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 10-month period ended 31 October 2022*

The Sanlam group's diverse portfolio and leading competitive position supported satisfactory underlying performance in a challenging operating environment:

- Net result from financial services from life insurance increased by 23%, asset management by 21% on a comparative basis^ and credit and structuring operations by 17%. General insurance operations declined by 50%
- The group net result from financial services decreased 1% and would be 10% higher excluding the impact of one-off items
- Net operational earnings declined 6% due to lower investment market returns and higher project expenditure on initiatives supporting execution of our strategy
- Life insurance new business volumes of R54,4 billion are 4% lower on a comparative basis^
- Net value of new life insurance business (VNB) of R1,8 billion is 14% lower (1% lower on a constant economic basis)
- Net VNB margin improved to 2,86% on constant economic basis compared to 2,65% in 2021, despite lower life insurance volumes
- Group net client cash inflows of R57,4 billion remain strong albeit 6% lower
- Group solvency ratio of 173%, well within target range of 150% to 190%**
- Discretionary capital of R5,3 billion on 31 October 2022

Group performance satisfactory despite continued volatility in global equity, credit and interest rate markets, as well as the impacts of higher inflation

The operating environment has remained difficult since we reported half-year results. Sustained higher inflation and the resulting interest rate increases continued to affect investment markets and the ability of our clients to commit to new insurance and investment products and retain existing arrangements. The diversity of our operations by product, market segment and geography remain a key differentiator and continues to support the group in successfully navigating this environment.

The group's solvency position remained stable through extreme market volatility, and the cash generation of our underlying operations, particularly the life insurance businesses, remains very strong.

Our life insurance, credit and structuring and asset management operations recorded solid earnings growth, with weaker results from general insurance. Life insurance earnings benefited from lower mortality claims versus the comparative period across all operations, as Covid-19 impacts have diminished. Credit and structuring earnings growth was buoyed by good performances from the Shriram businesses, underpinned by continued strong economic recovery in India. The diversity of revenue streams and strong net client cash inflows in recent periods supported investment management earnings, which were strong in the context of significant volatility in global investment markets.

General insurance earnings remained under pressure due to significant claims inflation, investment market volatility and, in South Africa, high levels of electrical power-surge and vehicle theft-related claims, in addition to the adverse weather conditions and catastrophic floods in KwaZulu-Natal reported in the first half of the year. Corrective and mitigating actions have been implemented across the portfolio and improving trends have been observed in the South African operations. General insurance results from the Sanlam Pan Africa portfolio (SPA GI) continue to be impacted by weak investment returns on insurance funds, while claims inflation impacted underwriting performance in the four months since June 2022.

* All commentary relates to the first 10 months of 2022 relative to the first 10 months of 2021, unless otherwise indicated. Currency movements did not have a significant impact on the percentages noted
**Updated quarterly, ^ excluding UK disposals

Our leading competitive positioning and product offering supported continued robust absolute levels of new business volumes and net client cash inflows across our business, albeit with slightly lower growth due to an unusually strong performance in the comparative period.

New business volumes in our life insurance operations were marginally lower on a comparative basis, off a high base. Growth in retail recurring premiums were offset by weaker retail affluent single premiums and corporate recurring premiums. Retail affluent single premiums however remain well above pre-pandemic levels. On a constant economic basis, group net value of new business was stable, while new business margin improved, despite the lower life insurance volumes. General insurance recorded pleasing volume growth across most operations, with a strong focus on appropriate pricing and risk selection. Net fund inflows in our investment management operations declined from the elevated level of 2021 but remained strongly positive despite significant investment market volatility.

Strategy implementation progressing well as some transactions reach completion and move into integration

We continue to progress on our strategic journey to become an African champion by building a fortress position in South Africa and accelerating growth outside South Africa. In South Africa, we completed the acquisition of the Alexforbes life book and the sale of the Sanlam standalone retirement fund administration business to Alexforbes.

The Alexforbes life book is now integrated into Sanlam Life and has contributed to the strong performance of our life insurance operations. The Absa investment management transaction completed in early December and work is underway on integration and realising synergies. These transactions simplify our operations and place our group risk and asset management operations in leading positions in their respective market segments.

