Sanlam

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Sanlam Annual Results 2023

7 March 2024



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Overview



Key messages

1. Strong operating results

- Adjusted RoGEV per share: **+19,5%**
- Cash net result from financial services per share: **+21%**
- Dividend of 400 cents per share: **+11%**

2. Strategic progress in each of our three core regions

- South Africa: Strengthened the core
- Pan-Africa: SanlamAllianz a new force on the African continent
- Asia: Focusing on high-growth India market

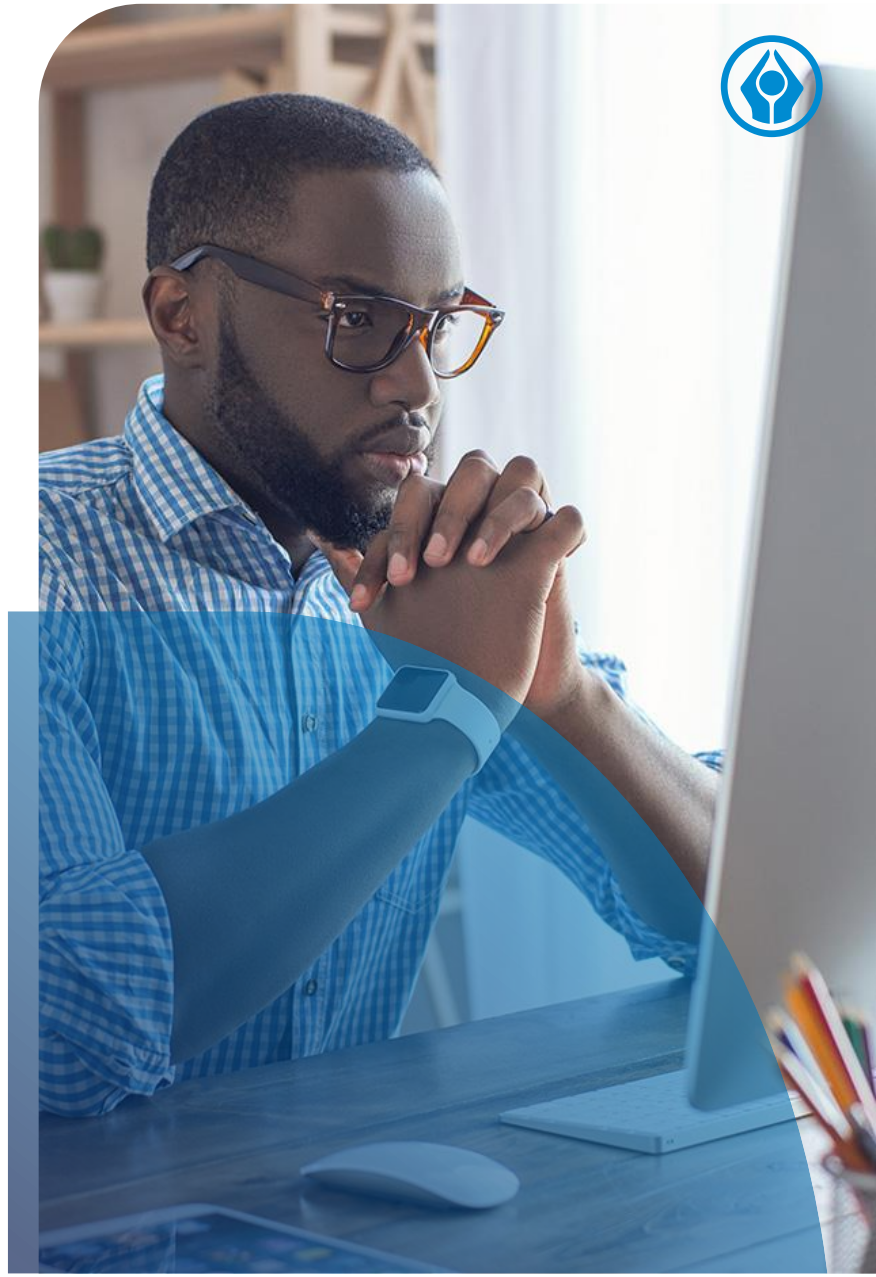
3. Positive outlook

- Core businesses performing well
- Contributions from strategic activity will enhance core businesses
- Well-positioned for long-term growth



Operating highlights

- Excellent performance on key metrics across lines of business
- Quality of earnings is good, with net result from financial services (NRFFS) up 28% on pre-pandemic base
- Strong sales growth in challenging environment
- Fortress South Africa transactions strengthen the core:
  Absa asset management, Afrocentric, Alexforbes and Absa LISPs, Brightrock, Capital Legacy, Sanlam Personal Loans, proposed Assupol transaction(1)
- Continued focus on capital management: balance sheet optimisation, share and debt repurchases
- SanlamAllianz integration progressing well, operating performance in line with expectations



(1) Subject to Assupol shareholder and regulatory approvals

Excellent performance on key financial metrics

Sanlam is growing

+18%
Total new business volumes

+22%
Investment management

+4%
General insurance

+14%
Life insurance(1)

Strong profitability and cash generation

+21%
NRFFS per share

+21%
Cash NRFFS per share

+28%
Net operating profit per share

+49%
Diluted HEPS

Capital strength and allocation

170%
Group solvency cover ratio

R5,8 billion
Allocated to corporate transactions including B-BBEE SPV

R737 million
Share repurchase on top of B-BBEE SPV (2)

Value creation

16,7%
RoGEV per share

19,5%
Adjusted RoGEV per share

+19%
Life insurance net VNB

2,85%
Life insurance new business margin

(1) Present value of new business premiums (PVNBP) basis
(2) Broad-based black economic empowerment special purpose vehicle

Strategy and capital allocation



In 2020 we refocused strategy to improve long-term growth profile

Our vision

To become the most admired financial services group in Africa

Our strategy

- Becoming an African champion
- Building a fortress position in South Africa
- Accelerating growth outside of South Africa
- Strengthening our position where we operate outside of Africa

Enabled by

- Data and digital transformation
- Continuous development of our culture
- Innovation
- Partnerships

Executed through our clusters

- **SA Life & Savings**
  - Retail affluent
  - Retail mass
  - Corporate
- **Emerging markets**
  - SanlamAllianz
  - Asia
- **Investment group**
- **Fintech**
- **Santam**
- **Group office**

How we are embedding strategy in our business

- **Integration** – expand product offering and improve cross-sell
- **Digitalisation** – improve client and intermediary experience and efficiency
- **Empowerment** – contribute to inclusive economic participation and support Fortress SA strategy
- **Culture survey** – readying our people and culture to operate differently ensures we remain a future-fit organisation
- **Partnerships** – exploit growth opportunities and gain access to underpenetrated market segments across the continent and where we operate outside Africa

