

Sanlam Limited  
(Incorporated in the Republic of South Africa)  
Registration number 1959/001562/06  
JSE share code: SLM  
A2X share code: SLM  
NSX share code: SLA  
ISIN: ZAE000070660  
("Sanlam" or "the Group")

## Operational Update – December 2018

The Group made significant strategic progress in the four months since the end of June up to the end of October 2018. During this period, we concluded the largest transaction in Sanlam's history by finalising the acquisition of the remaining stake in Saham Finances. This transaction creates a unique footprint and competitive advantage for Sanlam across the African continent to drive future growth. It also simultaneously afforded us the opportunity to utilise the need to raise equity funding for the acquisition to propose a package of Broad-based Black Economic Empowerment (B-BBEE) transactions to Sanlam shareholders. The proposed B-BBEE transactions will position us well to gain market share in those areas of the South African market where we do not have a leading position and where enhanced empowerment credentials create a strategic advantage, including third party asset management, employee benefits, health and the entry-level market segment. These transactions remain subject to approval by Sanlam's shareholders.

The Group clusters continued to execute their operational strategies and delivered an overall resilient performance for the 10 months ended 31 October 2018. This is a pleasing result in the context of weak economic conditions in a number of our territories, including South Africa our largest market, and significant volatility in global investment and currency markets. The South African equity market had a particularly weak month in October.

Sanlam's 2018 centenary year reflects the core competencies of the Group: being able to deliver shareholder value under challenging conditions while at the same time executing future growth strategies. This is founded in our diversified profile as well as a federal management model that supports dual focus on operational and strategic delivery.

The Saham Finances integration is progressing well. The Sanlam Emerging Markets (SEM) management structure is being aligned to a new line of business focus to support the expanded cluster and to deliver on the strategic opportunities identified as part of the acquisition. Activities in pursuit of unlocking the synergies embedded in the business case have already commenced.

## Results

*The constant currency information included in this operational update has been presented to illustrate the impact of changes in currency exchange rates and is the responsibility of the Group's board of directors ("Board"). It is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, result of operations or cash flows. All references to constant currency information are based on the translation of foreign currency results for the 10 months to 31 October 2018 at the weighted average exchange rate for the 10 months to 31 October 2017, which is also applied for the translation of comparative information. The major currencies contributing to the exchange rate movements are the British Pound, United States Dollar, Indian Rupee, Botswana Pula, Moroccan Dirham, Angolan Kwanza and the Nigerian Naira (negative movements in the table below indicate a strengthening in the rand exchange rate):*

<i>Currency</i>	<i>Average rand exchange rate – 10 months to 31 October 2018</i>	<i>Average rand exchange rate – 10 months to 31 October 2017</i>	<i>Change in average exchange rate</i>
<i>British Pound</i>	<i>17.51</i>	<i>16.95</i>	<i>3.3%</i>
<i>United States Dollar</i>	<i>13.00</i>	<i>13.24</i>	<i>-1.9%</i>
<i>Indian Rupee</i>	<i>0.193</i>	<i>0.203</i>	<i>-5.2%</i>
<i>Botswana Pula</i>	<i>1.314</i>	<i>1.295</i>	<i>1.4%</i>
<i>Moroccan Dirham</i>	<i>1.403</i>	<i>1.374</i>	<i>2.1%</i>
<i>Angolan Kwanza</i>	<i>0.034</i>	<i>0.080</i>	<i>-57.5%</i>
<i>Nigeria Naira</i>	<i>0.036</i>	<i>0.041</i>	<i>-10.3%</i>

*The constant currency information has not been audited or reviewed by Sanlam's external auditor.*

The salient features of the Group's performance for the 10 months to 31 October 2018 are:

- *New business volumes* of R188 billion, up 3% on the first 10 months of the 2017 financial year with major trends remaining in line with the first-half 2018 performance.
  - Sanlam Personal Finance (SPF) achieved overall new business sales growth of 7%. The recurring premium sub cluster continued to deliver strong growth in excess of 20% (7% excluding the structural contribution of the BrightRock acquisition). Solid growth in retirement annuities and tax free savings solutions in the savings business was partly offset by a flat performance from individual life risk business (excluding BrightRock).

