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

Operational update for the four-month period ended 30 April 2022

The Sanlam Group recorded a satisfactory performance for the first four months of 2022, in which we saw global supply chains disrupted, global financial markets decline in the face of the Russian invasion of Ukraine, inflation surge globally and KwaZulu-Natal, South Africa, experience catastrophic flooding. The Group posted creditable earnings, with strong results in the life insurance and investment management businesses offsetting weak general insurance and credit results. Despite the volatility experienced in global equity and credit markets, the South African equity market performed comparatively better due to a substantial increase in commodity prices. Although life insurance recorded much lower COVID-19 excess mortality claims, Santam was impacted severely by a number of weather and fire-related events in the first quarter of the year, as well as the major weather-catastrophe in KwaZulu-Natal in April. The Group’s operations remain robust, with a strong capital position and further growth in life insurance new business volumes despite the high 2021 base and satisfactory growth in general insurance new business volumes.

The Group remains focused on the diligent execution of our purpose-led strategy. We have significantly strengthened our business through the agreement to combine our Pan-African operations outside of South Africa with those of Allianz SE, subject to regulatory and other approvals. This partnership will further support our objectives of creating shared value and driving financial inclusion across the continent.

We completed the package of transactions that finalises our partial exit from the UK, with only a focused international asset management business remaining. The acquisition of the Alexforbes retail and group life businesses was also completed in the period.

Given the continuing uncertainty around the development of the COVID-19 pandemic as well as continuous economic and financial market pressures, Group believes it prudent to maintain a higher than usual level of discretionary capital to provide a buffer against any significant weakening in mortality experience and financial markets. Discretionary capital increased from R2,9 billion on 31 December 2021, to some R6,5 billion on 30 April 2022; including proceeds of £153 million from the UK asset sales.

Key performance indicators*^

Earnings impacted by catastrophe events and market volatility

- **Net result from financial services** decreased by 7%, largely due to the catastrophe events at Santam and the impact of market volatility on credit spread earnings as well as SEM’s general insurance float returns. **Net result from financial services would be 8% higher** excluding the impact of one-off items.

New business volumes remain robust

- **Life Insurance** new business volumes increased by 8% (excluding UK businesses sold) and **Investment** new business volumes declined by 8%, both off high 2021 bases. **General Insurance new business volumes** increased by 4% (7% excluding reinstatement premiums at Santam), with SPA GI increasing 10% in constant currency.
- **Net value of new covered business (VNB**) was down by 16% (down 8% on a constant economic basis), largely due to the impact of product mix changes, with lower sales of risk and guaranteed annuity products in SA Retail Affluent. However, SEM life operations continued their strong profitable growth. A **net VNB margin** of 2.34% was achieved, below the 2.82% recorded in 2021.
- **Group net client cash inflows** of R26,7 billion were down 5%**,** in line with expected lower investment flows in SEM and SIG, off high 2021 bases.

Strong capital position

- Group solvency ratio remains strong at 171% on 31 March 2022**, within target range.

**All commentary relates to the first four months of 2022 relative to the first four months of 2021, unless otherwise indicated*
^ Currency movements did not have a significant impact on the percentages quoted
***Updated quarterly*

EARNINGS

Net result from financial services	Four months ended 30 April 2022	Four months ended 30 April 2022 (constant currency)
Group	(7%)	(7%)
Life Insurance	14%	15%
General Insurance	(62%)	(61%)
Investment Management	18%	16%
Credit and structuring	(10%)	(10%)
Life and Savings	**21%**	**21%**
Sanlam Emerging Markets	**(4%)**	**(3%)**
Sanlam Investment Group	**(17%)**	**(18%)**

The key drivers of the net result from financial services performance are:

- Life insurance earnings recorded strong growth due to lower COVID-19 related excess mortality claims, which were fully covered by product pricing.
- Investment management earnings increased, driven by higher average assets under management from strong net inflows and market gains in 2021, as well as improved performance fees and fund establishment fees.
- However, these were more than offset by:
    - A decline in General insurance earnings, largely attributable to the catastrophe claims at Santam and lower investment return on insurance funds at SPA GI. SPA GI achieved an underwriting margin within its target range, albeit lower than the comparable period in 2021.
    - Credit and structuring earnings decreased largely due to the impact of exceptional 2021 equity market returns on equity-linked financing structures in SanFin.

Net result from financial services would be 8% higher excluding the impacts of excess mortality experience (including discretionary reserve releases and repricing), higher new business strain, widening credit spreads, UK assets sold, KwaZulu-Natal floods, and market volatility on SPA GI investment return on insurance funds and Glacier participating portfolios, in the current and comparable periods.

