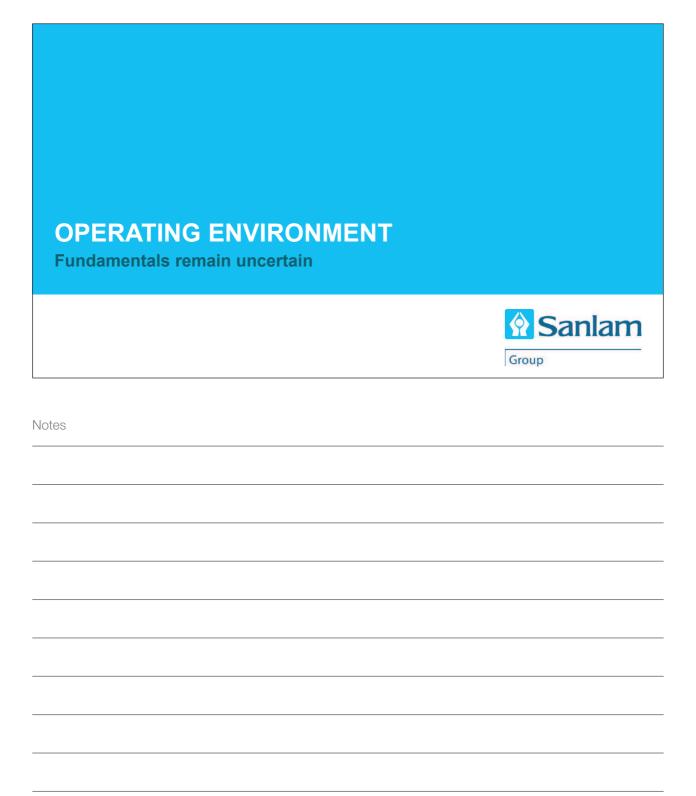
Trust, responsibility and the connectivity of solid performance and expertise

### Investor presentation 2013 annual results





AGENDA	
<ul> <li>Operating environment</li> </ul>	
Strategic overview	
➤ Financial review	
Outlook and priorities	
	Sanlam
Notes	



### **OPERATING ENVIRONMENT**

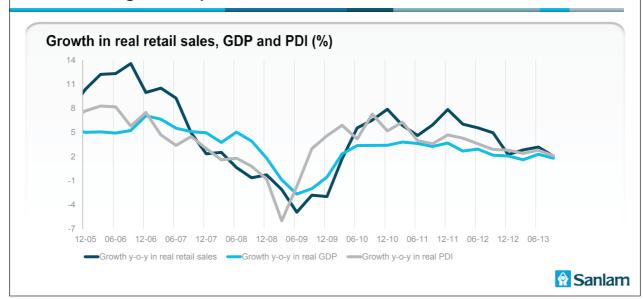
- Conditions remain challenging
  - Slow global recovery, but signs of improvement
  - Tapering of Quantitative Easing impacting negatively on emerging markets
  - Low short-term interest rate environment in 2013
  - Weak short-term insurance claims cycle
- SA economy
  - Growth
  - Interest rates
  - Equity markets
  - Currencies
- Africa/India environment



otes	

### **SA ECONOMY**

### Low level of growth expected to continue into 2014



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# SA 9-year bond yields and short-term interest rates 10.0% 9.5% 9.0% 8.5% 8.0% 7.5% 7.0% 6.5% 6.0% 5.5% 5.0%

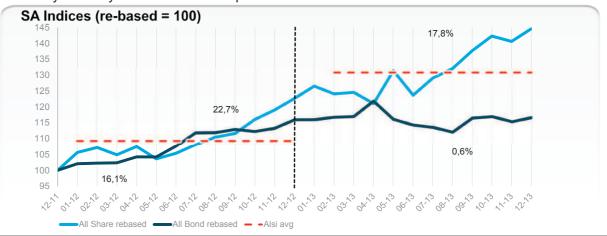
**№** Sanlam

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9-year Short term - Avg Short term

