







Investor Presentation

2016 Annual Results
9 March 2017

Notes



		agenda®
	Our vision	
	The Sanlam strategy	
	Operating environment	
	Financial review	
	Strategic priorities for 2017	
	Outlook	
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Notes



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Our vision remains...



To **lead** in client-centric wealth creation, management and protection in South Africa

To be a **leading** Pan-African financial services group with a meaningful presence in India and South-East Asia

To play a **niche** role in wealth and investment management in specific developed markets.

Our purpose...to create a world worth living in and to enable people to live their best possible lives within it

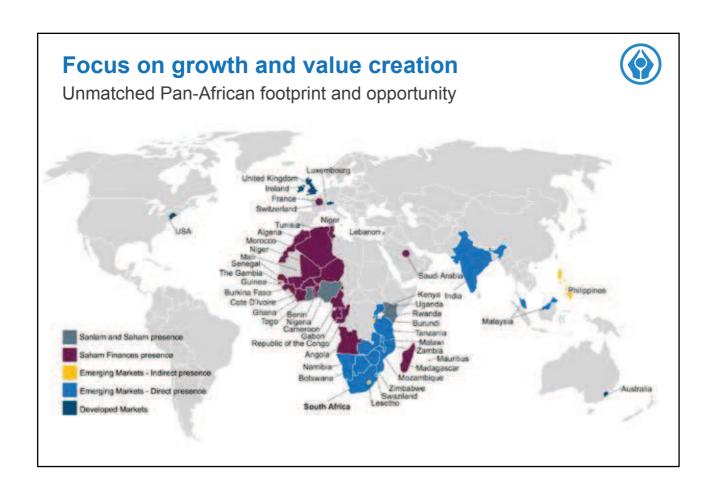
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Strategic focus Sustainable value creation for stakeholders Maximising RoGEV Sustainable value creation for stakeholders Maximising RoGEV Sustainable value creation for stakeholders Maximising RoGEV Operational efficiencies Optimal capital utilisation Transformation Sound governance Responsible products & services Prosperous society Environmental footprint

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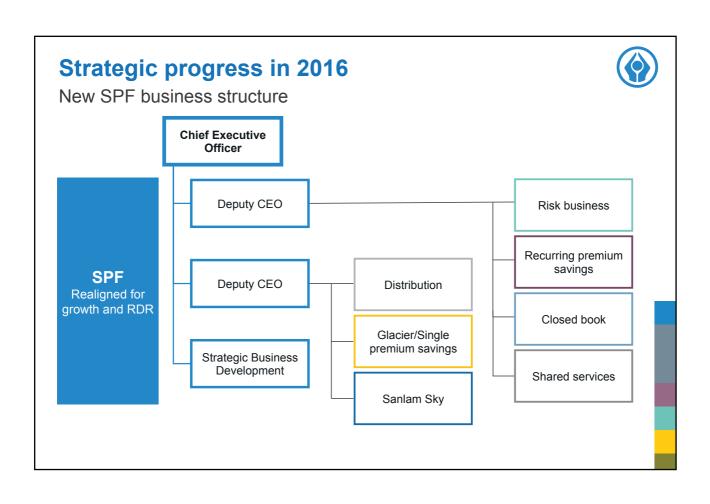
Consistent execution

SPF
Become leader
in all SA retail
market segments

- Strategic realignment successfully completed
- BrightRock acquisition to strengthen positioning in risk business
- Strong growth in new risk business; gaining market share
- Turnaround at Sanlam Sky
- Actively addressing digital offerings and big data
- Good progress with vesting and enhancing Reality synergies and benefits

Effective capital management in SAM environment

Notes



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Consistent execution

SEM

Accelerated organic growth

Shriram options (23%) completed

further 16.6% stake announced

- Turnaround in Shriram Capital performance
- Good organic growth in most markets; Zambia, Kenya and Malaysia receiving attention
- General insurance did not deliver to expectations, needs more prioritised focus
- Successful rebranding in Kenya and Zambia
- Expanded central support team
- First-time contribution from Zimbabwe exceeding expectations

