

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)

Sanlam Life Insurance Limited  
(Incorporated in the Republic of South Africa)  
Registration number 1998/021121/06  
Bond issuer code: SMT1  
(Sanlam Life)

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## Operational update for the quarter ended 31 March 2023<sup>1</sup>

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### Strong start to the year with robust performance on key metrics

The group applied the IFRS 17 *Insurance Contracts* standard from 1 January 2023 and has restated 2022 numbers for comparative purposes.

- Cash net result from financial services<sup>2</sup> increased by 26%.
- Net result from financial services increased by 25%.
- Net operational earnings increased by 38%, benefiting from higher investment income and lower project expenses.
- Group new business volumes increased by 9%.
- Life insurance new business volumes are 3% lower on a present value of new business premiums (PVNBP) basis (broadly in line with the prior year on a constant economic basis).
- Life insurance new business was written at improved profitability, with value of new life insurance business (VNB) rising 18% (21% on a constant economic basis) and VNB margin improving to 3,03% on a constant economic basis (2022: 2,48%).
- The group undertook a further R347 million in share buybacks in the first quarter of 2023.

The **Sanlam group** recorded a strong operating performance in an environment characterised by sustained higher inflation and interest rates in the countries in which we operate. The South African market was further impacted by continued electricity-supply disruptions and adverse weather conditions. The group's life insurance, general insurance as well as credit and structuring lines of business contributed to strong growth in net result from financial services, with our Pan Africa and India operations performing particularly well.

**Life insurance** net result from financial services benefited from positive risk experience as well as strong fee and margin income. New business volumes, although marginally weaker than 2022 due to lower single premium sales, remain well above pre-pandemic levels and reflected a shift to higher-margin products, resulting in increased value of new business and margins.

An improved underwriting performance in our Pan Africa operations and a recovery in Santam's performance supported a strong improvement in net result from financial services in our **general insurance** operations. New business volumes showed satisfactory growth in a challenging environment amid a continued focus on quality business and appropriate pricing.

Growth in net result from financial services in **credit and structuring** was driven by the India operations, where Shriram Finance Limited continues to deliver strong performance.

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<sup>1</sup> All commentary and growth rates relate to the first three months of 2023 relative to the first three months of 2022, unless otherwise indicated.

<sup>2</sup> Cash net result from financial services reflects net result from financial services, adjusted for, among others, amortisation of intangibles, project expenses and other non-cash items introduced by IFRS 17.

Our **investment management** operations recorded a satisfactory performance, with net result from financial services improving on a comparative basis. Net client cash flows weakened in the South Africa single premium platform, institutional asset management and international businesses.

## Recovery in general insurance earnings, continued momentum in life insurance and credit and structuring

<b>Net result from financial services</b> <i>(percentage increase / (decrease) for the first quarter of 2023 relative to the first quarter of 2022)</i>	<b>Actual</b>	<b>Constant currency</b>
<b>Sanlam group</b>	<b>25%</b>	<b>22%</b>
<b>By major line of business</b>		
Life insurance	16%	16%
General insurance	42%	35%
Investment management	(2%)	(8%)
Credit and structuring	45%	37%

**Life insurance** net result from financial services benefited from positive risk experience profits, augmented by improved contributions from asset-based fee income and the credit portfolio backing life insurance liabilities. Persistency trends remain resilient in retail affluent. Retail mass persistency continues to be under pressure as customers in this market segment are significantly affected by the weak economic environment.

**General insurance** net result from financial services recovered due to improved performances at both Sanlam Pan Africa general insurance (SPA GI) and Santam. SPA GI benefited from strong overall book growth and underwriting performance. The SPA GI underwriting margin was within target range. Investment return on insurance funds, although impacted by weaker equity and bond markets in Morocco, was positive overall.

Shriram General Insurance recorded weaker performance given a higher claims ratio in the motor book due to higher inflation and increased claims severity.

Santam recorded an improved performance. Both the net underwriting margin and investment return on insurance funds (as a percentage of net earned premiums) were higher than the comparative period in 2022. Santam's conventional business net underwriting margin remained below its target range due to adverse weather impacts and increased power-surge claims. The underwriting actions implemented in response to high claims inflation and frequency are having a positive impact but will only be fully realised once all policies have gone through the annual renewal cycle.

Growth in **credit and structuring** net result from financial services was underpinned by continued strong performance from Shriram Finance Limited on a larger advances book, improved collections and unfolding synergy benefits post the merger of Shriram City Union Finance and Shriram Transport Finance. This strong performance more than offset slightly weaker earnings from Pan Africa due to a subdued advances book, and South Africa due to a higher bad debt provision and lower earnings from the structuring business.