In implementing our fortress South Africa strategy, the group made an offer to acquire a majority shareholding in AfroCentric. The proposed transaction will enhance Sanlam's client offering and enable a leading position in health insurance and administration in South Africa. The transaction is expected to be accretive to both earnings and return on group equity value over time. More information on the financial impacts of this transaction will be included in the AfroCentric transaction circular which will be published in due course. The transaction is subject to AfroCentric shareholder and regulatory approvals.

Our InsurTech joint venture with MTN (aYo) became effective on 31 October 2022 and we will support the continued growth of aYo as it expands across Africa and enables financial inclusion across the continent. aYo currently has over four million active policies and is operational in four countries (Côte d'Ivoire, Ghana, Uganda and Zambia), with three more currently operationalising (Cameroon, Nigeria and South Africa).

Regulatory approvals for the proposed joint venture with Allianz are progressing according to plan to complete by mid-2023.

In India, the merger of the Shriram credit businesses is expected to complete in December. This merger simplifies the Shriram group structure and is expected to create further value over time through cost reduction and other synergies realisation.

LINE OF BUSINESS ANALYSIS OF KEY PERFORMANCE INDICATORS

At Sanlam we execute strategy through business clusters which deliver tailored, comprehensive and client-centric financial solutions to individual and institutional clients. The table below illustrates the link between our lines of business and how they are grouped within clusters.

	Sanlam strategic clusters			
Sanlam strategic **Line of business**	**Sanlam Life and Savings**	**Sanlam Emerging Markets**	**Sanlam Investment Group**	**Santam**
Life insurance	✓	✓	✓	
General insurance		✓		✓
Investment management		✓	✓	
Credit and structuring	✓	✓	✓	

EARNINGS

Net result from financial services*	10 months ended 31 October 2022	(constant currency)
By line of business		
Sanlam Group	**(1%)**	**(3%)**
Life insurance	23%	22%
General insurance	(50%)	(53%)
Investment management	1%	(3%)
Credit and structuring	17%	14%
By cluster		
Sanlam Life and Savings	17%	17%
Sanlam Emerging Markets	(6%)	(11%)
Sanlam Investment Group	(8%)	(10%)

** all percentage changes relative to 10 months ended 31 October 2021, Santam does not disclose earnings growth figures for the 10-month operational update*

Net result from financial services decreased 1% and would have been 10% higher without the disruptive impacts of the following items in the current and comparable periods:

- excess mortality experience (including discretionary reserve releases and repricing),
- higher new business strain,
- credit spread movements,
- KwaZulu-Natal floods, contingent business interruption reserve releases in 2022, as well as
- market volatility on SPA GI investment return on insurance funds and Glacier participating portfolios.

LIFE INSURANCE

Life insurance net result from financial services increased strongly due to lower mortality claims in Sanlam Life and Savings (SLS) and Sanlam Emerging Markets (SEM).

SLS recorded a solid performance relative to 2021, with net result from financial services increasing by 19%. Lower mortality claims supported a strong rebound in risk experience profits in all business units which were significantly impacted by Covid-19 related mortality claims in the comparative period.

Persistency trends remain resilient on the back of a range of initiatives taken in the retail affluent business, but the retail mass business continues to show some pressure due to the weak economic environment impacting customers with lower incomes more severely. Management actions have begun to stabilise persistency in this business.

SEM net result from financial services increased by 63%, benefiting from lower mortality claims in the Southern and East Africa regions which were significantly impacted by Covid-19 related mortality claims in 2021. India’s earnings were also supported by lower mortality claims as well as overall book growth.

Sanlam Investment Group (SIG) net result from financial services decreased by 3% on a comparative basis, mainly due to negative credit-spread movements on international bonds in the central credit manager (CCM) business in SanFin and higher hedging costs. The comparative period benefited from significant gains due to narrowing credit spreads during the second half of 2021. The CCM earnings position has improved since June 2022, supported by no significant further deterioration in credit spreads and credit provisions, and some moderation in hedging costs.