And implemented actions in each of our three core regions

South Africa

- **Organic growth** – used strength of product, distribution and balance sheet to reignite growth and secure position in the group's largest market
- **Enhance with acquisitive growth** – targeted strategic transactions to strengthen, diversify and close gaps

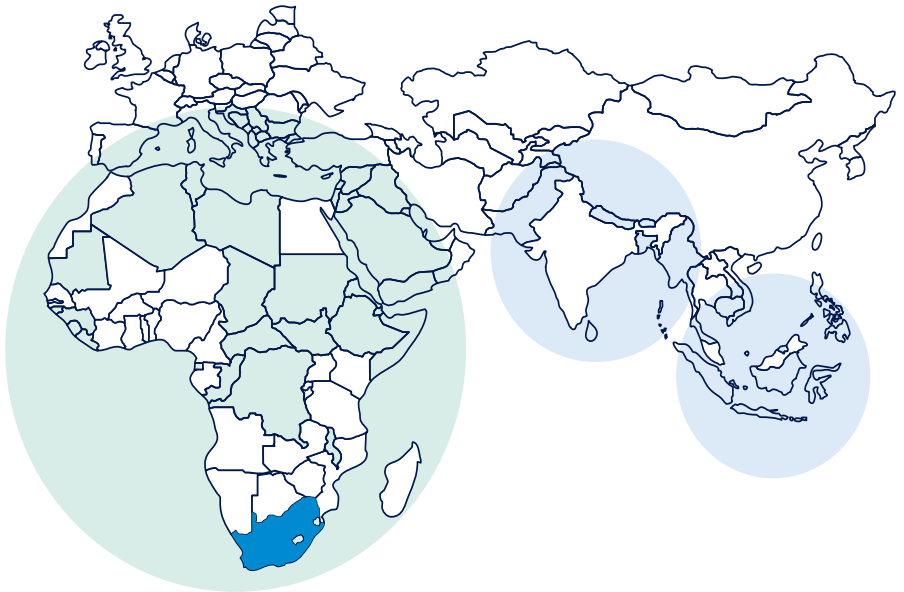
Pan-Africa

- **Simplify** – reviewed portfolio, exited subscale non-core entities
- **Stabilise the core** – stabilised and improved underwriting margin, rebalanced insurance funds and introduced asset mismatch reserve
- **Partner** – SanlamAllianz to strengthen, diversify and secure long-term growth

Asia

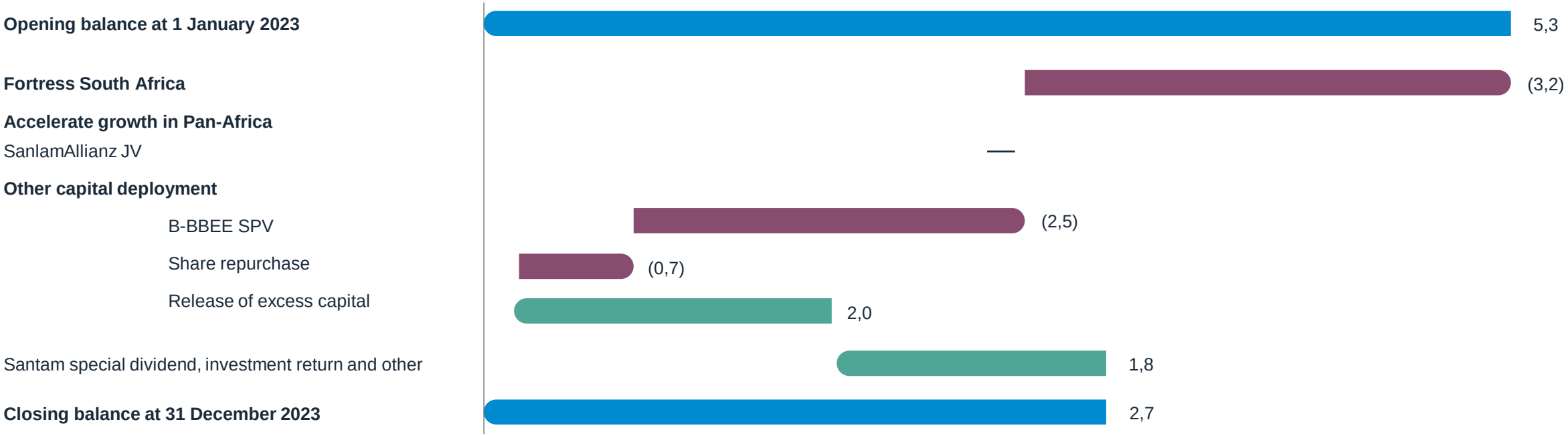
- **India** – restructured to drive synergies in the credit business, focused on insurance growth
- **Malaysia** – no further capital deployment

Building a leading emerging markets financial services business



Supported by deployment of discretionary capital

R billion



- Fortress South Africa deployment to strengthen product proposition, enhance scale and cross-sell, cost and capital synergies
  - Market-leading fiduciary business, strengthen risk product position, expand credit business in time without the constraints of a competitor as partner
  - Health insurance fills in an essential product proposition
- Capital deployment in 2024 within overall capital plan
  - Assupol[1] to bolster mass market position for the long term

[1] Subject to Assupol shareholder and regulatory approvals

South Africa capital deployment actions augmented by improving existing business

Rewards and shared value	Wealth Bonus of over R7 billion accrued to our clients
Distribution footprint	Expanded footprint to largest in many years
Digital adoption	Most advisers now fully digitally enabled
Product set	From guaranteed products to simple index linked
Strength of balance sheet	R14,6 billion shareholders' fund reserves(3) at 31 December 2023
Balance sheet management	Leverage low, capital optimisation
Sanlam Fintech	Separate cluster with experienced team driving digital businesses

Retail affluent

- Glacier assets under administration (AUA) market share increased from 15% in 2019 to 22% in 2023(1)
- Largest individual life risk market share in independent broker market(2)

Retail mass

- New business volumes more than 50% higher than 2019

Corporate

- Umbrella fund AUA more than doubled since 2019
- Largest group risk market share(4)

Asset management

- R75 billion net inflows since 2019
- Largest passive business in South Africa
- Growing alternatives business

(1) Management estimates based on publicly available information (2) NMG risk distribution monitor Q4 2023 (Sanlam + Brightrock)
(3) Includes asset mismatch, pandemic and future-fit reserves (4) Swiss Re group volume survey 2022

