



ANNUAL RESULTS 2016 INVESTOR PRESENTATION



Insurance | Financial Planning | Retirement | Investments | Wealth

Our vision



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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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The Sanlam Strategy

Being a leader in value creation



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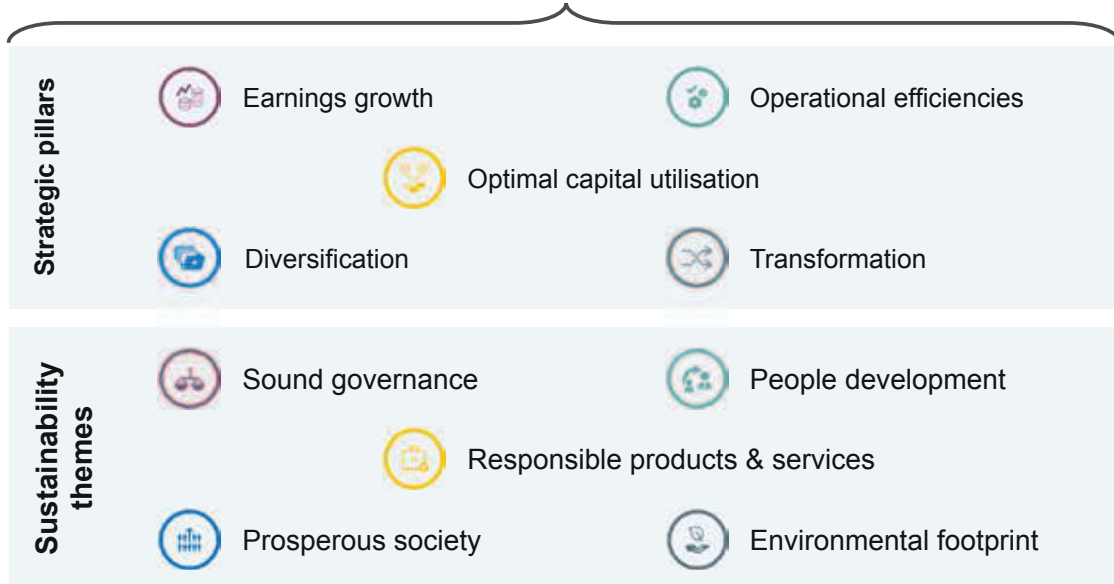
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Strategic focus



Sustainable value creation for stakeholders

Maximising RoGEV



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Strategic progress in 2016



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



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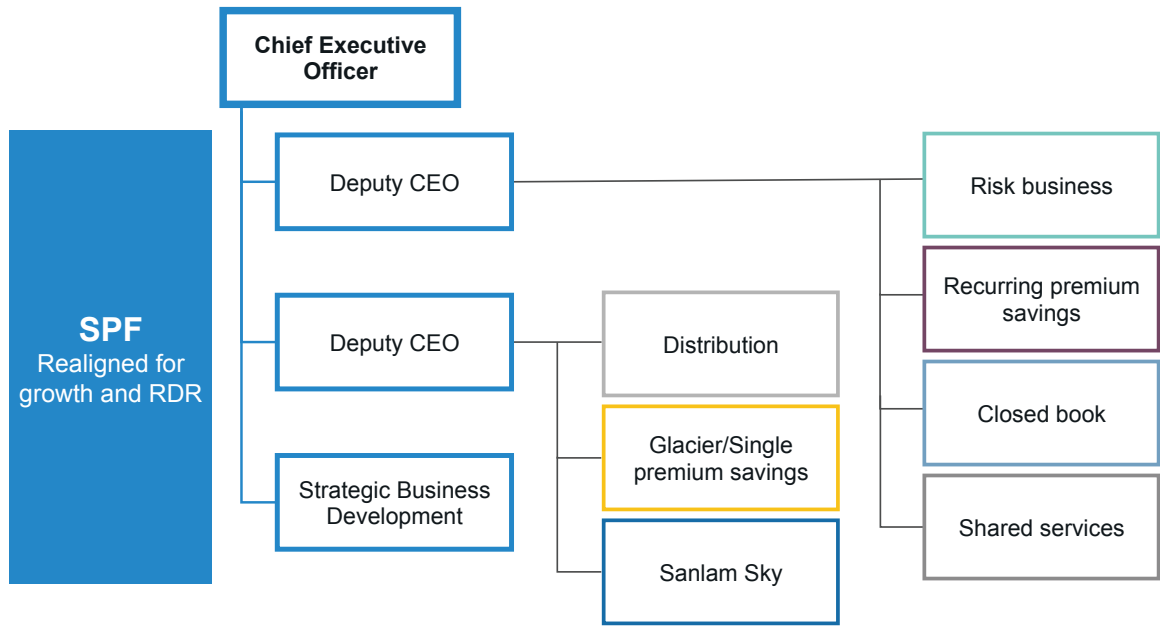
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Strategic progress in 2016



