

Sanlam Limited
(Incorporated in the Republic of South Africa)
(Registration number 1959/001562/06)
("Sanlam", "Sanlam Group" or "the group")
JSE Share code: SLM
A2X share code: SLM
NSX share code: SLA
ISIN: ZAE000070660

Sanlam Life Insurance Limited
(Incorporated in the Republic of South Africa)
(Registration No. 1998/021121/06)
("Sanlam Life")
Bond Issuer Code: BISLI
LEI: 378900E10332DF012A23

Sanlam group operational update for the three-month period ended 31 March 2024

Strong start to 2024

The strong momentum across the group continued into the first quarter of 2024.

- Net result from financial services (NRFFS)¹ and cash net result from financial services² increased by 14%.
- Net operational earnings¹ increased by 16%, benefiting from improved investment return.
- Life insurance new business volumes are 15% higher on a present value of new business premiums (PVNBP) basis.
- Life insurance net value of new business (VNB) increased by 10%, with a net VNB margin of 2,85%, both on a constant economic basis.
- For the general insurance business, gross written premiums are 5% higher than for 2023.
- Investment management new business volumes are lower by 7% on 2023.
- Group net client cash inflows improved by 14% to R8,8 billion, driven by a rebound in life insurance and an improvement in the international asset management operations.
- The solvency position of the group remained strong and comfortably within target ranges on 31 March 2024.

The group's strong performance momentum from 2023 continued into the first quarter of 2024 despite a challenging backdrop marked by geopolitical conflict, sustained high global interest rates and inflation, as well as further investment market volatility. The group delivered strong growth as the diversity of operations by product, market segment and geography, coupled with excellent cash generation and a solid capital base continue to position the group favourably.

The SanlamAllianz joint venture became effective 1 October 2023 resulting in the joint venture being equity accounted. Prior to this the Sanlam Pan-Africa businesses were consolidated and as a result, the first quarter of 2024 is not comparable to the first quarter of 2023.

Life insurance recorded double digit growth in both earnings and new business volumes, with new business margins remaining robust. General insurance recorded satisfactory performance with a rebound in Santam's underwriting margin performance, robust underlying performance from the Pan-Africa operations on a comparable basis and continued strong performance in Asia. Credit and

¹ Earnings are based on the International Financial Reporting Standard (IFRS) 17, after allowing for Sanlam specific shareholders' fund adjustments.

² Cash NRFFS represents NRFFS as adjusted for the reversal of specific non-cash items: amortisation of capitalised IT projects and IFRS 17 specific and other non-cash adjustments.

structuring recorded improved performance while investment management was muted in an environment of continued market volatility.

The group's discretionary capital balance increased to R3,7 billion at 31 March 2024, from R2,7 billion at 31 December 2023. The increase is due to the net proceeds received from the sale of a portion of Sanlam's direct holding in Shriram Finance Limited (SFL), which was partially reduced by R1,7 billion relating mainly to the mandatory offer to minority shareholders in Sanlam Maroc S.A. as part of the SanlamAllianz transaction.

Execution of the group's strategy progressed further in the first quarter of 2024. In February, the group announced the offer to acquire all the issued ordinary shares in Assupol for R6,5 billion, subject to requisite approvals, a transaction that will significantly strengthen the Sanlam group's position in the mass market segment in South Africa for the long term. Assupol shareholders approved this offer on Wednesday, 17 April 2024. The final step in the integration of the Absa asset management business into Sanlam's investment operations took place with the merger of the Absa Fund Managers platform into the Sanlam Collective Investments platform in March 2024.

In line with the group's strategy to strengthen its position in the fast-growing Indian insurance sector, in April, the group announced the proposed transaction to increase its effective shareholding to more than 50% in the Shriram life and general insurance entities, subject to requisite approvals.

Strong earnings growth driven by life insurance and credit and structuring operations

Net result from financial services <i>(percentage increase/(decrease) for the first three months of 2024 relative to the first three months of 2023)</i>	Actual	Constant currency
Sanlam group	14%	15%
By line of business		
Life and health insurance	15%	17%
General insurance ³	(5%)	(4%)
Investment management	4%	2%
Credit and structuring	12%	8%

Life and health insurance net result from financial services benefited from mortality profits earned off a larger book of business, higher asset-based fee income because of overall book growth and improved credit spread earnings due to the contraction of credit spreads in international bond portfolios. Strong earnings growth was recorded in the South Africa, Pan-Africa, and Asia operations in constant currency.

Persistency remained stable in the retail affluent segment, Pan-Africa, and Asia operations. In the retail mass segment, there has been a strong management focus on improving persistency. Although additional processes and remuneration structures have become effective only from 1 March 2024, the first quarter has already seen an improvement in early duration persistency as anticipated. This focus on persistency in the retail mass segment will continue throughout the year.

³ The reported general insurance result for the first quarter of 2023 included the total investment return on the Sanlam Pan-Africa businesses, whereas in the first quarter of 2024, the introduction of an asset mismatch reserve to absorb the impact of short-term investment market volatility on the investment return on insurance funds, has meant that only a part of the strong investment return was included in the net result from financial services line. The general insurance net result from financial services increased by 17% including the full investment return on insurance funds in 2024.

