



Annual Results 2017 **Investor Presentation**

Insurance | Financial Planning | Retirement | Investments | Wealth



Investor Presentation

2017 Annual Results
8 March 2018

Insurance | Financial Planning | Retirement | Investments | Wealth

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Strategic review

Good progress on all pillars in 2017



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A century of value creation

Milestone for our clients, shareholders, employees and other stakeholders



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A strategy that stood the test of time

An enduring foundation to launch us into our centenary year and the decades to come



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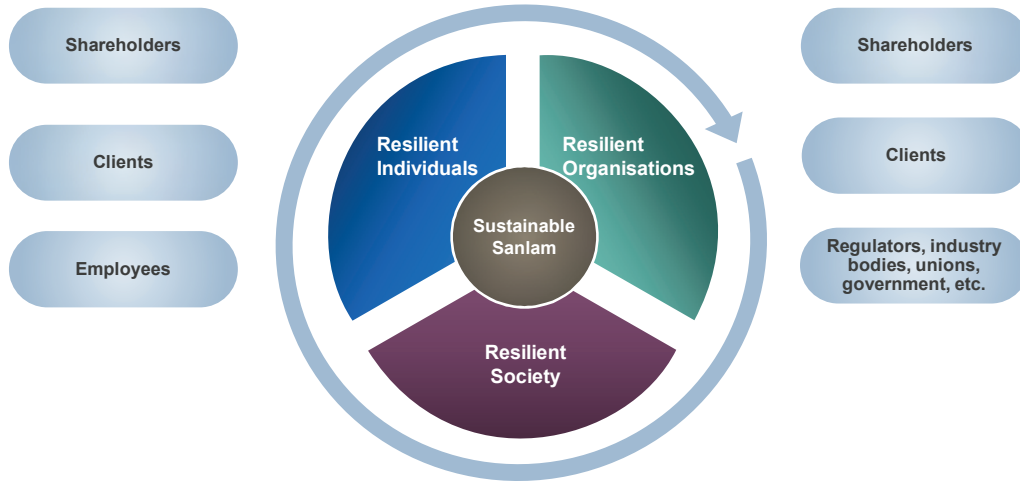
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Superior returns to shareholders

sustained through shared value creation



Our purpose is to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity

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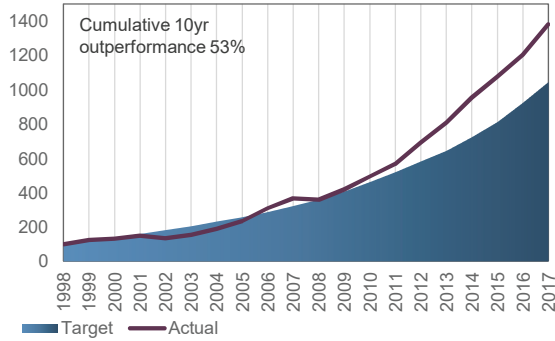
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Our long term strategic execution

Sustainable superior returns and dividend growth

Target: SA 9yr risk free + 4%

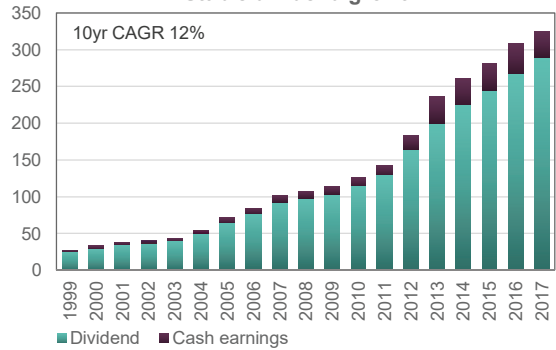
Consistent outperformance of RoGEV target



Dual focus on future growth and dividend flows

Target: 2% - 4% real growth

Stable dividend growth



Prudent accounting policies ensure sustainable dividends – paid from cash operating earnings



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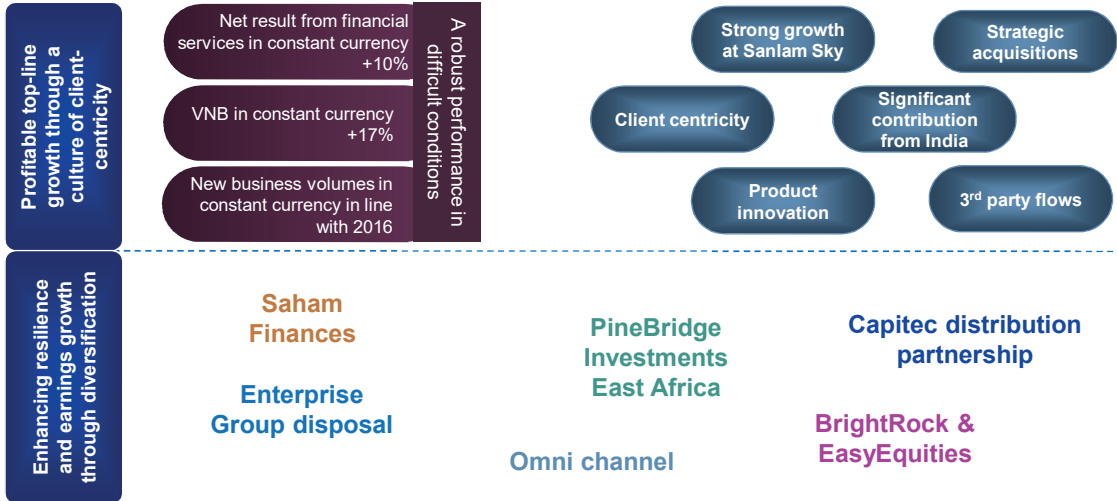
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Our progress in 2017



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Our progress in 2017

Extracting value through innovation and improved efficiencies

BRIGHTROCK



BI & Big Data

EasyEquities
www.easyequities.co.za

Sanlam Design Studio

Sanlam UK restructuring

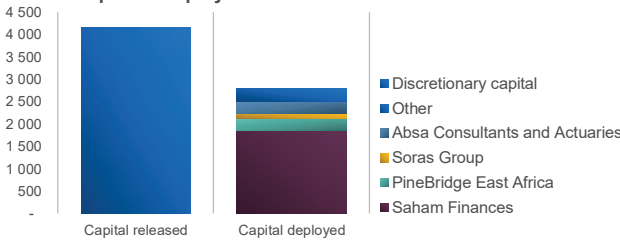
Several new product launches

SI 3rd party manager

Responsible capital allocation and management

- Expanding Pan-African footprint
- Acquisition of additional interests in Saham Finances
- Enterprise Group disposal

Capital redeployed in 2017



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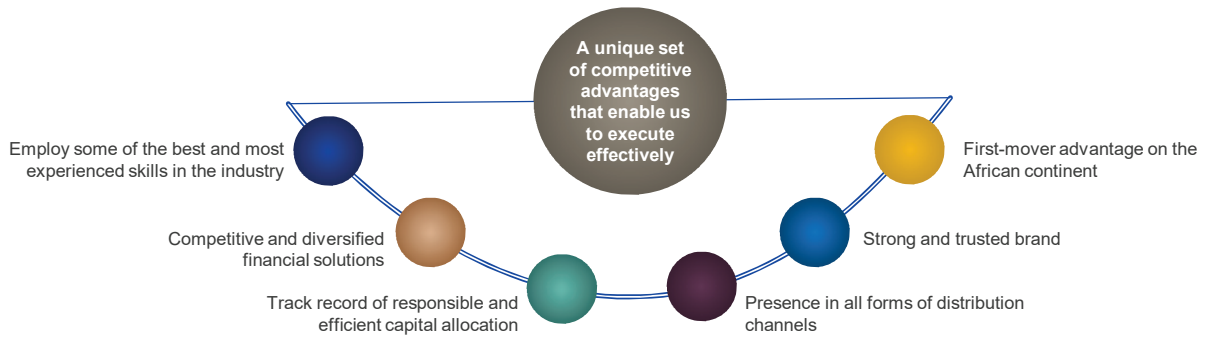
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Our competitive advantage into the future