New SPF business structure



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Strategic progress in 2016



Consistent execution

<p>SEM Accelerated organic growth</p>	<ul style="list-style-type: none">⌚ Saham Finances acquisition (30%) completed; further 16.6% stake announced⌚ Shriram options (23%) completed⌚ 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	<p>Effective capital management</p>
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Strategic progress in 2016



Consistent execution

SI Grow 3 rd party market share	<ul style="list-style-type: none">① Strategic realignment of SA asset management completed<ul style="list-style-type: none">① Optimised structure to drive corporate and 3rd party fund flows① Aligned to RDR environment① Restructuring in UK reduced the cost base① SICM refocused: Central Credit Manager successfully launched with benefits already being realised① Strong retail net inflows of R16 billion	Effective cost management
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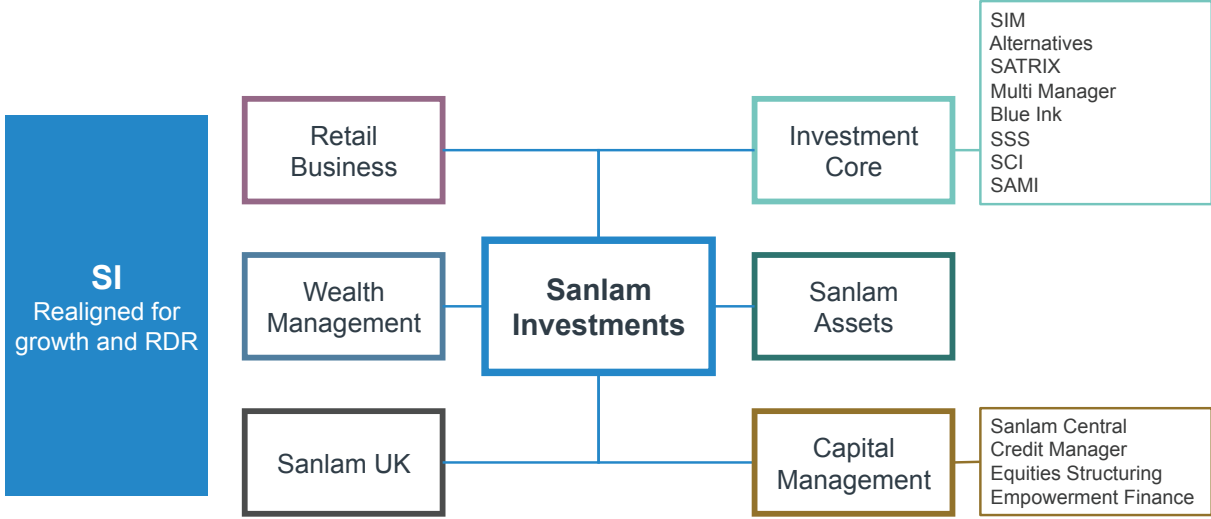
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Strategic progress in 2016



New SI business structure



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Strategic progress in 2016



Consistent execution

Santam Further entrenching leadership position	<ul style="list-style-type: none">Focus on profitable growth; MiWay offering expandedEnhanced capital efficiency; special dividend of R8 per shareContinued focus on risk management to reduce claims costExtracting value from SEM co-investments	Effective capital and balance sheet management in SAM environment
Sanlam Corporate Growing market share	<ul style="list-style-type: none">Corporate structure largely in placeStrong performance in investment businessImprovement in risk business in 2H16First-time profit contribution by Afrocentric; above expectations	



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Strategic progress in 2016

Consistent execution



Sanlam Group
Unlock maximum value

- Ongoing focus on optimising capital base
- Balance sheet management initiated in Sanlam Life
- Collaboration with key partners
- Extracting value from centres of excellence