We have strengthened Pan-Africa by partnering with global giant

Sanlam

- Extensive track record of success and footprint in Africa
- Strong life footprint and expertise
- Extensive general insurance presence supported by reinsurance captive
- Investment management experience in Africa
- Digital capability
- MTN JV to enable the digital strategy

+

Allianz

- Largest global insurer with strong expertise
- Presence in new market (Egypt)
- Deep research and technical skills base
- Investment management capability and expertise
- Appropriate and relevant digital capabilities

=

Sanlam | Allianz

- Market leadership at continental level
- Pan-Africa footprint to capture multinationals
- Reinsurance captive amplified with Allianz A-Rating
- Technical expertise on key lines of business
- Strong ecosystem of partners
- Scale efficiencies
- Strong capital base

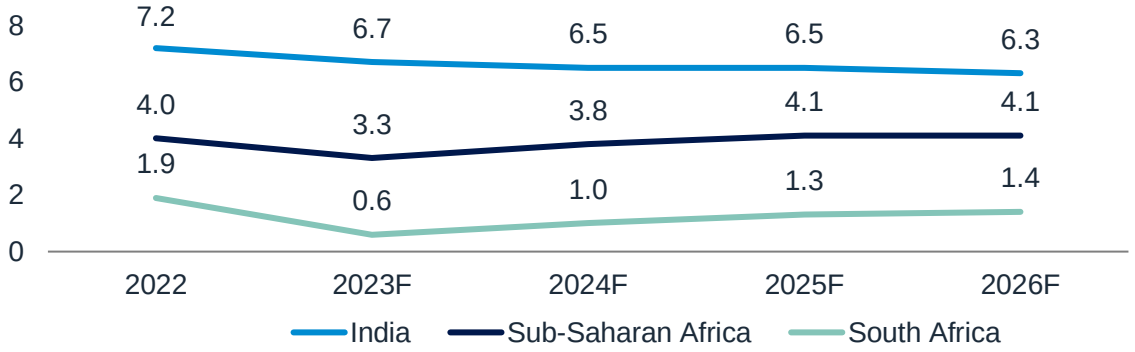
Pro forma operational performance

- **Net results from financial services increased by over 25%**
- **Net insurance result** for the general insurance line **within the target range of 10% to 15%**
- Growth relative to medium-term target range
  - GI premium growth within range
  - Life insurance new business volumes growth below range and flat
  - Life insurance VNB growth slightly below range

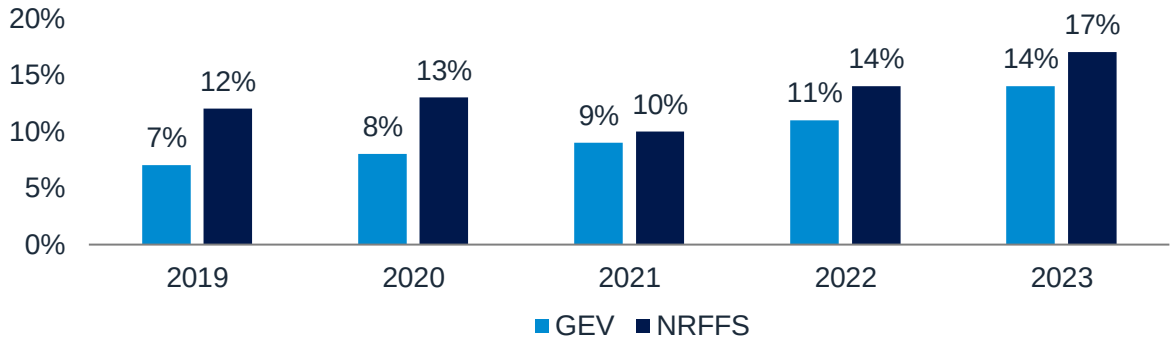
“If you want to go fast, go alone. If you want to go far, go together.” African Proverb

In Asia we are focusing on the high growth India market

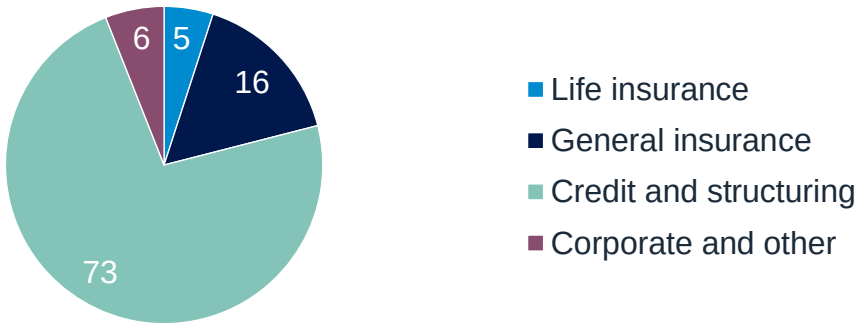
GDP growth (%)[1]



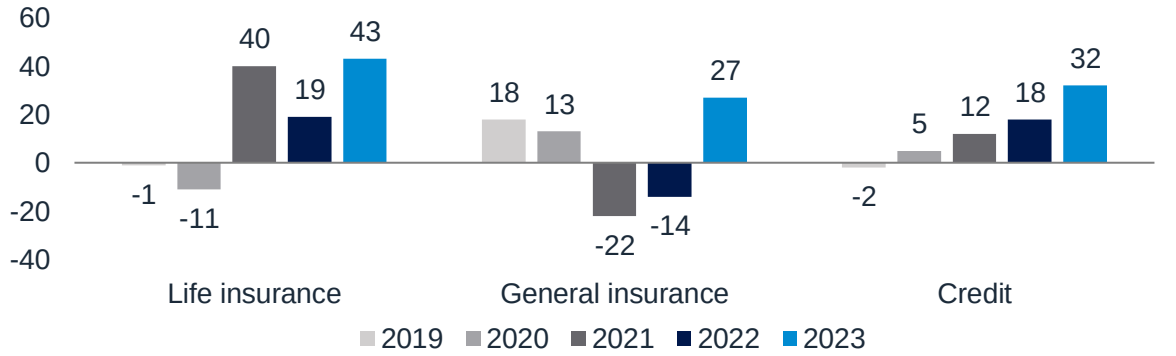
India contribution to Sanlam GEV and NRFFS (%)



Split of NRFFS from India (2023) (%)



Life and GI new business volume growth, credit book growth (%)



India likely to be strongest growth engine for the group in the medium term

[1] Source: IMF, StatsSA, Refinitiv, Standard Bank

Sustainability

Investing for good in people and the planet

- Climate fund managers to establish a US$1 billion **green hydrogen fund**
- Facilitated the Galapagos conversion, **new debt-for-climate conversion**, largest in history
- Sanlam **Resilient Investment Fund** invested assets over R403 million
- Sanlam Impact Funds continue to **support job creation**
- Over the past decade, SanFin has invest **over R12 billion in sustainable infrastructure** projects

