

17 March 2021

RMI INVESTOR PRESENTATION

1H F2021 RESULTS AND PORTFOLIO UPDATE



RMI OPTIMISE
DIVERSIFY
MODERNISE

OPTIMISE
DIVERSIFY
MODERNISE

AGENDA

- 1 **RMI**
 - A IMPRESSIONS OF THE PORTFOLIO
 - B FINANCIAL HIGHLIGHTS
 - C IMPORTANT MILESTONES
 - D OUTLOOK
- 2 **A CLOSER LOOK AT OUTSURANCE**
- 3 **Q&A**



DIVERSIFY

① RMI

Key medium term strategic focus areas

1 Important role in the COVID environment

- i. **Discovery** has played a key role in COVID management and supporting the healthcare system, including playing an integral role in the SA vaccine programme.
- ii. **OUTsurance** honoured business interruption claims.
- iii. **RMI** established a COVID-19 relief fund through voluntary contributions from senior management and board members (matched 50% by RMI). To date, R9m has been dispersed:
 - o R4.5m in the form of 1700 grocery vouchers and 1511 beneficiaries of food parcels; and
 - o The remaining R4,5m to affected entrepreneurs.

2 Robustness

- i. Market positions proved resilient, and in some cases **gained market share**.
- ii. Robust distribution channels, both direct channels (UK = PWCs) and F2F.
- iii. Operational performance and agility, with thousands of staff transitioned to WFH environment.
- iv. MMH demonstrated resilient underlying operating performance, although headline earnings were dampened by severity of second wave.

3 Prudence for continued uncertainty

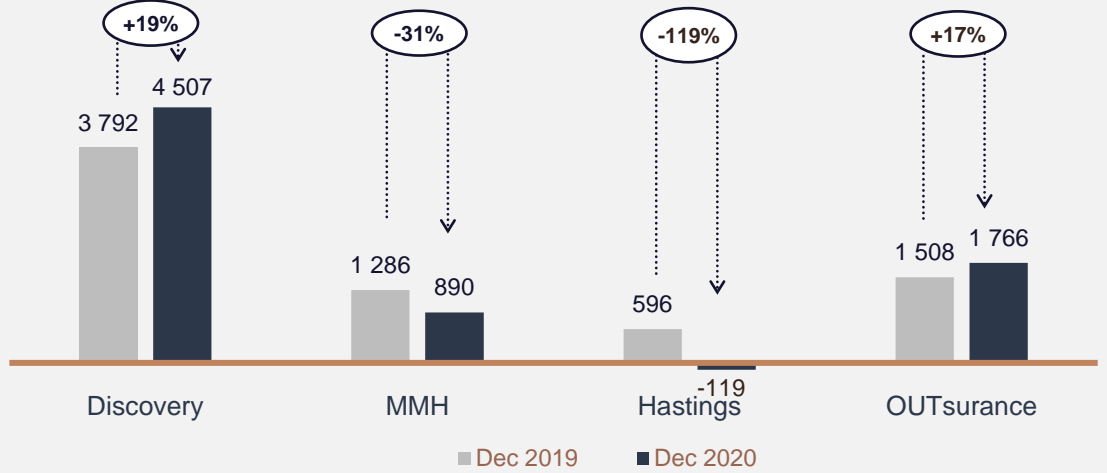
- i. Uncertainty around lapse risk given affordability constraints remains in the current macro environment, balanced against propensity to retain insurance cover in periods of crisis.
- ii. Both MMH and Discovery strengthened COVID provisions to cater for continued uncertainty.
- iii. The disastrous impact of the second wave, reflected in exceptionally high claims experience, must be avoided by taking the necessary precautions against a third wave.