Effective capital management

Notes



Consistent execution

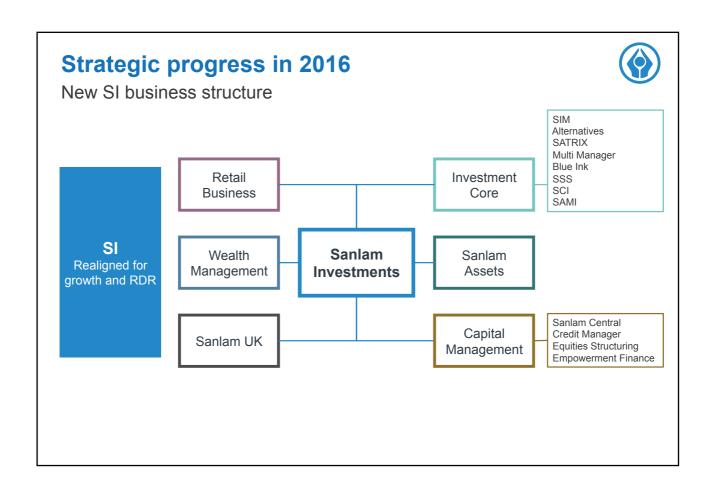
SIGrow 3rd party market share

Strategic realignment of SA asset management completed

- Optimised structure to drive corporate and 3rd party fund flows
- Aligned to RDR environment
- Restructuring in UK reduced the cost base
- SICM refocused: Central Credit Manager successfully launched with benefits already being realised
- Strong retail net inflows of R16 billion

Effective cost management

Notes



Notes



Consistent execution

Santam
Further
entrenching
leadership position

- Focus on profitable growth; MiWay offering expanded
- Enhanced capital efficiency; special dividend of R8 per share
- Continued focus on risk management to reduce claims cost
- ② Extracting value from SEM co-investments

Sanlam Corporate Growing market share

- Ocorporate structure largely in place
- Strong performance in investment business
- ① Improvement in risk business in 2H16
- First-time profit contribution by Afrocentric; above expectations

Effective capital and balance sheet management in SAM environment

Notes



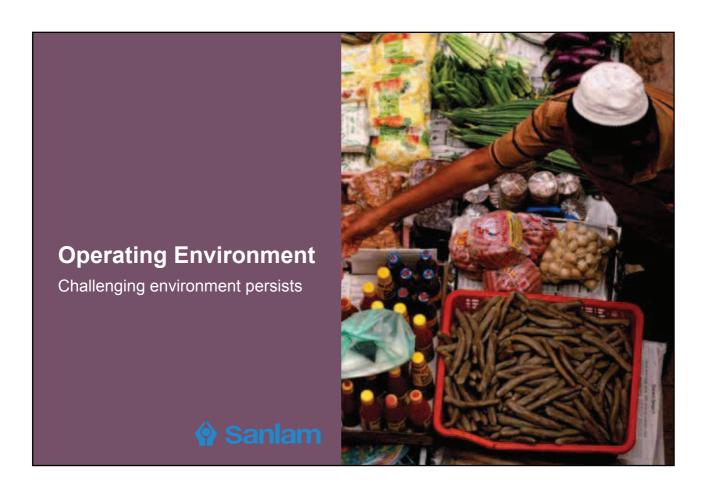
Consistent execution



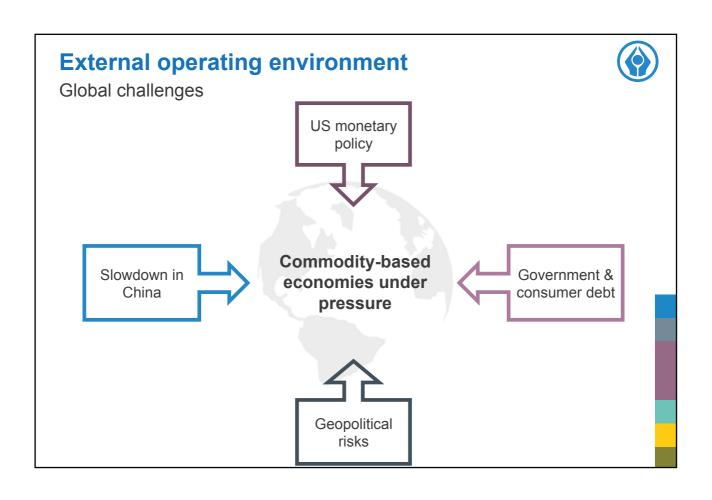
- Ongoing focus on optimising capital base
- Balance sheet management initiated in Sanlam Life
- Occiliation with key partners
- Second the second text of excellence of excellence

Effective capital and balance sheet management

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External operating environment



Emerging market economies under pressure from global events



- Commodity cycle and weak global demand suppressed economic activity – no real growth in 2016
- Weak business confidence and investment due to policy uncertainty, risk of downgrade
- O Volatile investment markets and exchange rate
- Pressure on disposable income, in particular middleincome market
- Investor risk aversion in uncertain environment discretionary single premium savings under pressure
- O Progress with public/private sector/labour cooperation