GENERAL INSURANCE

General insurance net result from financial services was impacted by weaker performance from Santam and SPA GI.

SEM general insurance net result from financial services decreased 56%. SPA GI was impacted by lower investment return on insurance funds due to continuous declines in Moroccan equity and bond markets since June 2022. The investment return on insurance funds (as a percentage of net earned premiums) for the portfolio softened to negative 2,7% for the 10-month period from negative 1,5% for the first half of 2022 (compared to positive 14,5% in the first 10 months of 2021). The underwriting margin was slightly below the lower end of the 5-9% target range as higher claims experience on motor and health business detracted from results. India’s net result from financial services increased marginally due to improved claims experience and higher investment return on insurance funds.

Santam was impacted by high levels of claims inflation, electrical power-surge and vehicle theft - related claims, as well as adverse weather conditions and the devastating floods in KwaZulu-Natal province in the earlier part of the year, partly offset by a reduction in the Covid-19 related contingent business interruption claims provision. The conventional insurance business net underwriting margin remains below Santam’s target range of 5-10%. The business has, however, recorded improving trends from the first half of 2022 by implementing appropriate underwriting actions across the portfolio. The investment return on insurance funds was adversely impacted by the steep rise in interest rates, which created mark-to-market losses in the bond portfolio held as part of the float to support risks underwritten. Actions to reduce volatility of investment returns on insurance funds has also had a positive impact since the half-year results.

INVESTMENT MANAGEMENT

Investment management recorded growth of 1% in net result from financial services and is 21% higher excluding the 2022 UK disposals, a satisfactory outcome in the context of significant volatility in global investment markets.

SIG net result from financial services is 23% higher excluding UK disposals. Sanlam Investments' contribution increased strongly, benefiting from performance fees in the active asset management business as well as fund-establishment and private-equity carry fees in the alternatives business, while wealth management was buoyed by robust growth in brokerage income. However, international business decreased due to lower fee income amid significant declines in international equity markets. **SEM** net result from financial services from the investment management portfolio increased by 4%.

CREDIT AND STRUCTURING

Credit and structuring net result from financial services increased 17% due to improved earnings in SEM.

SEM net result from financial services from the credit and structuring businesses increased 45% due to an improved performance in India, where higher net interest income was supported by stronger loan book growth and stable collections. SPA earnings were in line with prior year. This growth was however partly offset by **SIG**'s net result from financial services from the credit and structuring businesses which decreased 32% on lower earnings in the structuring business in SanFin. Lower earnings reflected the impact of exceptional equity-market returns on equity-linked financing structures in 2021 and lower transaction volumes in 2022.

Sanlam Personal Loans (SPL) net result from financial services decreased due to lower interest income on a reduced gross loan-book size, which offset an improvement in the bad debt position. The gross loan book size declined slightly, mostly due to a run-off of existing clients.

Net operational earnings, headline earnings and diluted headline earnings

Net operational earnings decreased 6%, due to the combined effect of lower net investment return on shareholder capital portfolios and higher project expenditure on initiatives supporting execution of our strategy, in particular transaction costs relating to corporate activity.

Headline earnings per share and diluted headline earnings per share decreased by 6%, in line with the performance from net operational earnings.

NEW BUSINESS VOLUMES

LIFE INSURANCE

Life insurance new business volumes declined 4% excluding UK disposals, off a high base, due to lower single-premium sales in retail affluent from a slowdown in Glacier inflows from death claims and employment mobility sources, and lower recurring premium sales in corporate.

Life insurance new business volumes	**10 months ended 31 October 2022**	**(constant currency)**
New business volumes		
Retail mass	3%	3%
Retail affluent	(10%)	(10%)
Single premiums	(11%)	(11%)
Recurring premiums	1%	1%
Corporate	13%	13%
Single premiums	21%	21%
Recurring premiums	(50%)	(50%)
SPA Life	5%	4%
India	22%	16%
Malaysia	9%	5%
SLS	**(6%)**	**(6%)**

SEM	**7%**	**5%**

Net present value of new business volumes		
Retail mass	(1%)	(1%)
Retail affluent	(9%)	(9%)
Corporate	(12%)	(12%)
SPA Life	5%	4%
India	55%	48%
Malaysia	6%	2%
SLS	**(8%)**	**(8%)**
SEM	**11%**	**9%**

Retail mass new business volumes recorded growth of 3%, with growth of 32% in individual life and 11% in the Capitec Bank funeral joint venture, offset by lower sales in the group businesses. Relative sales volumes in the group businesses were impacted by the biannual premium increase on the ZCC scheme in 2021. Excluding this scheme, new business volumes increased by 8%.