### **SA EQUITY & BOND MARKETS**

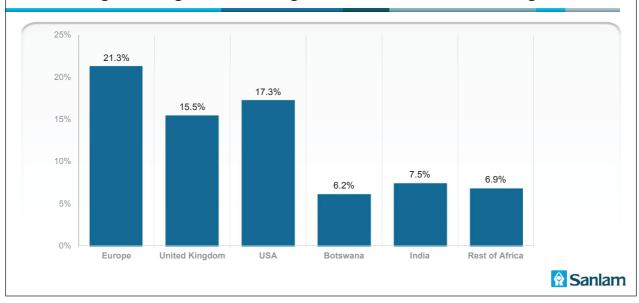
- Equity market recovered strongly in 2H13
- Partly offset by weak bond market performance



Notes		

### **EXCHANGE RATE**

### Weakening in average rand exchange rate benefited non-SA earnings



otes	

### **REST OF AFRICA/INDIA ENVIRONMENT**

- Botswana
  - Consumer remains under pressure
- Rest of Africa
  - Low demand for resources, but overall growth remains higher than SA
- India
  - Below-trend economic growth during FY13
  - Relatively high inflation, rising interest rates
  - Currency volatility similar to SA

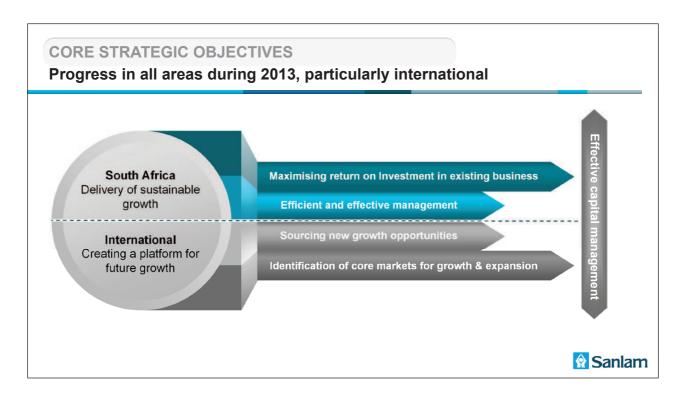




## STRATEGIC DELIVERY **Track record remains intact ♠** Sanlam Group Notes

### STRATEGIC FOCUS REMAINS UNCHANGED Maximise shareholder return Net Business Flows Diversification Operational Efficiency ROGEV) **Optimal Application** Strategic Investments Return of Excess **Sanlam** Sanlam

Notes		



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### **TOP-LINE EARNINGS GROWTH**

### Financial performance in 2013

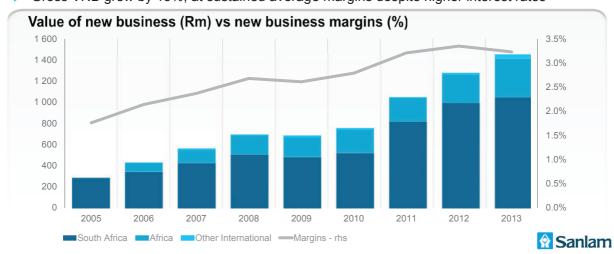
- Earnings per share
  - Net operating profit per share increased by 34%
  - Normalised headline earnings per share up 35%
- Business volumes
  - New business volumes increased by 36% to R185bn
  - · Net fund inflows of R32bn
  - Net life VNB up 12% to R1 320m
  - Net VNB margin of 3,06% improved performance on comparable basis
  - Group Equity Value of 4 121 cents per share
  - RoGEV per share of 17%





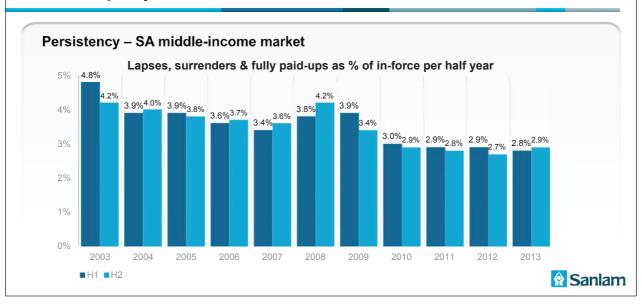
### Profitable volume growth

▶ Gross VNB grew by 13%, at sustained average margins despite higher interest rates