Net result from financial services for **investment management** improved by 11%, excluding the impact of a one-off adjustment in the 2022 base. Earnings improved on a strong contribution from the recently acquired Absa asset management business and solid overall asset-based fee income. This more than offset the impact of weaker performance fees and lower fund-establishment fees in Sanlam Investments, and lower earnings from the UK operations after net fund outflows in 2022. Wealth Management benefited from increased trading activity.

## Good growth in higher-margin life insurance new business, general insurance premium growth satisfactory, weaker investment management net inflows

<b>Key group new business metrics</b>		
<i>Percentage increase/(decrease) for the first quarter of 2023 relative to the first quarter of 2022</i>		
	<b>Actual</b>	<b>Constant currency</b>
New business volumes	9%	8%
Net client cash inflows	(63%)	(63%)
	<b>Actual</b>	<b>Constant economic basis</b>
PVNB <sup>3</sup>	(3%)	(1%)
VNB	18%	21%
VNB margin <sup>3</sup>	3,01%	3,03%

The group recorded good growth in **new business volumes**, supported by the addition of the Absa asset management business, strong life insurance recurring premium growth and satisfactory growth in general insurance. Growth was dampened by lower life insurance single premium sales due to rand weakness and broader investment market volatility.

**Group net VNB** recorded significant growth despite muted life insurance sales, driven by margin improvements as a result of a shift to more profitable recurring and single premium products in the South Africa and Emerging Market operations.

**Group net client cash inflows** declined to R7,7 billion due to lower life insurance single premium sales and increased outflows from savings products in South Africa, a single large institutional withdrawal from the Sanlam Investments multi-manager, as well as outflows in the UK investment management operations. Retail net inflows remained strong in Sanlam Investments and more than doubled relative to 2022, despite net outflows from the Absa asset management business, in line with historical trends in this business. Management has implemented initiatives to curtail these outflows, which are expected to reflect in the latter part of the year. The Pan Africa investment management operations recorded a strong performance, benefiting from more-than-doubled new business volumes.

### Further strategic delivery and capital allocation, solvency remains robust

Discretionary capital decreased from R5,3 billion on 31 December 2022 to R4,9 billion on 31 March 2023, mainly due to share buybacks and corporate activity. The discretionary capital balance on 31 March 2023 would be around R2,6 billion after allowing for the cash outlay for the previously announced AfroCentric, BrightRock and Capital Legacy corporate transactions of some R2,3 billion.

The group repurchased shares to the value of R347 million in the first quarter of 2023, consisting of 6,1 million shares, at a discount of more than 11% to the 31 December 2022 group equity value.

The BrightRock corporate transaction is expected to complete in the second quarter of 2023 and Capital Legacy in the third quarter. All required approvals have been received for the AfroCentric transaction and this transaction is now wholly unconditional and will be implemented in accordance with its terms as indicated in the announcement to investors on 8 May 2023.

The capital and solvency position of the group and its main operating entities remained strong and within target ranges on 31 March 2023. The group solvency cover ratio was 169%, Sanlam Life solo solvency cover ratio was 229% and Sanlam Life covered business solvency cover ratio was 173%.

<sup>3</sup> Reported VNB margin for the first quarter of 2023

## Outlook

The group is focused on the implementation of strategy and capital allocation, while remaining positive on its long-term growth prospects despite significant prevailing consumer headwinds.

The Absa and AlexForbes transactions completed in 2022 and 2023 have contributed positively to earnings in the first quarter and are expected to continue contributing as further synergies are realised. The transactions expected to complete in 2023 are receiving focused management attention and are also anticipated to contribute positively. The proposed Allianz transaction is expected to close in the second half of 2023.

It should be noted that the cash net result from financial services growth rate in the first quarter benefited from a number of factors, which may not persist to the same degree for the balance of the financial year. These include, inter alia:

- Investment markets showed good growth in the first quarter.
- Project expenses were much lower year on year in the first quarter.
- SPA GI underwriting performance was strong in the first quarter.
- The Indian credit business had an exceptionally good performance in the reporting period.

The underlying net result from financial services performance remains strong, but first-quarter growth should not be extrapolated to the full year.

Group new business volumes remain well above pre-pandemic levels, despite the weakness in single premium product sales, which is likely to continue until short-term interest rates reduce and sentiment towards the rand changes. This, coupled with continued inflationary pressures, is expected to impact volume growth for the remainder of the year. In life insurance, however, the mix shift to profitable lines is expected to support robust value of new business and margins over the year.