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External operating environment



Emerging market economies under pressure from global events

Rest of Africa

- Macro-economic adjustment in countries with large deficits during weak commodity cycle
- Economic growth, investment markets and currencies under pressure
- Oil exporters, Nigeria and Angola in particular, hard hit
- Inflationary pressure in a number of countries interest rates remaining high
- Good overall growth despite challenges, supported by low insurance penetration

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External operating environment



Emerging market economies under pressure from global events

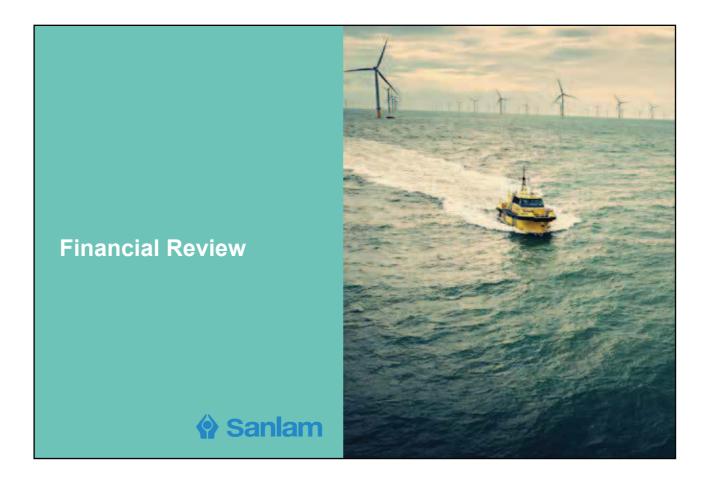
India

- Robust economic growth
- Slowing inflation and declining short-term interest rates
- Roll-out of infrastructure projects and anticipated private sector investment to drive increased growth opportunity
- Uncertainty following de-monetisation: impact on credit businesses

Malaysia

- Moderating economic growth in 2016
- Consumption spending only partially compensating for decline in investment spend and exports
- Motorcycle sales remain under pressure

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Performance highlights 2016



- Earnings per share
 - > Net operating profit per share increased by 10%
 - > Normalised headline earnings per share down 6%
 - > Headline earnings per share up 6%
 - > Dividend per share of 268 cents, up 9.4%
- Business volumes
 - > New business volumes increased by 11% to R233bn
 - > Net fund inflows of **R41bn** compared to R19bn in 2015
 - > Net life VNB up 18%
 - > Net VNB margin of 2.69%
- O Group Equity Value
 - > Group Equity Value of **R54.07** per share
 - > RoGEV per share of 11.8%, adjusted 17.8% above hurdle rate

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Reporting environment



Reported results affected by

- Interest rate volatility
 - > 5yr and 9yr SA bond yields down 100bps and 90bps respectively:
 - VNB growth +8%
 - Positive impact on December 2016 GEV valuations
- Exchange rate volatility
 - Weaker average Rand in 2016 vs 2015: positive impact on foreign earnings translation (Net profit +R150m, Net VNB +R14m)
 - Correction since Dec 2015: negative impact on Dec 2016 valuations of non-SA assets (RoGEV –6%)

Notes

Exchange rates



Severe volatility

%	
Average depreciation	
UK Sterling	-1.5
Indian Rupee	-10.1
O Botswana Pula	-7.6
Malaysian Ringgit	-8.8
Average Rest of Africa	-1.5
Appreciation since December 2015	
UK Sterling	25.9
Indian Rupee	14.3
Sotswana Pula	7.5
Malaysian Ringgit	15.7
Average Rest of Africa	19.6

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Reporting environment

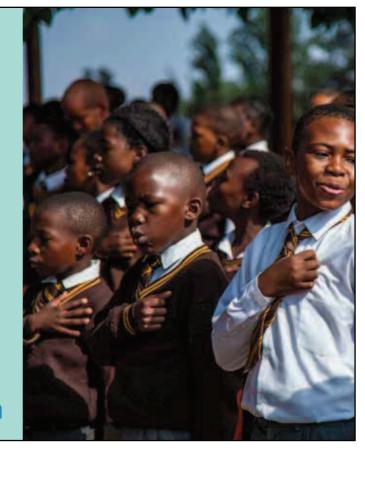


Reported results affected by

- O Lower investment returns
 - > Weaker investment markets in SA, major African markets, MSCI
 - > One-off negative (R192m) impact of higher CGT inclusion rate
 - Utilisation of cash for Saham Finances acquisition and Shriram options (R75m after tax)
- O Underwriting results
 - Overall increase in SA and Namibia mortality / disability claims; improvement in 2H16 in SA individual life and SEB
 - Normalisation in SA general insurance underwriting margin from 2015 high base
- O Generally weak economic environment in SA and several African markets