Sanlam Sky grew its new business volumes by some 80%, supported by the Capitec credit life business written in the first half of the year and strong demand for the Capitec funeral product. Excluding Capitec and the impact of the biennial renewal of the Zionist Christian Church scheme that occurred in 2017, Sanlam Sky sales increased by 10%. Individual life recurring premium business (excluding Capitec) increased by 14%. Safrican's performance improved since the end of June 2018, but with new business sales remaining lower than the high comparative base in 2017.

Glacier increased its new business contribution by 4% on the first 10 months of 2017. Growth of 8% in primary LISP sales was suppressed by marginally lower secondary sales into wrap funds and 1% growth in traditional life investment sales. The change in mix of business to less profitable lines of business experienced in the first half of 2018 persisted.

- SEM recorded overall new business growth of 14%, including the impact of structural activity (Saham Finances, Sanlam Investments East Africa and the Ghana disposal) in 2017. In constant currency and excluding structural activity, new business volumes increased by 17%.

Despite the difficult economic conditions in Namibia, new business volumes in this region increased by more than 20%, with strong contributions from both life and investment business. The more profitable entry-level market segment, in particular, continued to perform well.

A recovery in annuity market share in Botswana was offset by lower individual life risk and investment business sales from a high base in 2017, contributing to an overall decline of 20% in new business volumes. This did not impact on growth in VNB, due to the change in mix to the more profitable annuity line of business.

Rest of Africa new business volumes increased by 46% (24% in constant currency and excluding structural activity). Most regions and lines of business contributed to the growth in constant currency, apart from Kenya, Malawi life business and Tanzania general insurance business. This is in line with the trends reported in the Group's interim results for the six months ended 30 June 2018. Saham Finances' new business production remained in line with expectations.

The Indian operations delivered growth of 5% (11% in constant currency) with solid growth in both the life and general insurance businesses in constant currency. The Malaysian life insurance business continued with its turnaround and achieved double digit growth in new business sales. The Malaysian general insurance business improved its mix of business, but with overall new business sales still marginally lower than the comparable period in 2017. Overall, Malaysian new business sales increased by 6% (down 1% in constant currency).

- New business volumes at Sanlam Investments Group (SIG) declined by 10%. The international businesses did well and attracted 43% higher new mandates in 2018. This was offset by lower volumes at the South African wealth and asset management businesses, reflecting the difficult operating environment.
- As reported in the Group's 2018 interim results announcement, Sanlam Employee Benefits (SEB) attracted large new mandates subsequent to the end of June 2018. New life business volumes more than doubled as a result.
- Net value of new life business (VNB) increased by 7% (up 12% excluding structural activity and on a constant economic and currency basis). VNB margins have been largely maintained on a per product basis. Double digit growth was achieved across most regions on a constant economic and currency basis, including South Africa where strong growth at Sanlam Sky and SEB supported the results. Detracting from the overall performance were Kenya and Malawi, where the underperformance in life new business had a major negative impact on VNB.
- Overall net fund inflows of R36.2 billion were 5% higher than the R34.6 billion achieved in the comparable 10-month period in 2017. All clusters contributed strong growth, apart from SIG that was impacted by an R8.5 billion withdrawal of lower margin passive mandates managed on behalf of an institutional client.
- Persistency experience trends remained in line with the first half of 2018.
- *Net result from financial services* increased by 2% on the first 10 months of the 2017 financial year (3% in constant currency and excluding structural activity).
  - Sanlam Personal Finance's net result from financial services declined by 5%. This is largely due to increased new business strain, the structural impact of the BrightRock acquisition and a reduced impact from modelling and assumptions changes. Excluding these, Sanlam Personal Finance achieved net operating profit growth of 5% on the first 10 months of 2017, an acceptable performance in the context of the weak investment market performance that impacted on fund-based fee income.
  - Sanlam Emerging Markets' net result from financial services increased by 4% (3% in constant currency and excluding structural activity). Saham Finances, Nigeria, Rwanda and Uganda delivered strong organic growth. Detracting from the results were: higher new business strain in Namibia following the strong growth in entry-level market sales, weaker group life claims experience in Namibia and Botswana, prior year tax corrections at