Superior execution has set us apart from our peers and will continue to do so



Our diversification creates resilience while offering growth opportunities grounded in our culture of client-centricity



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Our competitive advantage into the future

Acquisition of remaining stake in Saham Finances provides us with unique opportunity



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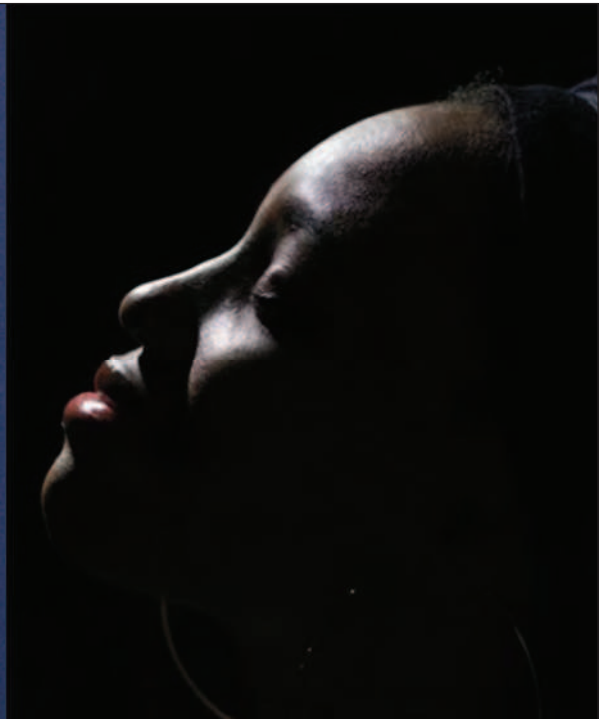
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Operating environment in 2017

Challenging conditions in South Africa, Namibia and Botswana



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Global environment supportive of emerging markets

Political and policy uncertainty hampered SA growth



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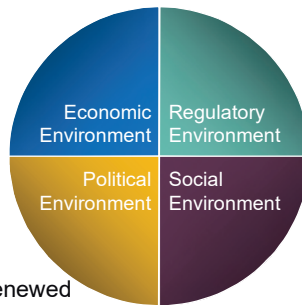
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South Africa

Political environment not conducive to economic growth

- ① Business and investor confidence under pressure
- ① Pedestrian economic growth
- ① Sovereign credit rating downgrade risk
- ① Investment market and currency volatility
- ① Rebound in December 2017

- ① Political and policy uncertainty
- ① Allegations of state capture
- ① ANC leadership change driving renewed optimism
- ① Business has a key role to play to assist transformation initiatives



- ① Financial sector regulation bill passed, establishing twin peaks model
- ① Solvency Assessment and Management planned to be effective 1 July 2018
- ① Retail Distribution Review being phased in
- ① International Insurance Capital Standards field testing

- ① Historic high levels of unemployment
- ① Widening wealth inequality
- ① Technical skills development a priority
- ① Slow progress on inclusive growth initiatives
- ① Corporate governance breakdowns in private sector



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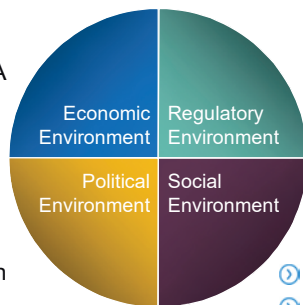
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Rest of Africa

Improvement in terms of trade, but high levels of government debt

- ④ Improved terms of trade for commodity-based economies
- ④ Oil-based economies adapting to structurally lower oil price (Nigeria & Angola)
- ④ Much higher growth prospects than SA in medium to long term
- ④ Namibia liquidity constraints
- ④ Competitive pressures in Botswana eased somewhat in 2H17

- ④ Some disruption in economic activity in Kenya over election period
- ④ Otherwise period of relative stability
- ④ Positive developments in Zimbabwe



- ④ Risk-based capital regimes on the agenda of a few countries
- ④ TCF and RDR following international trends

- ④ Technical skills shortage
- ④ Favourable demographic profile over long term
- ④ Increased need for insurance and investments



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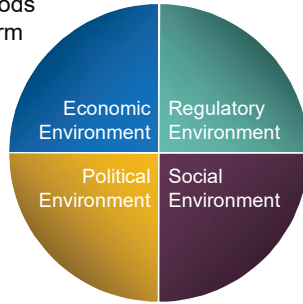
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India and Malaysia

Economic growth gaining traction

- ⌚ Indian economy recovering well after demonetisation and introduction of Goods and Services Tax – positive for long term growth prospects
- ⌚ Malaysian economy accelerating



- ⌚ Demonetisation in India during 2016 impacted economy and credit providers
 - > STFC recovered well; SCUF taking longer
- ⌚ De-tariffing of insurance sector in Malaysia did not have major impact yet
- ⌚ Favourable demographic profile over long term
- ⌚ Increased need for insurance and investments in lower segments



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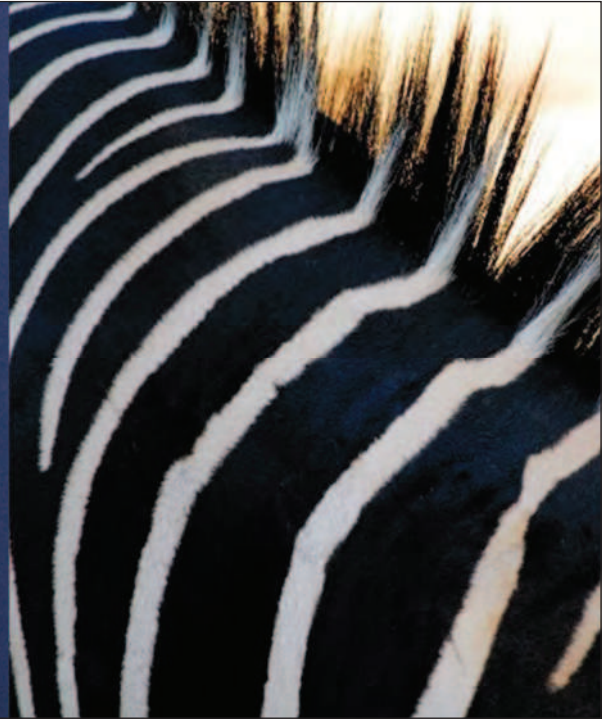
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Financial Review

A resilient performance under difficult conditions



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Overview of 2017 performance

HIGHLIGHTS	LOWLIGHTS
Actual & adjusted RoGEV exceeded target	Underperformance in Kenya and Malaysia
Exceptional growth in VNB at improved margins	Lower single premium sales in South Africa, Namibia and Botswana
Turnaround in Sanlam UK profitability	Lower net fund inflows at Sanlam Personal Finance
Improved institutional inflows at Sanlam Investments	Higher claims experience at Santam, Sanlam Employee Benefits and Sanlam Namibia
Recovery in Indian profitability Santam maintaining underwriting margin despite catastrophes	Discovery of irregularities at Steinhoff International, with a consequential impact on the valuation of Steinhoff instruments held in client and shareholder investment portfolios
Acquisition of remaining 53.4% in Saham Finances	