The decrease in net result from financial services was further impacted by lower investment return due to weaker investment market performance over the period relative to 2021. Project expenses were higher largely due to the corporate activity across the Group in execution of the Group's strategy. These items resulted in **Net operational earnings** decreasing by 24%.

Headline earnings and diluted headline earnings decreased by 31%, the combined effect of the 24% decline in net operational earnings and the impact of the movement in the Sanlam share price on treasury shares held in policyholder portfolios.

LINE OF BUSINESS ANALYSIS

LIFE INSURANCE

Earnings

Life insurance net result from financial services increased 14% driven by a strong improvement in Sanlam Life and Savings (SLS) earnings.

SLS life insurance net result from financial services increased 22%, driven by better mortality experience (over and above 2021 discretionary reserve releases) compared to the first four months of 2021. The cluster also benefited from increased asset-based fee income due to higher average assets under management. These items more than offset higher new business strain and a decline in Glacier earnings from lower annuity longevity profits as well as income earned from products where Glacier participates in the actual investment return earned on the underlying portfolio.

SEM life insurance net result from financial services increased by 2% in constant currency (4% lower at actual exchange rates). Improved claims experience in the Southern Africa region and better results in Nigeria due to good investment performance supported the results. These were partly offset by lower earnings in Morocco due to relatively weaker investment market returns. The impact of COVID-19 on mortality experience is limited.

SIG detracted from overall life insurance earnings growth, recording a 64% decrease in net result from financial services (excluding the UK life business). This is substantially due to the impact of credit spread movements on offshore bonds in the central credit management business in SanFin, as well as higher hedging costs.

New business volumes and net client cash flows

Life insurance new business volumes were up 8% (excluding UK business sold), with SLS and SEM both performing well.

Life insurance new business volumes	Four months ended 30 April 2022	Four months ended 30 April 2022 (constant currency)
New business volumes		
Retail Mass	14%	14%
Retail Affluent	(4%)	(4%)
Single Premiums	(4%)	(4%)
Recurring Premiums	3%	3%
Corporate	>100%	>100%
Single Premiums	>100%	>100%
Recurring Premiums	(31%)	(31%)
SPA Life	2%	5%
India	(16%)	(15%)
Malaysia	92%	94%
SLS	8%	8%
SEM	8%	10%
Net present value of new business premiums		
Retail Mass	18%	18%
Retail Affluent	(4%)	(4%)
Corporate	65%	65%
SPA Life	7%	10%
India	(13%)	(13%)
Malaysia	28%	29%
SLS	6%	6%
SEM	6%	9%

Increased volumes in **SLS** were driven by the SA Retail Mass and Sanlam Corporate businesses.

Strong growth in **Retail Mass** new business sales was driven by the individual life business recording growth of 27%, supported by further improvements in agent productivity. Capitec Bank JV funeral business sales increased by 12%, while the group businesses recorded lower sales.

Retail Affluent new business volumes declined largely due to lower risk sales in the agency channels and, in particular, lower sales of guaranteed annuities as the number of early retirals reduced in South Africa and competitors raised annuity rates. Recurring savings business showed good growth.

Corporate's new business volumes more than doubled due to strong growth in single premium inflows into annuity and guaranteed products.

SEM life insurance new business volume growth was underpinned by good performances from SPA and Malaysia.

SPA life insurance recorded good growth in most regions, with Botswana being the only detractor. **India** recorded weaker sales due to a slightly weaker performance from direct channels and a focus on better quality business. **Malaysia** continues to benefit from channel diversification.

Life insurance net client cash inflows doubled, largely due to lower mortality claim payments in SLS, improved inflows on savings business and persistency being maintained at satisfactory levels.

Value of new business

Net VNB decreased by 16% (down 8% on a constant economic basis). SLS VNB was 22% lower (down 11% on a constant economic basis), with Retail Affluent and Corporate decreasing largely due to mix changes to lower margin products. Retail Mass VNB increased 12% (30% on a constant economic basis), reflecting continued strong high margin volume growth.

SEM VNB increased by 12%, with strong improvements reported across the portfolio due to higher volumes, except for Botswana.

The Group covered business net VNB margin of 2.34% (2.55% on a constant economic basis) was lower than the 2.82% recorded in 2021 due to the product mix changes in South Africa. SLS recorded a margin of 2.09% (2.36% on a constant economic basis) (2021: 2.85%) while SEM's margin improved strongly to 3.66% (3.56% on a constant economic basis) (2021: 3.47%).