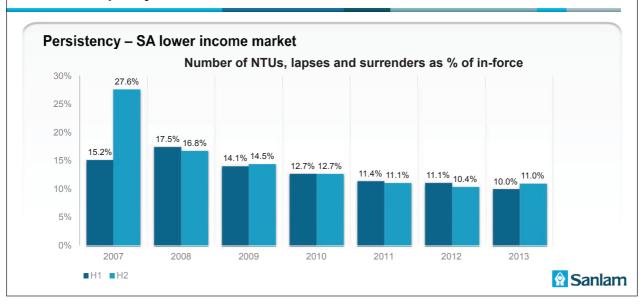
Notes	

### Focus on quality



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### Focus on quality

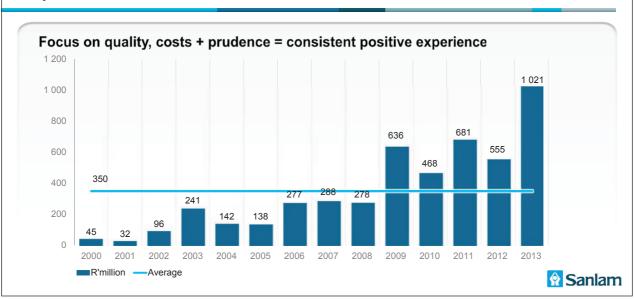


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### **INVESTMENT PERFORMANCE** Focus on long-term performance track record Percentage of SIM's AUM to exceed benchmark (R312bn) 100% 90% 80% 80% 70% 70% 60% 60% 50% 50% 40% 40% 30% 30% 20% 20% 10% 10% Rolling 3 Yr Rolling 5 Yr ■2010 ■2011 ■2012 ■2013 ■2010 ■2011 ■2012 ■2013 **Sanlam** Sanlam

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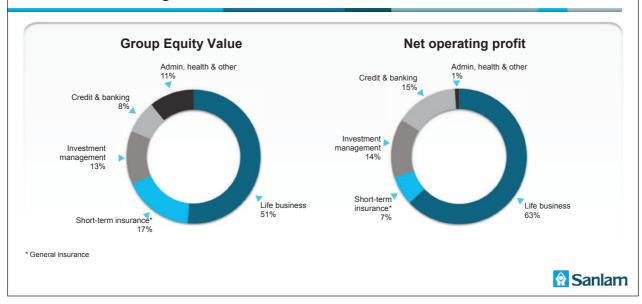
### **Experience variances**



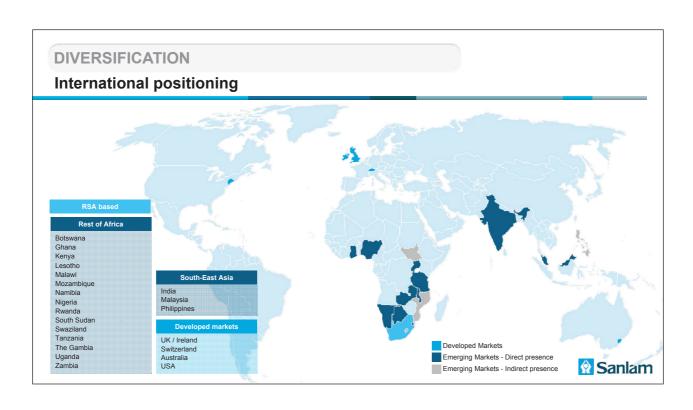
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### **DIVERSIFICATION**