Effective capital and balance sheet management



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Operating Environment

Challenging environment persists



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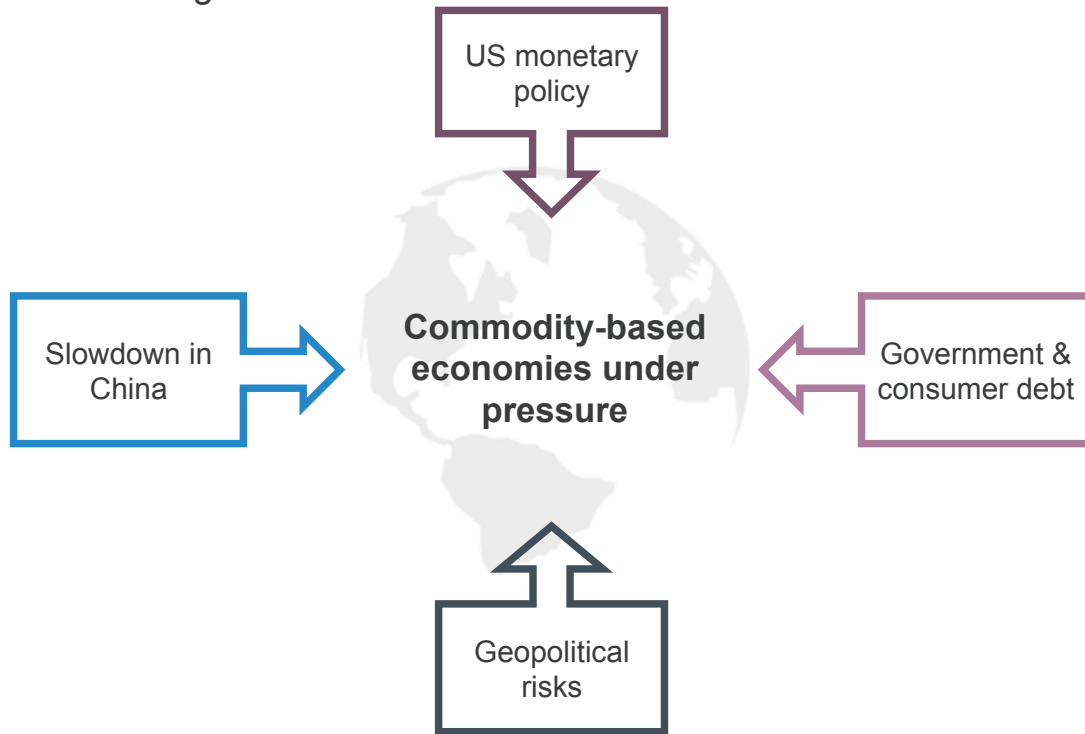
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External operating environment



Global challenges



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External operating environment



Emerging market economies under pressure from global events

South Africa

- ⌚ 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
- ⌚ Volatile investment markets and exchange rate
- ⌚ Pressure on disposable income, in particular middle-income market
- ⌚ Investor risk aversion in uncertain environment – discretionary single premium savings under pressure
- ⌚ 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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Performance highlights 2016



- ④ 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%**
- 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%**
- ④ 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

- ④ Interest rate volatility
 - 5yr and 9yr SA bond yields down 100bps and 90bps respectively:
 - VNB growth +8%
 - Positive impact on December 2016 GEV valuations
- ④ 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%)



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Reporting environment



Reported results affected by

- ⌚ 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)
- ⌚ 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
- ⌚ Generally weak economic environment in SA and several African markets