Notes







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Sanlam Personal Finance



R million	2016	2015	Δ
New business volumes	61 748	61 173	1%
Sanlam Sky	1 295	1 279	1%
Individual Life	12 906	12 829	1%
Glacier	47 547	47 065	1%
Net flows	16 493	22 142	
Sanlam Sky	3 173	2 739	
Individual Life	(4 755)	(3 005)	
Glacier	18 075	22 408	

Notes

Sanlam Personal Finance



R million	2016	2015	Δ
Value of new life business	1 163	955	22%
Sanlam Sky	354	241	47%
Individual Life	601	502	20%
Glacier	208	212	-2%
Comparable economic basis	1 062	955	11%
New business margin	2,80%	2,51%	
Sanlam Sky	7,56%	5,86%	
Individual Life	2,91%	2,59%	
Glacier	1,29%	1,45%	
Comparable economic basis	2,59%	2,51%	

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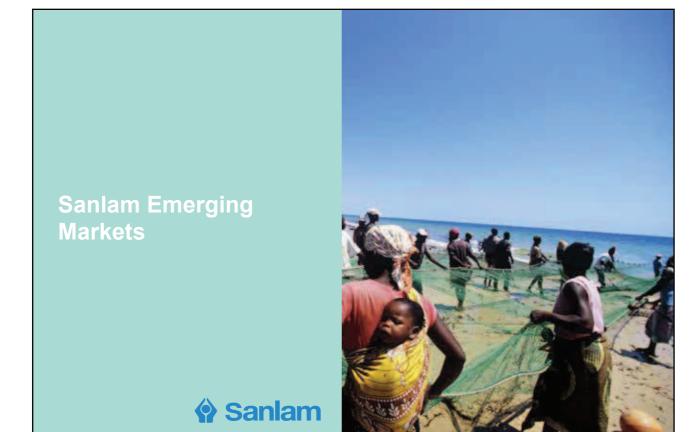
Sanlam Personal Finance



R million	2016	2015	Δ
Gross operating profit	5 691	5 298	7%
Sanlam Sky	1 194	1 125	6%
Individual Life: life and investments	3 628	3 378	7%
Glacier	516	426	21%
Personal loans	332	346	-4%
Other	21	23	-9%
Net operating profit	4 099	3 818	7%
Group Equity Value	41 878	37 472	
RoGEV	22,7%	12,1%	

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Sanlam Emerging Markets



R million	2016	2015	Δ
New business volumes	23 696	14 565	63%
Namibia	5 649	5 432	4%
Botswana	10 716	5 398	99%
Rest of Africa	5 220	2 099	149%
India/Malaysia	2 111	1 636	29%
Net fund flows	10 929	(6 593)	
Namibia	(133)	1 111	
Botswana	7 045	(9 781)	
Rest of Africa	3 284	1 459	
India/Malaysia	733	618	
Value of new life business	533	448	19%
Margin	5,52%	5,57%	

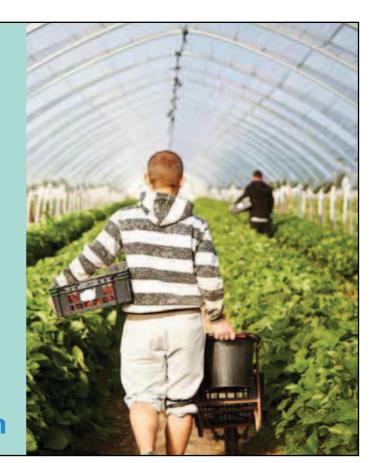
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Sanlam Emerging Markets



R million	2016	2015	Δ
Gross operating profit	2 896	2 248	29%
Namibia	576	618	-7%
Botswana	895	858	4%
Rest of Africa	525	208	152%
India/Malaysia	919	572	61%
Corporate	(19)	(8)	-138%
Net operating profit	1 557	1 197	30%
Group equity value	22 097	18 047	
RoGEV	-2,3%	29,9%	