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Key Performance Indicators

- ⌚ Earnings per share
 - › Net operating profit per share increased by 7% (10% constant currency)
 - › Normalised headline earnings per share up 18%
- ⌚ Business volumes
 - › New business volumes declined by 1% to R230bn (in line with 2016 in constant currency)
 - › Net life VNB up 15% (17% constant currency)
 - › Net VNB margin of 2.94%, up from 2.69% in 2016
 - › Net fund inflows of R35bn compared to R41bn in 2016
- ⌚ Group Equity Value
 - › Group Equity Value of R59.40 per share
 - › RoGEV per share of 14.8%, adjusted 15.8% - above hurdle rate
- ⌚ Dividend per share of 290 cents; up 8.2%



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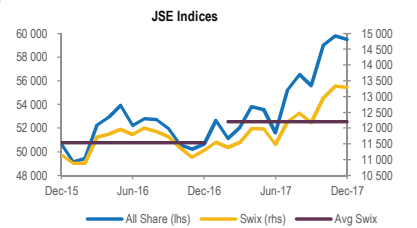
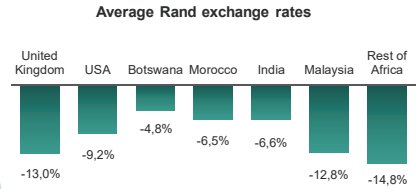
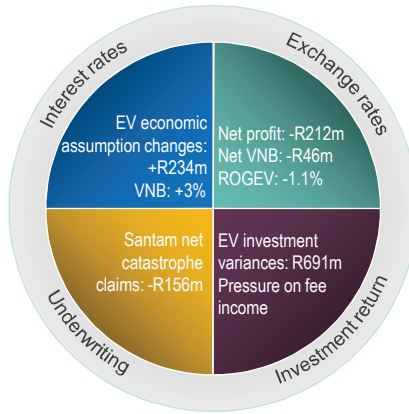
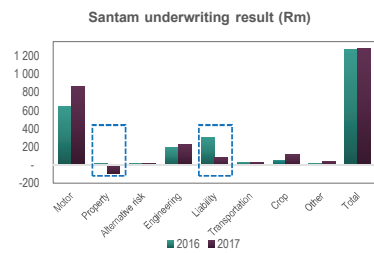
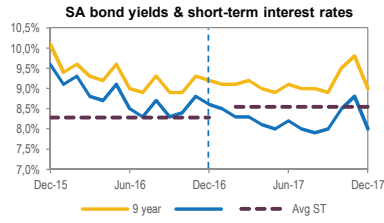
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Reporting environment

Significant impact from stronger Rand and catastrophe claims



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Steinhoff International exposure

R million	Exposure ⁽²⁾			Earnings impact	
	1/12/2017	31/12/2017	28/2/2018	2017	2018 ⁽³⁾
Debt⁽¹⁾				(12)	-
<i>Local</i>	771	700	-	-	-
<i>Foreign</i>	368	211	282	(12)	-
Equity⁽¹⁾	81	7	7	-	-
Collateralised lending	804	751	733	(37)	32
Net result from financial services				(49)	32
Net investment return				(122)	14
<i>Equity</i>	325	191	195	(103)	2
<i>Local debt</i>	125	100	25	(19)	12
Normalised headline earnings				(171)	46

Client portfolios: at or above benchmark weighting

⁽¹⁾ After hedges and utilising R286m risk reserves

⁽³⁾ Based on 28/2/2018 valuations

⁽²⁾ Before tax



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Sanlam Personal Finance



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Sanlam Personal Finance

R million	2017	2016	△
New business volumes	58 615	61 748	-5%
Sanlam Sky	1 455	1 295	12%
<i>Risk</i>	1 361	1 157	18%
<i>Savings</i>	94	138	-32%
Recurring premium & SBD	2 838	2 572	10%
Glacier	54 322	57 881	-6%
<i>Life</i>	27 135	26 562	2%
<i>Non-life</i>	27 187	31 319	-13%
Net flows	8 454	16 493	
Sanlam Sky	3 623	3 173	
Recurring premium & SBD	(4 074)	(5 196)	
Glacier	8 905	18 516	



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Sanlam Personal Finance

R million	2017	2016	△
Net value of new life business	1 407	1 163	21%
Sanlam Sky	521	358	46%
Recurring premium & SBD	396	279	42%
Glacier	490	526	-7%
Net new business margin	3,20%	2,80%	
Sanlam Sky	8,88%	7,12%	
Recurring premium & SBD	3,55%	2,73%	
Glacier	1,82%	2,01%	



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Sanlam Personal Finance

R million	2017	2016	△
Net operating profit	4 235	4 099	3%
Sanlam Sky	875	860	2%
Recurring premium sub cluster	1 856	1 918	-3%
Glacier	1 264	1 074	18%
SBD & Other	240	247	-3%
<i>Sanlam Personal Loans</i>	270	239	13%
<i>Other</i>	(30)	8	>-100%
Constant new business strain	4 453	4 099	9%
Group Equity Value	43 401	41 878	
RoGEV	17,5%	22,7%	



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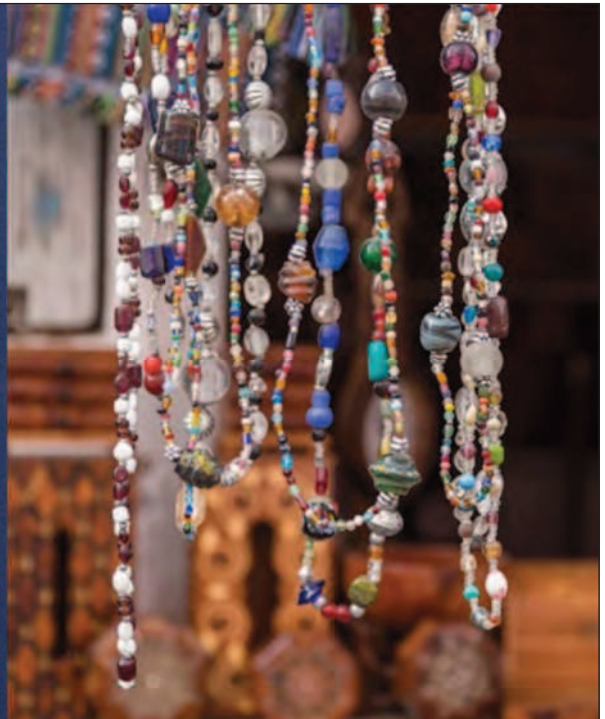
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Financial Review

Sanlam Emerging Markets



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Sanlam Emerging Markets

R million	2017	2016	Δ	ΔCCY
New business volumes	21 903	23 696	-8%	-2%
<i>Excluding structural growth & BPOPF</i>	16 973	16 664	2%	8%
Namibia	5 593	5 649	-1%	-1%
Botswana	7 137	10 716	-33%	-30%
Rest of Africa	6 360	5 220	22%	36%
<i>Excluding structural growth</i>	2 619	3 083	-15%	1%
India	2 224	1 337	66%	78%
<i>Excluding structural growth</i>	1 035	1 042	-1%	6%
Malaysia	589	774	-24%	-13%
Net fund flows	2 140	10 929		
Namibia	(3 105)	(133)		
Botswana	1 399	7 045		
Rest of Africa	2 928	3 284		
India/Malaysia	918	733		

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Sanlam Emerging Markets

R million	2017	2016	Δ	ΔCCY
Net value of new life business	347	359	-3%	9%
<i>Excluding structural growth</i>	262	287	-9%	3%
Namibia	75	75	-	-
Botswana	111	129	-14%	-9%
Rest of Africa	105	113	-7%	22%
India	38	13	192%	156%
<i>Excluding structural growth</i>	16	10	60%	71%
Malaysia	18	29	-38%	-24%
Net new business margin	4,86%	5,26%		
Namibia	4,98%	5,29%		
Botswana	6,34%	7,49%		
Rest of Africa	4,96%	5,38%		
India	3,23%	1,73%		
Malaysia	3,03%	3,48%		