The group is concerned about the effects of continued electricity-supply disruptions on economic activity in South Africa. We have taken appropriate action to ensure the operational continuity of our business.

We expect the operating environment to remain challenging for the remainder of the year, particularly considering the recent volatility in South African investment markets, and the value of the rand. We believe we are well positioned to weather short-term volatility, with a robust financial and solvency position, diversification across geographies, lines of business and market segments.

The group has extremely limited direct exposure to regional banks in the United States and continues to monitor for possible contagion effects.

## Adoption of the new accounting standard IFRS 17 and its impact on key performance metrics

The new accounting standard IFRS 17 was implemented from 1 January 2023. Net result from financial services is reported based on the IFRS 17 results, with 2022 restated. Consistent to prior periods, the IFRS numbers (previously IFRS 4 and now IFRS 17) are a base upon which Sanlam specific shareholder fund adjustments are made to derive underlying cash net result from financial services and net result from financial services as disclosed in this update.

Our key value-creation metric remains return on group equity value (RoGEV), which has not been materially impacted by the new accounting standard. The additional focus on the group's dividend declarations, which is supported by the cash net result from financial services, is not expected to be materially impacted by the adoption of the new accounting standard. The new standard has no impact on the group's strategy and execution thereof.

The group will provide further details on the impact of IFRS 17 when it releases its interim results on 7 September 2023.

*The information in this operational update has not been reviewed or 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 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 three months to 31 March 2023 at the weighted average exchange rate for the three months to 31 March 2022, 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.

<i>Foreign currency/ZAR</i>	<i>Average 3 months to 31 March 2023</i>	<i>Average 3 months to 31 March 2022</i>	<i>(Strengthening)/Weakening</i>
<i>United Kingdom</i>	<i>21.56</i>	<i>20.40</i>	<i>5.68%</i>
<i>USA</i>	<i>17.74</i>	<i>15.22</i>	<i>16.63%</i>
<i>India</i>	<i>0.22</i>	<i>0.20</i>	<i>6.56%</i>
<i>Angola</i>	<i>0.04</i>	<i>0.03</i>	<i>16.48%</i>
<i>Nigeria</i>	<i>0.04</i>	<i>0.04</i>	<i>5.62%</i>
<i>Morocco</i>	<i>1.73</i>	<i>1.61</i>	<i>7.25%</i>

### **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 18 May 2023.*

### **Conference call registration**

*Those wishing to participate in the conference call should navigate to: <https://www.diamondpass.net/7313506>*

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

*Access numbers for recorded playback:*

*Recorded playback will be available until 24 May 2023.*

*Access code for recorded playback: 44480*

<i>South Africa</i>	<i>010 500 4108</i>
<i>USA and Canada</i>	<i>1 412 317 0088</i>
<i>UK</i>	<i>0 203 608 8021</i>
<i>Australia</i>	<i>073 911 1378</i>
<i>Other countries</i>	<i>+27 10 500 4108</i>

*Cape Town  
18 May 2023*

*Equity sponsor: The Standard Bank of South Africa Limited  
Debt sponsor: Absa Bank Limited*

### **Disclaimer**

In this document, Sanlam Ltd (SLM or Sanlam), its subsidiaries and, where applicable, its joint ventures and associates are referred to as "we", "us", "our", "Sanlam" and the "group".

### **Forward-looking statements**

In this document, we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to the impact of IFRS 17 on the financial results, to new business volumes and investment returns (including exchange-rate fluctuations). These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "expect" and "project" and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Any forward-looking information contained in this document has not been reviewed and reported on by Sanlam's external auditors.

**Information regarding IFRS 17**

The information presented reflects the current interpretation of Sanlam based on its individual facts and circumstances as of the date hereof. Such interpretation, or the underlying relevant facts and circumstances, may change and other companies may have different facts and circumstances that lead to other or different interpretations. This document includes forward-looking statements about the current interpretation of Sanlam regarding its own earnings presentation and reporting under the new IFRS 17 accounting standard.

**Non-IFRS financial measures**

Sanlam prepares its financial statements in accordance with international financial reporting standards (IFRS). This document includes financial measures that are not based on IFRS (non-IFRS financial measures). Sanlam believes that these non-IFRS financial measures provide information that is useful to investors in understanding Sanlam's performance and facilitate the comparison of the quarterly and full-year results from period to period. These non-IFRS financial measures do not have any standardised meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. These non-IFRS financial measures should not be viewed as alternatives to measures of financial performance determined in accordance with IFRS.

**Currency**

Unless otherwise noted, all amounts are in South African rand.