Financial inclusion

- Our products **touch the lives of 69 million** in Africa and Asia
- Sanlam Credit Solutions provides **credit advice** to more than 698 000 South Africans
- Satrix Access Range enabling financial inclusion, with **no minimum investment** amounts
- Launch of Sanlam Uganda's **insurance per trip microinsurance** solution
- MTN aYo **increasing reach** to underserved communities across Africa

Partnership

- Invested R9,7 million in partnership with **WWF-South Africa** in 2023
- Through the WWF-SA Sanlam partnership, 1 710 hectares of foreign species were cleared, **17 local SMMEs were empowered and 619 beneficiaries** were supported.
- The **Sanlam SANParks SMME support programme** was launched in June 2023, contributing R10 million in loan support

Trust and reputation

- Sanlam Investments won the 2023 27four **Sustainable Asset Manager Award**
- **Our alternative investment team was recognised as Africa's best** in 2023 by the Capital Finance International Awards
- Finalist in the **Sustainable Business of the Year** at the 2023 Top Empowerment Awards
- Sanlam's **Wealth Bonus** recognised as the **best long-term loyalty programme** at the 2023 South African Loyalty Awards

Thought leadership

- Launched the first **Sanlam ESG Barometer** research report in March 2023
- Launched the third **Sanlam Transformation Gauge** research report in July 2023
- Sanlam participated in the 2023 **TCFD best practice case study** yearbook by the Financial Stability Board (FSB)
- **Sanlam Kenya** awarded **Kenya's number one transparency and accountability trailblazer** at the Kenyan ESG Awards for 2023/2024

Governance

Financial strength, resilience and consistent performance

Financial results



Earnings metrics

R million	2023	2022	% change
Life insurance and health	7 522	6 311	19%
General insurance	2 179	1 797	21%
Investment management	994	870	14%
Credit and structuring	2 148	1 660	29%
Other	(464)	(165)	>100%
Net result from financial services(1)(2)(3)	**12 379**	**10 473**	**18%**
Net investment income and surpluses	2 120	1 147	85%
Project expenses	(610)	(543)	12%
Net operational earnings(4)	**13 889**	**11 077**	**25%**

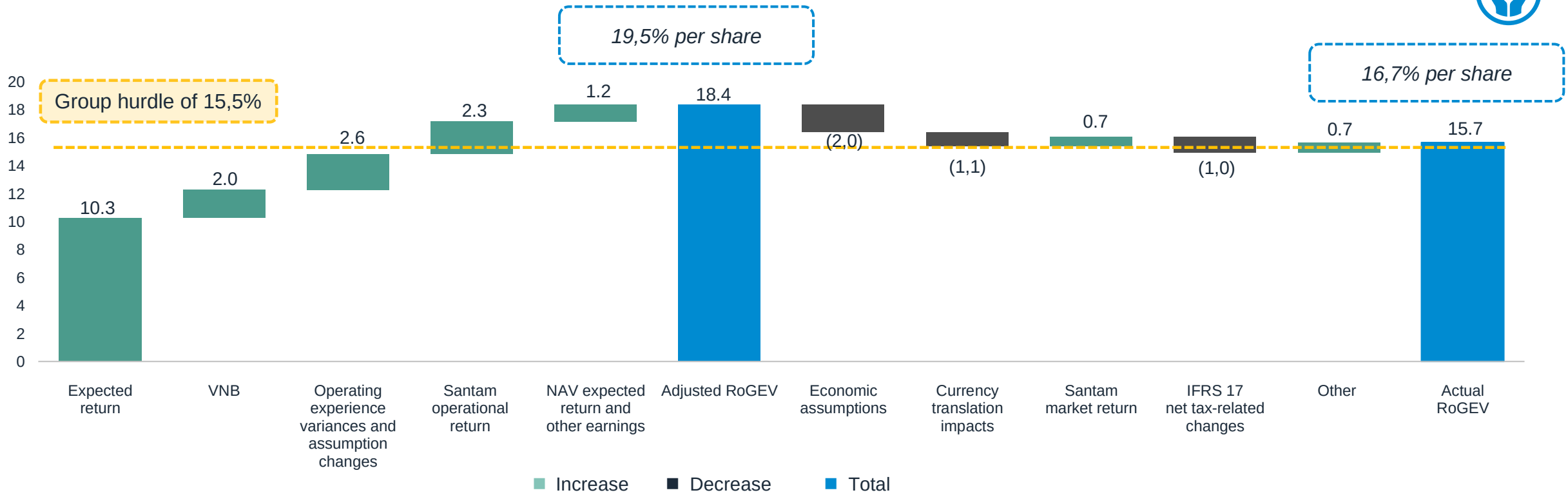
(1) +21% on a per share basis
(2) After shareholders' fund (SHF) adjustments
(3) Refer to slide 29 for reconciliation of IFRS and SHF NRFFS
(4) +28% on a per share basis

Cash earnings

R million	2023	2022	% change
Net result from financial services(1)(2)(3)	**12 379**	**10 473**	**18%**
Amortisation of capitalised IT projects	142	53	
IFRS 17 specific and other non-cash adjustments	(123)	(53)	
Cash net result from financial services(1)	**12 398**	**10 473**	**18%**
Project expenses not included in net result from financial services	(339)	(377)	
- Project expenses per shareholders' fund income statement	*(610)*	*(543)*	
- Funded from discretionary capital	*271*	*166*	
Project expenses capitalised	(117)	(203)	
Release from specific shareholders' fund reserves	90	179	
Cash earnings available for dividend distribution	**12 032**	**10 072**	**19%**

(1) +21% on a per share basis
(2) After SHF adjustments
(3) Refer to slide 29 for reconciliation of IFRS and SHF NRFFS

Return on group equity value (RoGEV) (%)

