

...we are [sanlam.com](https://www.sanlam.com)

We empower
generations
to be...

2020 ANNUAL RESULTS PRESENTATION

...financially
confident, secure
and prosperous

11 March 2021





Agenda

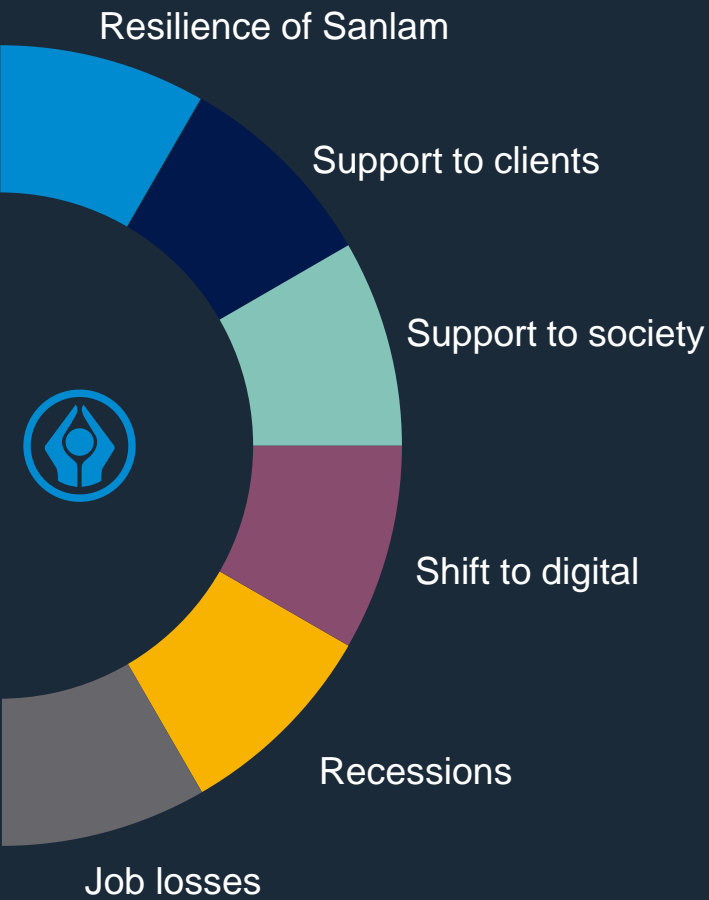
01	COVID-19 operating context	Paul Hanratty
02	Strategy review	Paul Hanratty
03	Financial results	Abigail Mukhuba
04	Cluster performance	Abigail Mukhuba
05	Priorities	Paul Hanratty
06	Outlook for 2021	Paul Hanratty



COVID-19 operating context



Operating context for 2020



COVID-19 significantly impacted society

- Millions of people infected and thousands of lives lost
- Lockdowns and curfews impact economic activity
- Significant number of jobs lost, affecting the most vulnerable in society
- Clients uncertain about their financial futures

Sanlam responded with care

- Staff protected and enabled to operate remotely
- Support to intermediaries
- Premium holidays granted to clients
- Roll-out of digital tools to clients and intermediaries accelerated
- Significant claims payments

Led by our purpose

- Empowering generations to be financially confident, secure and prosperous
- R1 billion interim relief from Santam to CBI clients
- R2.25 billion invested for businesses requiring capital support
- R1 billion direct relief across Africa in association with our partners

We remained resilient

- Solvency remained strong throughout the year
- Risk management processes responded as expected
- Cash generation in the life insurance operations remained robust
- Persistency levels improved over the year

Key financial measures for 2020



	Unit	2020	△
Earnings			
Net result from financial services	R million	8 382	(13%)
Net operational earnings	R million	8 349	(23%)
New business volumes	R million	310 875	25%
Value of new business	R million	1 921	(16%)
Net fund inflows	R million	61 563	8%
Group Equity Value (GEV) per share	cents	5 920	(8%)
Adjusted Return on GEV	%	2.7	
Dividend per share	cents	300	(10%)

- ⓘ COVID-19 impact on investment market returns, increased mortality claims, doubtful debt provisions, Santam CBI and relief offered to clients and intermediaries
- ⓘ 17% growth in net result from financial services excluding sources of earnings most affected by the COVID-19 pandemic
- ⓘ Excess claims of R383 million (net of tax and reinsurance) in SLS after allowing for positive annuity and disability experience, R354 million (net of tax) release from pandemic reserve
- ⓘ Strong growth in new business despite impact on face-to-face sales, supported by investment flows at Glacier, SIG and SEM
- ⓘ Net fund inflows increased by 8% to R62bn, with strong growth in SEM
- ⓘ VNB down 16% due to lower sales in higher margin face-to-face channels
- ⓘ Adjusted RoGEV impacted by COVID-19 pandemic, especially the operating assumptions changes made to reflect higher persistency risk, the impairments at Saham and Shriram, as well as the decline in the Santam share price

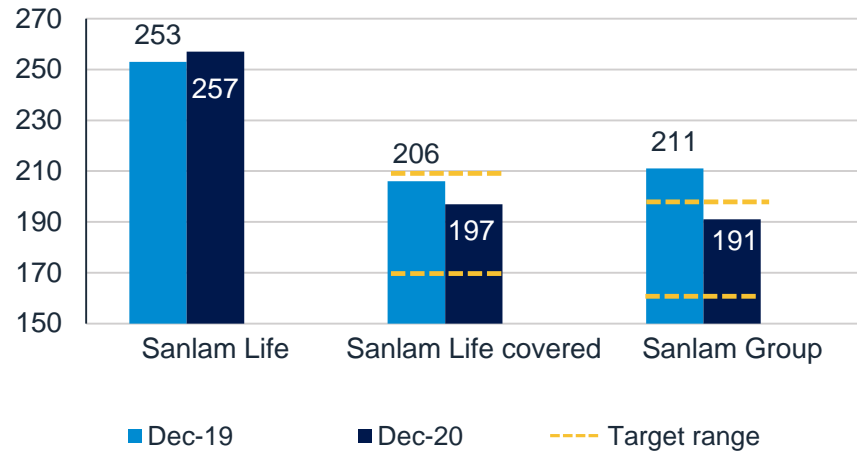


Consistent financial strength and performance

KEY CONSIDERATIONS

- Capital position solid and towards the top of target ranges
- Cash generation in the life insurance operations remains robust
- Environment remains challenging, uncertainty around Santam CBI provision
- Impact of COVID-19 mortality claims in 2021 uncertain
- Dividend policy unchanged at 2% to 4% real growth over rolling three-year period and 1.0 to 1.2x cash earnings cover ratio
- Zero contribution to Group dividend from Santam (2019: R 753 million)

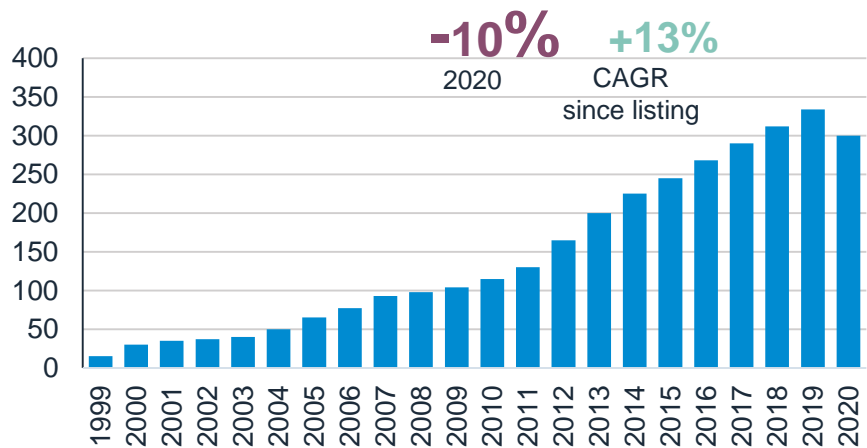
SAM solvency cover ratio (%)



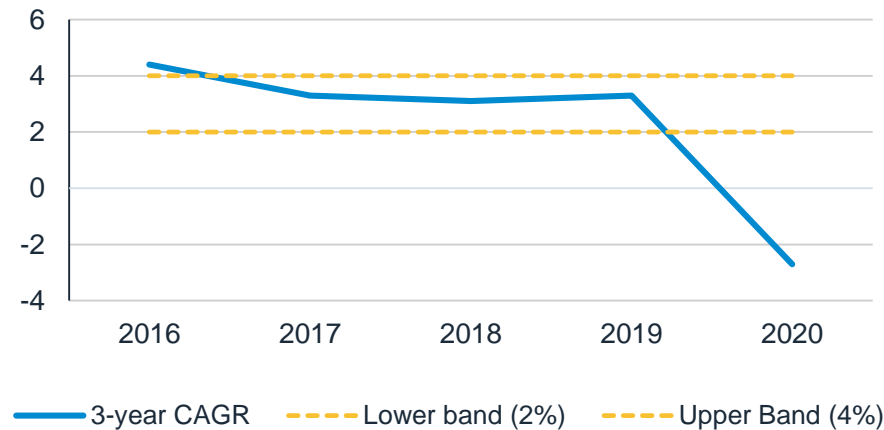
Cash generated by life insurance operations (R billion)



Sanlam ordinary dividend history (cents per share)



Sanlam real dividend growth (%)