### Diversified earnings base



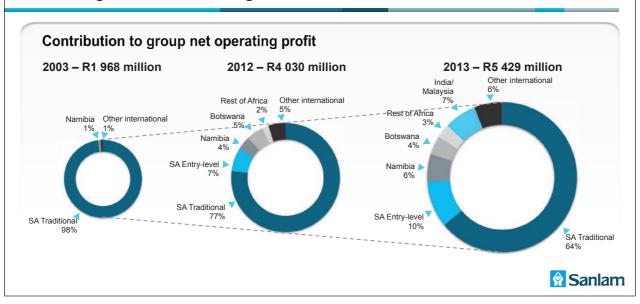
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### **DIVERSIFICATION**

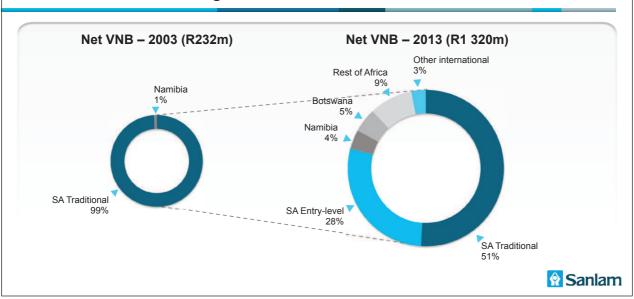
### Increasing contribution from growth markets



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### DIVERSIFICATION Growth markets deli

### Growth markets delivering value



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### **CAPITAL EFFICIENCY**

### **Optimising capital base**

- Prudent approach while awaiting final SAM specifications
- R2,5 billion of investments in growth markets finalised during 2013
- Discretionary capital earmarked mainly for Africa, India and SE Asia



Notes

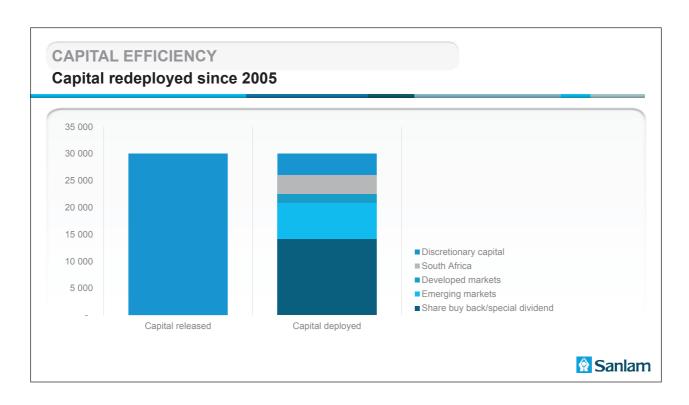
### **CAPITAL EFFICIENCY Discretionary capital** 4 200 **Balance 1 January 2013** Investments (1763)India & SE Asia (1 334) Rest of Africa (551)Santam co-investment 181 Developed markets (46)South Africa (13)Capital released 1 906 Non-core operations 412 1 494 Excess return on life capital Investment return & other 734 Special dividend (1 077)

4 000

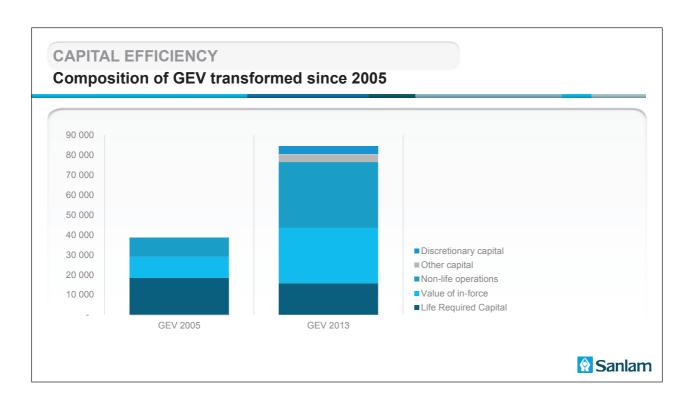


Notes	

**Balance 31 December 2013** 



Notes	



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### **CHANGES IN PRESENTATION / KEY ASSUMPTIONS**