4 Growth in diversity and new initiatives

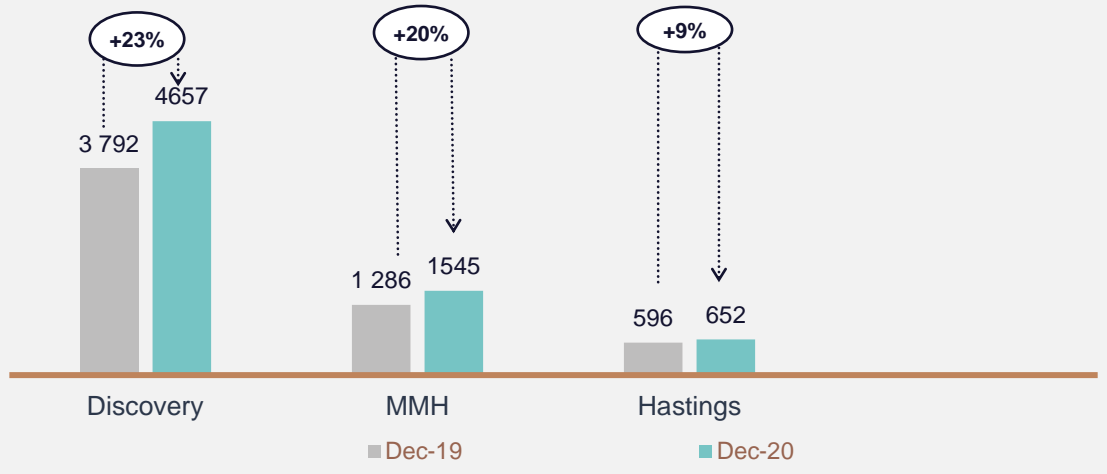


Operating fundamentals remain sound

Normalised operating profit (Rm)



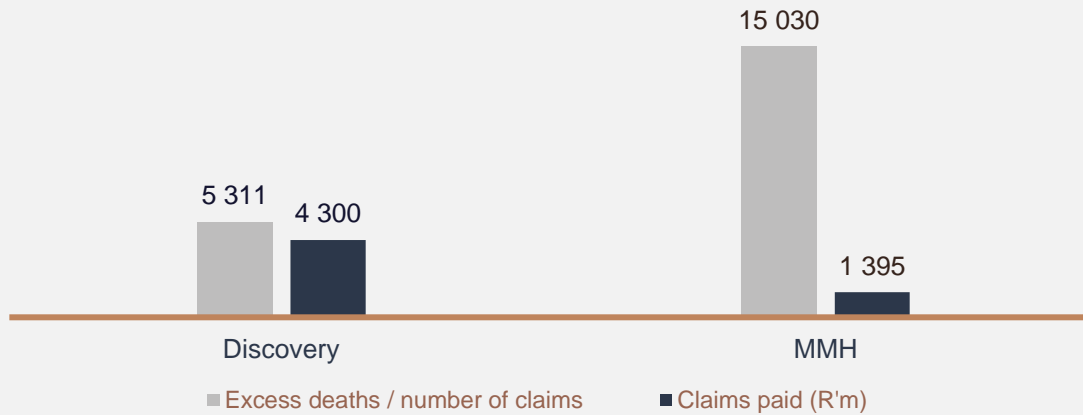
Normalised operating profit (excluding provisions and other adjustments) (Rm)



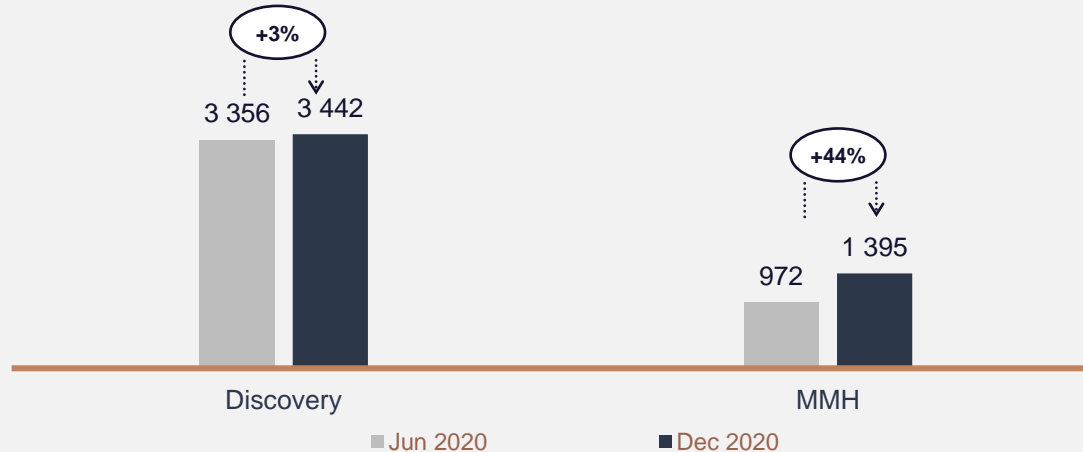
- Amid a challenging economic backdrop, underlying **operating performance resilience**
- MMH’s performance reflects a higher Covid-19 provision and investment return movements, with performance in line with Discovery adjusting for these items
- Hastings’ earnings impact by transaction costs incurred for the conclusion of the Sampo investment
- Both Hastings and OUTsurance showed strong underlying operating performance for the period

Prudent reserving for claims experience

Excess deaths and higher claims experience...