Strategy review





Strategy at a glance

Our vision

To become the most admired financial services group in Africa

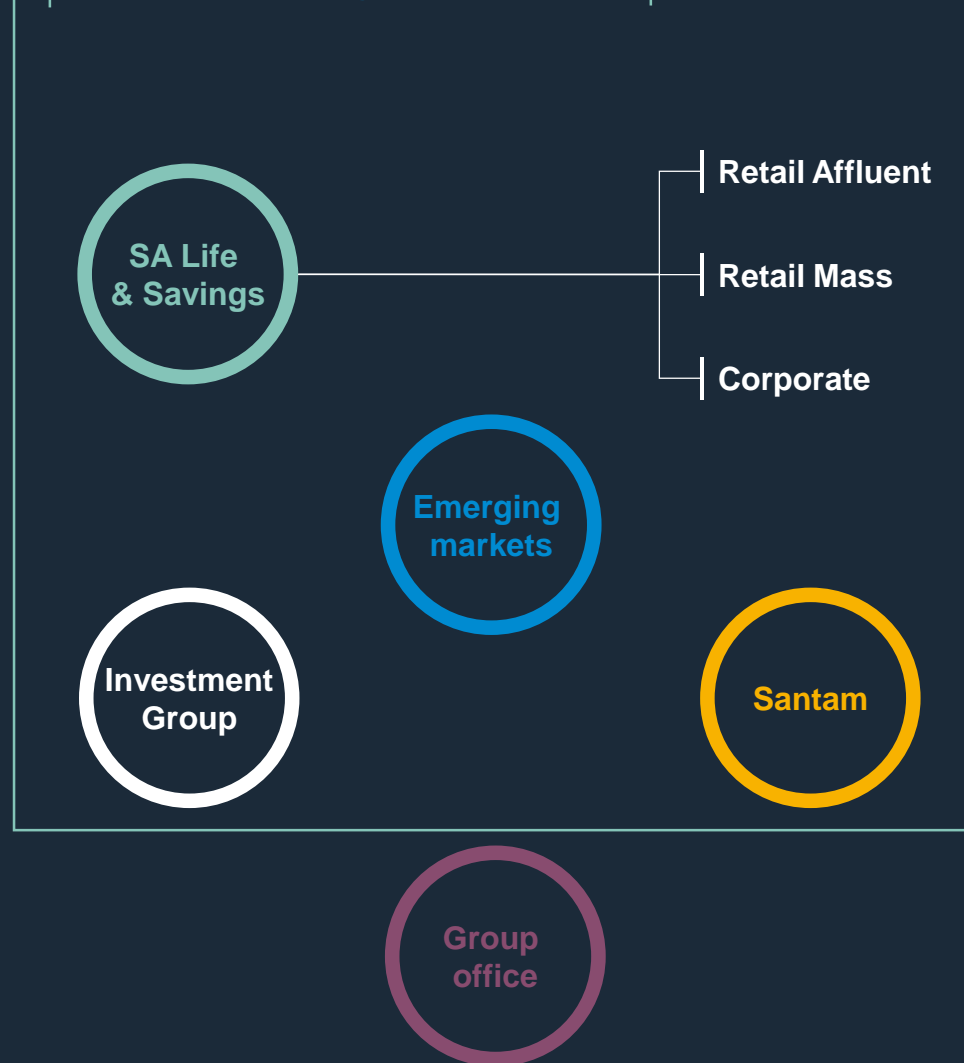
Our Strategy

-  Becoming an African champion
-  Building a fortress position in South Africa
-  Accelerating growth outside of South Africa
-  Strengthening our position where we operate outside of Africa

Enabled by

- Data and digital transformation
- Continuous development of our culture
- Innovation
- Partnerships

Executed through our clusters



HOW WE ARE EMBEDDING STRATEGY IN OUR BUSINESS

- **Integration** – expand product offering and improve cross-sell
- **Digitalisation** – improve client and intermediary experience and efficiency
- **Empowerment** – contribute to inclusive economic participation and support Fortress SA strategy
- **Culture survey** – readying our people and culture to operate in a different way ensures we remain a future-fit organisation
- **Partnerships** – exploit growth opportunities and gain access to underpenetrated market segments across the continent and where we operate outside Africa



Becoming an African champion

- Strong new business volume growth of +39% to R43 billion in Africa ex-South Africa
- Improvement in Sanlam Pan-Africa general insurance (SPA GI) underwriting margin to 6.1% (7.2% excluding the impact of the Beirut port facility explosion) from 2.0% in 2019
- Adoption of new mandate for Morocco general insurance funds (float) by shifting to the following asset mix:
 - Equity from current 48% to a range of 25% to 35%
 - Property from current 38% to a range of 15% to 25%
 - Bonds from current 14% to a range of 45% to 60%
- Simplification of the Pan-Africa portfolio by the sale of three operations in East and West Africa to raise almost US\$40m
- FBN Insurance Nigeria transaction fully funded through debt to facilitate introduction of new partner

OPTIMISE THE PORTFOLIO

- **Strategic review of operations** – continue focus on optimising the portfolio
- **Pan-Africa portfolio** – sale of Saham Kenya, Sunu Group (West Africa) and Netis
- **Morocco investment portfolio** – revised investment strategy supports achieving hurdle rate at a lower level of expected volatility



Strengthening the South African competitive position

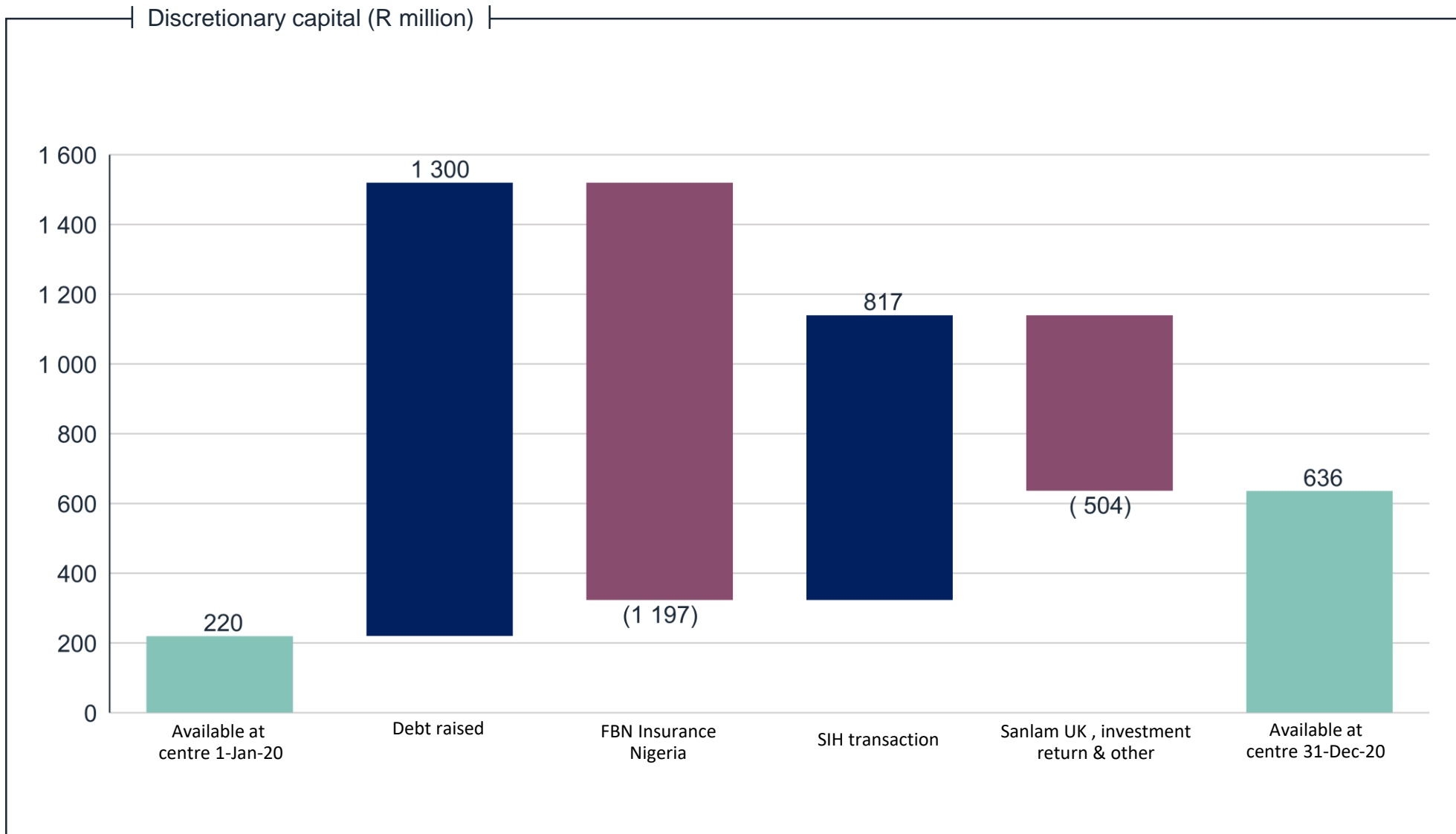
- Concluded African Rainbow Capital Financial Services (ARC FS) acquisition of 25% of Sanlam Investments third-party asset manager
- Acquisition of 25% of ARC FS subsidiary enhances exposure to health insurance and employee benefit segment income streams for Sanlam
- Strong performance continued from Capitec JV
- African Rainbow Life (100% owned) set up to strengthen the retail mass segment but post COVID-19 we have taken a decision to rationalise this business into SA Retail Mass to drive efficiencies

KEY SEGMENTS FOR STRENGTHENING

- Asset Management
- Health Insurance
- Employee Benefits
- Retail Mass segment



Disciplined allocation of capital



DEPLOYMENT OF CAPITAL

- Acquisition of remaining 65% stake in Nigeria operations (funded through debt)
- 25% of Sanlam Investment Holdings sold to ARC FS
- Purchase of 25% stake in ARC FS subsidiary (subject to conditions)
 - To be funded from non-participating business portfolio (R764 million base transaction value)
- Expected sale of Nucleus Financial Group plc in 2021 (GBP 75 million)
- Substantial funding sources available
 - Disposal of non-core investments
 - Debt exposure low
 - IFRS17 reserve releases
 - Excess investment return



Partnership with Ubuntu-Botho (UB) and ARC

- Sanlam/UB/ARC FS partnership is key to Sanlam's strategy of building a fortress position in South Africa
- Institutional segments of the South African market are particularly sensitive to the empowerment credentials of market participants, both at group and entity level
- ARC FS acquired 25% of Sanlam's third-party asset management business and as a result Sanlam Investments is the largest black-owned asset manager in South Africa
- Sanlam Life to acquire 25% of ARC FS subsidiary which will enable further strategic alignment
- ARC FS portfolio consists of:
 - Established businesses like Afrocentric and Alexander Forbes with good growth prospects
 - Newer generation businesses like Life Cheq, a start-up business aiming to digitalise advice and financial planning

LONG-TERM MUTUALLY BENEFICIAL PARTNERSHIP

- 17-year partnership with significant value added
- UB retained its Sanlam shareholding and in 2014 parties agreed:
 - Sanlam to assist UB to establish a financial services business in SA
 - To jointly explore and pursue mutually beneficial transactions
- Shareholder approved UB funding facility fully utilised



Data intelligence, digitalisation, innovation and culture

Leveraging digital and data increases the value offered to clients and improves efficiencies

- Data driven client insights – give clients more reasons to engage with Sanlam
- Sanlam Reality and Wealthbonus

Applying data analytics and robotics

- Targeted management of persistency resulted in R157 million positive embedded value experience variance

COVID-19 environment has accelerated digital adoption by clients

- Indie & MiWay Life combined sales growth of 62%



Client and intermediary experience centre of excellence (CX)

- Customer journeys digitalised to simplify client experience, including intermediary engagement

Culture and alternative ways of work

- Opportunity to instill new culture – group culture assessment
- Long-term savings of R150 million annually from rationalising the property portfolio