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Sanlam Emerging Markets



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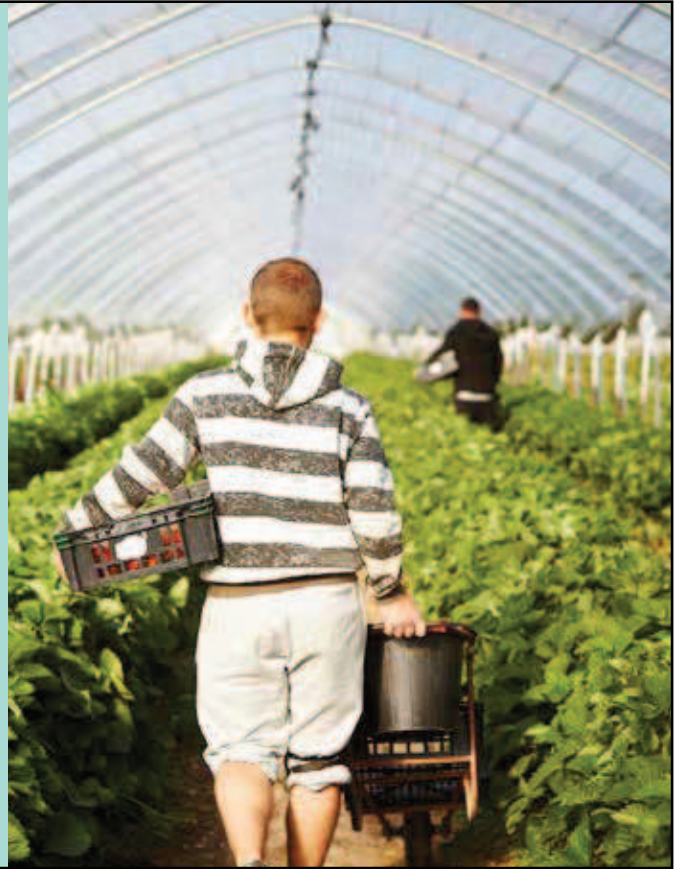
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Sanlam Investments



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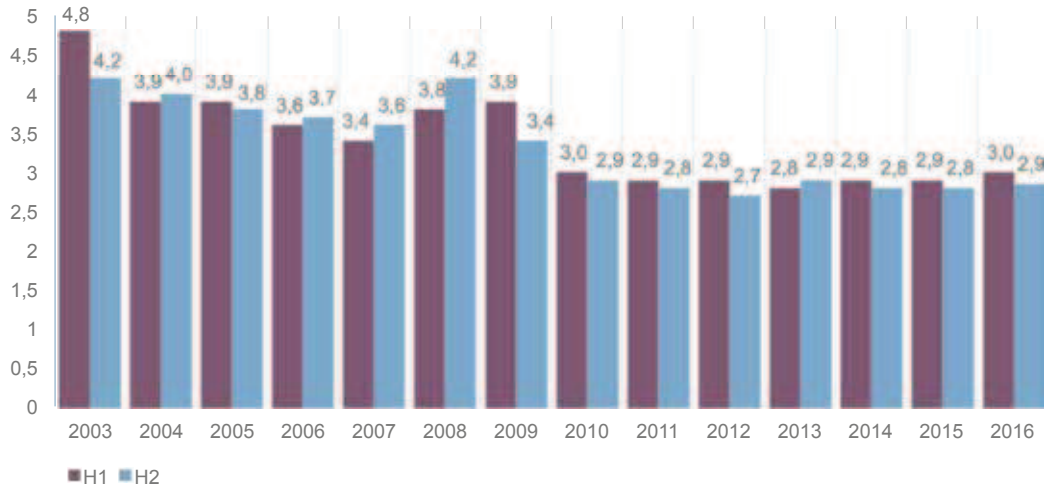
Operational efficiencies



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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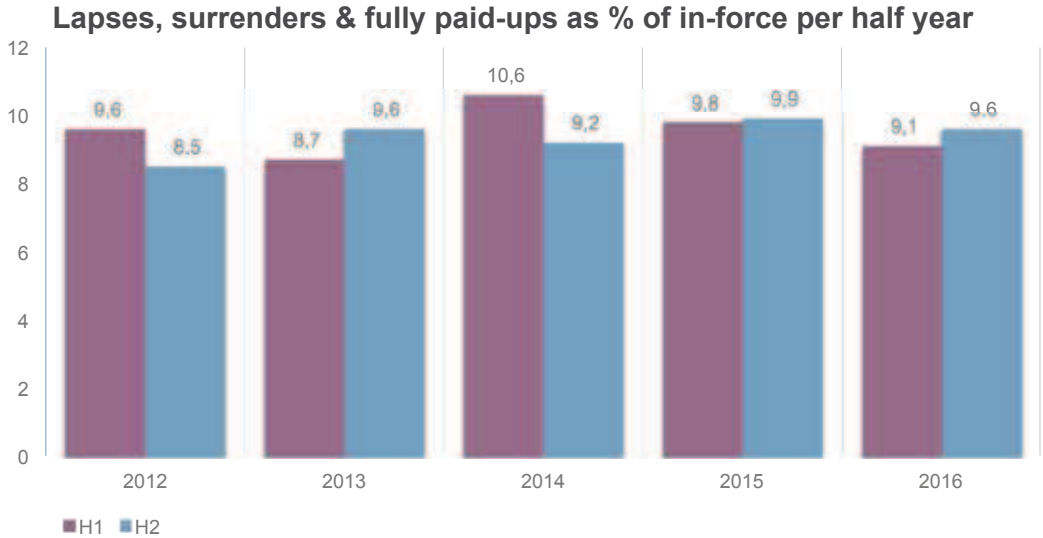
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Operational efficiencies



