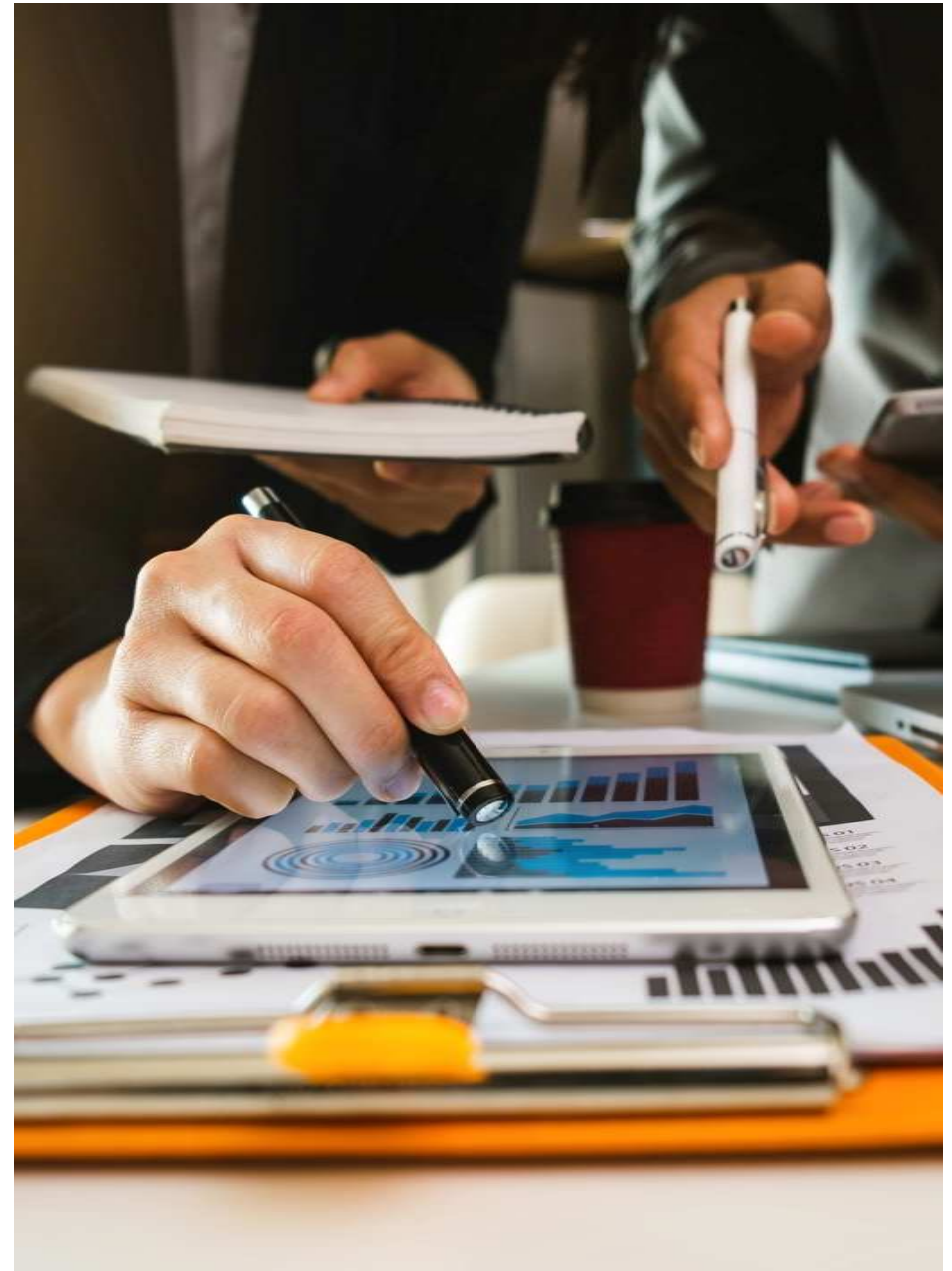


¹ Tax adjusted for STC (R96m) and CGT inclusion rate change (R80m)