Sanlam Investments partnering with Robeco

- Aim of becoming a leader in ESG investing



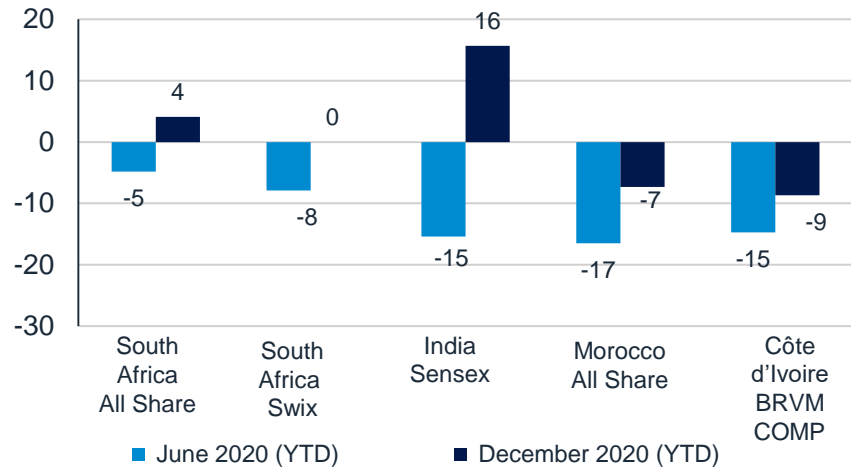
Financial results



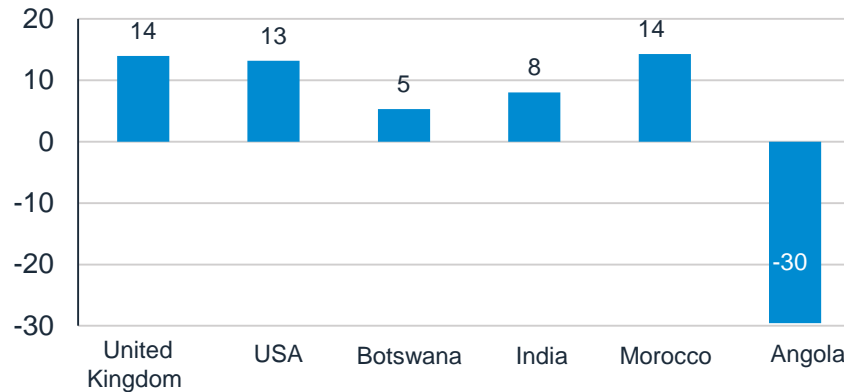


Operating environment – key market indicators

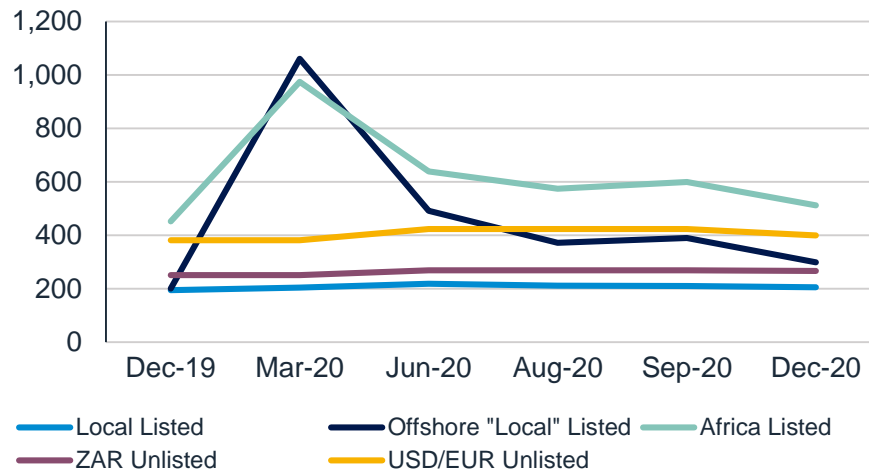
Equity indices (% change)



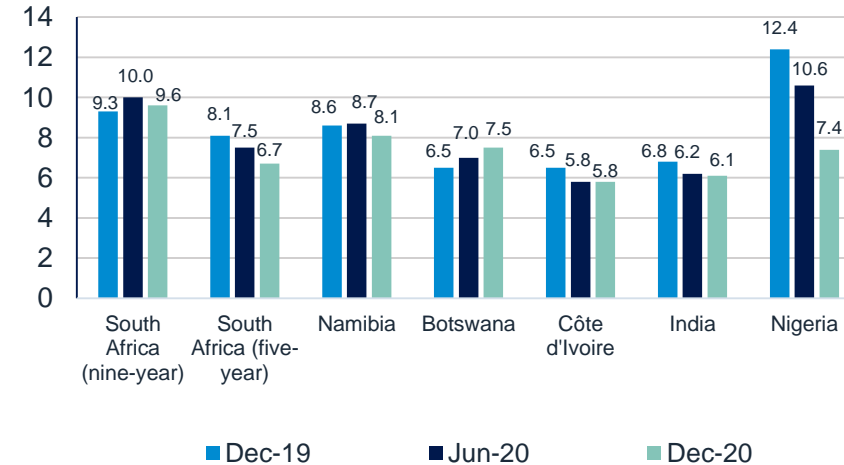
Average rand exchange rate (% change)



Change in credit spreads (bps)



Bond yields (%)



EXCHANGE RATES

+2.7%

Net result from financial services

+0.4%

RoGEV

ECONOMIC BASIS

+1.6%

RoGEV

-1.2%

VNB

GI UNDERWRITING

2.5%

Santam conventional business underwriting margin

6.1%

SPA GI underwriting margin

INVESTMENT RETURN

-R5.1bn

GEV investment variances

2.9%

Return on SPA GI insurance funds

Cluster contributions



R million	Net result from financial services				New business volumes			VNB		
	2020	2019	% change	% change (ex-COVID-19)	2020	2019	% change	2020	2019	% change
Sanlam Life and Savings	4 600	4 855	(5%)	5%	77 847	77 051	1%	1 638	1 937	(15%)
Sanlam Emerging Markets	2 377	2 632	(10%)	19%	46 898	34 809	35%	283	343	(17%)
Sanlam Investment Group	805	1 070	(25%)	19%	161 470	113 236	43%	-	-	
Santam	686	1 217	(44%)	79%	24 660	24 227	2%			
Group office and other	(86)	(100)	14%	14%						
Sanlam Group	8 382	9 674	(13%)	17%	310 875	249 323	25%	1 921	2 280	(16%)

R million	2H20	1H20	% change
Net result - financial services	4 484	3 898	15%
New business volumes	153 395	157 480	(3%)
VNB	1 255	666	88%



Net operational earnings

R million	2020	2019	% change	% change (ex-COVID-19)
Net result from financial services	8 382	9 674	(13%)	17%
Net investment return	271	1 254	(78%)	4%
Project expenses	(304)	(130)	134%	134%
Net operational earnings	8 349	10 798	(23%)	14%

SALIENT FEATURES

- Lebanon ECL of R726 million in 2020
- Lower investment returns on Sanlam Life required capital relative to 2019
- Higher project expenses mainly relating to the Saham rebranding and integration

COVID-19 impact on net result from financial services by cluster



R million	Dec 2020	Jun 2020	Dec 2019
Sanlam Life and Savings	(388)	(272)	114
Excess claims	(383)	-	-
Pandemic reserve release	354	-	-
Retail credit provisions	(235)	(151)	(65)
Support to intermediaries	(185)	(101)	-
Glacier participating fee income	61	(20)	179

R million	Dec 2020	Jun 2020	Dec 2019
Sanlam Emerging Markets	(743)	(684)	19
Return on Insurance funds	20	(145)	420
Shriram retail credit provisions	(676)	(445)	(401)
North and West Africa investment variances	(87)	(94)	-

R million	Dec 2020	Jun 2020	Dec 2019
Sanlam Investment Group	(404)	(554)	53
Credit spreads	(88)	(227)	-
Mark-to-market changes on listed preference shares	(69)	(61)	39
Change in provision for doubtful debts and credit defaults	(247)	(266)	14