Notes



Sanlam Investments



Notes	

Sanlam Investments



R million	2016	2015	Δ
Net investment business flows	5 467	(3 251)	
Investment management SA	8 785	(753)	
Wealth management	1 207	333	
International	(4 490)	(2 829)	
Capital management	(35)	(2)	
New life business	3 187	3 751	-15%
Net life business	(252)	228	
Value of new life business	7	26	-73%
Margin	0,21%	0,66%	

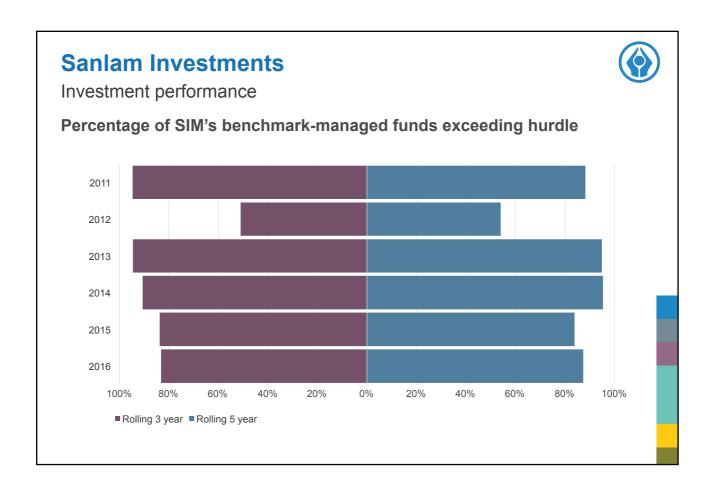
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Sanlam Investments



R million	2016	2015	Δ
Gross operating profit	1 505	1 376	9%
Investment management SA/Corp services	721	711	1%
Wealth management	225	195	15%
International	212	325	-35%
Capital management	347	145	139%
Net operating profit	1 096	1 056	4%
Group Equity Value	15 807	16 835	
Covered business	1 137	1 633	
Other	14 670	15 202	
RoGEV	-1,9%	24,3%	

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Santam



R million	2016	2015	Δ
Net earned premiums	19 826	18 522	7%
Gross operating profit	2 050	2 321	-12%
Underwriting surplus	1 267	1 777	-29%
Working capital & other	783	544	44%
Net operating profit	814	933	-13%
Underwriting margin	6,4%	9,6%	
Group Equity Value	15 868	12 850	
RoGEV	32,1%	-8,4%	

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R million	2016	2015	Δ
New business volumes	5 029	2 913	73%
Recurring risk	232	301	-23%
Single risk	60	70	-14%
Investment & retirement	4 737	2 542	86%
Net fund flows	1 369	(489)	
Value of new life business	76	85	-11%
Comparable economic basis	81	85	-5%
New business margin	0,97%	1,96%	
Comparable economic basis	1,04%	1,96%	

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R million	2016	2015	Δ
Gross operating profit	712	516	38%
Employee Benefits	594	501	19%
Healthcare & other	118	15	>100%
Net operating profit	510	374	36%
Group Equity Value	6 385	6 354	
RoGEV	9,6%	14,9%	

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Sanlam Group



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Business flows



	Gı	Gross			Net		
R million	2016	2015	Δ	2016	2015		
by business							
Personal Finance	61 748	61 173	1%	16 493	22 142		
Emerging Markets	23 696	14 565	63%	10 929	(6 593)		
Sanlam Investments	122 879	113 669	8%	5 215	(3 023)		
Santam	19 826	18 522	7%	6 915	7 012		
Sanlam Corporate	5 029	2 913	73%	1 369	(489)		
by licence							
Life insurance	43 599	39 976	9%	11 356	12 081		
Investment	165 740	150 670	10%	21 169	(523)		
General insurance	23 839	20 196	18%	8 396	7 491		
Total	233 178	210 842	11%	40 921	19 049		

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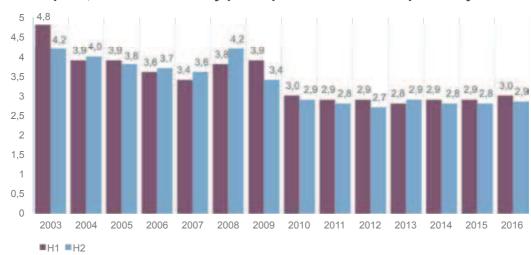
Operational efficiencies