- Accounting policies & basis of presentation (no change from 1H13)
  - IFRS 10 restatements no impact on shareholders' fund balance sheet
  - · Investment classifications aligned with SAM
  - · STC replacement with withholding tax
  - Presentation of non-life operations in GEV
- ▶ Changes in RDR: (Sanlam Life 10,7%)
  - 140 bps up from December 2012
    - Negative impact on valuations and RoGEV



Notes		

### SALIENT FEATURES

		2013	2012	Δ
Group Equity Value	cps	4 121	3 707	11%
RoGEV per share	%	17,0	22,0	
RoGEV per share (adjusted)	%	10,6	15,0	
CAR cover (Sanlam Life)		4,5	4,3	
Net operating profit	R mil	5 429	4 030	35%
	cps	266,0	198,9	34%
Normalised Headline earnings	R mil	8 060	5 919	36%
	cps	395,0	292,1	35%
New business volumes +	R mil	154 976	123 072	26%
Net fund flows +	R mil	26 113	25 000	4%
New Life business EV (net)	R mil	1 320	1 176	12%
New Life EV margin	%	3,06	3,22	
+ Excludes white label				<b>☆</b> Sanla

Notes

### SANLAM PERSONAL FINANCE

R million	2013	2012	Δ
New business flows	42 507	32 355	31%
Entry-level	1 155	984	17%
Middle-income	11 328	9 972	14%
Affluent	30 024	21 399	40%
Net flows	14 993	8 974	
Entry-level	2 880	1 342	
Middle-income	(1 826)	233	
Affluent	13 939	7 399	



Notes		

### SANLAM PERSONAL FINANCE

R million	2013	2012	Δ
Value of new life business	986	939	5%
Entry-level	366	382	-4%
Middle-income	485	449	8%
Affluent	135	108	25%
Comparable economic basis	1 113	939	19%
New business margin	3,20%	3,44%	
Entry-level	8,63%	8,59%	
Middle-income	2,82%	2,95%	
Affluent	1,45%	1,41%	
Comparable economic basis	3,52%	3,44%	

Sanlam

Notes		

### SANLAM PERSONAL FINANCE

2 920	2 351	24%
79	68	16%
296	279	6%
260	187	39%
2 659	2 363	13%
761	375	103%
4 055	3 272	24%
2013	2012	
	4 055 761 2 659 260 296	4 055     3 272       761     375       2 659     2 363       260     187       296     279



Notes	

### SANLAM EMERGING MARKETS

R million	2013	2012	
New business flows	9 749	12 952	-25%
Namibia	5 401	9 532	-43%
Botswana	2 281	2 067	10%
Rest of Africa	1 139	895	27%
India/Malaysia	928	458	103%
Net fund flows	1 794	3 977	
Namibia	(807)	1 629	
Botswana	1 303	1 228	
Rest of Africa	1 195	1 024	
India/Malaysia	103	96	
Value of new life business	364	267	36%
Margin	7,46%	5,88%	
			<b>     Sanla</b>

Votes		

### SANLAM EMERGING MARKETS

Group equity value RoGEV	<b>10 189</b> 29,8%	<b>6 105</b> 16,9%	
Net operating profit	1 011	428	136%
Corporate	(31)	(25)	-24%
India/Malaysia	584	34	>100%
Rest of Africa	217	117	85%
Botswana	579	499	16%
Namibia	387	225	72%
Gross operating profit	1 736	850	104%
R million	2013	2012	



Notes		

### SANLAM INVESTMENTS

<b>Value of new life business</b> Margin	<b>100</b> 1,08%	<b>72</b> 1,15%	39% <b>☆</b> Sanlar
Net life business	2 482	561	
Sanlam UK	5 252	2 079	153%
Employee benefits	2 075	2 084	0%
New life business	7 327	4 163	76%
Capital management	202	-	
International	4 203	1 244	
Investment services	1 932	(863)	
Wealth management	5 299	1 743	
Asset management	(9 934)	4 418	
Net investment business flows	1 702	6 542	
R million	2013	2012	Δ