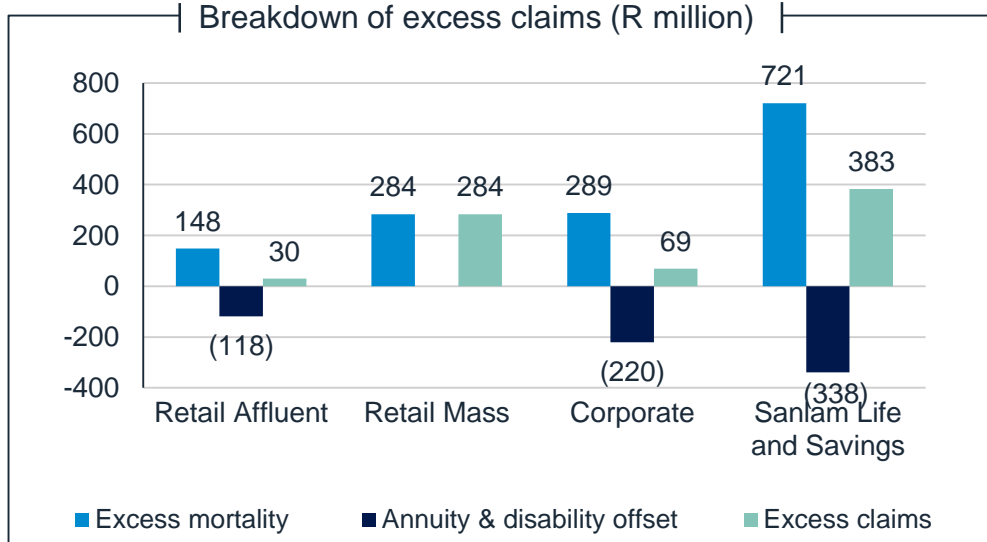
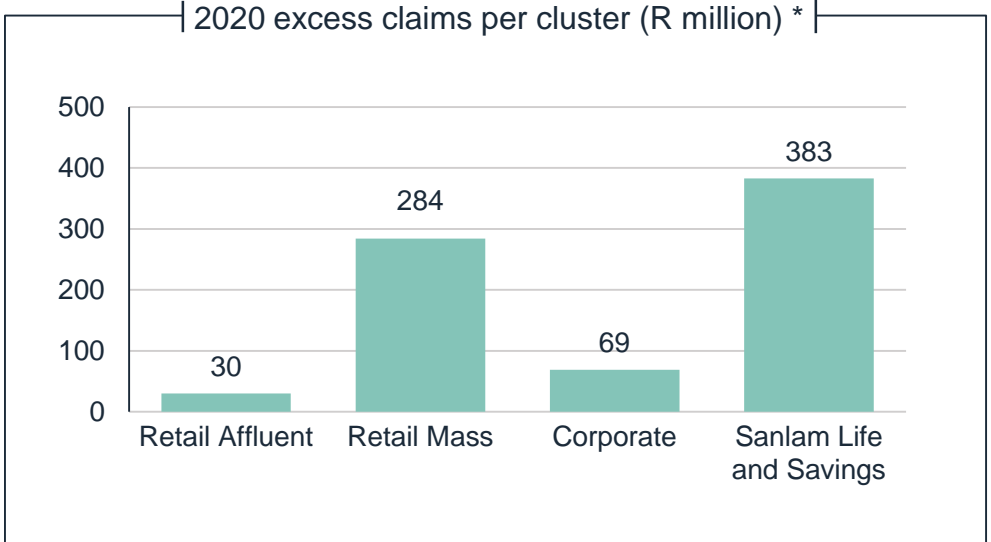
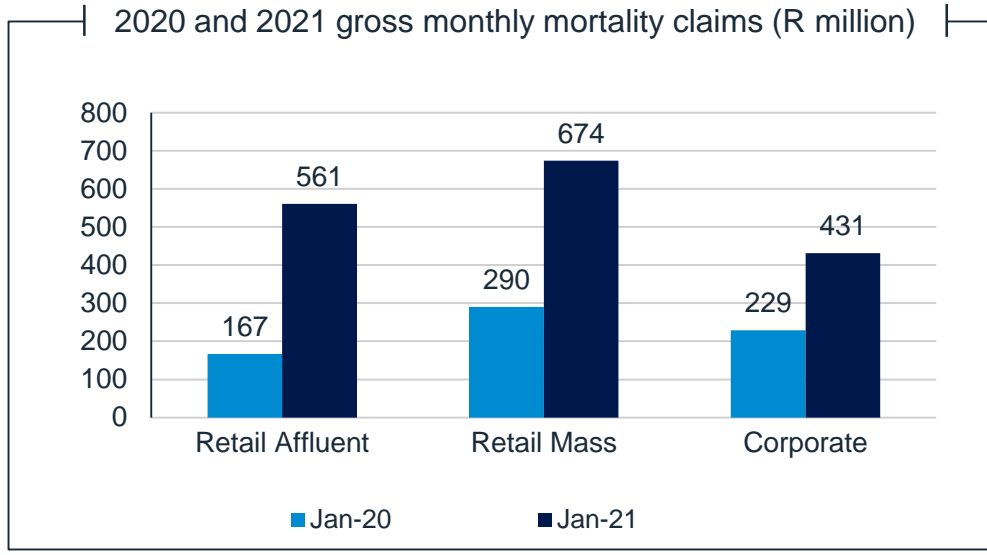
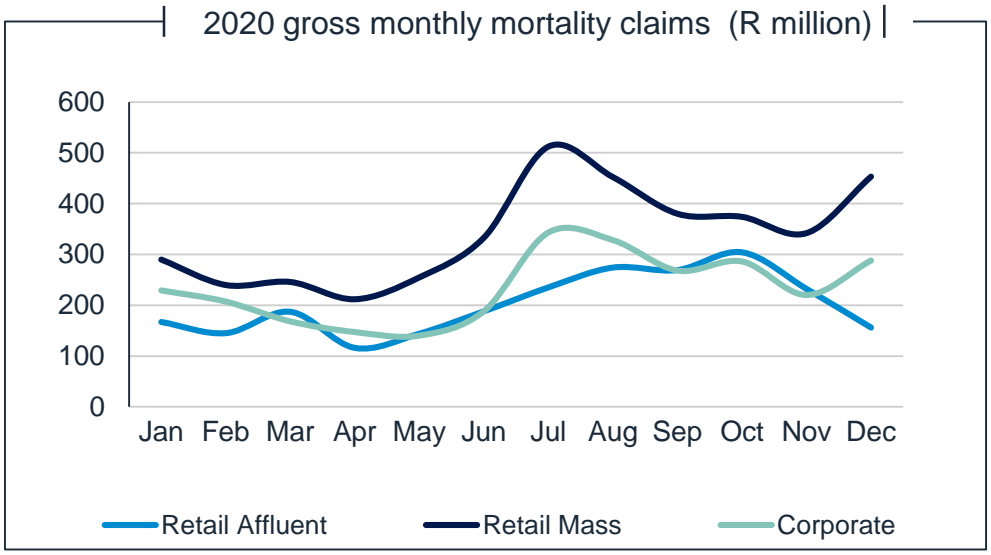
R million	Dec 2020	Jun 2020	Dec 2019
Santam	(547)	(115)	527
CBI claims provision and relief payments	(1 318)	(581)	-
COVID-19 support	(169)	-	-
Motor book underwriting result	940	466	527



Sanlam Life and Savings excess claims relative to 2019

SALIENT FEATURES

- Retail Affluent less impacted in 2020 and has annuity and disability offset
- Retail Mass hardest hit – especially foundation market in group schemes
- Corporate also experienced annuity and group disability offset
- Peak of second wave in January and February 2021 – significant increase in claims
- Excess claims refers to net risk experience relative to 2019



* net of tax and reinsurance, including annuity and disability offsets

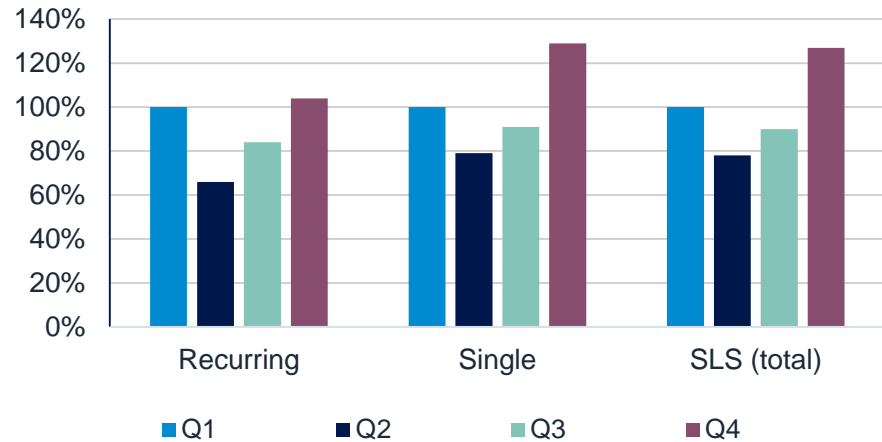


Quarterly new business trends

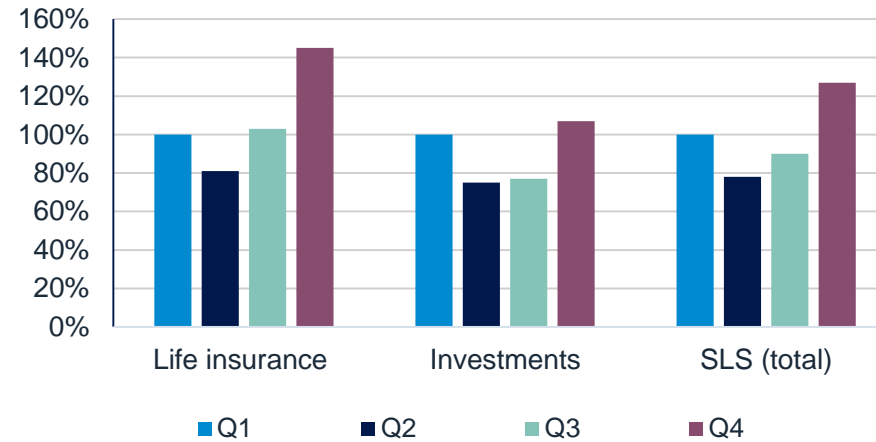
SALIENT FEATURES

- ▶ SLS life insurance volumes improved in the second half of the year as restrictions on face-to-face sales were eased
- ▶ Supported by accelerated digital adoption
- ▶ Strong investment new business in SEM in Q4
- ▶ SEM GI business more resilient
- ▶ SIG recorded strong flows over the year despite very challenging conditions

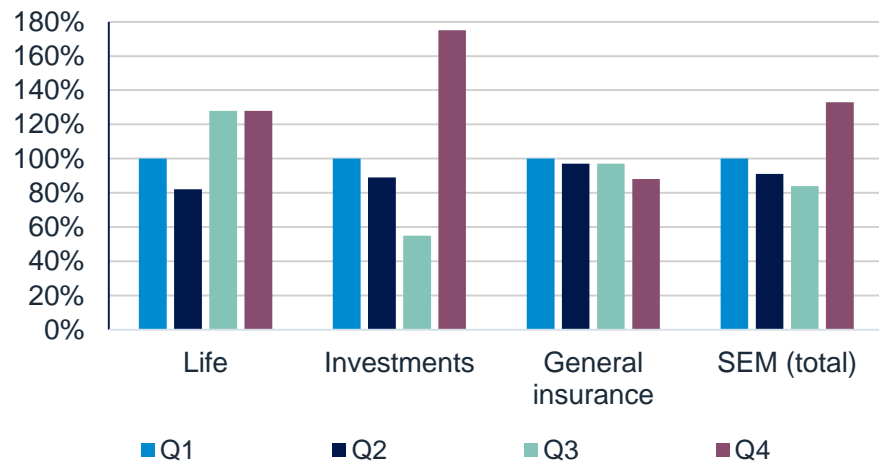
SLS new business volumes relative to Q1 2020 (recurring & single premiums)



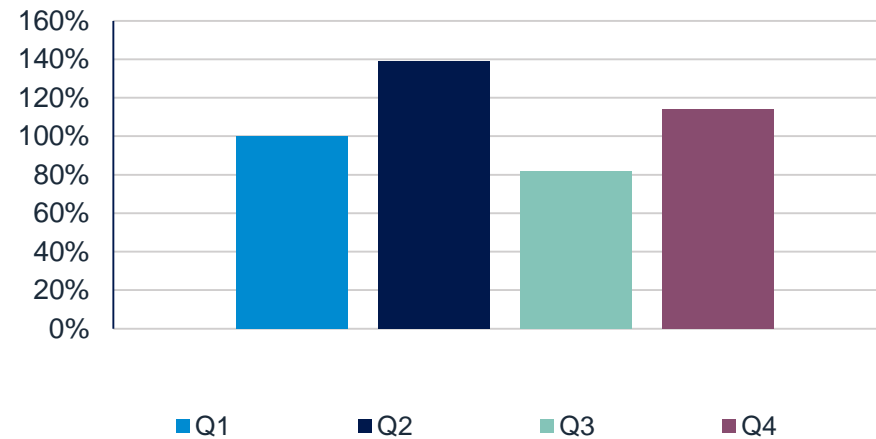
SLS new business volumes relative to Q1 2020 (by line of business)



