

8 September 2022

Sanlam reports robust performance in 2022 half year results

Sanlam today reported robust performance for the first six months of 2022 as the company continues to successfully navigate a challenging global economic backdrop from the far-reaching impacts of the Russian-Ukraine conflict, surging inflation and energy prices, supply chain disruptions and hardship for consumers.

The diversification of the Group meant that overall operating results were still strong despite the challenging macro-economic conditions.

Highlights included:

- Net result from financial services from life insurance was up 23%, asset management was up 25% and credit operations were up 22%
- Net result from financial services from general insurance operations declined by 57%
- Overall net result from financial services increased by 1% to R4,6 billion
- Adjusted return on Group Equity Value (RoGEV) of 6,8% (14,1% annualised), relative to a hurdle of 6,9% (14,3% annualised)
- Group solvency ratio remained strong at 174%, well within target range of 150% to 190%
- Discretionary capital increased from R2.9 billion to R6,6 billion

Sanlam Group Chief Executive Officer, Mr Paul Hanratty said: “The strong operating performance of the Group despite the environment has reinforced Sanlam’s purpose, which is to help our clients live with confidence by empowering them to be financially confident, secure and prosperous. Our people continue to deliver excellent service and advice to customers across the African continent. Our organization continues to make significant contributions to the future sustainability of our continent through investing to improve climate outcomes, to create jobs and to improve financial inclusion through a combination of financial education and development of innovative products to improve access.”

EARNINGS

Lower mortality claims relative to the first six months of 2021 contributed to a rebound in life insurance earnings as a result of the impacts of COVID-19 coming under control. The Group’s investment management operations reported strong earnings growth despite lower returns in global markets, benefiting from strong recent net inflows, performance and fund establishment fees, as well as growth in brokerage income. Credit and structuring earnings also recorded good growth, driven by improved performances in South Africa and India.

The Group’s general insurance operations, however, recorded large declines in earnings, with Santam’s results impacted by adverse weather conditions including the KwaZulu-Natal floods, rising claims and steeply rising claims costs, as well as lower investment return on insurance funds. Sanlam’s Pan-African (SPA) operations experienced lower investment return on insurance funds due to the decline in Moroccan equity markets.

NEW BUSINESS

Sanlam Group maintained good performance across all markets and product lines, strengthening its market position in almost all areas.

Life insurance new business volumes declined by 1% on a comparative basis, due to lower single premium sales in the South African Retail Affluent business. All other businesses recorded satisfactory growth in new business volumes.

Life insurance net client cash inflows improved strongly due to the decline in outflows from lower mortality claim payments relative to the first six months of 2021.

General Insurance new business volumes increased by 6% on a comparative basis reflecting good growth from the Pan-African operations and Santam but a weaker performance from the Indian operations. However, net client cash flows declined due to the significant claim payments at Santam owing to the adverse weather conditions and the KwaZulu-Natal floods.

STRATEGY IMPLEMENTATION PROGRESS

Sanlam continues to execute its strategy and has made significant strides in strengthening operations in South Africa and across the continent, enabling future growth and creating competitive advantages through increased scale and product capabilities.

In South Africa, the Group completed the acquisition and integration of the Alexforbes life book. The Absa investment management, Alexforbes standalone retirement fund administration and Alexforbes LISP transactions are progressing through their respective regulatory approval processes, having received Competition authority support, and are on track to close before the end of 2022. These transactions will simplify Sanlam's operations and place the group risk, asset management and LISP operations in leading positions in their respective market segments.

In the rest of Africa, the creation of a Joint Venture (JV) with Allianz will create an unrivalled platform across the continent, with significant client capabilities. The transaction is expected to close in the next 12 months.

The Group continues to progress on digital transformation initiatives. The InsurTech JV with MTN (aYo) is progressing through regulatory approvals. The aYo platform has over 4 million active policies and is a key enabler of Sanlam's aim to improve financial inclusion across the continent.

The Group completed its partial exit from the United Kingdom, with only a focused international asset manager remaining. The Group realised proceeds of some R5 billion from these transactions.

The Group is pleased that shareholders have approved the merger of the two Indian credit businesses in which it is invested and expects synergies to emerge from this merger in due course, pending the final regulatory approvals.

GROUP EQUITY VALUE

Group Equity Value came to R131 billion or 5 928 cents per share on 30 June 2022. Return on Group Equity Value (RoGEV) amounted to negative 2,8% for the six-month period, including the 2021 final dividend paid.

Adjusted RoGEV, which excludes the impact of actual investment return relative to long-term assumptions, interest rate changes, other one-off effects not under management control, and currency exchange rate movements, amounted to 6,8%, marginally below the 6,9% hurdle for the first six months of 2022.

DISCRETIONARY CAPITAL AND SOLVENCY

Discretionary capital increased from R2,9 billion on 31 December 2021 to R6,6 billion on 30 June 2022. The Group's solvency cover ratio was 174% on 30 June 2022 (31 December 2021: 173%)

OUTLOOK

The severe impacts of higher inflation on customers and cost basis necessitates a strong focus across the Group on control of expenses. The Group will continue to invest strongly as it is positive about its outlook, but there is also a focus on efficiency within existing operations. Some of the acquisitions to create scale will take several years to fully yield efficiency, but management is giving these the requisite attention.

Sanlam remains uniquely positioned to capture the growth opportunity in Africa by leveraging the reach of its broad platform and partnership model to drive financial inclusion through providing simple products, at scale and using increased digital capabilities.

"The overall capital strength of Sanlam, our diversified portfolio, strong competitive position in each market in which we operate and record of execution, remain key differentiators. The Group remains well positioned and will continue to deliver long-term value to all stakeholders as we implement our purpose-led strategy, despite the difficult operating environment that is likely to persist for the remainder of 2022," said Mr Hanratty.

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About Sanlam

Sanlam is a pan-African financial services group listed on the Johannesburg, Namibian and A2X stock exchanges. Through its clusters: Life and Savings encompassing Retail Mass, Retail Affluent and Corporate business units; 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, Guinea, Burkina Faso, Cote D'Ivoire, Togo, Benin, Cameroon, Gabon, Republic of the Congo, Madagascar, Burundi, and Lesotho.

Sanlam also has insurance business interests in India, Malaysia and the United Kingdom and has business interests in the USA, Australia, the Philippines, and Lebanon.

For further information visit www.sanlam.com