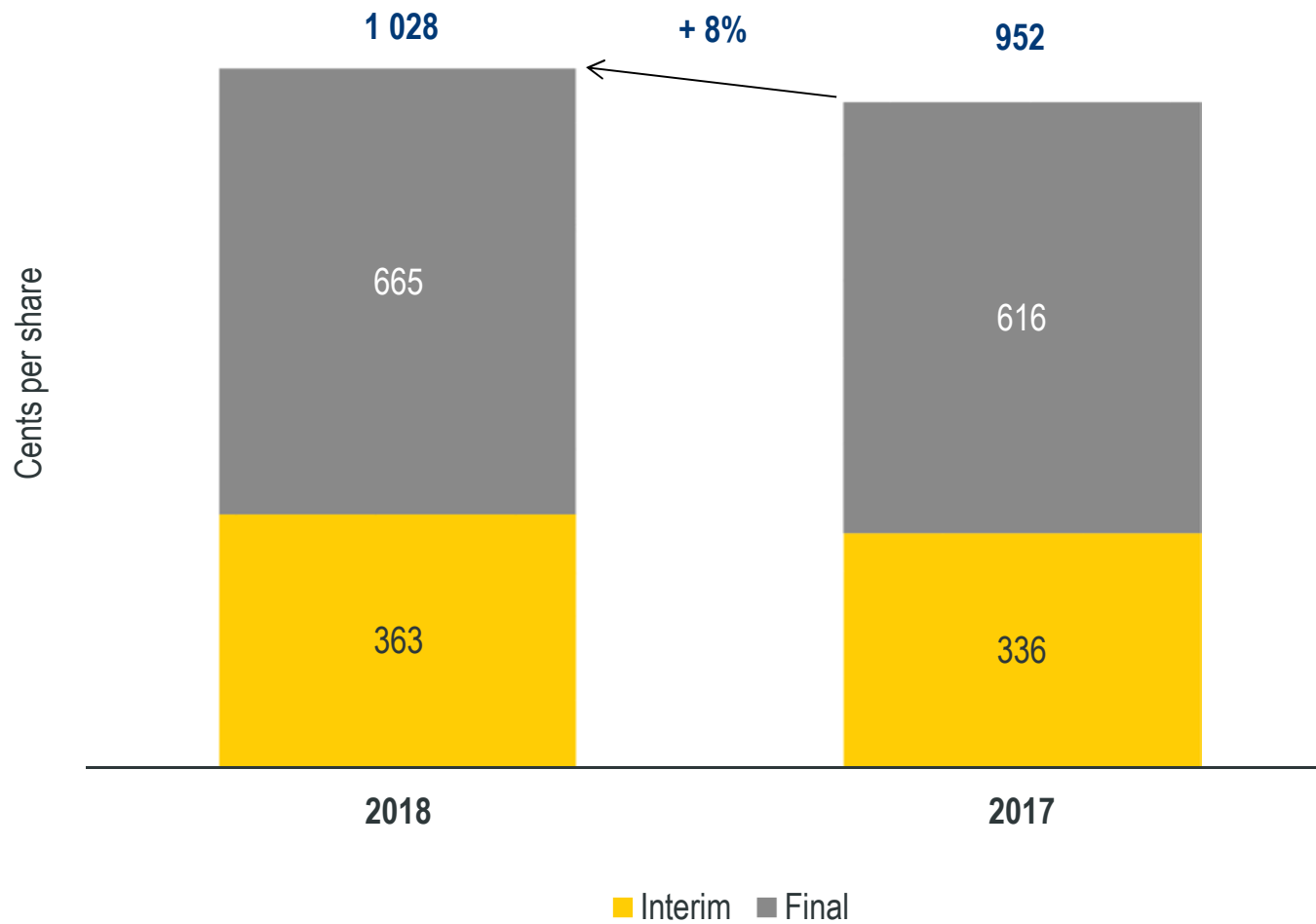
² Tax adjusted for CGT inclusion rate change (R27m)

CAPITAL MANAGEMENT

- Group economic capital coverage ratio target of **130% - 170%**
- Economic capital coverage ratio for the Group as at 31 December 2018 of **159%**
- Capital requirements under SAM – will be confirmed through the Internal Model Approval Process (IMAP)



DIVIDEND PER SHARE





GROUP STRATEGY AND PRIORITIES

2020 VISION

MADE SOLID PROGRESS ON OUR 5 FOCUS AREAS
OVER THE 5 YEAR PLANNING HORIZON

OUR METRICS:

- Net insurance result and return on capital
- International diversification
- Citizenship and Transformation