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Sanlam Emerging Markets

R million	2017	2016	Δ	Δ CCY
Net operating profit	1 793	1 557	15%	25%
Namibia	344	302	14%	14%
Botswana	356	377	-6%	-1%
Rest of Africa	377	299	26%	48%
<i>Excluding structural growth</i>	101	116	-5%	20%
India	759	534	42%	54%
<i>Excluding structural growth</i>	600	506	19%	29%
Malaysia	24	61	-61%	-48%
Corporate expenses	(67)	(16)	>-100%	>-100%
Group equity value	27 621	22 097		
RoGEV	11,5%	-2,3%		15.8%



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Sanlam Investments

R million	2017	2016	△
Net investment business flows	16 467	5 467	
Investment management SA	13 247	8 785	
Wealth management	(755)	1 207	
International	3 975	(4 490)	
Capital management	–	(35)	
New life business	3 137	3 187	-2%
<i>Constant currency</i>	3 607	3 187	13%
Net life business	(357)	(252)	



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Sanlam Investments

R million	2017	2016	Δ	Δ CCY
Net operating profit	1 227	1 096	12%	17%
Investment management SA	416	519	-20%	-18%
Wealth management	145	127	14%	16%
International	346	180	92%	116%
Capital management	320	270	19%	19%
Group Equity Value	18 331	15 807		
Covered business	2 768	1 137		
Other	15 563	14 670		
RoGEV	14,2%	-1,9%		16.3%



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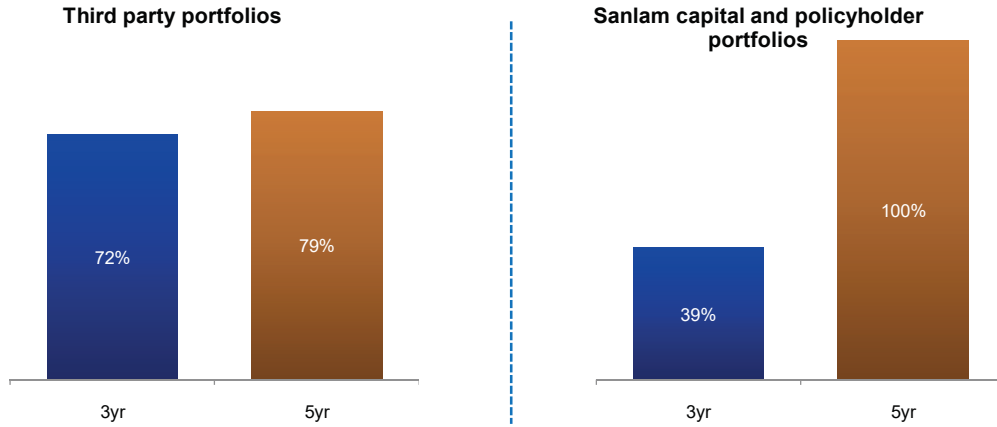
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Sanlam Investments

Investment performance

Percentage of SIM's benchmark-managed funds exceeding hurdle



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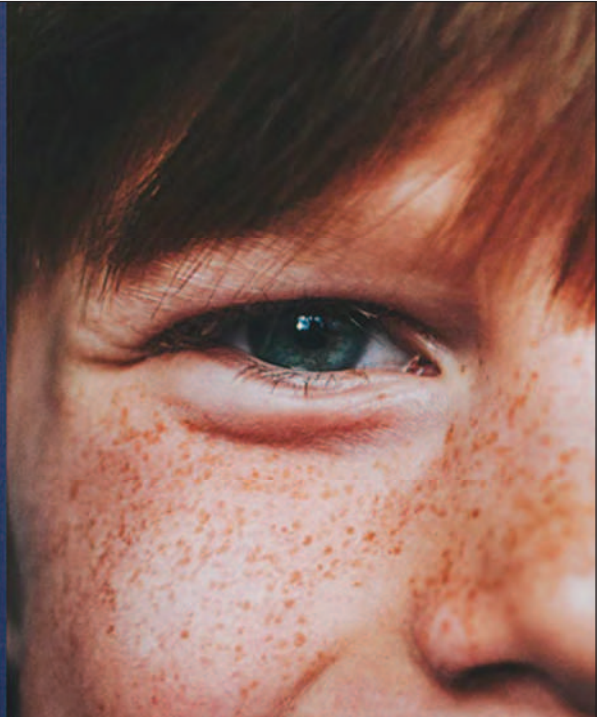
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Santam

R million	2017	2016	Δ
Net earned premiums	21 435	19 826	8%
Gross operating profit	2 173	2 050	6%
Underwriting surplus	1 281	1 268	1%
Working capital & other	892	782	14%
Net operating profit	851	814	5%
<i>Excluding June catastrophe claims & forex</i>	<i>1 007</i>	<i>814</i>	<i>24%</i>
Underwriting margin	6,0%	6,4%	
Group Equity Value	18 108	15 868	
RoGEV	18,0%	32,1%	



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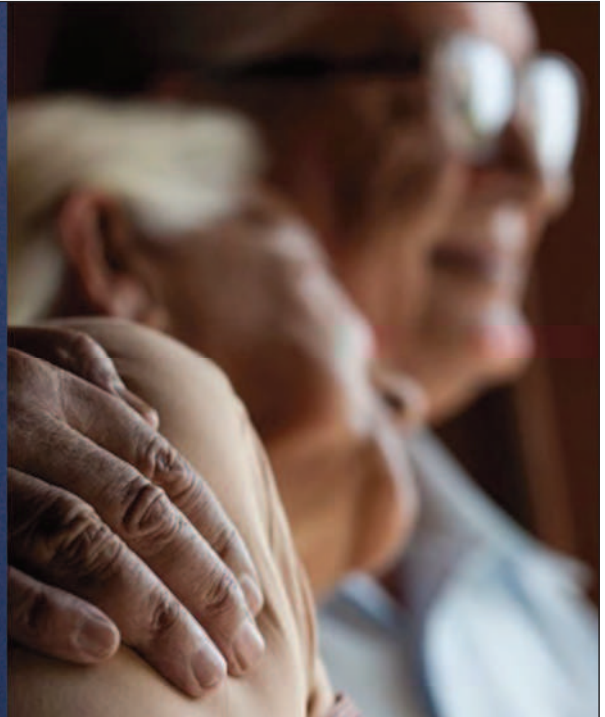
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Financial Review

Sanlam Corporate



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Sanlam Corporate

R million	2017	2016	△
New business volumes	4 828	5 029	-4%
Recurring risk	336	232	45%
Single risk	8	60	-87%
Investment & retirement	4 484	4 737	-5%
Net fund flows	606	1 369	
Value of new life business	87	76	14%
New business margin	1,05%	0,97%	

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Sanlam Corporate

R million	2017	2016	Δ
Net operating profit	558	510	9%
Employee Benefits	443	427	4%
Healthcare	120	93	29%
Corporate	(5)	(10)	50%
Group Equity Value	6 368	6 385	
RoGEV	21,0%	9,6%	



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Business flows

R million	Gross			Net	
	2017	2016	Δ	2017	2016
by business					
Personal Finance	58 615	61 748	-5%	8 454	16 493
Emerging Markets	21 903	23 696	-8%	2 140	10 929
Sanlam Investments	123 407	122 879	0%	16 110	5 215
Santam	21 435	19 826	8%	7 265	6 915
Sanlam Corporate	4 828	5 029	-4%	606	1 369
by licence					
Life insurance	44 615	43 599	2%	10 235	11 356
General insurance	27 557	23 839	14%	9 417	8 396
Investment	158 016	165 740	-5%	14 923	21 169
Total	230 188	233 178	-1%	34 575	40 921



