

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")

Trading Statement – 2020 Interim Results

Shareholders are advised that Sanlam is currently compiling its interim results for the six months ended 30 June 2020. This trading statement provides an indication of a range for headline earnings per ordinary share (HEPS) and earnings attributable to equity holders of the Group per ordinary share (EPS) in terms of paragraph 3.4(b) of the JSE Limited Listings Requirements. Sanlam's interim results will be released on the Stock Exchange News Service of the JSE Limited (SENS) on Thursday, 10 September 2020.

As communicated to shareholders in the Group's operational update released on Wednesday, 10 June 2020, the operating environment across the Group's footprint deteriorated substantially since the end of February 2020 as governments implemented strict measures to control the spread of Covid-19. These included the declaration of states of disaster and emergency in a number of countries where we operate, involving severe limitations on people movement and economic activity. Global growth estimates were revised down sharply, including for all of the Group's key markets. This, together with persistent uncertainty around the eventual impact of Covid-19, drove significant volatility in equity, interest rate and currency markets. These conditions continue to impact on the Group's results for 2020.

Despite the adverse impact of Covid-19 on the Group's earnings for the six months to 30 June 2020 as outlined in this trading statement, the Group's operations remained resilient and the Group sustained its strong capital position. The Group solvency cover ratio exceeded 180% at 30 June 2020 with the ratio remaining well within our target range throughout the worst of the recent market turbulence. Sanlam Life Insurance Limited's solvency cover ratio at 30 June 2020 was well in excess of the 253% ratio reported at 31 December 2019. Funding levels of the participating policyholder portfolios also remain sound.

Net operational earnings for the six months to 30 June 2020 were adversely impacted by the following:

- Lower investment-related fee income at Sanlam Investment Group and Sanlam Personal Finance as a result of negative investment market returns in the first half of 2020, which depressed average assets under management and participating fee income.
- Marked-to-market losses at Sanlam Specialised Finance due to a widening in corporate credit spreads, which, in the absence of defaults, will reverse in future reporting periods.

- Increased doubtful debt provisioning at Sanlam Specialised Finance and the Group's retail credit businesses, attributable to the deteriorating economic environment, continued restrictions on economic activity and pressure on clients' disposable income.
- Negative investment return earned on insurance funds held by the Sanlam Emerging Markets general insurance businesses, in line with the downturn in equity markets.
- Support of some R1 billion provided by Santam to clients with contingent business interruption cover.
- Negative net investment return earned on the capital portfolio reflects the weaker equity market performance and additional expected credit losses recognised in terms of International Financial Reporting Standards (IFRS) 9 in respect of rising sovereign credit risk in Lebanon.

Net operational earnings are therefore expected to decline by between 35% and 45%. Unrealised losses due to fair value changes and increases in doubtful debt provisions account for a major part of this reduction in earnings. Some of this may reverse over time.

Despite the decline in net operational earnings, HEPS are expected to increase by between 5% and 15% compared to the first six months of 2019, supported by the following:

- The one-off IFRS 2 charge of R1.7 billion recognised in 2019 in respect of the share issuance to the Broad-Based Black Economic Empowerment special purpose vehicle (B-BBEE SPV).
- A turnaround in fund transfers relating to the treatment of Sanlam shares held in policyholder portfolios as treasury shares, the consolidation of the Sanlam Foundation and B-BBEE SPV, and the recognition of deferred tax assets in respect of assessed losses in policyholder funds, from a net loss in 2019 to a net profit in the first half of 2020.

These items recognised in terms of IFRS represent non-economical profits and losses for the shareholders' fund, which are excluded from net operational earnings but included in headline earnings.

Given the significant uncertainty around the eventual outcome of Covid-19 and the trajectory of economic recovery, a prudent approach was applied in valuing the Group operations at 30 June 2020. This resulted in generally lower valuations and necessitated an impairment of the carrying values of certain operations. In addition to the HEPS impact highlighted above, earnings attributable to equity holders of the company for the six months ended 30 June 2020 will therefore also be affected by these impairment charges. The following key assumptions were adjusted:

- Non-life businesses
 - Economic assumptions were revised downwards in the current uncertain environment, in respect of both economic growth forecasts and future investment returns. This affected the valuations of the investment management, administration and SEM general insurance operations.
 - Top-line growth was reduced across the board for non-life operations, through lower net fund inflow assumptions for investment management businesses and lower premium/fee income growth at other businesses.

- The valuation of the non-life operations in Lebanon was reduced to zero as a meaningful economic recovery, as well the potential to repatriate profits, is not expected in the foreseeable future.
- Most of the premium paid for synergies as part of the Saham Finances acquisition has been written off. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the Saham Finances footprint as a result of Covid-19. We remain confident that the synergies can be realised, but decided to rather allow these to emerge as positive future experience variances.
- The valuation of Shriram Capital in India was reduced in line with the lower listed share prices of Shriram Transport Finance Company and Shriram City Union Finance.
- Life insurance business
 - Persistency assumptions were strengthened at 30 June 2020. Despite no noticeably poorer persistency experience in the first half of 2020, it is anticipated that rising unemployment and increasing pressure on disposable income in South Africa may result in adverse persistency in future periods.
 - The valuation of the life insurance business in Lebanon was reduced to zero in line with the non-life operations.

The lower valuations resulted in an impairment of intangible assets recognised in respect of the Saham Finances acquisition (circa R5.8 billion) and the equity-accounted carrying value of Shriram Capital (circa R1.8 billion). These contributed the bulk of total impairments of circa R7.8 billion to be recognised in the six months to 30 June 2020. Foreign currency translation gains in respect of these investments, which are recognised directly against equity, however limited the overall reduction in net asset value to circa R1.5 billion.

Impairment charges are excluded from HEPS and only affect EPS. EPS are commensurately expected to decline by more than 100% compared to the first six months of 2019. Impairment charges do not impact on cash earnings and therefore the Group's dividend payment capability.

Shareholders are advised that the Group expects HEPS and EPS for the six months ended 30 June 2020 to fall within the following ranges:

| | 6 months to 30 June 2020 Expected increase on prior period | 6 months to 30 June 2020 Expected range cents per share | 6 months to 30 June 2019 Prior period cents per share |
|--------------|---|--|--|
| HEPS | 5% to 15% | 179.2 to 196.3 | 170.7 |
| Diluted HEPS | 5% to 15% | 177.5 to 194.4 | 169.0 |
| EPS | | -166.2 to -182.8 | 166.2 |
| Diluted EPS | | -164.5 to -180.9 | 164.5 |

The financial information in this trading statement is the responsibility of the Sanlam Board of Directors and has not been reviewed or reported on by the Group's external auditors.

Cape Town
19 August 2020

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