SEM new business volumes relative to Q1 2020

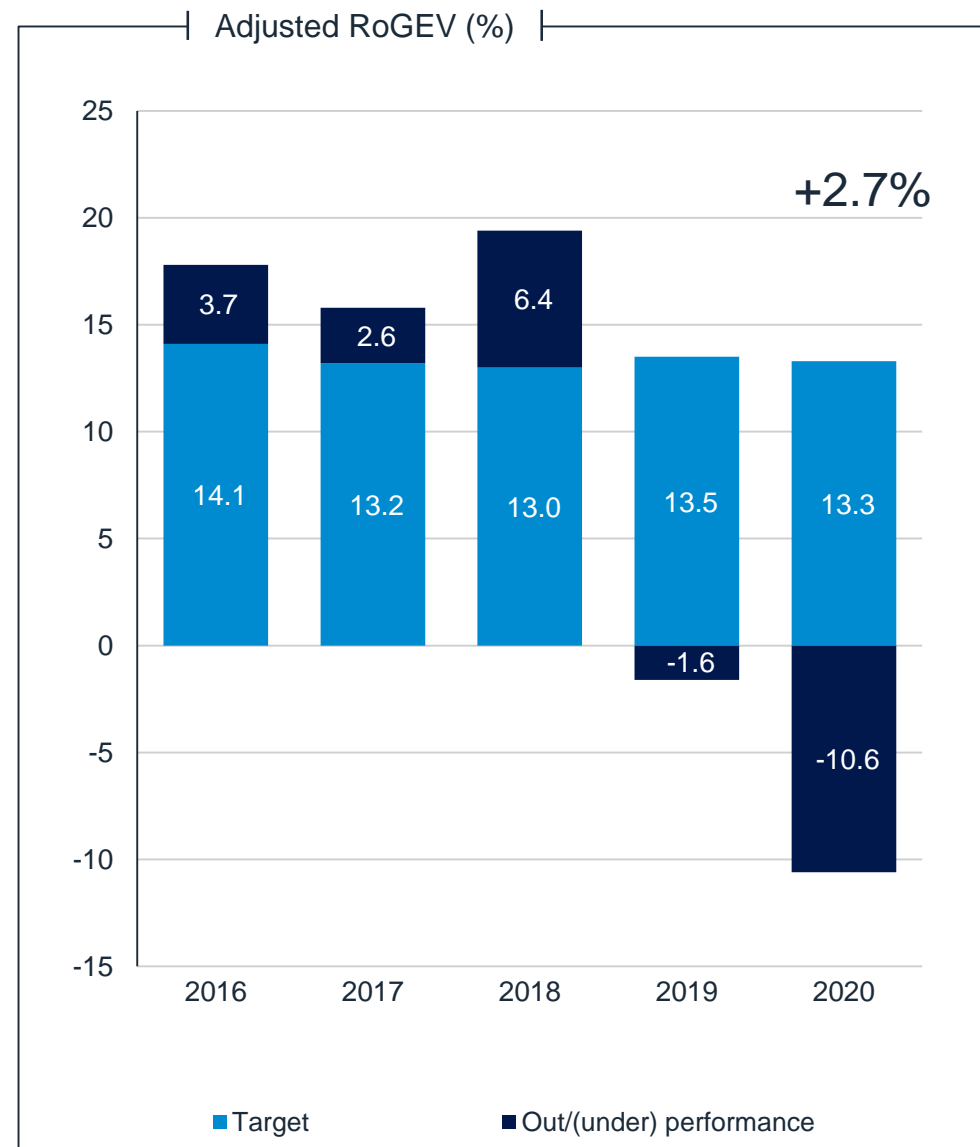
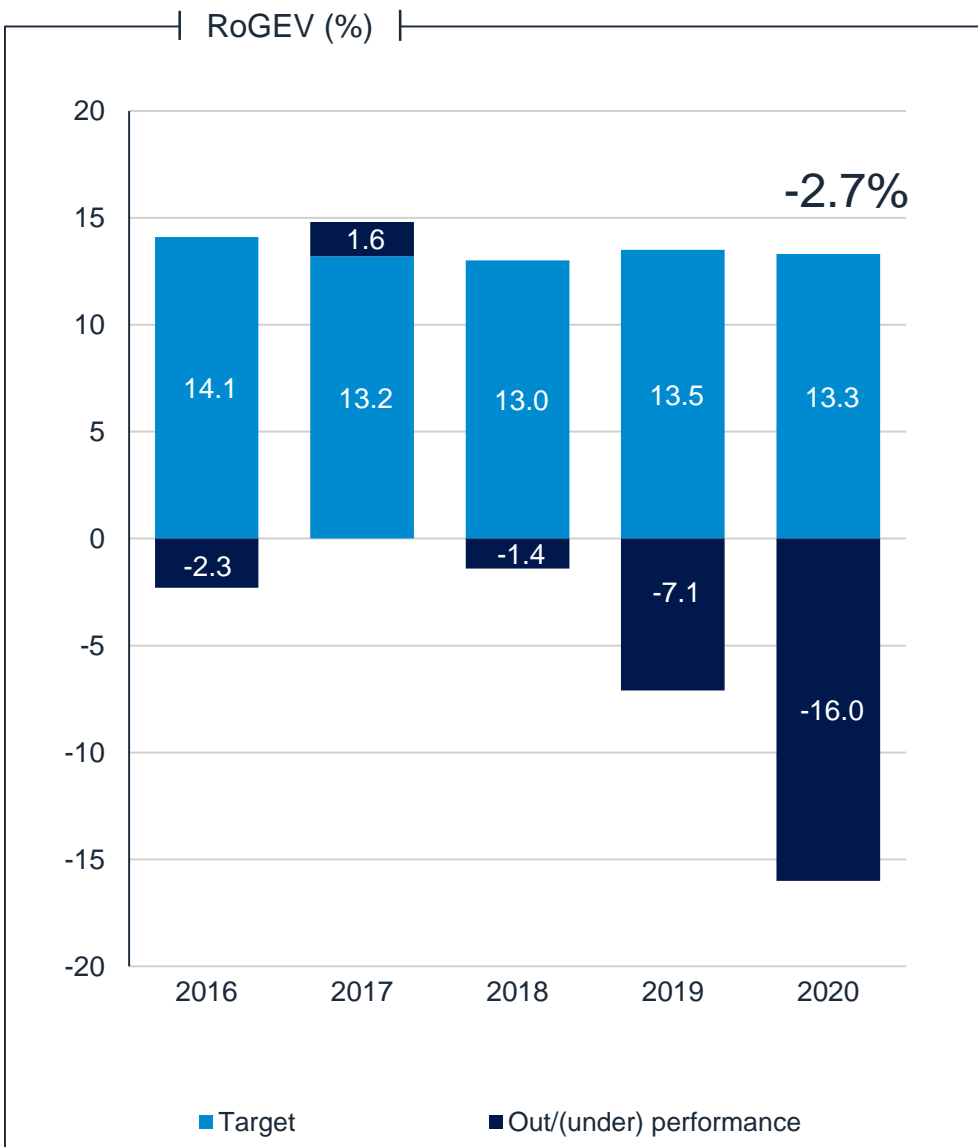


SIG new business volumes relative to Q1 2020





Return on group equity value



SALIENT FEATURES

- ⦿ Outperformed adjusted RoGEV targets from 2016 to 2018, underperformance in 2019 and 2020
- ⦿ 2020 actual RoGEV of negative 2.7% is lower than adjusted ROGEV of +2.7% mainly due to:
 - Investment market underperformance negatively affecting GEV valuations
 - A lower performance of Santam shares relative to benchmark
 - An impairment charge of R1.7 billion in respect of B-BBEE SPV funding
 - Goodwill write-down on FBN Life Insurance

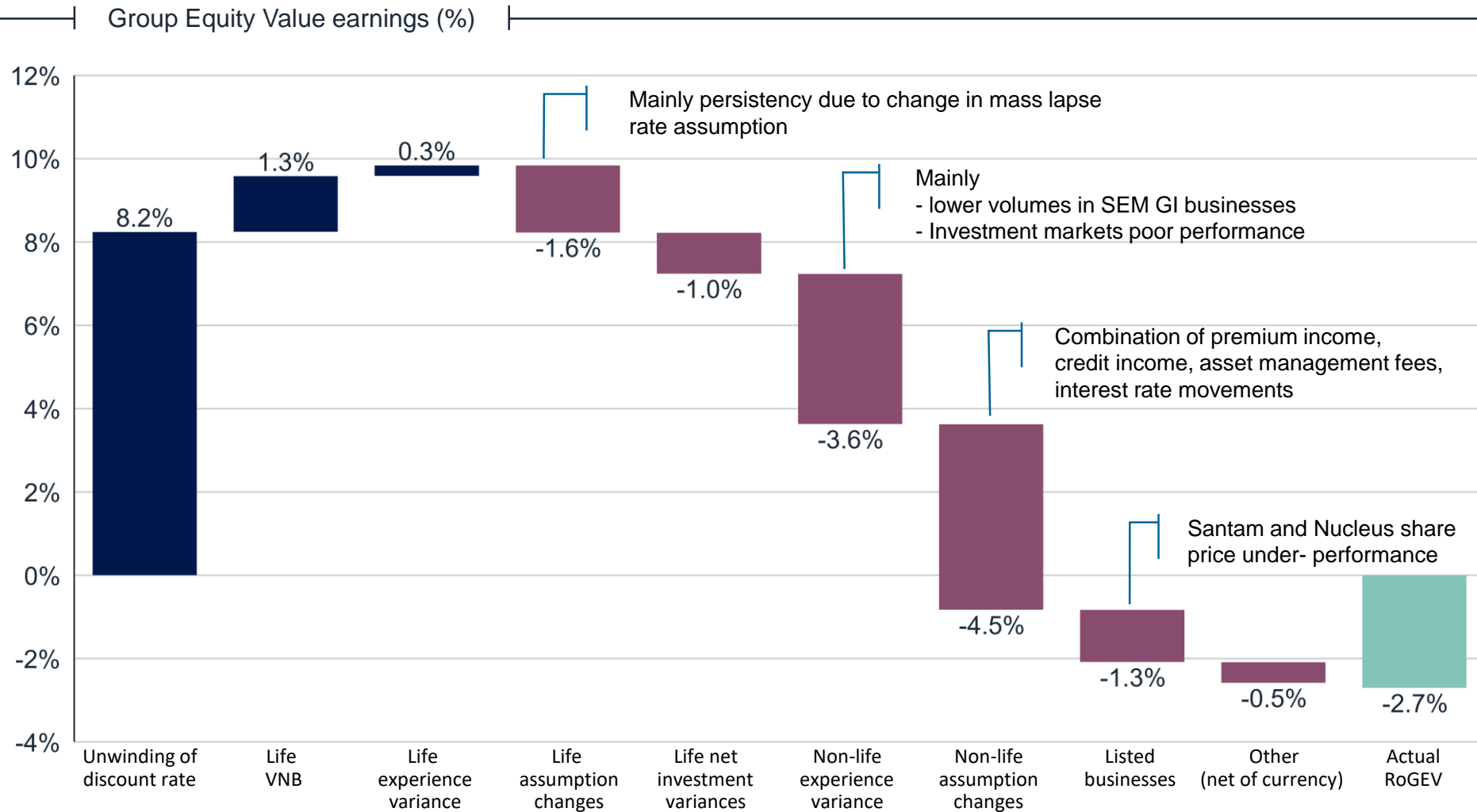


Group equity value earnings

SALIENT FEATURES

RoGEV was below the target of 13.3%, despite the positive contributions of VNB and experience variances, mainly due to:

- Negative assumption changes relating to mass lapse (R1.5 billion), expense and modelling changes
- Write-downs of other operations mainly relating to Saham and Shriram
- GI underperformance and credit & banking earnings lower than expected
- Santam share price under-performance relative to benchmark

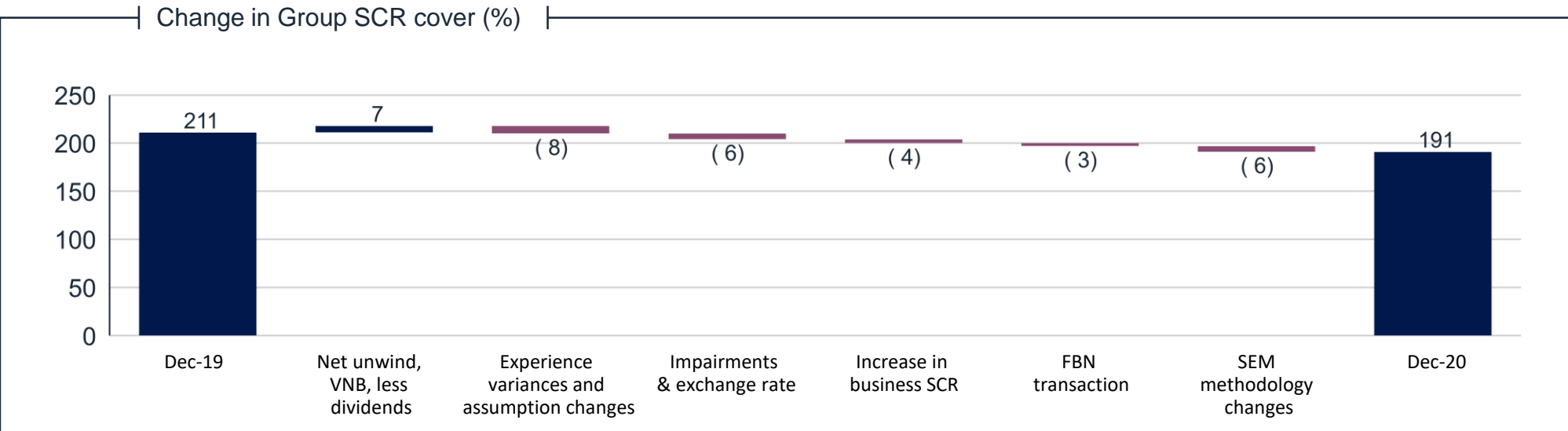
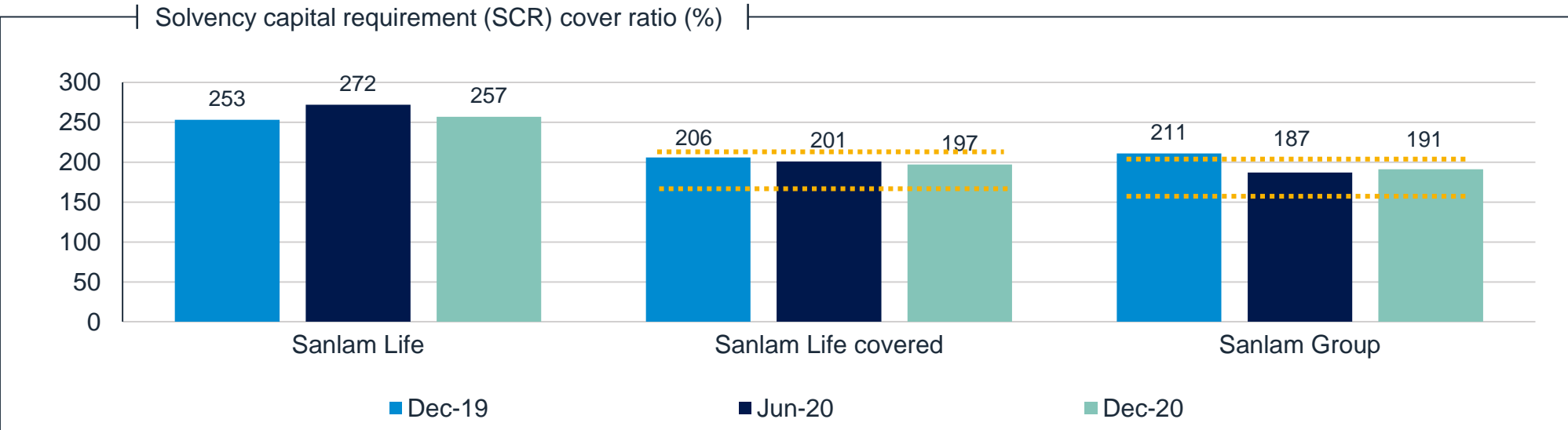


Solvency position



SALIENT FEATURES

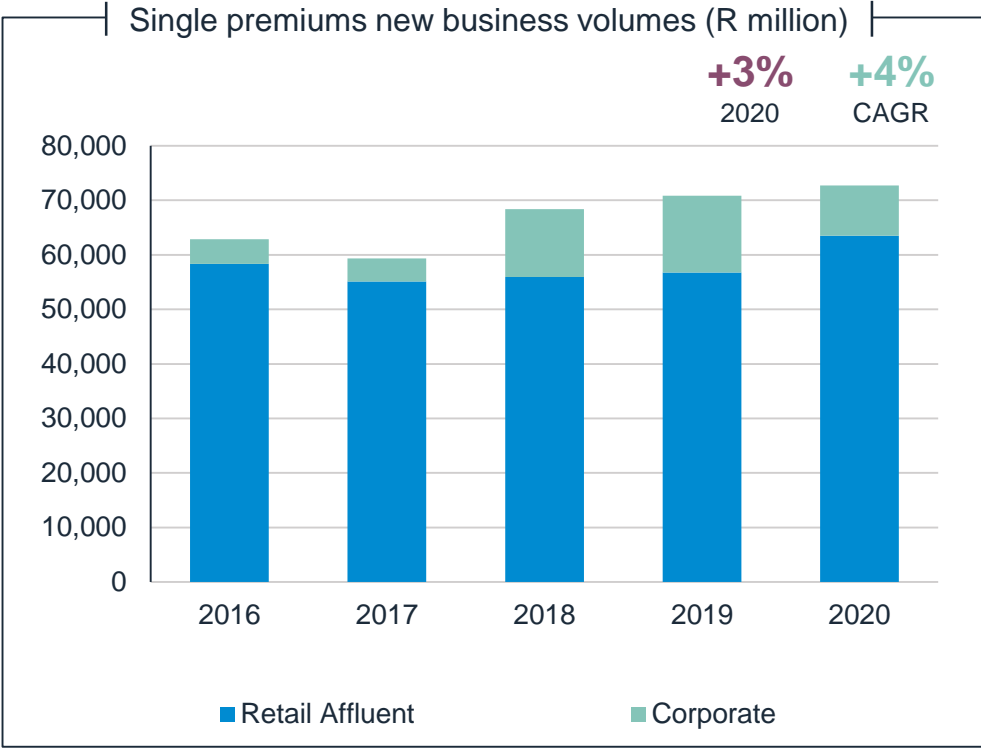
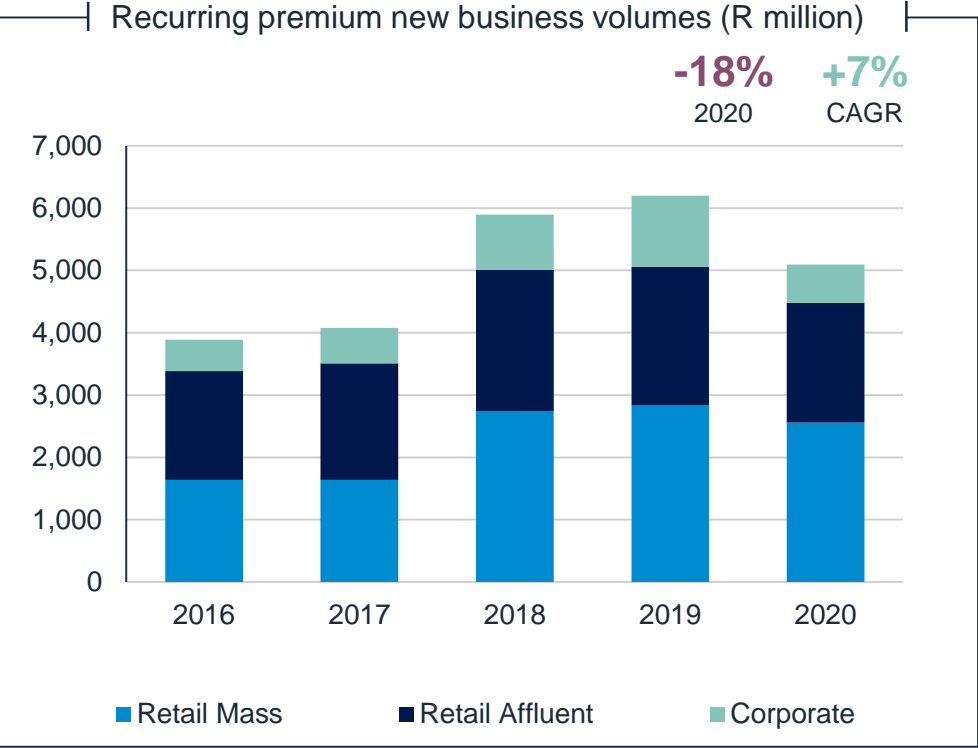
- Decline in Group solvency ratio from December 2019 due to:
 - Negative experience variances in non-life operations
 - Change to operating assumptions, particularly the mass lapse assumption
 - Impairments of Saham and Shriram
 - Increased holding in FBN Insurance Nigeria
 - Methodology changes in SEM