Solid persistency in difficult environment

Persistency - SA middle-income market

Lapses, surrenders & fully paid-ups as % of in-force per half year



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Operational efficiencies

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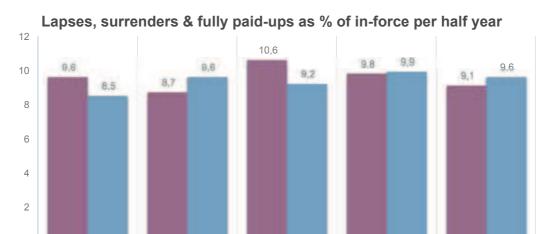
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Solid persistency in difficult environment

2013

Persistency – SA lower income market



2014

2015

2016

Value of new covered business



	Value of New Business			Margin	
R million	2016	2015	Δ	2016	2015
Personal Finance	1 163	955	22%	2,80%	2,51%
Emerging Markets	533	448	19%	5,52%	5,57%
Sanlam Corporate	76	85	-11%	0,97%	1,96%
Sanlam UK	7	26	-73%	0,21%	0,66%
Total	1 779	1 514	18%	2,85%	2,79%
Net of minorities	1 605	1 360	18%	2,69%	2,62%
Comparable economic basis	1 501	1 360	10%	2,56%	2,62%

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Value of new covered business Long-term interest rates and business mix supporting margin Value of new business (Rm) vs new business margins (%) 2 000 3,5% 1 800 3,0% 1 600 2,5% 1 400 1 200 2,0% 1 000 1,5% 800 600 1,0% 400 0,5% 200 0,0% 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 South Africa Rest of Africa Other International Margins - rhs

Notes

Net operating profit



R million	2016	2015	Δ
Personal Finance	4 099	3 818	7%
Emerging Markets	1 557	1 197	30%
Sanlam Investments	1 096	1 056	4%
Santam	814	933	-13%
Sanlam Corporate	510	374	36%
Corporate & other	(107)	(109)	2%
Total	7 969	7 269	10%

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Income statement



R million	2016	2015	Δ
Net operating profit Per share	7 969 389,4	7 269 355,2	10% 10%
Net investment return	676	1 946	-65%
Other	(285)	(364)	22%
Normalised headline earnings Per share	8 360 408,5	8 851 432,5	-6% -6%
Fund transfers	1 500	449	
Headline earnings Per share	9 860 488,1	9 300 459,5	6% 6%

Notes

Group Equity Value



	Equity Value		RoGEV	
R million	2016	2015	Rm	%
Group operations	102 035	91 558	12 432	13,1%
Personal Finance	41 878	37 472	8 503	22,7%
Emerging Markets	22 097	18 047	(491)	-2,3%
Investments	15 807	16 835	(322)	-1,9%
Santam	15 868	12 850	4 129	32,1%
Sanlam Corporate	6 385	6 354	613	9,6%
Discretionary & Other	8 682	11 948	(162)	-1,8%
TOTAL	110 717	103 506	12 270	11,9%
cps	5 407	5 057	595	11,8%
Return target				14,1%

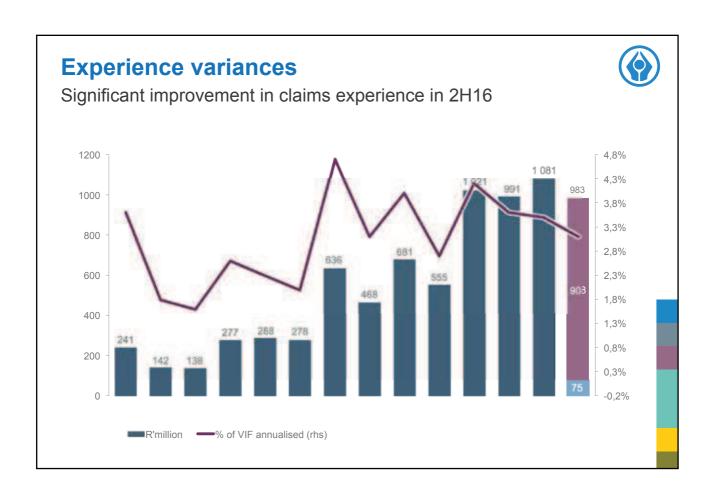
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Group Equity Value earnings



R million	2016	2015
Net value of new business	1 605	1 360
Existing business	6 042	5 328
Expected return on VIF	4 634	3 759
Operating experience variances	983	1 081
Operating assumption changes	425	488
	7 647	6 688
Inv variances in-force	(785)	320
Tax changes and goodwill	239	(62)
Economic assumption changes	485	(1 608)
	7 586	5 338
Return on net worth	(113)	1 699
EV earnings	7 473	7 037
Non-life	4 797	5 189
GEV earnings	12 270	12 226