GENERAL INSURANCE

Earnings

General insurance net result from financial services decreased 62% driven by declines in Santam and SEM.

SEM general insurance net result from financial services decreased 16%. This is mainly due to weaker performance from SPA GI, which was significantly impacted by lower investment return on insurance funds due to the decline in Moroccan equity markets over the period (1.7% decline in the Moroccan All Share index compared to a positive return of 4.6% in 2021). SPA GI recorded an underwriting margin at the lower end of the 5% to 9% target range, while the investment return on insurance funds was slightly below the target range of 6% to 9%. Higher claims experience on motor and health business in some operations and weaker performance from certain of the East African businesses detracted from results. India's net result increased by 26% mainly due to improved claims experience and investment returns.

Santam recorded a weaker performance largely due to the significant weather-related catastrophe events experienced in the first four months of 2022. Float returns were also impacted adversely by market volatility.

New business volumes

General insurance new business volumes increased 4% (7% excluding reinstatement premiums at Santam).

SEM general insurance new business volumes (net earned premiums) increased by 4% (7% in constant currency). SPA GI increased by 7% (10% in constant currency) due to good growth in motor business which was partly offset by lower volumes in the health and assistance businesses. In India, Shriram General Insurance (SGI) was impacted by lower sales through Shriram channels. Prescribed third-party premium increases in India have been approved from 1 June 2022. Although the increase is lower than the historical average, it will bring some relief to SGI's third-party portfolio.

In April 2022, leading global investment firm KKR acquired a 9.99% shareholding in SGI from Shriram Capital Limited. Sanlam was supportive of the KKR transaction. Sanlam's direct interest in SGI remained unchanged and its total effective economic interest reduced by 2.6% to 40.3%.

Santam achieved satisfactory gross written premium growth of 7% in the Conventional Insurance business, with strong growth at Santam Re partially offset by a decline in the Specialist business. Growth in net earned premiums was impacted by reinsurance reinstatement premiums due to the impact of catastrophe events over the period.

INVESTMENT MANAGEMENT

Earnings

Investment management earnings increased 18%, with good growth recorded in both the SEM and SIG businesses.

SEM net result from financial services from the investment management portfolio increased 24% due to higher fee income as a result of increased assets under management, driven by strong net fund inflows in Southern and East Africa in 2021.

SIG net result from financial services increased 17% driven by improved performances from the Sanlam Investments and Wealth Management businesses.

Sanlam Investments (third-party investment manager) net result increased by 70% **(**up 32% excluding the effect of once-off tax adjustments), with all underlying businesses performing well due to higher assets under management. This was further augmented by performance fees in the third-party asset manager and fund closure fees in the Alternatives business.

Wealth Management benefitted from strong brokerage income from improved retail and institutional trading.

The International business was down 5% (excluding Nucleus Financial Group plc) mainly due to the impact of the decline in equity markets over the period.

Net client cash flows

Investment management recorded net client cash inflows of R11,5 billion, although this was 35% lower than 2021, reflecting the unusually good experience of 2021.

SLS recorded a strong improvement in investment business net client cash inflows in the Glacier LISP business, with strong inflows into living annuities.

SEM investment management recorded net client cash outflows over the period, largely due to lower new business written over the period, reflecting the lumpy nature of flows in this business.

SIG investment management net client cash inflows declined by 32% to R9,4 billion, reflecting the unusually good experience of 2021. This was mainly due to lower 2022 inflows in Sanlam Investments where lower inflows at Satrix and Sanlam Multi-Manager more than offset strong inflows in the Alternatives business. Wealth Management and International net inflows were lower than 2021.

CREDIT AND STRUCTURING

Earnings

Credit and structuring net result from financial services decreased by 10% largely due to lower structuring earnings in SIG.

SLS net result from financial services from the credit and structuring business increased by 33% due to lower bad debt charges in the Sanlam Personal Loans business.

SEM net result from financial services from the credit and structuring businesses is in line with prior year. SPA credit earnings decreased as good growth in Namibia was more than offset by lower earnings in Botswana. India increased by 4% due to improved net interest income from increased disbursement and good levels of collections.

SIG's net result from financial services from the credit and structuring businesses declined 46% due to lower earnings in the structuring business in SanFin as a result of exceptional equity market returns on equity-linked financing structures in 2021.

CAPITAL AND SOLVENCY

Discretionary capital increased from R2,9 billion on 31 December 2021 to some R6,5 billion on 30 April 2022. The increase is largely due to Sanlam's share of the Santam special dividend of R542 million, positive investment return on Sanlam Life capital and includes proceeds from the UK asset sales.