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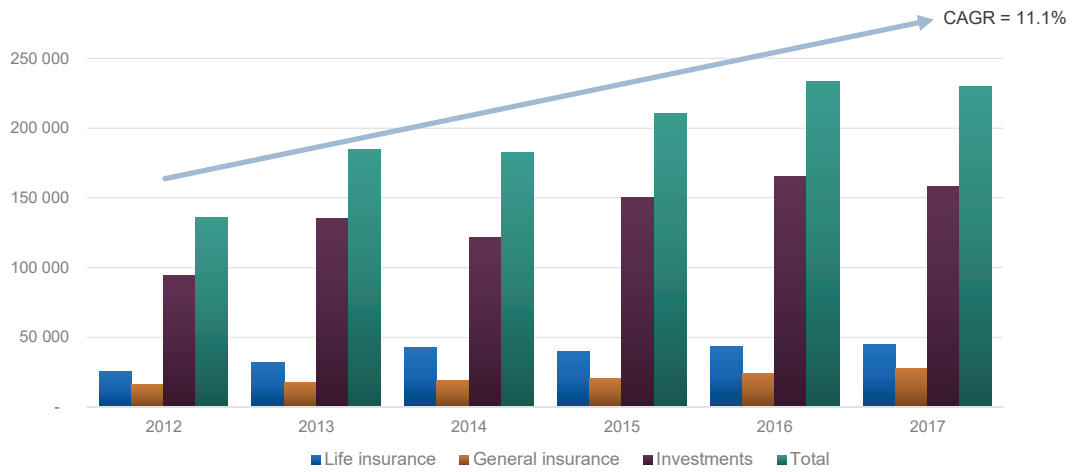
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Business flows

New business volumes



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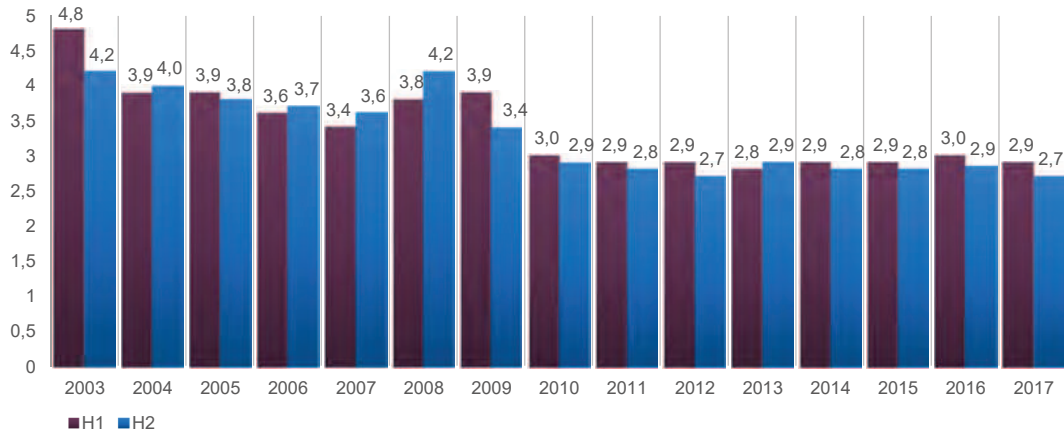
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Operational efficiencies

Persistency maintained in challenging conditions

Persistency – SA middle-income market

Lapses, surrenders & fully paid-ups as % of in-force per half year



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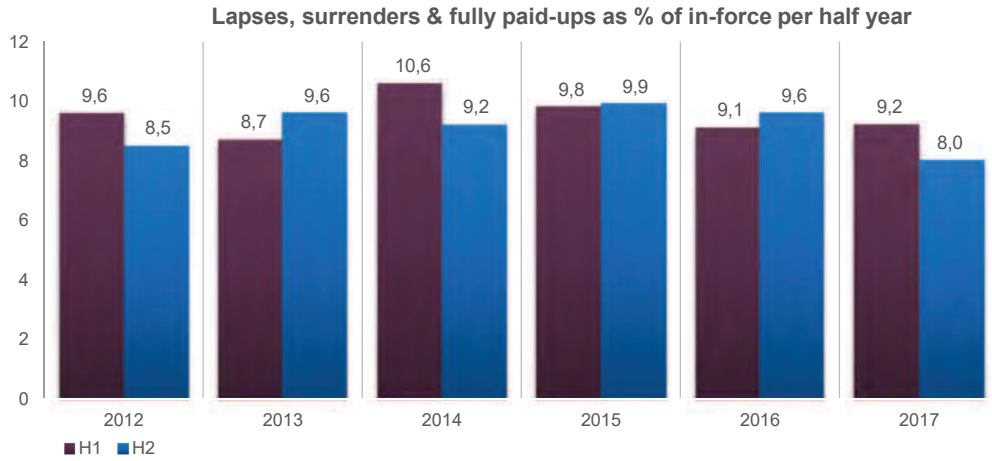
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Operational efficiencies

Persistency maintained in challenging conditions

Persistency – SA lower income market



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Net value of new covered business

R million	Net value of New Business				Margin	
	2017	2016	Δ	Δ CCY	2017	2016
Personal Finance	1 407	1 163	21%	21%	3,20%	2,80%
Emerging Markets	347	359	-3%	9%	4,86%	5,26%
Sanlam Corporate	87	76	14%	14%	1,05%	0,97%
Sanlam Investments	-	7	-100%	-100%	-	0,21%
Total	1 841	1 605	15%	17%	2,94%	2,69%



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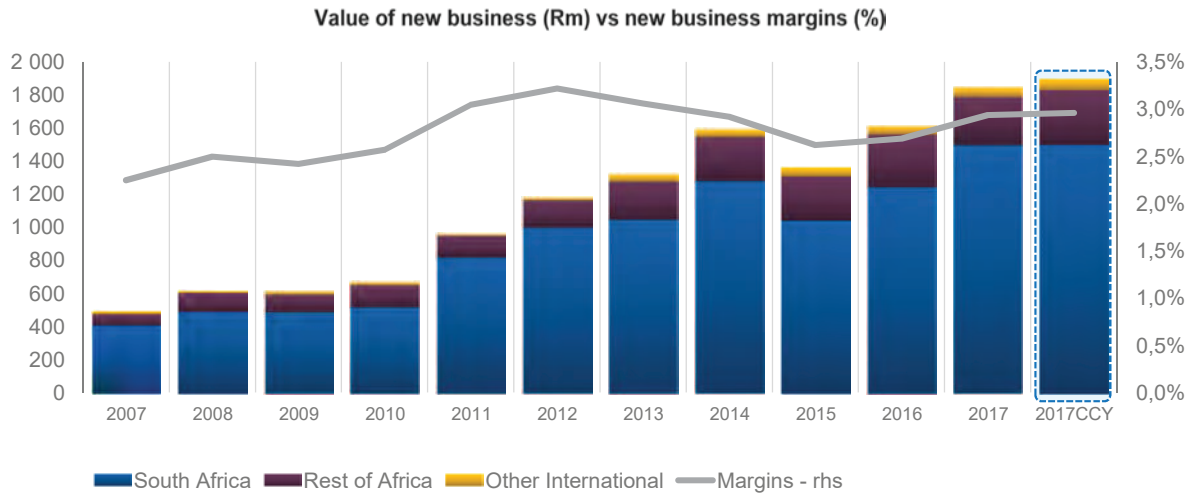
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Net value of new covered business