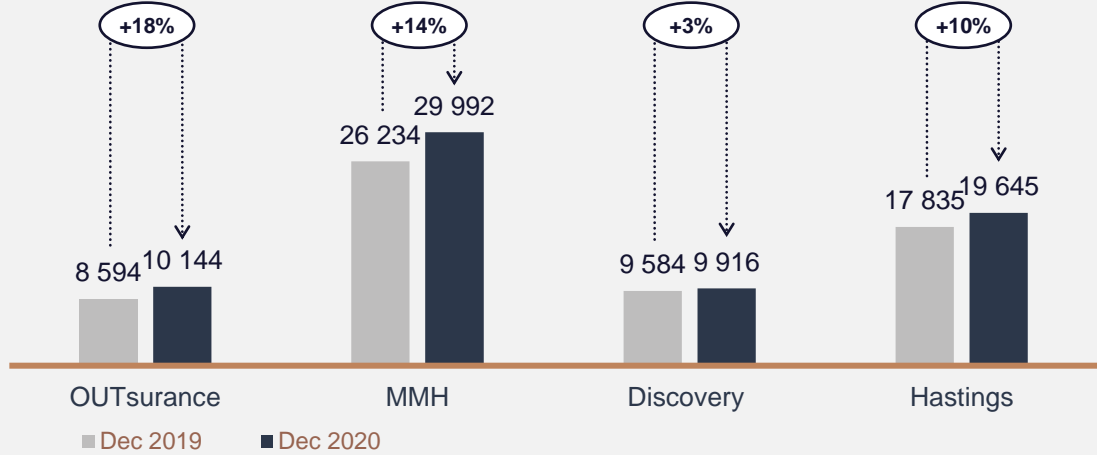
...drove Covid-19 reserve strengthening



- Second wave has had significant impact on Discovery and MMH's target markets, resulting in increases to claims reserves
- Reserves assumed a contained third wave

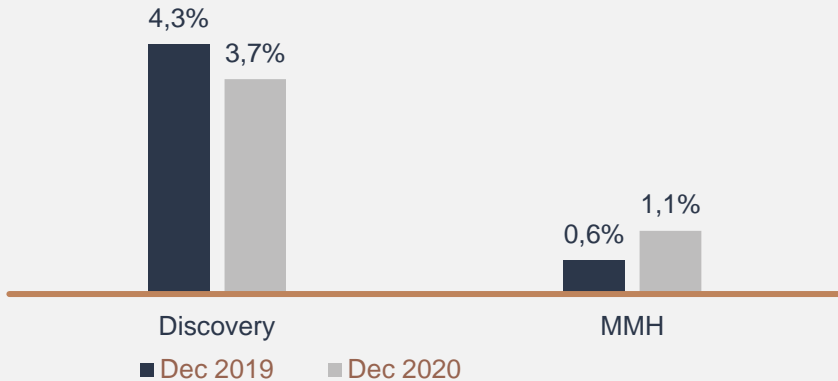
Demand for protection products is increasing

New business volumes and gross written premiums positive across portfolio

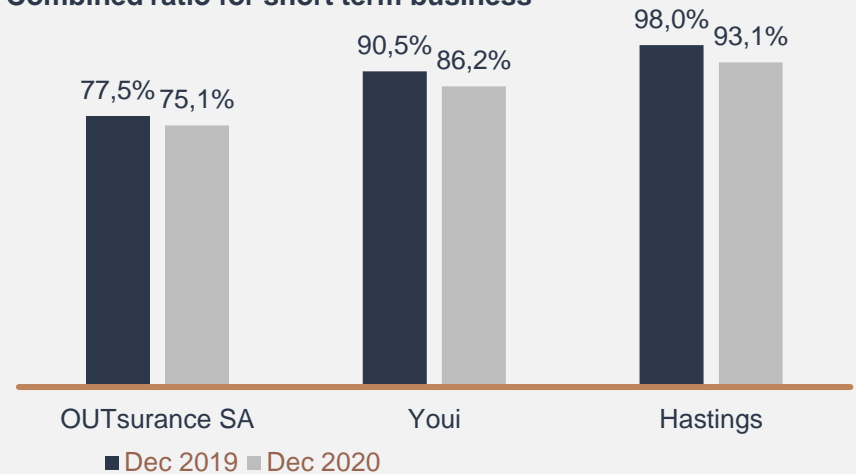


- Strong demand for funeral, health and protection products at MMH and Discovery
- Strong growth in gross written premiums for short term insurance businesses
- Persistency and termination rates stable despite consumer income and employment challenges

