

SANTAM LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1918/001680/06
JSE Share Code: SNT & ISIN ZAE000093779
NSX share code: SNM
("Santam" or "the Company" or "the Group")

TRADING STATEMENT – FOR THE SIX MONTHS ENDED 30 JUNE 2020

Shareholders are advised that Santam is currently compiling its interim results for the six months ended 30 June 2020. This trading statement provides an indication of a range for headline earnings per ordinary share (HEPS) and earnings attributable to equity holders of Santam per ordinary share (EPS) in terms of paragraph 3.4(b) of the JSE Limited Listings Requirements.

The already weak operating environment in South Africa deteriorated substantially since February 2020 as the Government implemented strict measures to control the spread of COVID-19, resulting in a significant slowdown in economic activity. Global and South African growth estimates were revised down sharply. This, together with persistent uncertainty around the eventual impact of COVID-19, drove significant volatility in equity, interest rate and currency markets. These conditions continue to impact on the group's results for 2020.

Despite the adverse impact of Covid-19 on Santam's earnings for the six months to 30 June 2020 as outlined in this trading statement, the group's operations and capital position remained resilient. Santam's economic capital coverage ratio at 30 June 2020 was at the low end of the target range of 150% to 170%.

Shareholders are advised that Santam expects its headline earnings per share (HEPS) for the six months ended 30 June 2020 to be between 614 cps and 713cps (2019: 990 cps). This will be between 28% and 38% lower than that reported for the comparative period in 2019. Earnings per share (EPS) are expected to be between -30 cps and 69 cps (2019: 990 cps) which is between 93% and 103% lower.

The decrease in HEPS has been driven by lower underwriting and investment results. The net underwriting margin is expected to be at the low end of the long-term target of 4% to 8% of net earned premiums. Provisions for COVID-19 related claims negatively impacted the underwriting results. This was offset to some extent by a benign claims environment which impacted positively on the motor book. Investment results have been negatively impacted by fair value losses on listed equities, local and foreign bonds and property exposure in the fixed income portfolios, offset to some extent by foreign exchange gains.

In addition to the factors highlighted above, EPS are also impacted by an impairment of the investment in Saham (held through SAN JV). A prudent approach was applied to the valuations at 30 June 2020, given the significant uncertainty around the eventual outcome of COVID-19 and the trajectory of economic recovery. The following key assumptions were updated since the December 2019 valuation:

- Economic assumptions were revised downwards in the current uncertain environment, in respect of both economic growth forecasts and future investment returns.
- Top-line growth was reduced across the board for general insurance operations
- The valuation of the Lebanon general insurance and life insurance operations was reduced to zero as a meaningful economic recovery, as well the potential to repatriate cash flows, is not expected in the foreseeable future.

- Most of the premium paid for synergies as part of the Saham acquisition has been written off. The realisation of the synergies will take longer than initially anticipated due to the slowdown in economic growth across the Saham geographical footprint as a result of COVID-19. We remain confident that the synergies can be realised, but prefer to adopt a cautious position until these become apparent.

The lower valuations resulted in an impairment of the equity accounted carrying value of Saham of R690 million, following the impairment of Saham intangible assets. Impairment charges are excluded from HEPS and only affect EPS.

Foreign currency translation gains in respect of the Saham investment, which are recognised directly against equity, however limited the overall reduction in net asset value to approximately R150 million.

The financial information on which this Trading Statement is based has not been reviewed or reported on by Santam's external auditors. Santam will release its reviewed results for the period ended 30 June 2020 on 3 September 2020.

CAPE TOWN
19 August 2020
Sponsor: Investec Bank Limited