Notes		

### **SANLAM INVESTMENTS**

R million	2013	2012	Δ
Gross operating profit	1 718	1 322	30%
Investment management	1 078	692	56%
Employee benefits	385	359	7%
Capital management	255	271	-6%
Net operating profit	1 301	975	33%
Group Equity Value	17 971	16 424	
Covered business	6 901	6 205	
Other	11 070	10 219	



Notes			

### SANTAM

R million	2013	2012	Δ
Net earned premiums	16 750	15 626	7%
Gross operating profit	835	1 008	-17%
Underwriting surplus	461	593	-22%
Working capital income	374	415	-10%
Net operating profit	333	405	-18%
Underwriting margin	2,8%	3,8%	
Group Equity Value	12 644	12 875	
RoGEV	1,5%	44,0%	



Notes

### **BUSINESS FLOWS**

	Gross			Net	
2013	2012	Δ	2013	2012	
42 507	32 355	31%	14 993	8 974	
9 749	12 952	-25%	1 794	3 977	
85 970	62 139	38%	4 184	7 103	
16 750	15 626	7%	5 142	4 946	
31 687	25 436	25%	10 561	8 532	
105 697	81 670	29%	10 238	11 431	
17 592	15 966	10%	5 314	5 037	
154 976	123 072	26%	26 113	25 000	
				Sanla	
	2013 42 507 9 749 85 970 16 750 31 687 105 697 17 592	2013 2012  42 507 32 355 9 749 12 952 85 970 62 139 16 750 15 626  31 687 25 436 105 697 81 670 17 592 15 966	2013     2012     △       42 507     32 355     31%       9 749     12 952     -25%       85 970     62 139     38%       16 750     15 626     7%       31 687     25 436     25%       105 697     81 670     29%       17 592     15 966     10%	2013     2012     △     2013       42 507     32 355     31%     14 993       9 749     12 952     -25%     1 794       85 970     62 139     38%     4 184       16 750     15 626     7%     5 142       31 687     25 436     25%     10 561       105 697     81 670     29%     10 238       17 592     15 966     10%     5 314	

Notes

### **VALUE OF NEW COVERED BUSINESS**

	Value of	New Busine	SS	Ma	argin
R million	2013	2012	Δ	2013	2012
Personal Finance	986	939	5%	3,20%	3,44%
Emerging Markets	364	267	36%	7,46%	5,88%
Employee Benefits	61	58	5%	1,66%	1,43%
Sanlam UK	39	14	179%	0,7%	0,63%
Total	1 450	1 278	13%	3,23%	3,35%
Net of minorities	1 320	1 176	12%	3,06%	3,22%
Comparable economic basis	1 449	1 176	23%	3,29%	3,22%
					<b>♦</b> Sanla

Notes			

### **NET OPERATING PROFIT**

Corporate & other	(136)	(129)	-5%
Santam	333	405	-18%
Sanlam Investments	1 301	975	33%
Emerging Markets	1 011	428	136%
Personal Finance	2 920	2 351	24%
R million	2013	2012	Δ



Notes	

### **INCOME STATEMENT**

R million	2013	2012	Δ
Net operating profit	5 429	4 030	35%
Per share	266,0	198,9	34%
Net investment return	3 019	2 356	28%
STC	-	(233)	100%
Other	(388)	(234)	-66%
Normalised headline earnings Per share	<b>8 060</b> 395,0	<b>5 919</b> 292,1	<b>36%</b> 35%
Fund transfers	2	(156)	
Headline earnings	8 062	5 763	40%
Per share	397,8	286,8	39%



Notes		

### **GROUP EQUITY VALUE**

	Equity Value		RoGEV	
R million	2013	2012	Rm	%
Group operations	76 470	68 166	13 367	19,3%
Personal Finance	35 666	32 762	6 721	20,5%
Emerging Markets	10 189	6 105	2 246	29,8%
Investments	17 971	16 424	4 204	25,9%
Santam	12 644	12 875	196	1,5%
Discretionary & Other	7 939	7 186	(20)	-0,3%
TOTAL	84 409	75 352	13 347	17,7%
cps	4 121	3 707	629	17,0%
Adjusted return				10,6%
Return target				10,8%
				Sanla