Margins on life new business



Combined ratio for short term business

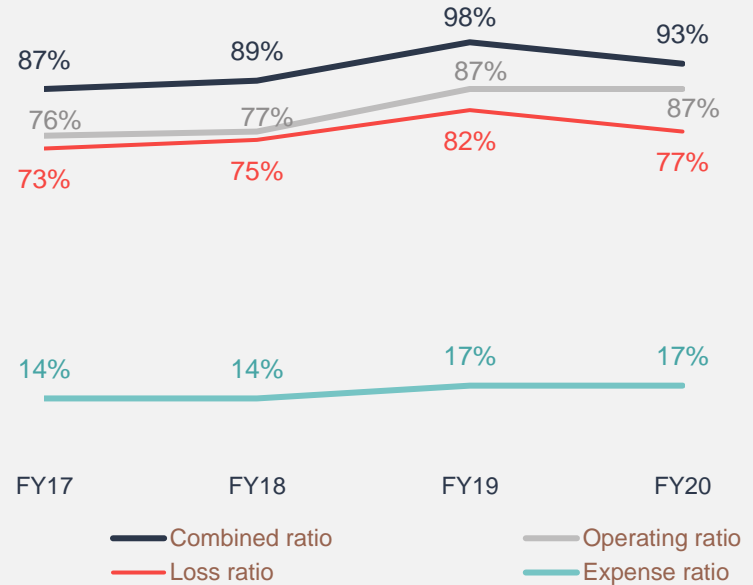


Hastings produced a strong set of results, with growth in GWP and an improvement in the combined ratio

- Full year gross written premium growth driven by strong policy count growth
- Lower loss ratio reflecting favorable frequencies
- Increase in operating profit driven by improvement in the loss ratio, growth in earned premiums and favourable claims experience

Key metrics	Dec 2019	Dec 2020	% change
Gross written premiums (£m)	961.6	980.4	2%
Live customer policies (000s)	2 849	3 073	8%
Car retention rate	77%	81%	
Return on equity	4.6%	5.4%	

Key ratios



Looking ahead

Premium deflationary environment

Unlisted P&C exposure in partnership with global powerhouse



- Integration and collaboration between Hastings, Sampo, If and OUTsurance is progressing well
- RMI has the free option to increase its stake in Hastings by 10% (expires 4 May 2022)

1	Prudence and preservation
	<ul style="list-style-type: none">○ Conservative and accurate provisioning re mortality
	<ul style="list-style-type: none">○ Capacity to support life businesses
	<ul style="list-style-type: none">○ No capital raisings (save for one fintech investment)

Acquisition deal for Hastings completed



Sampo käy keskusteluja brittiläisen vakuutusyhtiö Hastingsin ostamisesta -

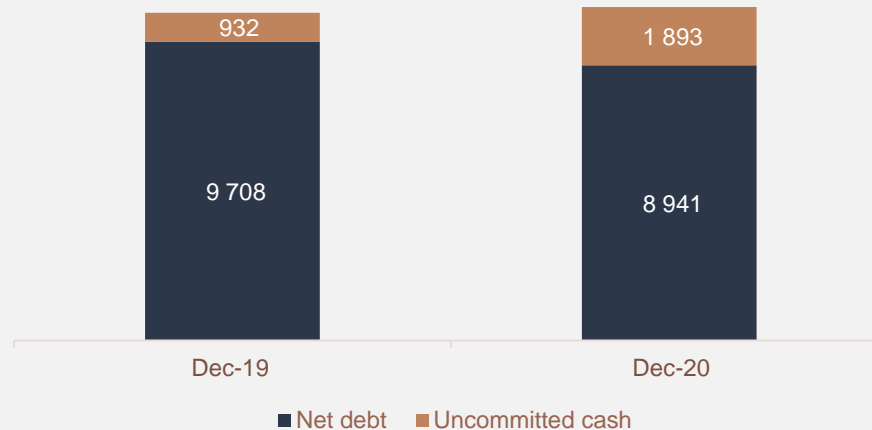


Important to balance dividend production, capacity to make new investments and ability to reduce debt over time

KEY OBJECTIVES WE ARE TARGETING:

- Medium-term financial capacity planning has the following objectives in mind (ranked in order of priority):
 - Gradually **reduce debt** over time
 - Maintain a **contingency buffer**
 - Maintain a consistent and growing (by CPI annually) **cash dividend**
 - Construct a feasible plan to reduce net debt to within the **target debt capacity**
 - Maintain capacity to make **investments**

RMI net debt (R'm)



C IMPORTANT MILESTONES

3	Unlisted PNC exposure in partnership with global powerhouse
4	Growth at OUT, YOUi and Hastings
5	Retention at Hastings
6	Cost ratio at OUTsurance personal lines
7	Operational strength at Discovery
8	Continuing recovery at MMH
9	Exceptional financial performance in asset management portfolio