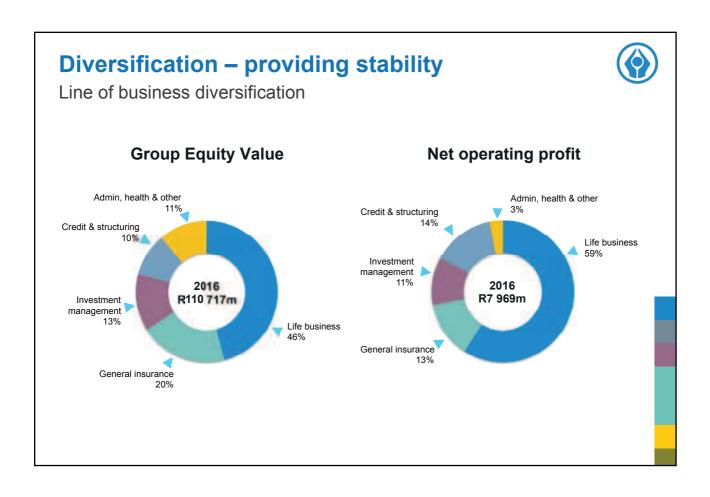
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Diversification – providing stability Geographic diversification Net operating profit **Net VNB** Other international Other international 10% Rest of Africa Rest of Africa 20% SA Traditional 13% 66% 2016 2016 R1 605m R7 969m SA Entry-level SA Traditional SA Entry-level 55%

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Capital efficiency Discretionary capital		
Balance 1 January 2016	2 300	
Net investments	(3 434)	
South Africa	(935)	
Rest of Africa	(2 828)	
SEM/Santam co-investment	333	
Other	(4)	
Santam special dividend	542	
Investment return & other	422	Further
Excess dividend cover	720	releases planned
Available for investment	550	

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Strategic Priorities for 2017





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Sanlam Personal Finance



- Ontinue to anticipate evolving consumer needs and demands
- Focus on profitable sales growth
 - Adapt and expand product range across entry-level, middle and affluent market
 - > Continued focus on risk business; renewed focus on retirement
 - > Expand and adapt distribution footprint
 - > Improve digital, big data and advanced analytics capabilities
- Focus on operational efficiencies in distribution and operations
- Transforming with the high levels of regulatory change
- Ensure that all business units are agile, cost efficient and market orientated

Notes

Sanlam Emerging Markets



- Shift in focus from acquisitive to accelerated organic growth through superior execution, enhanced strategic alliances and improved distribution
- Increased visibility of Sanlam brand as partnership brand for markets and our employees
- Drive synergies with Saham Finances
- Deliver on corporate opportunities in Africa in support of retail and commercial business growth
- Increased collaboration on human resource development across the cluster
- Continued focus on governance, compliance and ethics
- Industry consolidation/increasing shareholding/strategic partnerships where it makes sense

Notes	

Sanlam Investments



- Maintain consistent superior investment performance
- Ontinued focus on transformation and people development
- Enhance competitiveness in third party market to grow net inflows
- Leverage capabilities across businesses to provide solutions for both Retail and Institutional clients
- Leverage Credit capabilities in Credit Manager across Sanlam Investments and Sanlam Group
- Further align UK businesses to enhance competitiveness in international market
- O Growth in non traditional asset classes, e.g. Passive and Alternatives
- Focus on operational efficiencies

Notes

Santam



- New business diversification in South Africa
- Balancing profitable growth with continued efficiency drive to optimise cost ratio – both in South Africa and emerging markets
- Together with SEM unlock value in general insurance partners
- Active capital management taking into account impact of pending SAM implementation and the Internal Model Approval Process (IMAP)
- Enhanced credit rating with international reinsurance partner to assist specialist and reinsurance business
- Work with local municipalities to reduce risk and improve resilience
- Innovate for long-term sustainability across the business portfolio and the value chain
- Work with industry on wider economic transformation

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- Decome partner of choice to targeted corporates by providing a 'One Sanlam' experience, offering solutions underpinned by leading Employee Benefits and Health products
- Bedding down strategy and operations to support successful delivery
- Oldentify collaboration opportunities between SEB and Health to deliver a superior employee value proposition to corporate clients
- ② Enhancing and optimising SEB distribution to drive growth across all product lines
- Digital transformation to unlock efficiencies and improve outcomes for clients
- Profitable growth through balancing pricing to win and retain business while maintaining adequate margins