Retail affluent new business volumes declined due to lower single-premium sales of life annuity and international products. Life annuity sales have, however, improved since June 2022. Recurring-premium sales increased due to strong growth in savings business while risk sales volumes remained below the comparative period largely due to lower assistance and group risk sales at BrightRock. Sales trends in the individual life risk business improved from June 2022.

Corporate's new business volumes increased 13% due to good sales of single-premium investment products while recurring-premium volumes were lower due to a decline in group risk sales. The hardening of pricing in the group risk business in 2021, resulted in lower new recurring sales in the first half of 2022. A pickup in sales after subsequent pricing adjustments was experienced in the second half of the year.

SPA life insurance sales improved as growth across the portfolio compensated for muted performances from Botswana, Namibia and Morocco. **India** benefited from stronger performance through direct channels, while **Malaysia** continues to benefit from diversifying distribution to digital channels and growth in group scheme business.

NET VALUE OF NEW BUSINESS

Group **NET VNB** decreased by 14% (1% lower on constant economic basis).

SLS VNB was 2% lower on a constant economic basis due to corporate VNB which was impacted by lower group risk sales. Retail mass (+12%) and retail affluent (+3%) contributed positively.

SEM VNB was 2% higher on constant economic basis as most regions recorded higher growth with Botswana, Morocco and Nigeria the main detractors.

Group **NET VNB margin** of 2,52% was lower than the 2,65% recorded in 2021. On a constant economic basis, the group VNB margin of 2,86% was above the comparative period.

SLS recorded a margin of 2,66% on constant economic basis while **SEM's** margin was 4,05% also on constant economic basis.

GENERAL INSURANCE

General insurance new business volumes increased by 6% excluding reinstatement premiums at Santam.

SEM general insurance new business volumes (net earned premiums) increased 8%. SPA GI increased 10% due to good growth in motor business, partly offset by lower volumes in the health business. In India, Shriram General Insurance (SGI) was impacted by lower sales through Shriram channels as well as lower prescribed premium increases on its third-party portfolio relative to the historical average. Increased management focus on cross-sell has begun to support improved sales trends in SGI.

Santam achieved strong gross written premium growth of 8% in the conventional insurance business, with robust growth 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.

NET CLIENT CASH FLOWS

Group net client cash flows were 6% lower than 2021, largely due to lower net flows in the investment management businesses which were affected by the global macro environment and came off a high base in 2021.

Investment management recorded net client cash inflows of R26 billion, 32% lower than 2021, reflecting the unusually good experience of 2021 and continued investment market volatility in 2022. The prior year included significant mandates awarded in SIG and SEM. **SIG's** history of consistent net cash inflows continued in the current year at R12,8 billion, albeit 59% lower than the comparative period in a difficult economic climate. **SEM** net inflows decreased by 21% from the comparative period due to large one-off flows received in Botswana in 2021, despite improved inflows in Kenya.

Life insurance net client cash inflows improved by 81% due to lower mortality claim payments and continued strong absolute levels of new business inflows, at both SLS and SEM.

CAPITAL AND SOLVENCY

The capital and solvency position of the group and its main operating entities remained strong and within target ranges on 30 September 2022. The group solvency cover ratio was 173%, Sanlam Life solo solvency ratio was 253% and Life covered business solvency ratio was 177%.

Discretionary capital decreased from R6,6 billion on 30 June 2022 to R5,3 billion on 31 October 2022. This is largely due to R845 million paid to finalise the aYo transaction and a number of smaller transactions across the portfolio.