Profitable in a pandemic

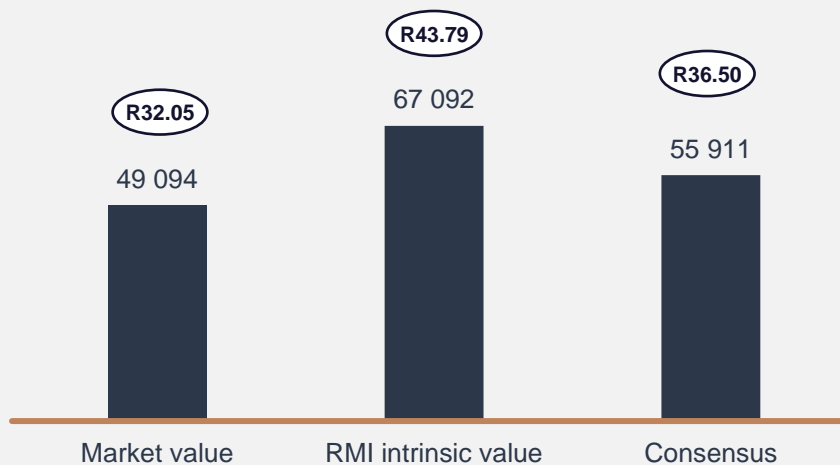
Today in business: OUTsurance profit jumps thanks to fewer claims

10 NEW APPROACH TO VALUATION

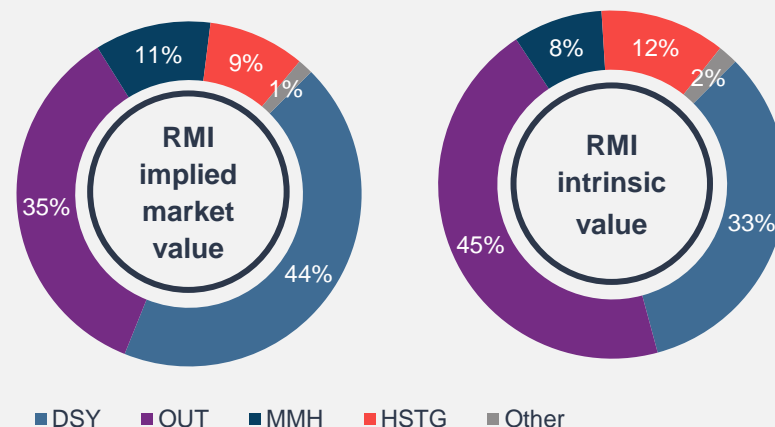
Unlisted portfolio becoming more material

- Current market valuations differ materially from our own assessment of intrinsic value
- Going forward, given the large unlisted portion of the portfolio, we will review the approach to disclosure and align disclosure regarding Hastings with Sampo
- Certain agreed KPIs will be monitored and disclosed to the market

Our own assessment of value indicates an under valuation



RMI market value vs. fundamental value decomposition





DIVERSIFY

④ OUTLOOK

D LOOKING AHEAD ACROSS OUR GEOGRAPHIES

What will we be focused on in the medium-term?

Hastings

- Impact of premium deflation
- Regulatory changes
 - Whiplash reform
 - FCA industry review
- Sampo partnership

- Investment in regulatory and compliance
- Impact of catastrophes and consequently reinsurance pricing
- Growth in direct personal lines
- Blue Zebra partnership
- Build out CTP product

**Momentum
Metropolitan**



Discovery

- Impact of a third wave on economic recovery
- Continued monitoring of claims experience and lapses at MMH and Discovery
- Focus on continued growth and product innovation at OUT SA
- Execute BEE structure for RMI IMG





OPTIMISE
DIVERSIFY
MODERNISE



OUTsurance delivers a strong set of results for the six months under review

Group performance

R'm	19-Dec	20-Dec	% change
OUTsurance	862	1018	18%
OUTsurance Life	70	18	(74%)
Youi Group	248	406	64%
Earnings from associates	67	91	36%
Minorities, central and new business development	(78)	(96)	(23%)
Normalised earnings	1 169	1 437	23%

Key financial ratios

Normalised ROE	23,2%	24,9%	
Diluted normalised EPS (cents)	31,2	38,5	23%
Dividend declared per share	24,7	24,7	0%