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Outlook for 2017



- Economic growth conditions will remain challenging in South Africa, Nigeria and Angola in particular
- Robust economic growth expected in India, Malaysia and East Africa
- Easing SA inflation supporting central bank rate outlook
- 2017 SA budget negative for discretionary savings
- Stronger rand exchange rate
 - Stronger average exchange rate will impact on rand-based growth in non-SA key performance indicators
 - Negative impact on RoGEV and investment return on non-SA exposure in SA capital portfolio
 - > Positive impact on Santam claims cost

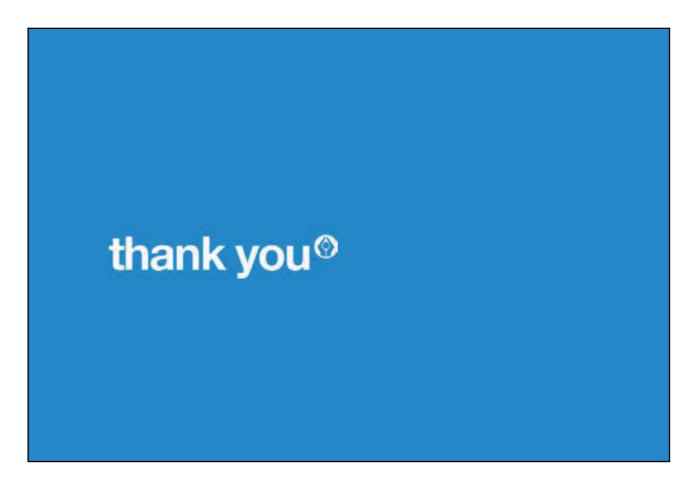
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Outlook for 2017



- Investment market volatility likely to persist in uncertain environment pressure on fee income and return on capital portfolio
- Continue to respond to industry transformation: inclusive growth, regulations, big data, digital
- Finalise additional Saham Finances and BrightRock acquisitions; build on partnership relationships
- Extracting value from key partnerships
- Further progress on capital and balance sheet management
- Fully establish and embed new Corporate cluster in SA

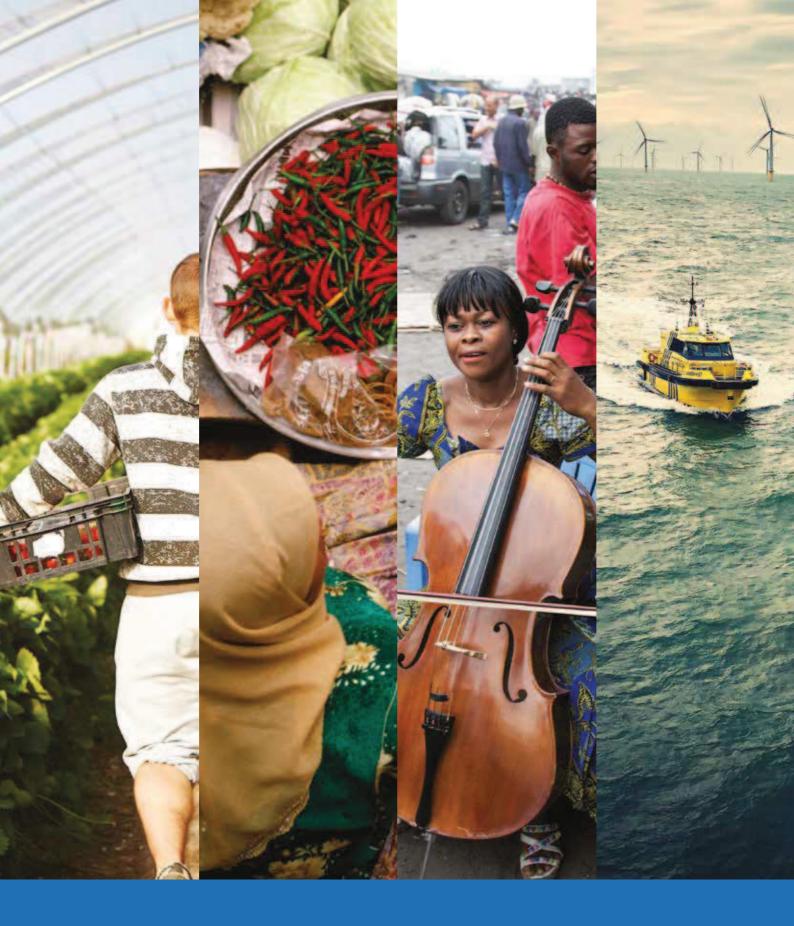
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