Solid persistency in difficult environment

Persistency – SA lower income market



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Value of new covered business



R million	Value of New Business			Margin	
	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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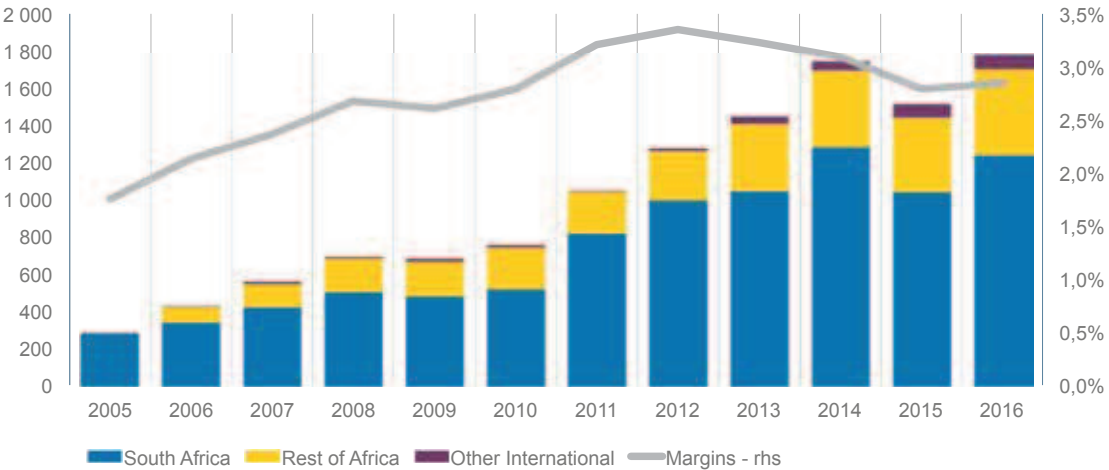
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Value of new covered business



Long-term interest rates and business mix supporting margin

Value of new business (Rm) vs new business margins (%)



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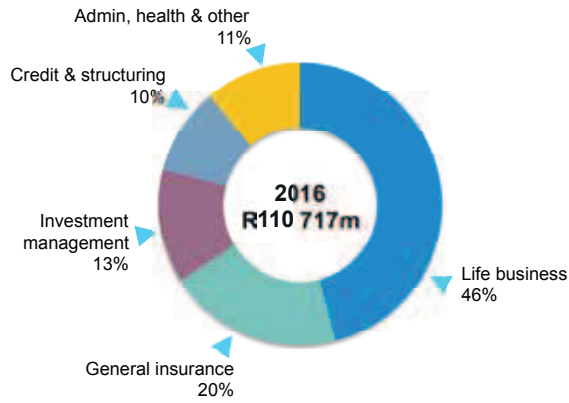
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Diversification – providing stability

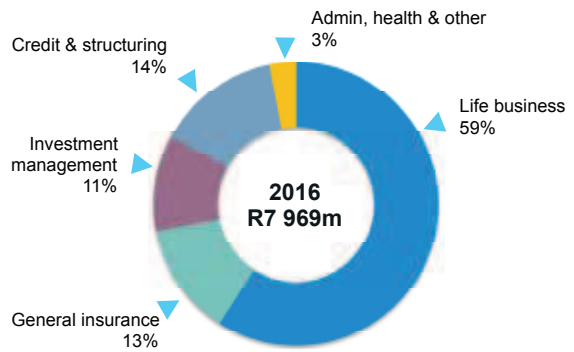


Line of business diversification

Group Equity Value



Net operating profit



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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
Excess dividend cover	720
Available for investment	550