Notes	

### **GROUP EQUITY VALUE EARNINGS**

		_	Sanla
GEV earnings	13 347	(4 822)	8 525
Non-life	4 219	(1 940)	2 279
EV earnings	9 128	(2 882)	6 246
Return on net worth	2 182	(1 247)	935
	6 946	(1 635)	5 311
Economic assumption changes	(1 077)	1 077	
Tax changes	88	(88)	-
Inv variances in-force	2 624	(2 624)	-
	5 311		5 311
Operating assumption changes	385		385
Operating experience variance	1 021		1 021
Expected return on VIF	2 585		2 585
Existing business	3 991		3 991
Net value of new business	1 320		1 320
R million	Actual		Adjusted

ptes	

### SUMMARY

### **Delivery on strategy:**

- Shareholder value
  - Cumulative RoGEV per share exceeds hurdle
- Profitable growth
  - Strong growth in all markets and segments
  - Net VNB +23% on comparable basis
  - Net operating profit up 25% excluding acquisitions
- Diversification
  - Increasing contribution from growth markets
- Capital management
  - Investments in growth markets; additional profit contribution of R410m in 2013

**♦** Sanlam

otes	

### **ROGEV VERSUS TARGET** Out perform cumulative growth target of long-bond rate + 400bps since listing 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 ■ Target — Cost of Capital (RFR + 300bps) — Actual **Sanlam** Sanlam

Notes		

### **PRIORITIES FOR 2014 ♠** Sanlam Group Notes

### SANLAM PERSONAL FINANCE

- ▶ Focus on sales growth and maintain margins on same discount rate
  - Grow adviser force in all market segments
  - Product innovation, particularly recurring premiums
  - Improve Sanlam Sky broker channel performance
- Continue focus on persistency
- Continue focus on operational efficiency manage costs
- Focus on transformation and employer of choice
- Meet regulatory obligations





### SANLAM EMERGING MARKETS

- ▶ Focus remains on Africa, India and South-East Asia
- ▶ Continue focus on top-line growth, efficiencies and capital optimisation in current operations
  - Review Botswana cost models and efficiencies given lower growth
  - Unlock Shriram Capital synergies
  - Bed down IT implementations
  - Delivery on revenue diversification initiatives
- ▶ Bolt-on transactions/deepening existing partnerships in Africa, India and Malaysia
- ▶ Bed down the Santam co-investment agreement
- Continuously refine organisational capacity to support growth
- Governance, compliance and reporting



Notes		

### **SANLAM INVESTMENTS**

- Maintain consistent upper quartile investment performance
- Improve Institutional fund flows
- Improve Retail presence and increase flows
- **Expand African Funds proposition**
- Optimise service to clients (leveraging off client-centric structure)
- ▶ Provide innovative and cost effective solutions to clients from across SI value chain
- > Position Satrix and specifically the active vs. passive management business models
- Focus on improving collaboration and efficiencies across businesses





### SANTAM

- Deliver on diversified growth
  - Market diversification (specialist business, Santam Re, investment in SEM partners)
  - Continued growth at MiWay
- Maintain size and quality of risk pool
  - Ongoing segmented premium rate increases
  - Addressing multi-claimants and reviewing the existing portfolio for poorer risks
- Drive efficiency through value chain
  - Focus on cost management and strategic sourcing to counter rand weakness
- Ongoing implementation of key strategic projects in Santam Commercial and Personal



Notes		

# OUTLOOK **Sanlam** Sanlam Group Notes

### **OUTLOOK FOR 2014**

- ▶ Improved traction in developed economies likely to have twofold impact:
  - Supportive of economic activity in emerging markets
  - Tapering of QE likely to result in volatile SA currency and investment market performance
- Focus on bedding down new acquisitions
- Progress on regulatory changes in SA:
  - Retirement reform
  - Commissions
  - Treating Customers Fairly
  - · Solvency Assessment and Management



Notes		

# **THANK YOU №** Sanlam Group Notes



Notes		