Change in business mix supporting margin



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Net operating profit

R million	2017	2016	Δ	ΔCCY
Personal Finance	4 235	4 099	3%	3%
Emerging Markets	1 793	1 557	15%	25%
Sanlam Investments	1 227	1 096	12%	17%
Santam	851	814	5%	5%
Sanlam Corporate	558	510	9%	9%
Corporate & other	(115)	(107)	-7%	-7%
Total	8 549	7 969	7%	10%



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Income statement

R million	2017	2016	Δ
Net operating profit	8 549	7 969	7%*
<i>Per share (cents)</i>	417,2	389,4	7%
Net investment return	1 663	676	146%
Other	(377)	(285)	-32%
Normalised headline earnings	9 835	8 360	18%
<i>Per share (cents)</i>	480,0	408,5	18%
Fund transfers	(78)	1 500	
Headline earnings	9 757	9 860	-1%
<i>Per share (cents)</i>	481,3	488,1	-1%

* 10% in constant currency



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Group Equity Value

R million	Equity Value		RoGEV	
	2017	2016	Rm	%
Group operations	113 829	102 035	16 495	15,8%
Personal Finance	43 401	41 878	7 070	17,5%
Emerging Markets	27 621	22 097	2 845	11,5%
Investments	18 331	15 807	2 442	14,2%
Santam	18 108	15 868	2 854	18,0%
Sanlam Corporate	6 368	6 385	1 284	21,0%
Discretionary & Other	7 934	8 682	10	0,2%
TOTAL	121 763	110 717	16 505	14,9%
cps	5 940	5 407	801	14,8%
Adjusted RoGEV cps				15,8%
Return target				13,2%



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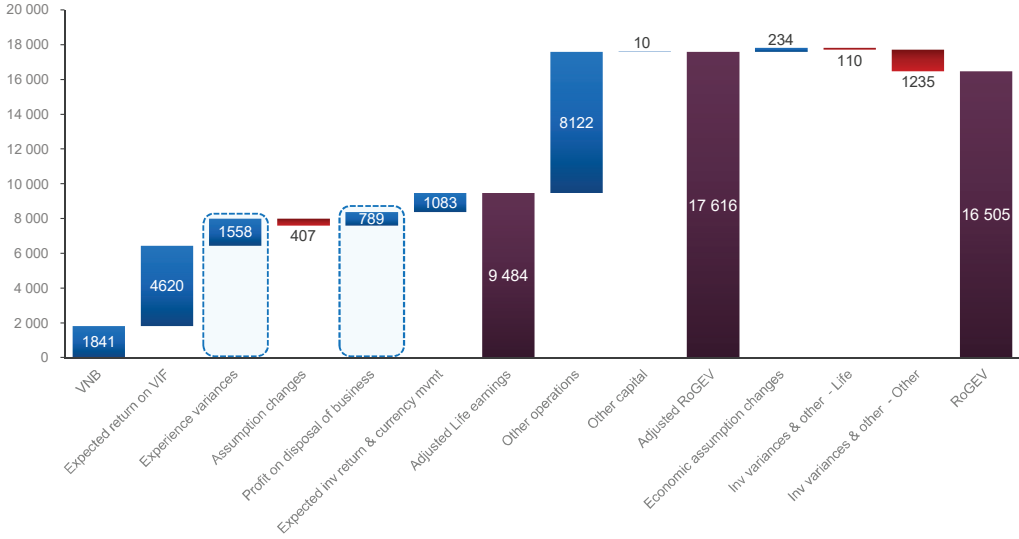
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Group Equity Value earnings



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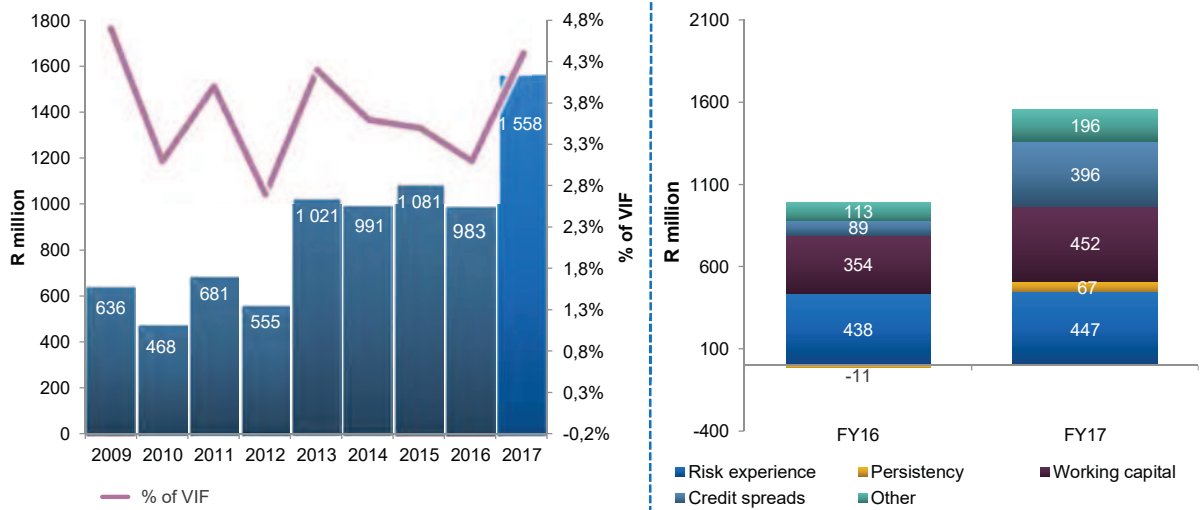
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Experience variances

Risk, working capital, credit spreads major contributors



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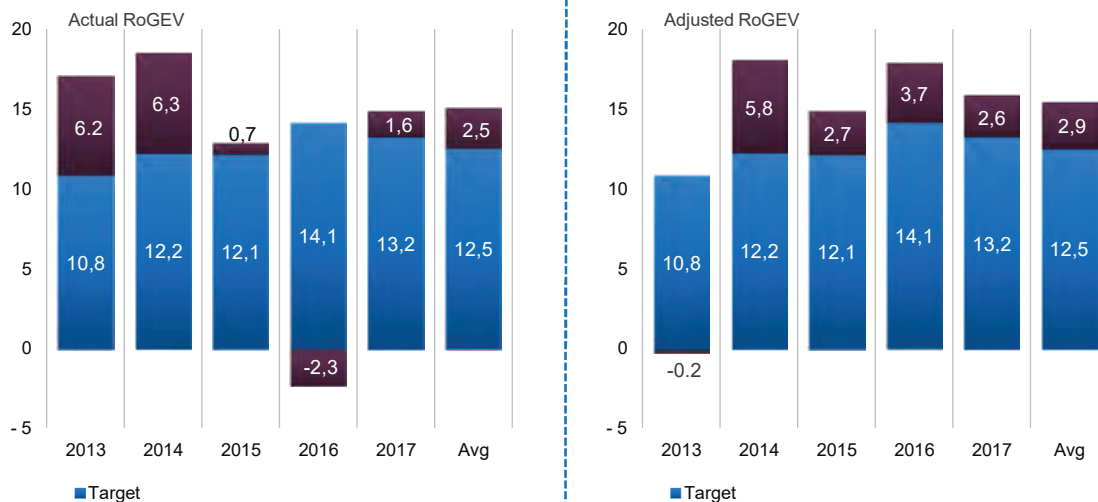
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Return on Group Equity Value

