

## SANTAM LIMITED - OPERATIONAL UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

### SANTAM LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1918/001680/06

LEI: 37890092DC55C7D94B35

JSE Share Code: SNT & ISIN: ZAE000093779

A2X Share Code: SNT

NSX Share Code: SNM

Bond company code: BISAN

("Santam" or the "Group")

## OPERATIONAL UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

This is a general communication to Santam shareholders and noteholders (collectively the "Security holders") covering the operational performance of the Group for the nine months ended 30 September 2023 (the "period").

Operating conditions during the period remained challenging. Weak economic growth and pressure on personal disposable income in our core South African market continue to dampen growth prospects. Underwriting performance for the period was impacted by severe flooding in the Western Cape in September 2023 and further losses from property fire claims, adding to the unfavourable claims experience in the first half of the 2023 financial year.

Despite these conditions, the Group showed operational resilience and achieved satisfactory financial results for the period under review. Our diversification across market segments, insurance classes and geographical reach continues to stand us in good stead. The corrective underwriting actions implemented to date are having a positive effect, with further benefits expected into next year as we continue with the roll-out of geo-coding, risk management and other measures. Our geo-coding initiative, which creates a comprehensive risk-based view of property locations in South Africa, is progressing well and the value of losses prevented is steadily increasing.

### Conventional Insurance business

The Conventional Insurance business achieved net earned premium growth of 7%, with strong contributions from all businesses apart from Santam Re. Santam Re's net earned premium continues to lag the comparative period in 2022, following the profitability and risk management actions that resulted in the cancellation of non-profitable business.

Gross written premium grew by 4% with a key focus on profitable growth and portfolio pruning. Santam Re (refer to net earned premium commentary), Agri and Emerald were detracting from growth on a gross basis. The Agri business declined from a high base in 2022 due to the seasonality of the crop business; the majority of the premium flow is realised in the 4<sup>th</sup> quarter. Emerald elected not to renew poorly priced business in the third quarter of 2023. Emerald significantly reinsured these policies, with a consequential limited impact on net earned premium growth. All other major businesses achieved solid growth.

The Santam Client Solutions and Broker Solutions businesses achieved good growth in gross written premium and net earned premium. The premium-related corrective actions taken in response to high claims inflation and frequency continue to be realised. Churn rates increased as a result of these actions, but remained within expected levels.

New business written through the MTN partnership in Santam Partner Solutions continued to gain traction, with almost 100 000 new policies sold to date. The transfer of the in-force book of MTN device insurance is still subject to regulatory approval, which is expected towards the end of the year.

The Santam Specialist Solutions business recorded strong growth in net earned premiums, with corporate property, marine and crop being the main contributors. Net earned premium from crop insurance benefitted from reserve releases following strong gross written premiums in the second half of 2022. Gross written premium was in line with the first nine months of 2022, impacted by the trends at Emerald and Agri as highlighted above.

MiWay experienced improved gross written premium growth since the end of June 2023, with a pleasing turnaround in its traditional outbound model to positive growth in policy count. Business insurance and value-added services continued to show strong growth. Good progress is being made with the roll-out of MiWay's new inbound and tied business agent strategic growth initiatives.

Conventional Insurance underwriting results remained under pressure since the end of June 2023, with some R200 million net claims incurred regarding the Western Cape flooding in September. Broker Solutions, Client Solutions and MiWay were affected by these claims. In addition, further large net claims of some R100 million were lodged at Broker Solutions in the three months ending 30 September 2023. The Specialist Solutions business, however, maintained a strong underwriting performance. The significant losses remained below the reinsurance retention threshold.

Overall, the net underwriting margin for the period was below the bottom end of the target range of 5% to 10% given the significant losses from natural events and property fires to date. Underwriting actions implemented in 2022 and 2023, including enhanced risk assessments in underwriting, procurement efficiencies, segmented premium increases and changes to excess amounts, are showing positive results as it is nearing full effect at the end of the 2023 renewal cycle. Further work is, however, required to address the increase in large fire-related claims and attrition losses from adverse weather conditions, which is becoming a regular feature.

Finalising the remaining contingent business interruption (CBI) claims and associated reinsurance recoveries relating to the COVID-19 lockdown continued steadily. No adjustment was made to the outstanding CBI claims provisions since June 2023, and it will be reviewed again at year-end.

The investment return on insurance funds remained volatile. However, it improved significantly compared to the performance in the 2022 financial year, with the key float portfolio delivering excess returns compared to the benchmark.

#### Alternative Risk Transfer ("ART") business

The ART business segment reported strong operating results, with excellent growth in fee income and underwriting results and solid investment margins.

#### Sanlam Emerging Market ("SEM") partner businesses

On 04 May 2022, Santam announced that it entered into an agreement with Allianz Europe BV (Allianz), in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. All the conditions precedent to the transaction were fulfilled with a legal effective date of 04 September 2023. Disposal proceeds of EUR126.4 million (c. R2.6 billion) in relation to the transaction were received on the effective date.

The Board decided to distribute R2 billion of the gross proceeds of the transaction to shareholders. A gross special cash dividend of 1 780 cents per share, being 1 424 cents net of dividend withholding taxation, where applicable, was declared.

Shriram General Insurance's ("SGI") achieved strong growth in net earned premiums due to continued recovery in sales from Shriram group channels and outperformance in direct distribution. Its net insurance margin continues to benefit from book growth and an improved claims ratio.

#### Shareholder Investment performance

The weakening of the Rand against the US Dollar since 31 December 2022 resulted in significant foreign currency gains on shareholder investments, which, together with a strong performance by the Group's interest-earning investments as well as a R296 million revaluation of the Group's investment in SGI, benefitted investment performance for the period.

#### Capital position

The Group's economic capital position remained well within the 145% to 165% capital cover target band following the interim and special dividend payments in September and October 2023, respectively.

#### Prospects

Operating conditions are expected to remain challenging. The Conventional Insurance underwriting performance for the remainder of the year is susceptible to continued adverse weather- and fire-related experience. Investment market volatility can furthermore have an impact on investment return earned on insurance funds as well as the shareholder capital portfolio. We believe our strong foundation and the roll-out of our refreshed FutureFit strategy and new operating model, will enable us to respond to these challenges and continue delivering superior results. Good progress has been made with repricing, rolling out geo-coding across the portfolio as well as risk management and selection. The focus remains on improving the performance of the property book, especially in the context of the increase in large fire losses.

The financial information included in this announcement has not been reviewed or reported on by Santam's external auditors. Santam's results for the year ending 31 December 2023 are expected to be released on SENS on or about 29 February 2024.

14 November 2023

Equity Sponsor: Investec Bank Limited

Debt Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)