In October, we announced our intention to acquire a controlling interest in AfroCentric. The cash consideration for the transaction is between R1,0 billion and R2,2 billion, depending on the level of cash or shares selected by AfroCentric shareholders as consideration for their shares. This proposed transaction would reduce our discretionary capital if successfully concluded.

OUTLOOK

The group's robust performance for the first 10 months of 2022 highlights the strength of Sanlam and the ability to deliver sustainable value in the most challenging operating environments. The absolute level and value of new business remains strong across the group and life insurance new business margins are robust.

We expect the operating environment to remain challenging for the remainder of the year, with continued pressure on asset-based fee income and persistency in the entry-level market in South Africa. The outlook for inflation, interest rates and investment markets remain unclear.

Management has taken action to address short-term persistency challenges and we expect these to have more positive impacts going into 2023. The group reviews its actuarial basis annually and will consider actual experience in any changes made at year end.

Impacts from the pandemic have been limited over the period and we believe the short-term Covid-19 impacts are largely behind us. We have, however, provided additional margin for any future impacts on long-term mortality where the outlook is still uncertain; and we continue to rebuild contingency reserves that were released during the Covid-19 pandemic to build capacity to absorb impacts of future catastrophic events.

Inflationary pressures are expected to continue affecting underwriting margins in our general insurance operations in the near term, as corrective actions on repricing will take some time to fully implement across the portfolio. The strategic transactions completed in 2022, including the Absa and Alexforbes transactions, are however expected to contribute in 2023, which will support earnings growth while our general insurance operations recover.

We are allocating some of our discretionary capital to value-enhancing opportunities that will be accretive to the group's growth profile and is in line with our capital-allocation framework and strategic intent. We are evaluating a number of opportunities in line with our strategy and will continue to allocate capital in a disciplined manner to enhance our long-term growth profile.

The implementation of IFRS17 from January 2023 is expected to have a broadly neutral impact on Sanlam's reported net result from financial services and is not expected to significantly impact other key value metrics. We will communicate more on this at our 2022 year-end results in March 2023.

Sanlam remains well positioned to weather the current headwinds with a robust balance sheet and solvency position, diversification across geographies, lines of business and market segments, and significant depth of skills in our businesses. The Group aims to continue to deliver long-term value to all stakeholders as we implement our purpose-led strategy.

The information in this operational update has not been reviewed or reported on by Sanlam's external auditors. Sanlam's annual results for 2022 are due to be released on 9 March 2023. 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 report has been presented to illustrate the impact of changes in the South African rand exchange rates and is the responsibility of the 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 10 months to 31 October 2022 at the weighted average exchange rate for the 10 months to 31 October 2021, 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, Angolan kwanza, Malaysian ringgit and Moroccan dirham.

Foreign currency/ZAR	*Average 10 months to 31 October 2022*	*Average 10 months to 31 October 2021*	*(Strengthening)/ Weakening*
United Kingdom	*20.05*	*20.18*	*(0.64%)*
USA	*16.12*	*14.58*	*10.53%*
India	*0.21*	*0.20*	*4.87%*
Angola	*0.04*	*0.02*	*56.41%*
Nigeria	*0.04*	*0.04*	*5.07%*
Morocco	*1.60*	*1.63*	*(1.88%)*

In respect of our 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 Moroccan dirham on the consolidated former Saham Group results. No adjustment is made for exchange-rate movements between the Moroccan dirham and reporting currencies of the former Saham subsidiaries.

Conference call

Paul Hanratty, group CEO, will host a conference call for investors, analysts and the media at 17:00 South African time (UTC+2) on 7 December 2022.

Conference call registration

Those wishing to participate in the conference call should navigate to:
https://www.diamondpass.net/8307200

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

Access numbers for recorded playback:

Recorded playback will be available until 13 December 2022.

Access code for recorded playback: 43471

South Africa	*010 500 4108*
USA and Canada	*1 412 317 0088*
UK	*0 203 608 8021*
Australia	*073 911 1378*
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Cape Town
7 December 2022

Equity sponsor: The Standard Bank of South Africa Limited