Out perform growth target of long-bond rate +400bp



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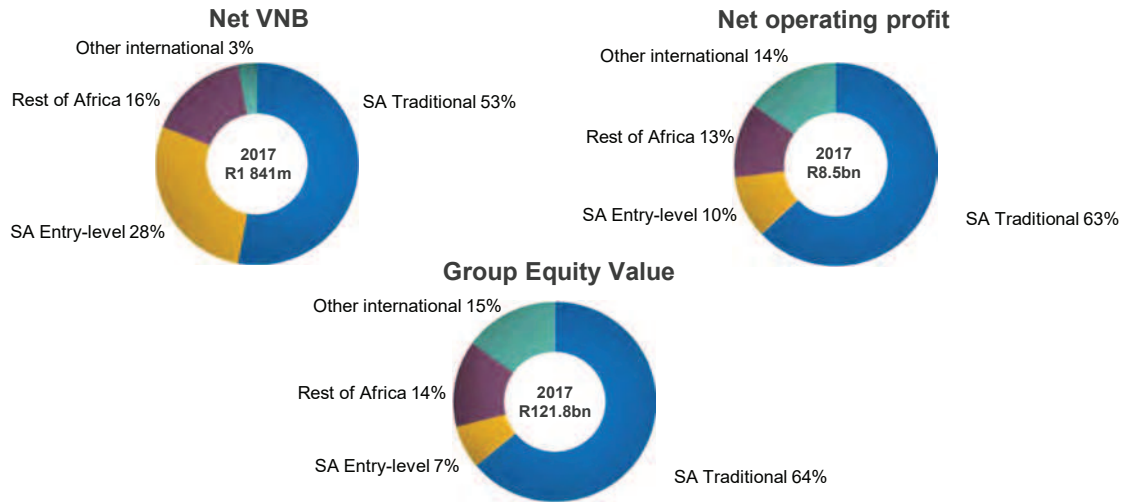
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Geographic diversification



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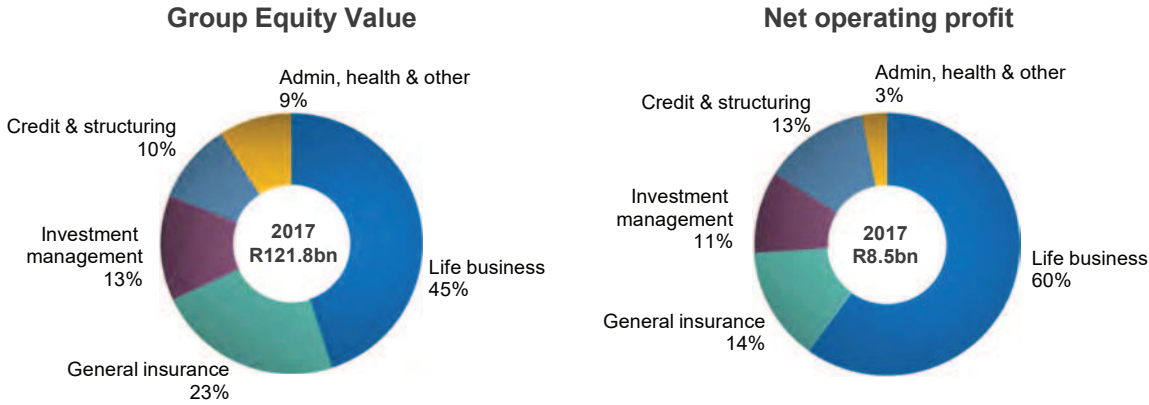
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Line of business diversification



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Financial Review

Capital management



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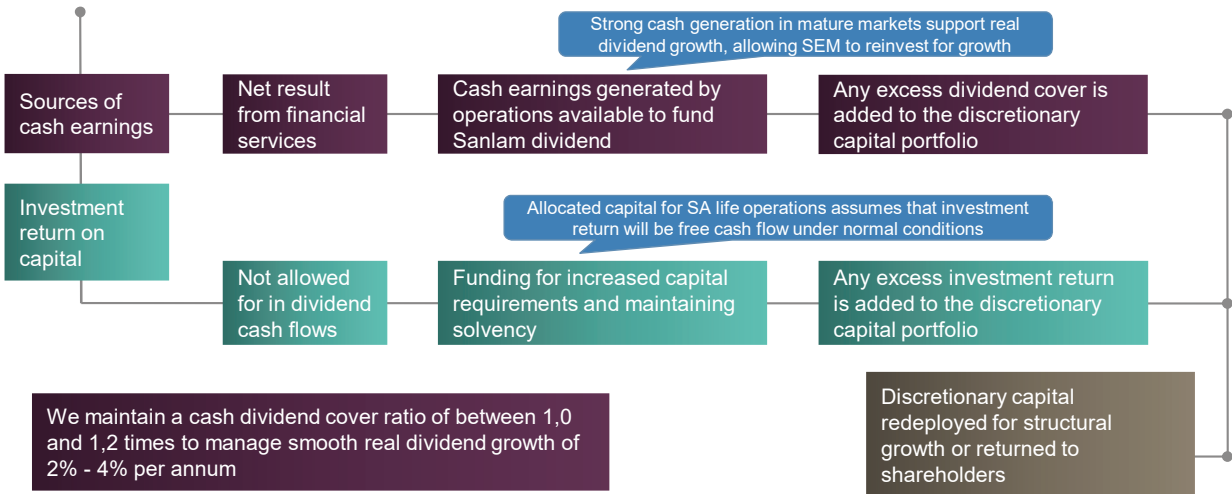
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Capital management philosophy

Dual focus on stable dividend growth and investment for future growth

We follow a prudent approach: we only use free cash flow to fund dividends
We do not manage our capital and solvency through our dividend policy



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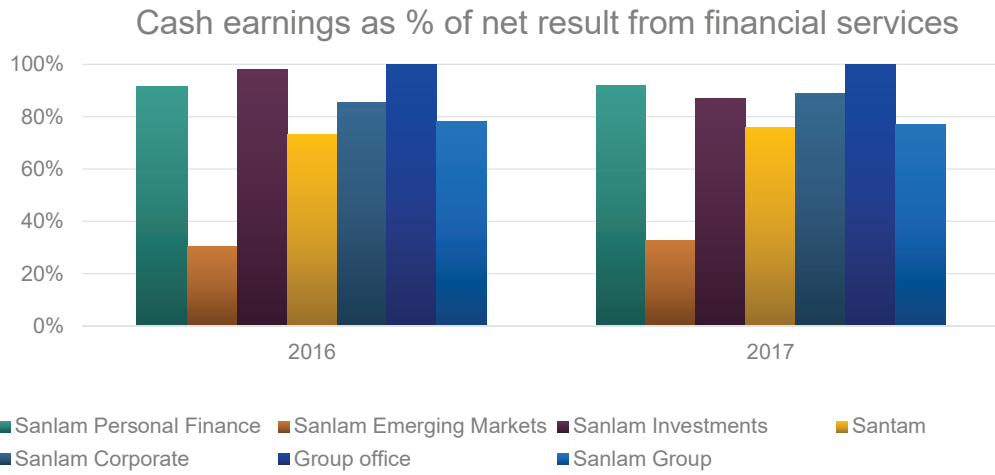
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Dividend