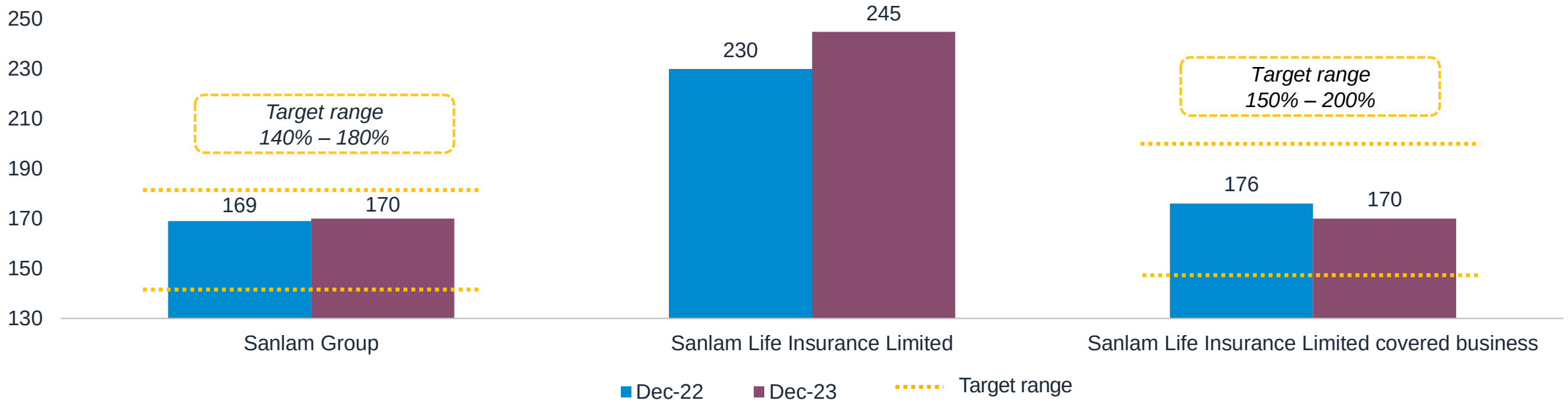


Actual and adjusted RoGEV above hurdle rate for the year

- **Covered**: Strong VNB, positive risk, working capital and credit spread experience, dampened by a once-off reduction from the introduction of IFRS 17 and related tax impact, weaker persistency experience and strengthening of persistency assumptions
- **Non-covered**: Increase in the valuation of Shriram Finance Limited, improved general insurance underwriting in Pan-Africa, realisation of synergy benefits from Absa asset management integration and strong contribution from Santam
- Negative **currency translation impacts** mainly driven by the net portfolio impact of currency movements in the respective Pan-Africa and Allianz portfolios from transaction agreement to effective date
- Per share RoGEV benefits from the 85 million Sanlam shares held by the B-BBEE SPV, which are now treated as treasury shares

Solvency position (%)

Solvency cover ratio (%)



- Solvency ratios remain strong and well within target ranges
- Strong organic capital generation offset the impact of corporate transactions over the year

Business performance



Life insurance: strong profitability

Net result from financial services

R7,5 billion

+19%

New business volumes PVNBP(1)

R100 billion

+14%

Value of new business (VNB)

R2,9 billion

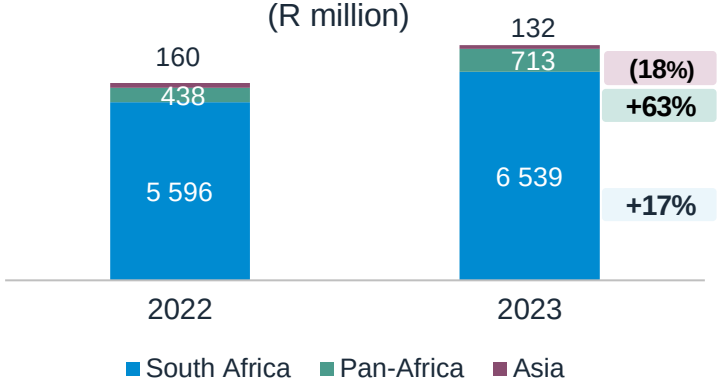
+19%

Net client cash flow

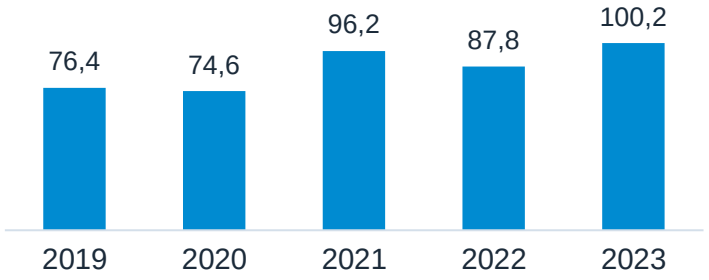
R18,7 billion

-14%

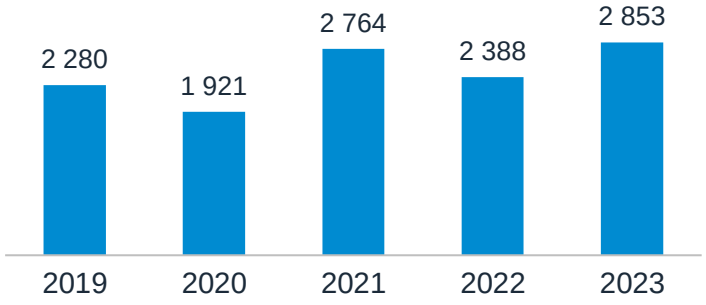
Net results from financial services (R million)



New business volumes PVNBP(1) (R billion)



Value of new business (R million)



- Strong earnings growth driven by positive risk experience, higher asset-based fee income and credit portfolio earnings
- Sales mix supportive of VNB and margins, long-term volume and VNB trends positive
- Retail affluent single premium sales trends improved in the second half of 2023
- Increased outflows on savings business in South Africa: maturities, early retirements and withdrawals from discretionary savings products