Cluster performance



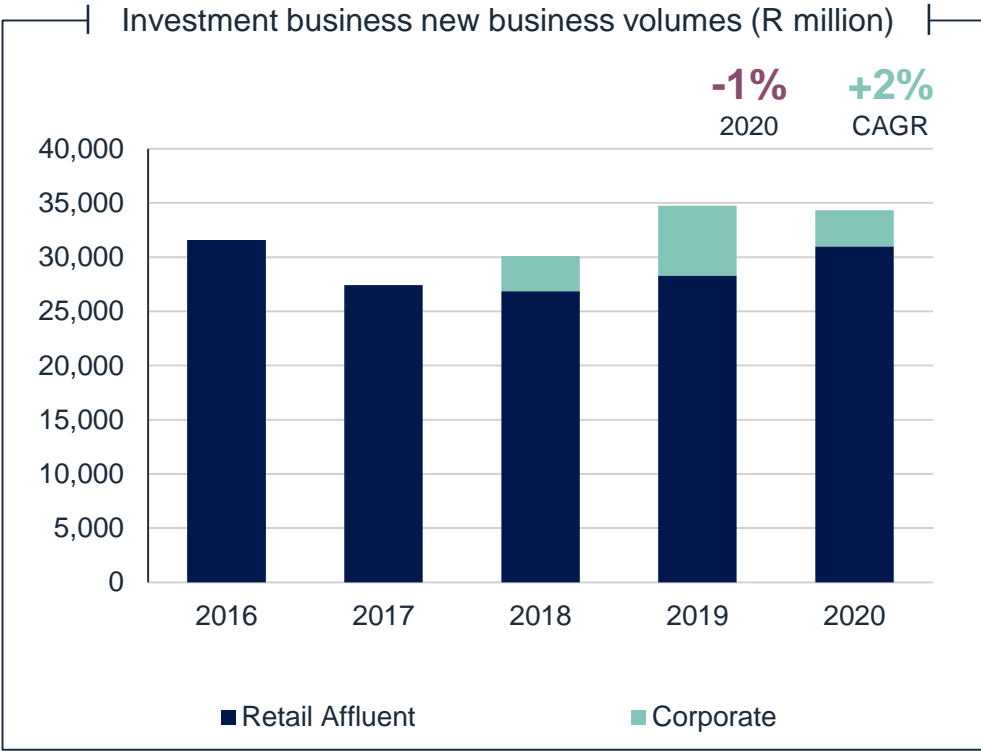
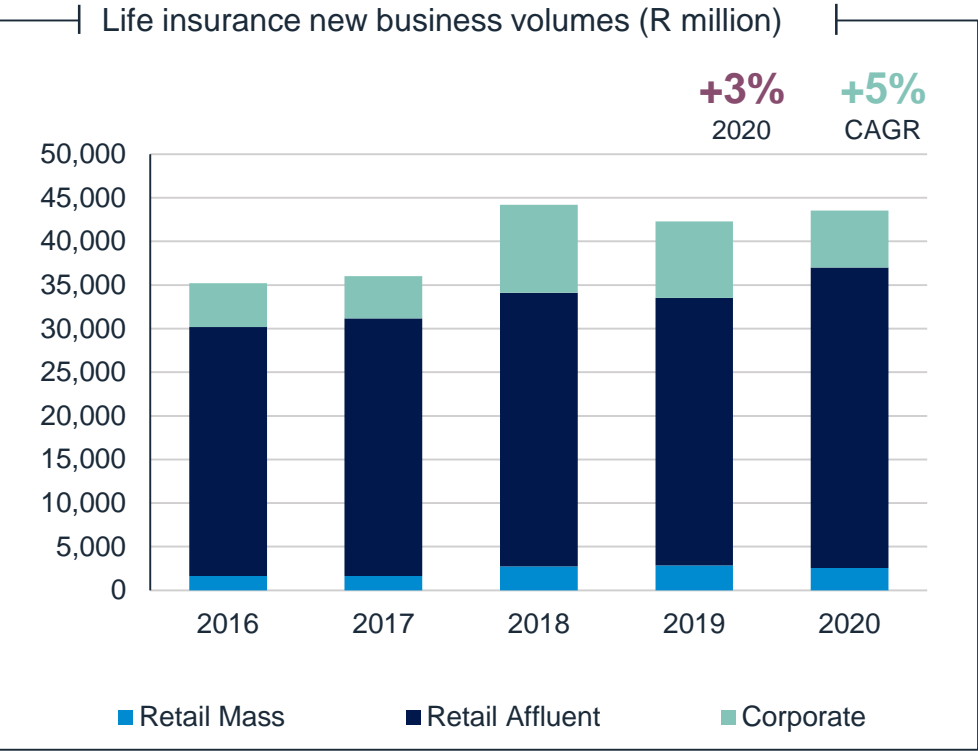


SALIENT FEATURES

- Good demand for annuities, international products and money market funds at Glacier
- Traditional distribution channels in Retail Mass and Recurring Premium sub-cluster impacted by lack of face-to-face sales
- Accelerated adoption of digital tools
- Digital & direct channels doing well – Sanlam Indie, MiWayLife, Capitec Bank, Sanlam Direct

New business volumes

R2 558m Retail Mass new business volumes -10%	R2 865m Recurring premiums & SBD new business volumes -14%	R612m Corporate recurring premiums -46%	R62 576m Glacier new business volumes +12%	+62% Sanlam Indie and MiWayLife new business volumes	+4% Capitec funeral new business volumes
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SALIENT FEATURES

- 12% CAGR growth in mass market life insurance new business, supported by Capitec partnership
- 2020 affluent market new business growth - life insurance +12%, investment +9%
- Corporate new business volumes weaker for both life insurance and investment business in 2020 (high base from 2019)

New business volumes

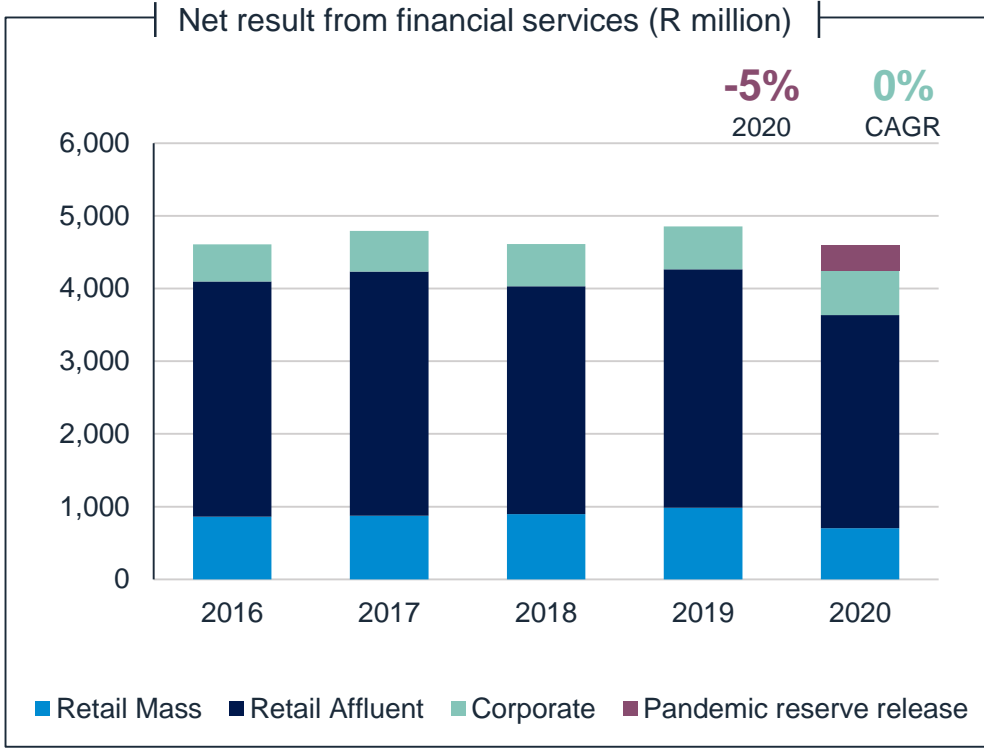
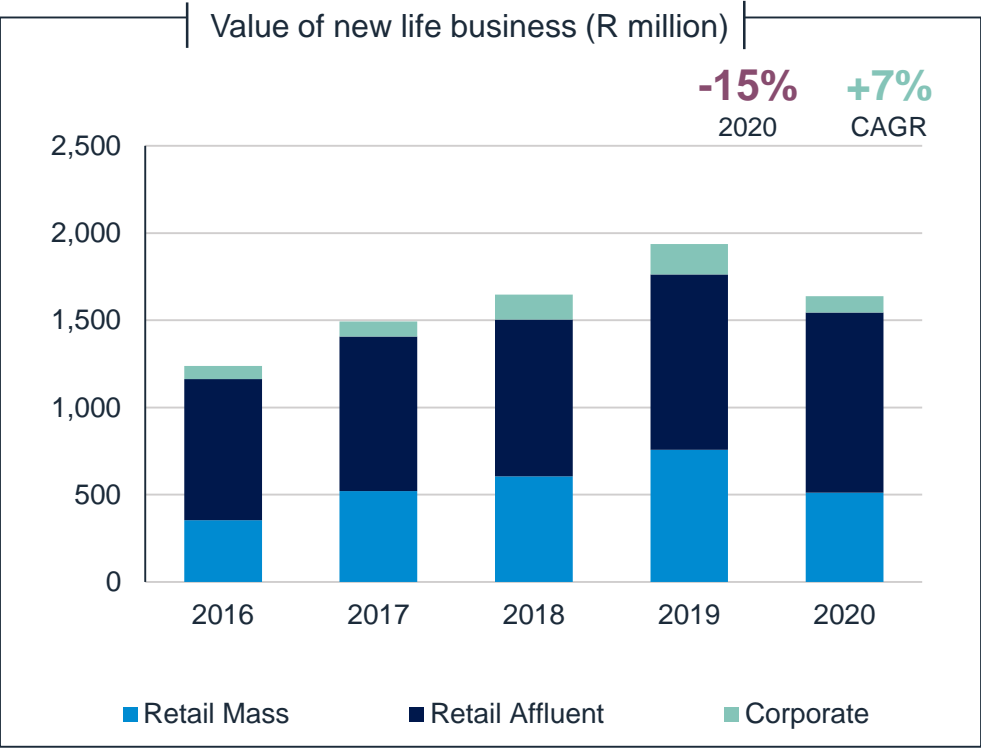
R34 459m
Retail Affluent life insurance new business volumes
+12%

R6 500m
Corporate life insurance new business volumes
-26%

R30 982m
Retail Affluent investment new business volumes
+9%

R3 348m
Corporate investment new business volumes
-48%

Sanlam Life and Savings



SALIENT FEATURES

- VNB
 - Geared impact of lower new life business volumes
 - Satisfactory growth from digital and direct channels
- Net result from financial services
 - Up 5% excluding COVID-19
 - Excess claims of R383 million (net of tax and reinsurance)
 - Pandemic reserve release of R354 million (net of tax)
 - Resilient persistency experience

Net value of new business margin	2020	2019
Retail Mass	6.57%	8.56%
Retail Affluent	2.39%	2.49%
Sanlam Corporate	1.04%	1.29%
Sanlam Life and Savings	2.73%	3.08%