Letshego and underperformances in Kenya, Zambia and the Tanzania general insurance business.

- Sanlam Investments' contribution to net result from financial services decreased by 2%, attributable to lower performance fees and the negative impact of the weak equity market performance on growth in assets under management.
- Santam continued to benefit from a benign claims environment, with its underwriting margin for the first 10 months of 2018 slightly above the upper end of its 4% to 8% target range.
- SEB experienced a weakening in mortality and disability claims experience since the end of June, contributing to a marginal decline in Sanlam Corporate's net result from financial services. All other lines of business achieved growth.
- *Normalised headline earnings* declined by 10%, attributable to a 55% decline in net investment return. The JSE/FTSE Swix Index recorded a negative return of 16% in the first 10 months of 2018, compared to a positive performance of 15% in the comparable period in 2017. The equity hedges in the Sanlam capital portfolios protected the Group from negative investment returns, in particular during October 2018 when the South African equity market experienced a significant decline. The JSE/FTSE Swix Index declined by 6% during the month.
- *Diluted headline earnings* per share, which include fund transfers recognised in respect of Sanlam shares held in policyholder portfolios, declined by 10%.

## Capital

The Group's operations remain well capitalised. The Sanlam Group Solvency Capital Requirement (SCR) cover ratio amounted to 2.4 times on 30 September 2018 (Sanlam Life Insurance Limited: 3 times).

The Group had excess capital of some R10 billion available for redeployment at the end of June 2018. This has been fully utilised as partial payment for the Saham Finances acquisition referred to above. The proceeds from the proposed B-BBEE transactions, which include an equity issuance, will be utilised to settle the short-term debt incurred as partial funding for the Saham Finances transaction and to restore the discretionary capital portfolio to an appropriate level. The proposed B-BBEE transactions are subject to, among others, shareholder approval at an extraordinary general meeting scheduled for 12 December 2018.

## Outlook

We expect that the economic and operating environment will remain subdued in our largest markets for the remainder of 2018. Investment market and currency volatility are also expected to persist. We commensurately do not foresee any significant improvement in the operational trends experienced in the first 10 months of 2018.

Average investment market levels, the relative strength of the Rand exchange rate and the level of long-term interest rates are key factors that may have an impact on the growth in net result from financial services, normalised headline earnings and Group Equity Value to be reported for the full 2018 financial year.

The information in this operational update has not been reviewed and reported on by Sanlam's external auditors. Sanlam's annual financial results for the year ending 31 December 2018 are

due to be released on 7 March 2019. Shareholders are advised that this is not a trading statement as per paragraph 3.4(b) of the JSE Limited Listings Requirements.

### **Conference call**

A conference call for analysts, investors and the media will take place at 17h00 (South African time) today. Investors and media who wish to participate in the conference call should register as indicated below.

### **Audio dial-in facility**

A toll free dial-in facility will be available. Please register at <http://www.diamondpass.net/1297033> for the call. Registered participants will receive their dial-in number upon registration. For assistance, please contact Sanlam Investor Relations at +2721 947 8455.

Recorded playback will be available for three days after the conference call.

### **Access Numbers for Recorded Playback:**

Access code for recorded playback: **19460**

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USA and Canada	Toll-free	1 412 317 0088	
UK	Toll-free	0 203 608 8021	
Other Countries	Toll	+27 10 500 4108	

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