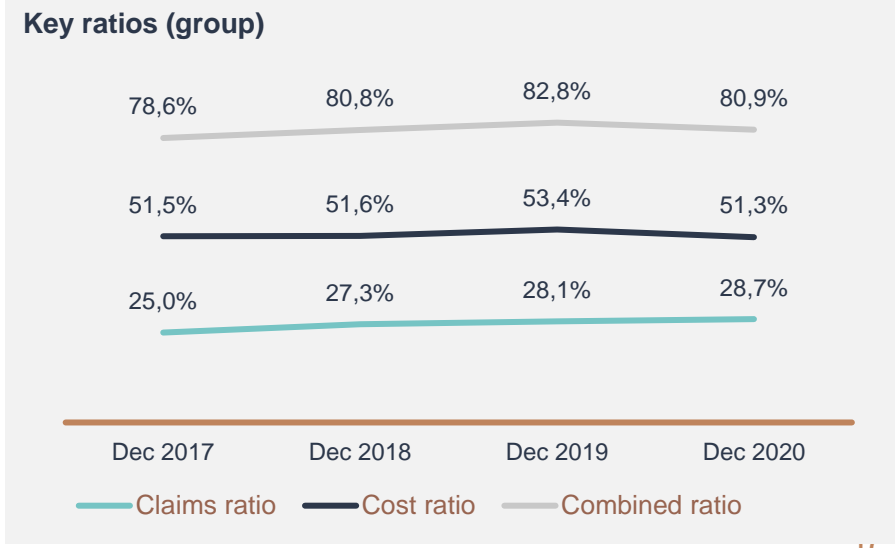
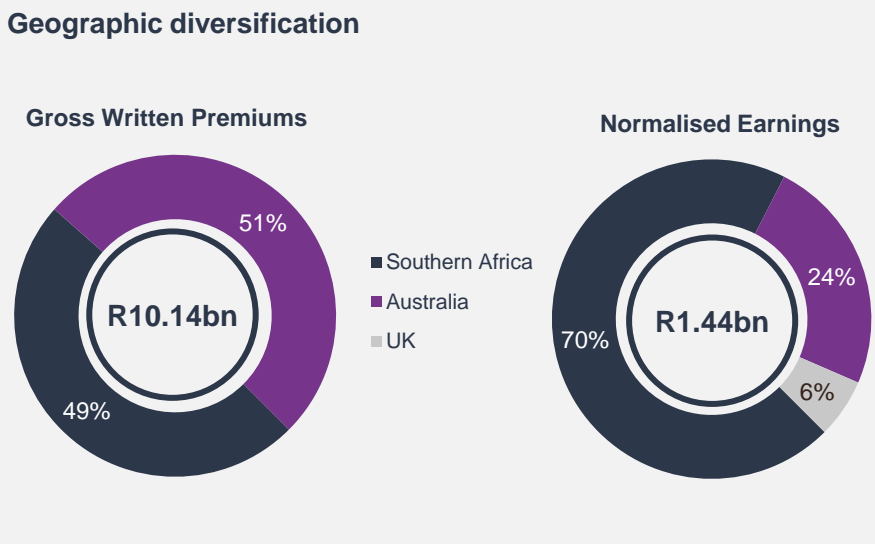
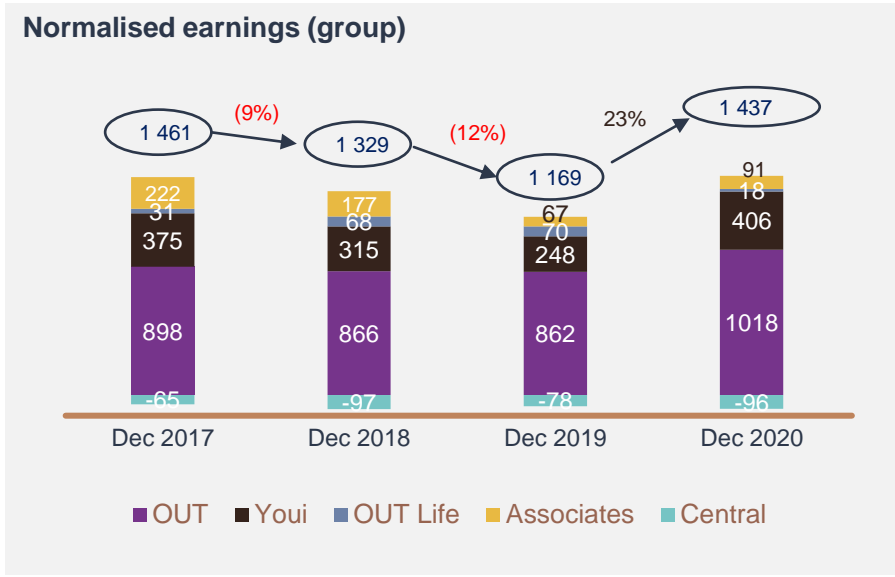
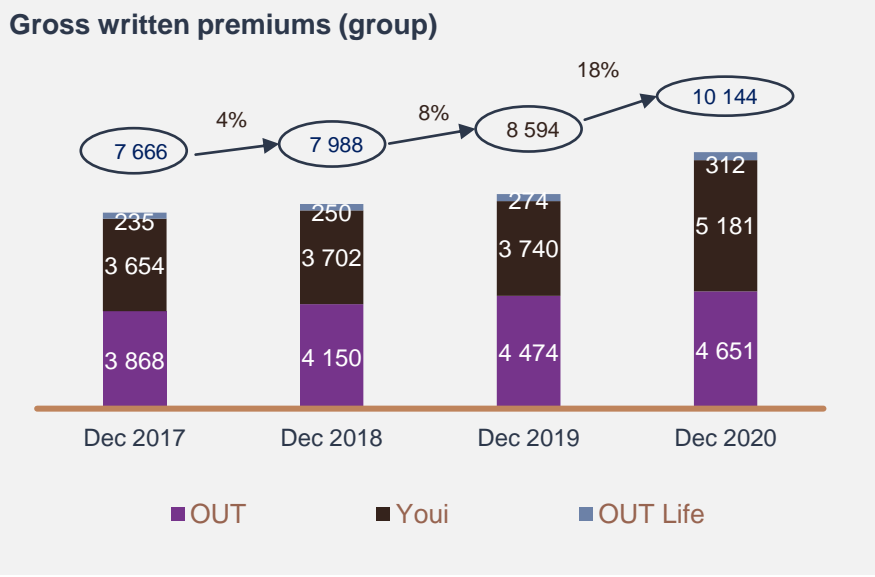
Key performance metrics