General insurance reported a decline in net result from financial services as strong performance from the South Africa and Asia operations was offset by weaker Pan-Africa performance, due to a change in accounting policy for the general insurance business in Pan-Africa (the introduction of an asset mismatch reserve), as highlighted above. Excluding this impact, general insurance profits are strongly up, benefiting from good underwriting results and growth in premiums.

In South Africa, Santam recorded an underwriting margin within its target range of 5% to 10%, with results further supported by favourable investment return on insurance funds. Asia recorded strong growth in net result from financial services from improved claims experience and strong book growth in India. The Pan-Africa operations recorded a net insurance margin at the lower end of the 10% to 15% target range, with the underwriting margin at 6,6%.

Investment management net result from financial services increased by 4% as satisfactory growth in the South African operations was dampened by lower earnings in the international operations due to lower assets under management from significant net outflows in prior periods.

Credit and structuring net result from financial services increased by 12% with India recording good growth on the back of increased advances, coupled with improved collections. South Africa recorded higher earnings, benefiting from improved collections in addition to the increased ownership in Sanlam Personal Loans from 70% to 100% in the fourth quarter of 2023.

Satisfactory growth in life new business volumes and group net client cash flows

Key group new business metrics (percentage increase/(decrease) for the first three months of 2024 relative to the first three months of 2023)		
	Actual	Constant currency
Life Insurance new business volumes	16%	18%
General insurance gross written premiums	5%	5%
Investment management new business volumes	-7%	-7%
Group net client cash inflows	14%	15%
Life insurance new business metrics	Actual	Constant economic basis
PVNBP	15%	16%
VNB	4%	10%
VNB margin	2,71%	2,85%

Life insurance new business volumes recorded satisfactory growth, boosted by strong sales in South Africa and Asia. South Africa recorded good growth in retail mass sales as well as strong single premium sales in the retail affluent and corporate businesses, with Asia benefiting from robust sales in India and Malaysia. Pan-Africa recorded weaker sales but would be 18% higher on a comparable basis in constant currency, with good growth in Namibia, Tanzania, and Egypt.

Net VNB increased by 10% on a constant economic basis, with the lower growth rate relative to PVNBP due to lower margins recorded in the retail mass and India operations because of basis changes implemented in December 2023 and increased investment into establishing new distribution channels respectively. The group recorded a net VNB margin of 2,85% on a constant economic basis.

General insurance gross written premiums increased by 5%. Santam recorded a 7% increase in net earned premium for the conventional insurance business and Asia recorded very strong growth of 37%. Pan-Africa recorded lower premiums but would be 9% higher on a comparable basis in constant currency. SanlamAllianz Re and most other markets recorded good growth, which was dampened by underperformance in Côte d'Ivoire.

Group net client cash flows increased by 14% to R8,8 billion, boosted by improved life insurance performance and net inflows in the international asset management operations relative to large outflows in 2023.

Outlook

The core businesses across the Sanlam group are performing strongly, and we would expect this momentum to continue. We do however caution that the group's earnings remain sensitive to significant moves in global investment market levels, and that the first quarter earnings growth rate is not representative of the rate of growth we expect for the balance of the year.

The improvement in persistency within the retail mass segment in South Africa, as well as the improvement in the underwriting margin at Santam will remain key focus areas throughout the year.

The SanlamAllianz joint venture has bedded down well, with the focus now on operational synergies within several markets, to the extent that regulatory approvals will permit. First regulatory approvals have been received in Côte d'Ivoire and Senegal and integrations have commenced.

The proposed acquisition of Assupol, subject to approval later in the year, will require a great deal of focus and attention within the South African life insurance operations, but we do not anticipate any disruption to operational results in South Africa. We remain on track to close the Capitec funeral joint venture at the end of October 2024.

Sanlam remains supportive of the work being done to improve energy supply, logistics, crime, and corruption and to create new jobs in South Africa. We remain committed to supporting, and benefiting from, an improved growth rate for the South African economy.

We remain positive about the overall Pan-Africa and India economic growth trajectories.

Globally inflation and interest rates remain stubbornly high, but the Sanlam group remains largely insulated from the effect of this and will benefit from the eventual normalisation of these macro variables. The group remains concerned at the risks posed by global geopolitics, but the group's balance sheet remains strong and able to withstand macro shocks.

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.

Currency movements did not have a material impact on group earnings and new business metrics.

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 16 May 2024.

Those wishing to participate in the conference call should navigate to: <https://www.diamondpass.net/4814273>
Registered participants will receive their dial-in number on registration.

Recorded playback will be available until 22 May 2024.

Access code for recorded playback: 46108

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Cape Town
16 May 2024

Equity sponsor: The Standard Bank of South Africa Limited
Debt sponsor: Rand Merchant Bank, a division of FirstRand 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, amongst others, to financial results, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. 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