(1) Present value of new business premium

General insurance: steady recovery

Net result from financial services

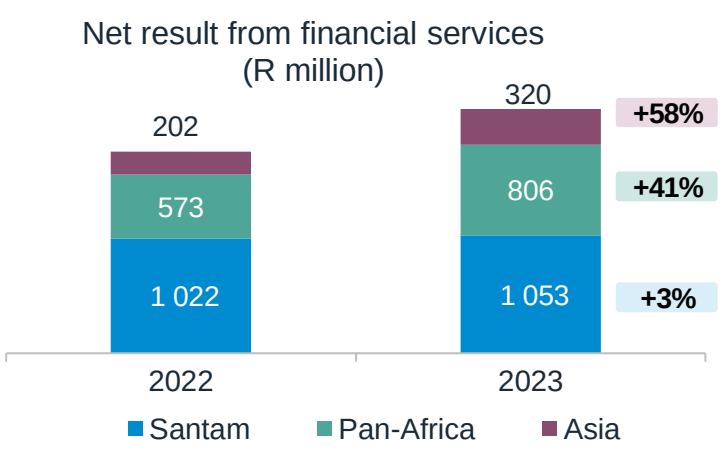
R2,2 billion

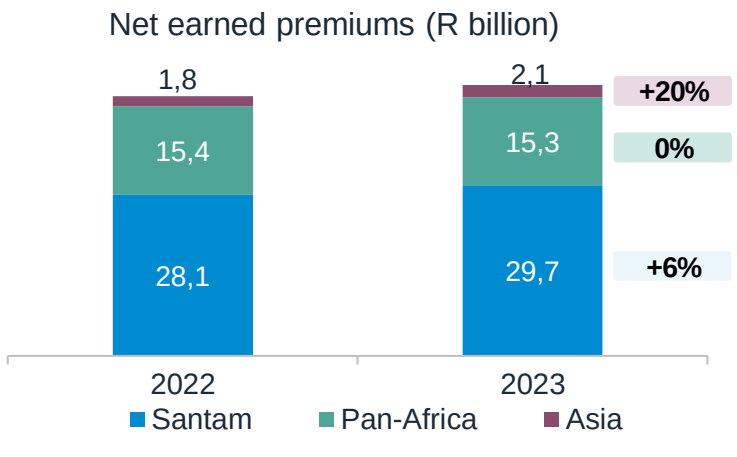
+21%

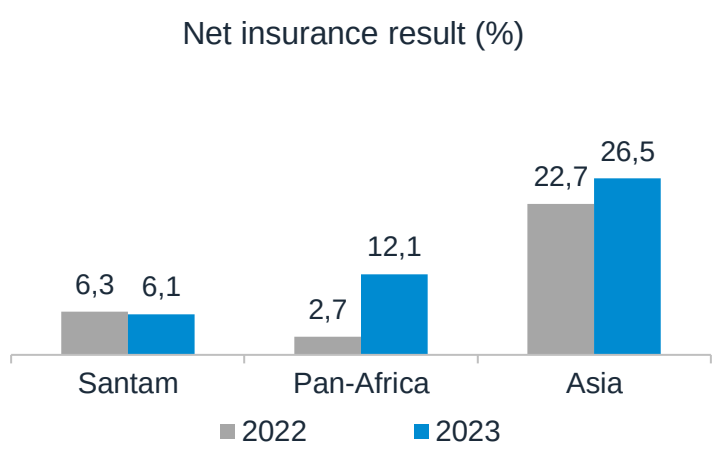
New business volumes

R47,2 billion

+4%







- Santam normalised underwriting margin of 8,4% and improved investment return on insurance funds
- Improvement in underwriting and investment return on insurance fund margins in Pan-Africa
- Addressed volatility of investment return on insurance funds by introducing the asset mismatch reserve (AMR) in the Pan-Africa and India operations

Investment management: benefiting from diversity

Net result from financial services

R994 million

+14%

New business volumes

R275 billion

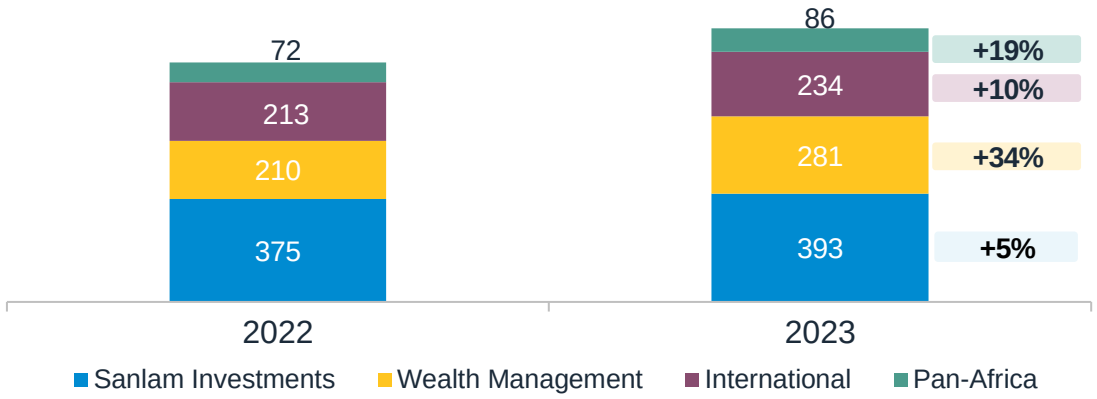
+22%

Net client cash flow

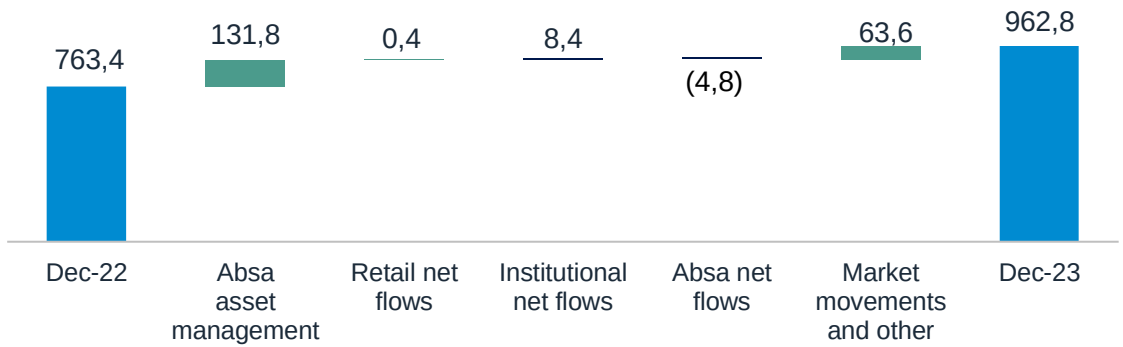
R0,3 billion

(2022: +R22,0 billion)

Net results from financial services (R million)



Sanlam Investments assets under management and net flows (R billion)



- Investment management earnings +19% excluding UK businesses sold in 2022: diverse revenue streams, Absa asset management synergies, strong performance from Wealth Management
- Sanlam Investments positive net client cash flows in core product lines
- Absa asset management net client cash flow trend improved in fourth quarter, significant reduction in net outflows

Credit and structuring: India operations performing well

Net result from financial services

R2,1 billion

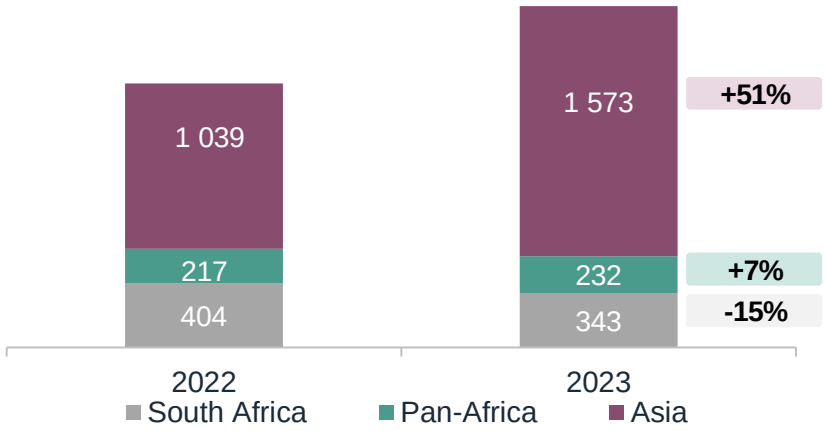
+29%

Credit book size[1] (gross)

