

MEDIA RELEASE

Sanlam Kenya restructures foreign denominated loan and reports revenue growth for its insurance subsidiaries

18/08...Listed non-bank financial services firm Sanlam Kenya PLC has announced that it has restructured its foreign currency-denominated loan into a local currency facility.

The disclosure made alongside its half-year trading results release is a bold move geared at preserving shareholder value.

Sanlam has confirmed it restructured US\$27 million loans into a Kes 3 billion facility with a local banking institution to mitigate against future forex losses occasioned by the weakening of the Kenya Shilling against the United States dollar.

Though insurance revenues improved over the half-year period under review, the company posted a Kshs 291.8 million loss, up from a Kshs 99.1 million loss posted in the same period last year. The loss was attributed to one-off forex losses and a more prudent company stance towards provisioning as the business carefully manages its future financial outcomes in a recovery period from the onset of the covid-19 pandemic in 2020.

The firm's gross insurance revenues improved significantly for both Life and General business under the dark Covid trading cloud. Half-year consolidated gross written premiums at Kes 5.9 billion was a 38% improvement compared to the prior year's Kes 4.3 billion, with Sanlam General posting a 32% growth, while Sanlam Life posted a 44% growth in insurance revenues. Investment income at Kes 1.5 billion was 23% higher than the prior year's Kes 1.2 billion. Net benefits and claims grew in line with the growth in insurance revenues.

Speaking, when he confirmed the firm's trading position, Sanlam Kenya Plc, Group CEO Dr Patrick Tumbo reiterated that the business continues to take a long-term view in the execution of its strategy and will build on current successes in its insurance business to grow profitably into the future.

In its 2020 annual report, the firm had disclosed the significant currency exposure on the borrowings, which stood at Kshs. 2.976 billion at the end of the last financial year. The loan proceeds, the disclosure confirmed, were in US\$, and the loan interest payments were also in US\$.

"The debt restructuring which commenced in 2020 is now complete, and it will provide much-needed relief as the forex loss risk is now mitigated going forward," Dr Tumbo said. He added that "At Sanlam Kenya Plc, we have also been affected by covid-19, which has accelerated life and general insurance policy claims, but we expect swift recovery as the pandemic containment measures including mass vaccinations begin to bear fruit."

As part of its strategic business plan, Dr Tumbo disclosed that the firm is executing a sustainable plan considering the impacts of the covid-19 pandemic on the economy and insurance industry as a whole.

He said the plan focuses on enhancing value drawn from the firm's business digitization initiatives, including adopting e-commerce insurance products distribution and sales. He said the utilization of digital solutions would positively reduce the firm's operating cost base while improving customer experience.

He said Sanlam Kenya has also structured several strategic partnerships, which are expected to bear benefits from the second half of the year going forward.

Ends.