Gross written premiums	8 594	10 144	18%
Annualised new business premium written (API)	2 055	2 869	40%
Net earned premiums	7 963	8 873	11%
Operating profit	1 508	1 766	17%
Claims ratio (%)	53,4%	51,3%	
Cost ratio (%)	28,1%	28,7%	
Combined ratio (%)	82,8%	80,9%	

Commentary

- **Normalised earnings up 23%:** benefitted from the recovery in the investment markets allowing normalised earnings growth to be higher than operating profit growth
- **Group operating profit** was up 17.1% compared to the prior period and 11.8% compared to budget
- Factors materially affecting **profitability** were:
 - better than expected motor claims experience in South Africa and Australia;
 - higher than expected non-motor claims experience in South Africa; and
 - lower retained catastrophe claims experience than the corresponding period last year
- **Strong unit growth** in the six months from OUT Personal, OUT Business, OUT Life and Youi coupled with a meaningful contribution from Youi BZI enabled GWP growth of 18%
- The **cost ratio was 0.6% higher**, the larger weighting of Youi in the Group cost ratio, the investment in new initiatives like BZI, CTP and Business OUTsurance Brokers, the COVID-19 specific expenses and the lower premium inflation contributed to the higher cost ratio
- **Cost ratio expected to improve** over time as a result of the faster premium growth
- **Profitability outlook:** generally positive as personal lines vehicle claims are expected to remain marginally lower than normal in the near term and new business initiatives continue to scale. Profitability for H2 will also be dependent on natural perils in Australia during the remainder of the catastrophe season
- Dividends remain stable, with no dividend paid by Youi

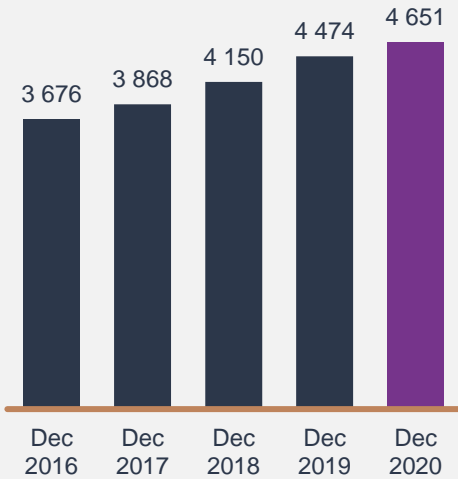
OUTsurance delivered a strong set of results for the six months under review





OUTsurance SA

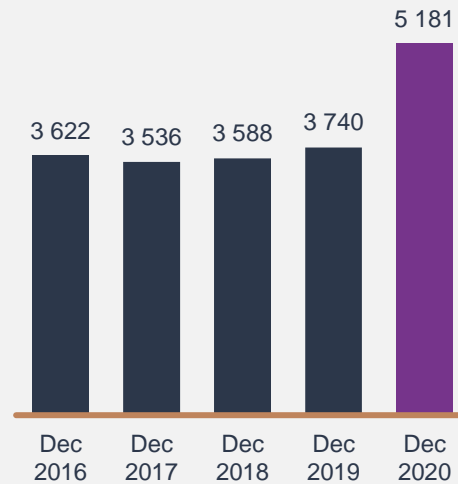
GWP (R'm)



- **OUT Personal:** Unit growth remained robust but low premium inflation limited overall premium growth.
- **OUT Business:** Agent/OUT Broker channel remained robust but lower sales and higher cancellations in direct channel caused by the COVID-19 economic impact slowed down growth.
- **OUT Life:** new business premiums increased supported by the Shoprite partnership.