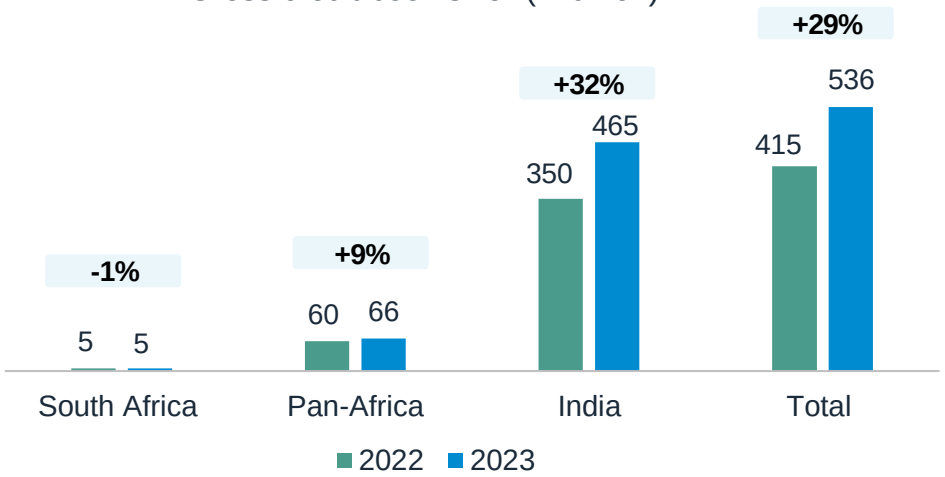
R536 billion

+29%

Net result from financial services (R million)



Gross credit book size[1] (R billion)



- Earnings performance driven by Shriram Finance due to a larger advances book, improved cost efficiencies and better collections
- South Africa impacted by higher bad debt provisions in personal loans business

(1) 100% gross book size, Sanlam's effective shareholding in Shriram Finance Limited in India is 10,2%

Priorities and outlook



Priorities and outlook

Priorities



- Strong focus on improving efficiencies in South Africa
- Integration of acquisitions and realisation of synergies
- Continue investment in digital business models
- Continue to strengthen the group in line with stated strategy as opportunities arise

Financial



- Positive outlook for RoGEV and dividends
- Earnings however remain sensitive to global market levels

Macro environment



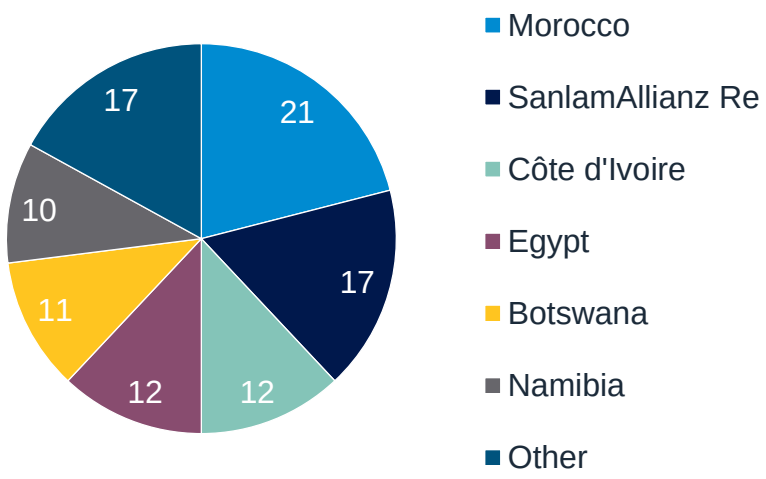
- Efforts in South Africa to improve energy supply and logistics performance welcomed
- Fiscal discipline in South Africa is positive
- We remain positive about the medium to long-run prospects for the Pan-African operations, excited about prospects for SanlamAllianz, long-term growth drivers are clear, risks mitigated by partnership, spread, and strong market positions
- Positive about the medium and long-run prospects of our Indian operations

Additional information

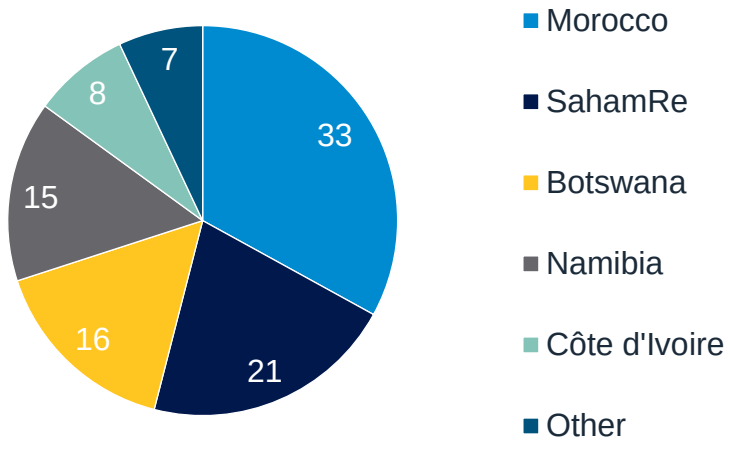


Pro forma SanlamAllianz country split of GEV relative to Sanlam Pan-Africa

SanlamAllianz country split of GEV at 31 December 2023 (%) (incl. Namibia)



Sanlam Pan-Africa country split of GEV at 31 December 2022 (%)



Reconciliation of IFRS and shareholders' fund (SHF) NRFFS

R million	2023	2022	% change
IFRS profit after tax attributable to shareholders' fund	**14 478**	**12 257**	**18%**
Items excluded from net result from financial services	(804)	(1 949)	
Investment return	(2 120)	(1 147)	
Project expenses	610	543	
Net other earnings	706	(1 345)	
Net result from financial services (before SHF adjustments)	**13 674**	**10 308**	**33%**
Specific shareholders' fund adjustments	(1 295)	165	
Net result from financial services (after SHF adjustments)	**12 379**	**10 473**	**18%**
Investment return	2 120	1 147	
Project expenses	(610)	(543)	
Net operational earnings	**13 889**	**11 077**	**25%**



SanlamAllianz JV formation impact on Sanlam group reporting

The effective date for the SanlamAllianz JV was 1 October 2023, thereby contributing only for one quarter in the reporting period ended 31 December 2023 to the group. As a result the structure of the Sanlam Emerging Markets (SEM) cluster significantly changed, also impacting the comparability of the cluster's 2022 performance.