The Sanlam Life and Pensions UK Limited transaction closed on 27 April 2022; and the Sanlam Private Investments UK Limited and Sanlam Wealth Planning Holdings UK Limited transactions closed on 6 May 2022.

The Sanlam Group Solvency Capital Requirement (SCR) cover ratio amounted to 171% on 31 March 2022 and Sanlam Life at 213% (Sanlam Life covered business at 177%). Sanlam Group and Sanlam Life remain well capitalised and well within target SCR ranges.

OUTLOOK

The operating results for the four-month period include the effects of the ongoing conflict in Ukraine and its consequent impact on investment markets, inflation and interest rates, as well as the impact of the KZN floods. The Group has negligible direct exposure to financial instruments directly related to Russia and Ukraine. However, consumers are likely to face increased financial pressure from higher food and transport inflation, as well as higher short term interest rates. This is likely to result in lower savings rates and higher persistency risk as personal disposable income comes under pressure. The Group is most concerned about the impact of the economy on people's living standards.

The Group expects new business growth rates to be muted over the remainder of the year. The resilience of the South African and broader Pan-African economies, especially those that benefit from higher commodity prices, should however provide some support. The Group will continue to manage its cost base in a disciplined manner.

The impact on mortality rates from the Omicron variant of COVID-19 has thus far been much less severe than previous variants. It, however, remains difficult to accurately forecast the timing and severity of future waves. Management actions implemented in 2021, including risk-based repricing and strengthening of the mortality basis, are expected to largely address the higher mortality resulting from further waves of COVID-19, based on our base case assumptions.

Despite the continued overall prudence in the Group's reserving basis, higher than usual discretionary capital is being maintained to mitigate mortality losses in excess of the management actions outlined above. Given the continuing uncertainty around the development of the COVID-19 pandemic as well as the current economic and financial market pressures, the Group believes it prudent to maintain a higher than usual level of discretionary capital to provide a buffer against any significant weakening in mortality experience and financial markets volatility.

The Group is cognisant of the lower returns earned by holding increased levels of discretionary capital and continues to balance the need for prudence in a volatile environment, with its overall return and growth ambitions. A higher level of discretionary capital also allows the Group to consider further strategic opportunities in line with our growth strategy and capital allocation framework.

The Group's general insurance operations are also implementing management actions, including risk reviews and rate increases in line with global reinsurance rate hardening.

The overall capital strength of Sanlam, our diversified portfolio; and track record of execution, remain key differentiators. The Group remains well positioned and aims to continue to deliver long-term value to all stakeholders as we implement our purpose-led strategy, despite the difficult operating environment that is likely to persist for the remainder of 2022.

The information in this operational update has not been reviewed and reported on by Sanlam's external auditors. Shareholders are advised that this is not a trading statement as per paragraph 3.4(b) of the JSE Limited Listings Requirements.

The constant currency information included in this review has been presented to illustrate the impact of changes in the exchange rate of South African rand against other currencies and is the responsibility of the Group's Board of directors. 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 four months to 30 April 2022 at the weighted average exchange rate for the prior period, which is also applied for the translation of comparative information.

The major currencies contributing to the exchange rate movements are the British pound, Botswana pula, Indian rupee, Angolan kwanza, Nigerian naira and the Moroccan dirham:

Foreign currency: ZAR	*Average four months to 30 April 2022*	*Average four months to 30 April 2021*	*(Strengthening)/ Weakening*
United Kingdom	*20.18*	*20.46*	*(1.4%)*
India	*0.20*	*0.20*	*(0.4%)*
Angola	*0.03*	*0.02*	*35.9%*
Nigeria	*0.04*	*0.04*	*(6.0%)*
Morocco	*1.59*	*1.66*	*(4.0%)*
Botswana	*1.31*	*1.35*	*(3.4%)*

In respect of the Group's investment in the former Saham Group, the constant currency information only allows for the impact of the change in exchange rate between the South African rand and the Moroccan dirham on the consolidated former Saham Group results. No adjustment is made for exchange rate movements between the Moroccan dirham and the reporting currencies of the former Saham subsidiaries.

Conference call

Management will host a conference call at 17:00 South African time (UTC+2) on 8 June 2022.

Conference call registration

Those wishing to participate in the conference call should navigate to: https://www.diamondpass.net/4376339

Registered participants will receive their dial-in number upon registration.

Recorded playback will be available until 13 June 2022.

Access code for recorded playback: 42462

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Cape Town
8 June 2022

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