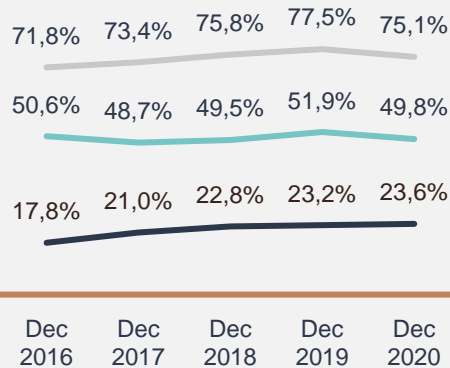
Youi

GWP (R'm)



- **Youi Direct:** Ongoing strong unit growth supported by robust lapse experience.
- **Youi BZI:** Transfer of existing book contributing materially. Mainly personal lines – as the BZI commercial product only launched late in last quarter of 2020.
- Exchange rate movement also contributing to growth in Rand terms.

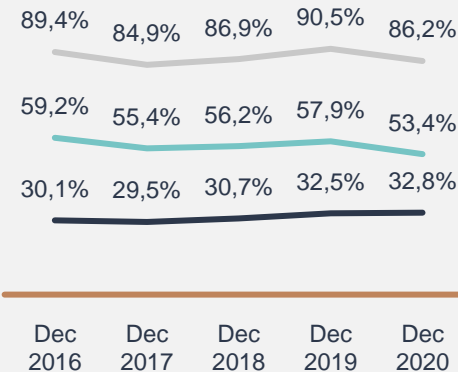
Key ratios



Cost-to-income ratio

- impacted by:
- Improved cost-to-income ratio for OUTsurance Personal
 - The expansion of OUTsurance Brokers from 350 to 500 agents drove up the overall cost ratio for OUTsurance
 - Claims savings from lower motor claims frequencies were partially offset by higher property claims from wetter weather conditions, loadshedding-related surge claims and weaker exchange rate.
 - All TAL BI claims settled

Key ratios



- **Claims ratio** reduced as a result of fewer natural catastrophe events. Retained losses were \$10m compared to \$31m in the comparative 6 months
- **Cost-in-come ratio** is higher because of investments in new business initiatives and higher regulatory related costs. The cost-to-income ratio also impacted by slower NEP growth following large increase in reinsurance premiums

Positive traction across all initiatives

OUT[®]



- **OUTsurance Brokers** has scaled to 500 tied-agents with new business growth accelerating. The channel realised an operating loss of R103 million compared to a loss of R99 million for the comparative six months.
- **OUTsurance Business** direct was negatively impacted by the effects of COVID-19 on small businesses. Pressure on average premium values and higher lapses have been observed. New business volumes have showed a recovery since the lows of the first lockdowns.



- OUTsurance's partnership with FNB on **Homeowners insurance** came to an end in December 2020.
- The book will now gradually run off with the profit share dynamics unchanged.



- **OUTsurance Life's** Shoprite partnership commenced in April 2020 and contributing to the strong premium growth of the business.
- New business and lapses have remained robust considering the economic environment. The business continues to hold adequate reserves for COVID-19 claims and experienced a material increase in claims during the second wave.
- OUTsurance Life's new underwritten product is on track for launch in the next quarter via OUTsurance Life's new face-to-face channel.
- A limited underwriting product was launched in March 2020 to access a broader market segment and remove procedural obstacles associated with more complex underwritten products.



- While **OUTvest** numbers improved significantly since the launch of ONEfee, the new business run rate remains well short of what is required to achieve viability.
- Rapid ramp up of face-to-face distribution via independent intermediaries and the OUTsurance Life and Investment Financial Advisors channel is a high priority.

Positive traction across all initiatives



Insurance - Motoring - NSW GOVERNMENT - NSW State News
**YOUI GETS THE GREEN LIGHT TO
ENTER THE NSW CTP MARKET**

27th October 2020 - by Akshel Rittiss

- Youi **CTP** launched in New South Wales as planned in December 2020.
- New business volumes are in line with expectations.
- This cover presents Youi with amore attractive customer proposition where customers acquire comprehensive and CTP form the same carrier.



- The BZI underwriting arrangements performing in line with expectations and contributing to strong new business growth.
- The BZI book presents Youi with product and geographical diversification opportunities.
- The new SME business offering was introduced in late 2020.