For the period to 30 September 2023, SEM consisted of Sanlam Pan African (SPA) including Namibia and Asia (India and Malaysia). All of the assets of Sanlam Pan African (SPA), except the Namibian assets, were contributed to the SanlamAllianz JV. From 1 October 2023 the SEM cluster consists of the SanlamAllianz JV, Namibia as a standalone business and Asia as illustrated below:

2022	**2023**											
Full year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
SEM Cluster	SEM Cluster									SEM Cluster		
› Sanlam Pan Africa (SPA) including Namibia	› Sanlam Pan Africa (SPA) including Namibia									› SanlamAllianz JV		
› India	› India									› Namibia		
› Malaysia	› Malaysia									› Asia (India & Malaysia)		

The SanlamAllianz JV transaction involved multiple African geographies with multiple regulatory requirements. The integration of the businesses, including financial reporting, could only commence after the effective date and is progressing well. As a consequence Sanlam can only disclose summarised information until the processes are fully aligned over the next 12 months to allow reporting at the detailed level that is customary for Sanlam's disclosure. We anticipate that the detailed disclosures will be available when results for the financial year ending 31 December 2024 will be reported. This will also allow for a longer period to establish meaningful trends.

SanlamAllianz JV formation impact on Sanlam group reporting

In the financial commentary provided, all references to Pan-Africa refers to the Sanlam Emerging Markets operations in Africa outside of South Africa (SanlamAllianz) and including Namibia. Commentary relating to 2023 and 2022 refers to the full year, unless otherwise indicated. The Pan-Africa results reported in 2023 reflect nine months of the former Sanlam Pan-Africa businesses (excluding Namibia), Namibia as a stand-alone for the full year (as this business is not yet part of the JV), and Sanlam's effective share of SanlamAllianz for the last three months of 2023.

Because of the non-comparability of the portfolio between 2023 and 2022, performance of SanlamAllianz on a pro-forma basis is included on page 12.

The pro forma financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors. It has been prepared for illustrative purposes only, to provide information on how SanlamAllianz may have affected Sanlam's financial position and financial performance for the 12 months ended 31 December 2023, had the effective date occurred on 1 January 2023 for statement of profit or loss purposes. Due to its nature, the pro forma financial information may not fairly represent Sanlam's operating results. The pro forma financial information has not been reviewed or reported on by Sanlam's external auditors.

Disclaimer

In this document, Sanlam Ltd (SLM or Sanlam), its subsidiaries and, where applicable, its joint ventures and associates are referred to as “we”, “us”, “our”, “Sanlam” and the “group”.

Forward-looking statements

In this report, we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to new business volumes and investment returns (including exchange-rate fluctuations). These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as “believe”, “anticipate”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “expect” and “project” and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Any forward-looking information contained in this document has not been reviewed and reported on by Sanlam’s external auditors.

Information regarding IFRS 17

Sanlam adopted international financial reporting standard 17 (IFRS 17) “Insurance Contracts”, effective for years beginning on or after 1 January 2023, to be applied retrospectively. The audited and restated consolidated financial statements for the year ended 31 December 2022 are included in our 2023 Annual Reporting Suite.

Non-IFRS financial measures

Sanlam prepares its financial statements in accordance with international financial reporting standards (IFRS). This document includes financial measures that are not based on IFRS (non-IFRS financial measures). Sanlam believes that these non-IFRS financial measures provide information that is useful to investors in understanding Sanlam’s performance and facilitate the comparison of the quarterly and full-year results from period to period. These non-IFRS financial measures do not have any standardised meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. These non-IFRS financial measures should not be viewed as alternatives to measures of financial performance determined in accordance with IFRS.

Currency

Unless otherwise noted, all amounts are in South African rand.

Glossary of terms

Technical terms and definitions	
“Adjusted RoGEV”	Excludes from RoGEV the impact of actual investment return relative to long-term assumptions, interest rate changes, exchange rate movements and other impacts not under management control.
“Asset mismatch reserve” or “AMR”	The reserve created in the group statement of financial position for investment variances emanating from insurance and investment contracts measured under IFRS 17 and IFRS 9, respectively.
“Covered business”	Life insurance business written by Sanlam Life and Savings and Sanlam Emerging Markets.
“Embedded value of covered business ” or “EV”	The present value of the expected future profits from all in-force policies, based on actuarial assumptions. Includes the value of the capital required to back the policies, over and above the reserves held, less the opportunity cost of this capital. Excludes future new business but does include the new business sold to the valuation date.
“Group equity value” or “GEV”	The aggregate of the following components: • The embedded value of covered business; • The fair value of other group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance, retail credit and the non-covered wealth management operations of the group; and • The fair value of discretionary and other capital. Discretionary capital represents management’s assessment of capital in excess of that required for current operations of the group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.
“LISP”	Linked investment service provider.
“Net client cash flows” or “NCCF”	New business volumes net of surrenders and other payments to clients.
“Net operating profit”	Profit after tax earned by the group from operating activities and includes investment return earned on the capital portfolio and project expenditure.
“Net results from financial services “ or “NRFFS”	Profit earned by the group from operating activities and excludes investment return earned on the capital portfolio.
“New business volumes”	The annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year according to the group’s embedded value assumptions and have not subsequently been refunded.

Glossary of terms

Technical terms and definitions	
“Persistency”	The rate at which policies remain in force (i.e. do not lapse).
“PVNBP”	Present value of new business premiums from covered business. Expected new business premiums’ cash flows are present valued based on lapse, premium collection and mortality assumptions over the expected life of the policy.
“Return on Group Equity Value” or “RoGEV”	The return generated on the GEV from the start to the end of the period, excluding dividends and changes in issued share capital. Normalised RoGEV excludes effects of factors beyond management control (e.g. investment market movements). Key contributors to the RoGEV are: the unwinding of the discount rate, VNB, experience variances (that is by how much actual experience is better / worse than expected), and actuarial assumption changes (called ‘basis changes’).
“SBSA”	Standard Bank of South Africa Limited.
“SCR”	The solvency capital requirement under SAM is a risk-based measure of capital required to maintain solvency subject to a confidence level of 99,5% over a one-year period (which is equivalent to a 1-in-200-year event).
“Value of new business” or “VNB”	The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business.
“VNB margin”	Profit margin of new life insurance business written, calculated by dividing value of new business by PVNBP.

Contact

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