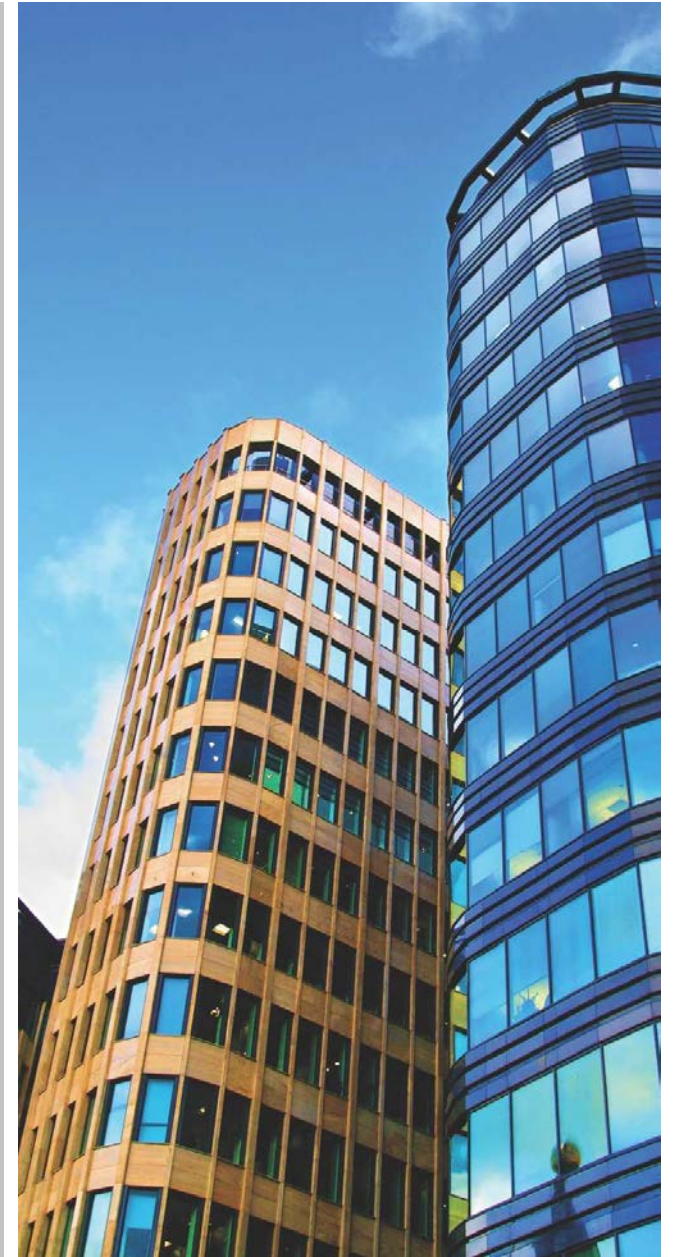
IN CONTEXT OF:

- The Santam Way
- Stakeholder value
- Long-term sustainability
- Reducing systemic risk and fulfilling our socio-economic responsibility



PRIORITIES FOR 2019

- Finalise and finetune our “future fit” strategy
 - Innovation and technology
 - Clients, markets and new business models
 - International growth and footprint
 - People
 - ESG factors
- Given economic and political context profitable growth and optimal cost ratio is non-negotiable



PRIORITIES FOR 2019

- Maintain our focus on the quality of the risk pool and treating our customers and business partners fairly
- Santam to be actively involved to develop Pan-African specialist business with Saham Finances
- Deepen and strengthen our work with partners to reduce risk and improve resilience
 - Municipal disaster risk reduction
 - Understanding the South African risk protection gap
 - Industry level fire learnings
 - Food and agriculture systemic risk
- Continue to work with industry on wider economic transformation





DOING MORE THAN JUST **INSURANCE**

Trusted by **85 of the JSE's top 100 companies to insure their assets**

Launched **Skills Development Academy** to train **young people** in scarce and critical skills

Creating employment for **6 043 people**

Included in the **FTSE 4 Good index** and **FTSE/JSE Responsible Investment Top 30 index**

Achieved **Level 1 B-BBEE rating** according to the **Financial Sector Charter (FSC)**



We settled **R18.1bn in gross claims during 2018**, thereby putting money back into the economy and standing true to our promise of insurance good and proper.

Strong Client Delivery

Santam recognised as leader in short-term insurance in the South African Customer Satisfaction Index.

Rated Top Business Insurer in South Africa in the 2018 Sunday Times Top Brands Survey (5th consecutive year).



Community Partnerships for Disaster Risks

43 Municipalities already supported through P4RR.

Aiming to reach 5 million people in 53 municipalities.

Partnering with the Department of Cooperative Governance and Traditional Affairs (COGTA) and the South African Special Risks Insurance Association (SASRIA) to drive P4RR.



Driving Transformation

R35 million in loans allocated to supplier development with ASISA ED Fund to develop SMMEs in the MBR, construction and plumbing industries.

Over 1 million people reached through financial literacy initiatives.



Helping to build a Sustainable Environment

R86 million invested by the Resilient Investment Fund since 2013 - investing in companies that have an impact on Environmental, Social and Governance (ESG) risks.

Overall demonstrating strong ESG performance.



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

Insurance good and proper **now**.

Insurance good and proper **always**.



**WE DO
INSURANCE
PROPERLY**



**INSURANCE
GOOD AND
PROPER**