Further releases planned



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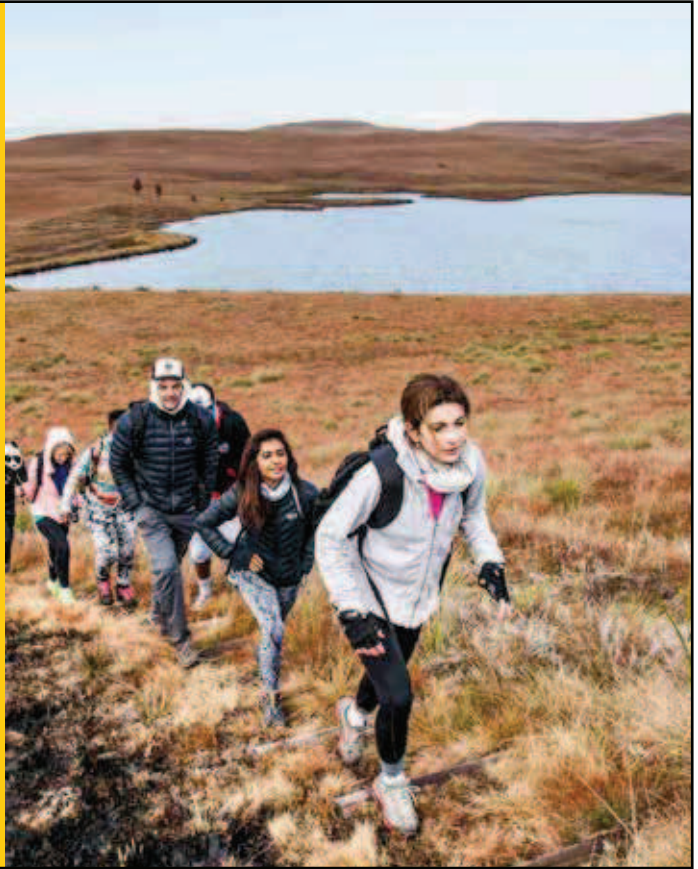
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Strategic Priorities for 2017



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Sanlam Personal Finance



- ④ Continue to anticipate evolving consumer needs and demands
- ④ 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
- ④ Focus on operational efficiencies in distribution and operations
- ④ Transforming with the high levels of regulatory change
- ④ Ensure that all business units are agile, cost efficient and market orientated



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Sanlam Emerging Markets



- ① Shift in focus from acquisitive to accelerated organic growth through superior execution, enhanced strategic alliances and improved distribution
- ① Increased visibility of Sanlam brand as partnership brand for markets and our employees
- ① Drive synergies with Saham Finances
- ① Deliver on corporate opportunities in Africa in support of retail and commercial business growth
- ① Increased collaboration on human resource development across the cluster
- ① Continued focus on governance, compliance and ethics
- ① Industry consolidation/increasing shareholding/strategic partnerships where it makes sense



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Sanlam Investments



- ④ Maintain consistent superior investment performance
- ④ Continued focus on transformation and people development
- ④ Enhance competitiveness in third party market to grow net inflows
- ④ Leverage capabilities across businesses to provide solutions for both Retail and Institutional clients
- ④ Leverage Credit capabilities in Credit Manager across Sanlam Investments and Sanlam Group
- ④ Further align UK businesses to enhance competitiveness in international market
- ④ Growth in non traditional asset classes, e.g. Passive and Alternatives
- ④ Focus on operational efficiencies



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- ④ New business diversification in South Africa
- ④ Balancing profitable growth with continued efficiency drive to optimise cost ratio – both in South Africa and emerging markets
- ④ Together with SEM unlock value in general insurance partners
- ④ Active capital management taking into account impact of pending SAM implementation and the Internal Model Approval Process (IMAP)
- ④ Enhanced credit rating with international reinsurance partner to assist specialist and reinsurance business
- ④ Work with local municipalities to reduce risk and improve resilience
- ④ Innovate for long-term sustainability across the business portfolio and the value chain
- ④ Work with industry on wider economic transformation



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Sanlam Corporate



- Become 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
- Identify collaboration opportunities between SEB and Health to deliver a superior employee value proposition to corporate clients
- 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



- ④ Economic growth conditions will remain challenging in South Africa, Nigeria and Angola in particular
- ④ Robust economic growth expected in India, Malaysia and East Africa
- ④ Easing SA inflation supporting central bank rate outlook
- ④ 2017 SA budget negative for discretionary savings
- ④ 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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