

7 December 2022

### ***Sanlam reports strong profits amid global markets volatility***

Sanlam has released its operational update for the 10 months ending 31 October 2022, reporting a steady performance amid a challenging backdrop. The rise in inflation and interest rates continues to affect global investment markets, and the ability of clients to commit to new insurance and investment products and retain existing arrangements. The Group's diversity stood it in good stead in successfully navigating the challenging environment.

#### **Net result from financial services**

Net result from financial services from life insurance increased by 23%, asset management by 21% (excluding UK asset disposals) and credit and structuring operations by 17%. General insurance operations declined by 50%. This resulted in group net result from financial services decreasing by 1%.

#### Life insurance

Life insurance earnings benefited from lower mortality claims versus the comparative period across all operations following diminished Covid-19 impacts.

#### Credit and structuring

Credit and structuring earnings growth was buoyed by good performances from the Shriram businesses in India, underpinned by continued strong economic recovery in that market.

#### General insurance

General insurance earnings remained under pressure due to significant claims inflation, market volatility and, in South Africa, high levels of electrical power-surge and vehicle theft-related claims as well as the adverse weather conditions and catastrophic floods reported in the first half of the year in KwaZulu-Natal. Corrective and mitigating actions have been implemented across the portfolio and improving trends have been observed in the South African operations.

Sanlam Pan Africa's General insurance results continue to be impacted by weak investment returns on insurance funds, while claims inflation impacted underwriting performance in the four months since June 2022.

#### Investment management

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.

## **New business volumes**

New business volumes in life insurance operations remain at very strong levels, but were marginally lower on a comparative basis, off a very high base driven by the Covid-19 lockdowns.

General insurance new business volumes showed robust growth, with a strong focus on appropriate pricing and risk selection.

## **Net client cash flows**

Net fund inflows in investment management operations remained at high levels despite significant investment market volatility but declined from the elevated level of 2021.

Life insurance net client cash inflows improved significantly due to lower mortality claim payments and continued strong absolute levels of new business volumes.

Investment management recorded net client cash inflows of R26 billion, a strong performance albeit lower than the comparative period, reflecting the unusually good experience of 2021 and continued investment market volatility in 2022.

## **STRATEGIC DEVELOPMENTS**

The Group continues to progress on its journey to become an African champion by building a fortress position in South Africa and accelerating growth outside of South Africa.

In South Africa, Sanlam 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 has been integrated into Sanlam Life and has contributed to the strong performance of life insurance operations. The Absa investment management transaction completed in early December and work has commenced on integration.

These transactions simplify Sanlam's operations and place the organisation's group risk and asset management operations in leading positions in their respective market segments.

In implementing its fortress South Africa strategy, Sanlam 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 subject to AfroCentric shareholder and regulatory approvals.

Sanlam's InsurTech joint venture with MTN (aYo) became effective on 31 October 2022 and the Group 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 and are expected to be complete by mid-2023.

In India, the merger of the Shriram credit businesses is expected to be completed this December. This merger simplifies the Shriram Group structure and is expected to create further value over time through cost and other synergies.

## **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% on 30 September 2022. Sanlam Life solo solvency ratio was 253% and Life covered business solvency ratio of 177%. Discretionary capital balance was R5,3 billion on 31 October 2022.

## **GOING FORWARD**

Sanlam Group CEO, Mr Paul Hanratty, said: "I am pleased with the Group's robust performance for the 10 months of 2022. This set of results reflects Sanlam's strength and our ability to deliver sustainable value in the most challenging operating environments.

"However, we expect the operating environment to remain challenging for the foreseeable future. We expect inflationary pressures 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 transaction, are expected to contribute in 2023, which will support earnings growth while our general insurance operations recover."

## **ENDS**

*Issued by Sanlam Group Communications*

## **MEDIA ENQUIRIES**

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Sanlam is a pan-African financial services group listed on the Johannesburg, Namibian and A2X stock exchanges. Through its clusters - Retail Mass, Retail Affluent, Sanlam Corporate, Sanlam Emerging Markets, Sanlam Investment Group and Santam, the Group provides comprehensive and bespoke financial solutions to institutional clients and consumers across all market segments. Sanlam's areas of expertise include life and general insurance, financial planning, retirement, investments, and wealth management.

Established in 1918 as a life insurance company, Sanlam has evolved into the largest non-banking financial services group in Africa through its diversification strategy.

Headquartered in South Africa, Sanlam has a direct stake in financial services entities in Namibia, Botswana, Swaziland, Zimbabwe, Mozambique, Mauritius, Malawi, Zambia, Tanzania, Rwanda, Uganda, Kenya, and Nigeria. The Group has a footprint of insurance operations in Morocco, Angola, Algeria, Tunisia, Ghana, Niger, Mali, Senegal, Burkina Faso, Cote D'Ivoire, Togo, Benin, Cameroon, Gabon, Madagascar and Burundi.

Sanlam also has business interests in India, Malaysia and the United Kingdom and a niche presence in selected developed markets.

For more information on Sanlam, please visit: [www.sanlam.com](http://www.sanlam.com)