Cash operating earnings generation



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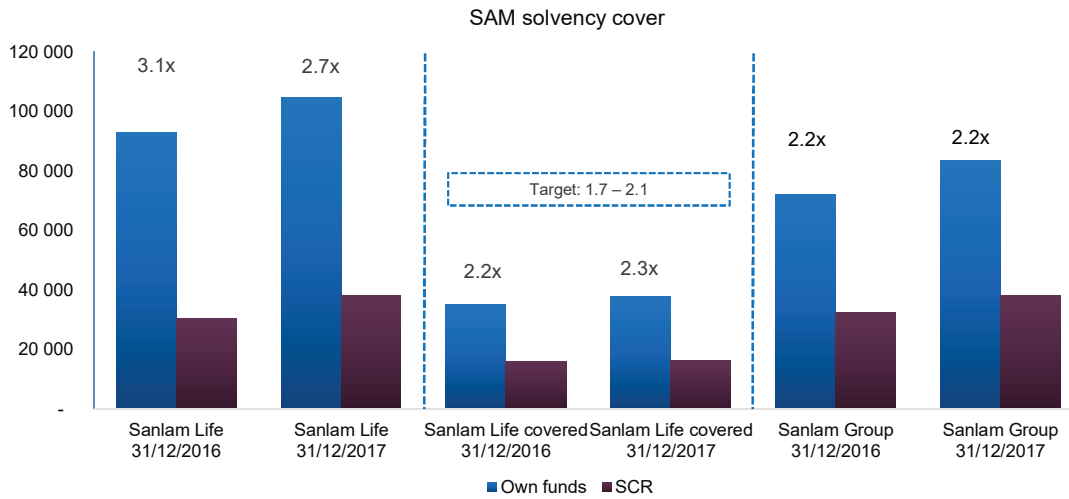
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Solvency position

Solvency cover at upper end of target range



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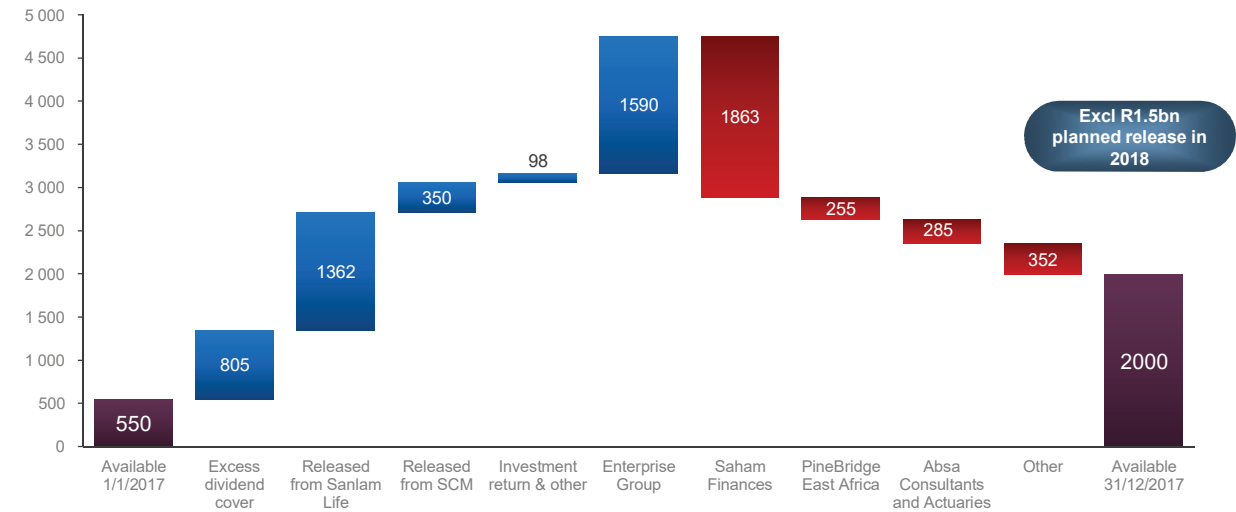
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Discretionary capital

R4.2 billion of discretionary generated in 2017



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Saham Finances acquisition

Strategic rationale

- ④ Successful partnership since 2016
- ④ Complimentary footprint and businesses; opportunities for synergies
- ④ Transaction creates platform to realise our vision of being a leading and truly Pan-African financial services business:
 - The “go-to” insurer for multinationals iro their own and employees’ needs
 - The preferred partner to brokers, banks and other distribution entities operating across Africa
 - The preferred network partner to international insurers with no African footprint
 - Having the leading life and general insurance businesses on the ground, in each key country across the continent



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Saham Finances acquisition

Analysis of investments

\$ million	2016	2017	2018
Investments			
<i>% acquired</i>	30.0%	16.6%	53.4%
<i>SEM participation</i>			
<i>% acquired</i>	22.5%	17.1%	53.4%
<i>Paid</i>	300	340	1 050
<i>Historic PE</i>	27	31	26
<i>2018 forward PE</i>	16	24	24
<i>Price/book</i>	2.9	2.6	2.3
Hedges – SEM participation			
<i>Amount</i>	300	200	602
<i>Average hedge exchange rate</i>	14.21	13.43	14.12
<i>Spot at payment date</i>	15.55	13.62	n/a
GEV valuation – SEM participation	284	656	

Sanlam



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Strategic Priorities for 2018



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Sanlam Personal Finance

- ⌚ Increasing productivity through an improved worksite offering in the entry-level market
- ⌚ Increasing market share in the middle income and affluent segments through product innovation and leveraging the portfolio (e.g. MiWay Life and BrightRock)
- ⌚ Offering best in class customer value for savings products
- ⌚ Integrating the Glacier value chain through our Sanlam Investments partnership
- ⌚ Fully leverage available enablers: our omni-channel and expanded distribution footprint, platform agility, cost leadership through value optimisation and Sanlam Reality integration
- ⌚ Rolling out Capitec and other partnerships
- ⌚ Investigate initiatives to manage back office efficiencies, including robotics



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Sanlam Emerging Markets

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



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Sanlam Investments

- ④ Maintain consistent superior investment performance
- ④ Use business intelligence capability to apply data analytics in pursuit of product innovation, to enhance client and intermediary experience and support operational efficiencies
- ④ Leveraging capabilities across businesses to provide holistic solutions for retail and institutional clients, including closer cooperation with Sanlam Personal Finance
- ④ Seizing the passive and alternatives opportunities
- ④ Strengthening the turn-around of Sanlam UK, positioning the business for future growth and enhancing offerings for our African client base
- ④ Dealing with fee income pressures through targeted cost reduction initiatives
- ④ Continued focus on transformation and people development
- ④ Driving retail flows through outcomes-based fund management



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Santam

- ④ Focus remains on profitable growth in South Africa, and increasing international diversification through the Santam Specialist business and Santam Re
- ④ Realign interests in SEM investments in line with focus on reinsurance and specialist
- ④ Further optimising the claims and procurement value chains
- ④ Implementing omni-channel strategy across key businesses
- ④ Santam to drive Pan-African reinsurance strategy
- ④ Focusing on underwriting management activity in Santam Specialist
- ④ Utilise access to A-rated paper to expand international specialist and reinsurance business



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Sanlam Corporate

- ④ Finalise and embed Absa Consultants and Actuaries acquisition
- ④ Progressively improving market positioning in Employee Benefits and Healthcare
- ④ Providing a 'One Sanlam' solution to targeted corporates
- ④ Driving collaboration opportunities to increase clients' employee value propositions
- ④ Enabling profitable growth in SEB: balance cross-cluster pricing to win and retain business while maintaining adequate margins
- ④ Supporting SEM over the longer term with in-country support for targeted corporates



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Outlook for 2018

- ⌚ General sentiment in South Africa more positive than for most of the 2017 financial year; should provide more favourable operating environment for savings and investment businesses
- ⌚ Economic growth in South Africa and commodity-based economies still expected to remain below longer-term potential in 2018, but likely to accelerate compared to 2017
- ⌚ A downgrade in South Africa's domestic sovereign rating to below investment grade by Moody's remains a risk - likely to cause volatility in equity, interest rate and currency markets
- ⌚ Will continue to implement strategy; well positioned for growth across African continent
- ⌚ Strong focus on extracting synergies from Saham Finances acquisition
- ⌚ Investments in new initiatives and planned strong growth in new risk business will impact on operational earnings, without affecting dividend pattern



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www.sanlam.com