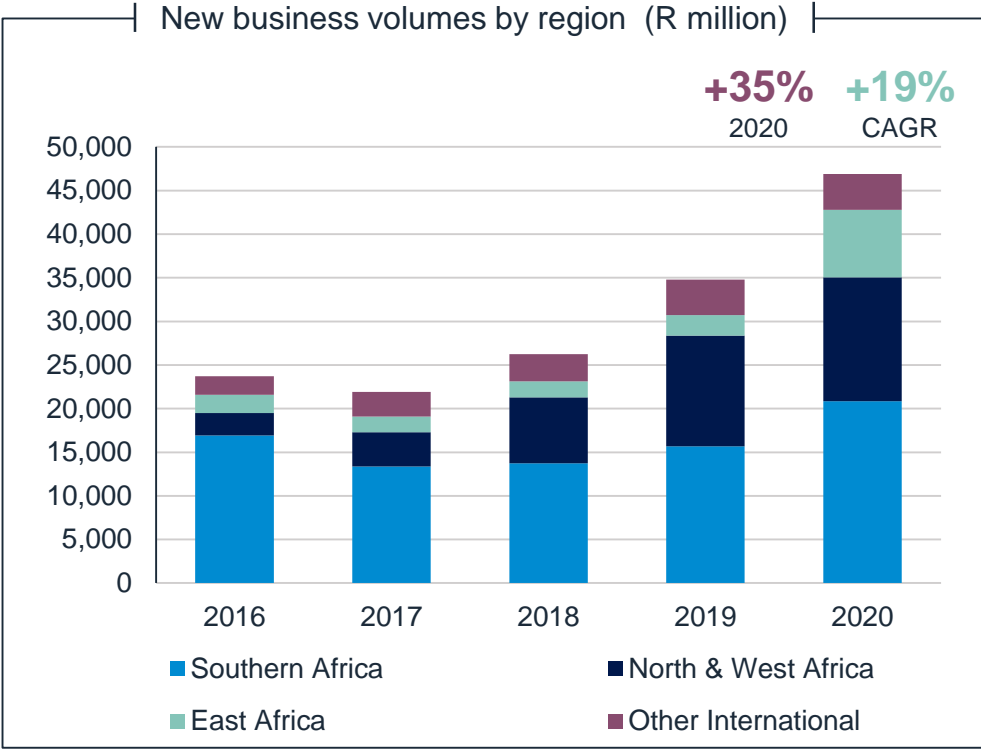
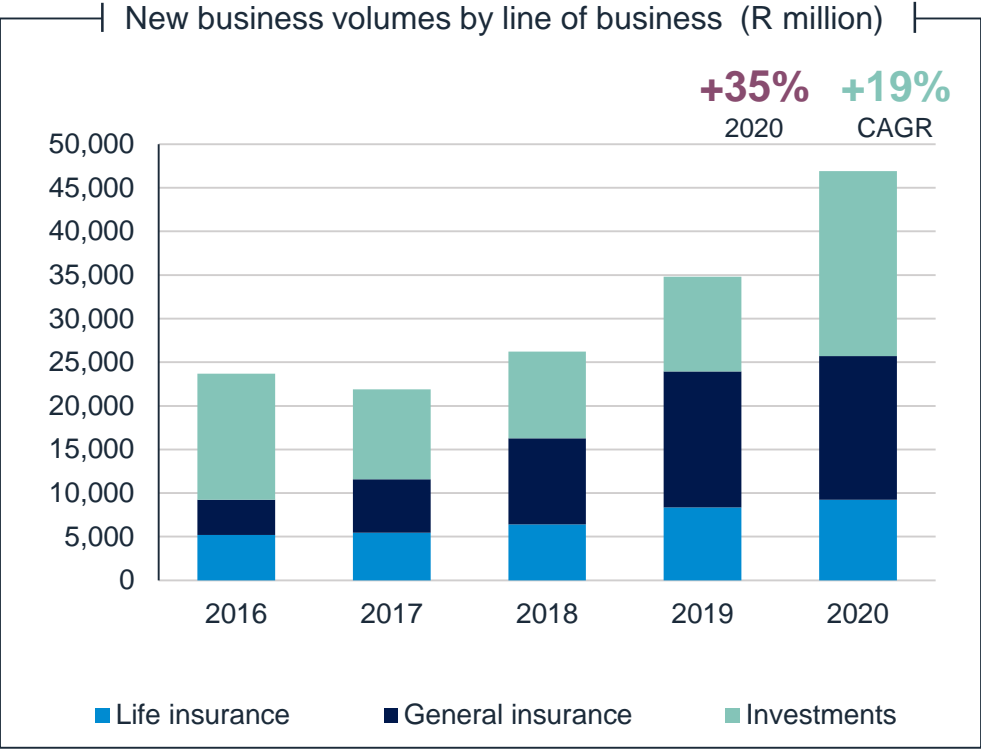
RoGEV	2020	2019
	7.6%	19.2%

Sanlam Emerging Markets



SALIENT FEATURES

- Large new investment mandates in Southern Africa and East Africa
- General insurance up 6% despite COVID-19 lockdowns and focus on quality
- Life insurance impacted by lockdowns and curfews – some benefit from acquisition of remaining stake in FBN Insurance Nigeria



New business volumes

R20.8bn	R14.2bn	R7.7bn	R4.1bn	+6%	+11%
Southern Africa	North & West Africa	East Africa	Other International	General insurance	Life insurance
+33%	+12%	+227%	+1%	+95% Investments	

Sanlam Emerging Markets



SALIENT FEATURES

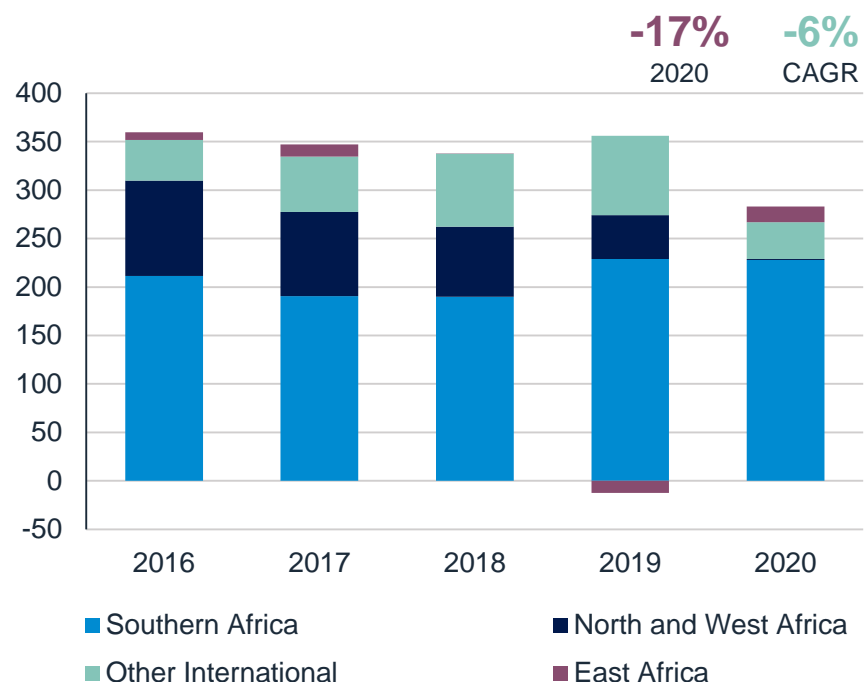
VNB

- Impact of Nigeria yield curve
- Lower volumes in India as a result of slowdown in credit businesses
- Lower volumes in Botswana

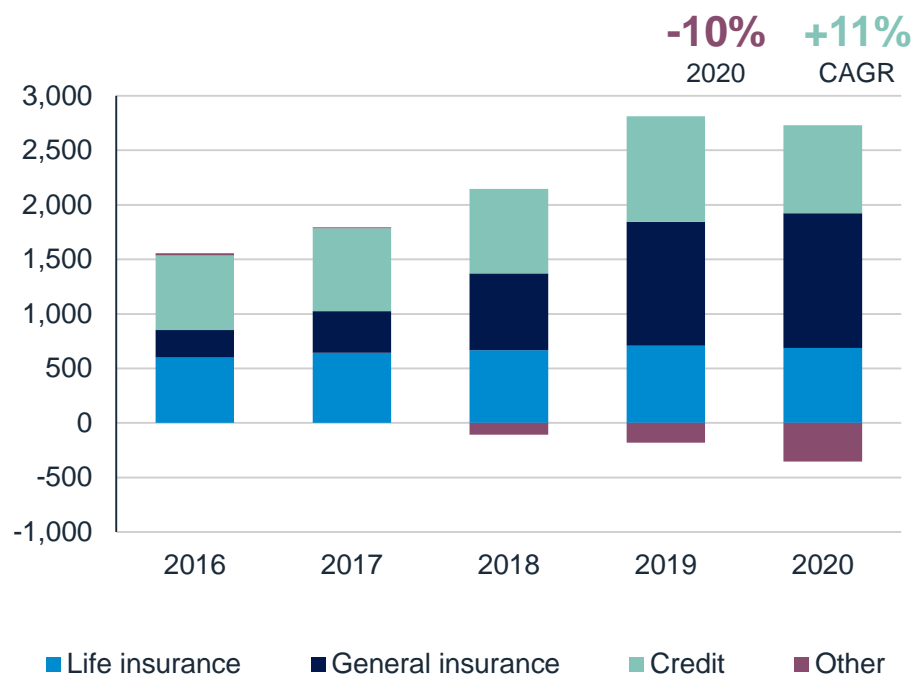
Net result from financial services

- Up 19% excluding COVID-19
- SEM GI underwriting margin improved to 6.3% (Saham 7.3%; Other 3.6%)
- Lower investment return on insurance funds in Morocco and Côte d'Ivoire
- Increase in retail credit provisions

Value of new life business (R million)



Net result from financial services (R million)



Net value of new business margin

	2020	2019
Southern Africa	5.33%	5.19%
North and West Africa	0.04%	1.92%
East Africa	1.60%	(1.56%)
Other international	1.21%	3.09%
Sanlam Emerging Markets	2.53%	3.35%

RoGEV

	2020	2019
	-10.2%	-7.1%

Sanlam Emerging Markets



General insurance & reinsurance result

R million	Gross written premiums		Underwriting margin		Return on insurance funds	
	2020	% change	2020	2019	2020	2019
Southern Africa	3 485	0%	13.2%	11.8%	3.6%	3.1%
North and West Africa	14 953	16%	6.0%	0.8%	2.7%	12.7%
East Africa	1 573	9%	(5.4%)	(1.4%)	4.8%	5.3%
Other International	3 181	(7%)	7.4%	13.4%	21.7%	23.2%
Total	23 192	9%	6.3%	4.0%	6.1%	13.2%
SPA GI	20 011	12%	6.1%	2.0%	2.9%	10.9%
Other International*	3 181	(7%)	7.4%	13.4%	21.7%	23.2%
Total	23 192	9%	6.3%	4.0%	6.1%	13.2%

* India, Malaysia, Lebanon

SALIENT FEATURES

- Southern Africa gross premiums impacted by Angolan currency weakness, Other International impacted by exclusion of Lebanon in H2
- Improved underwriting result across most markets
 - SPA GI underwriting margin 6.1% (7.2% excluding Beirut explosion) within 5% to 9% target range
 - Motor books benefitted from lockdowns
 - Improvement in Angola performance
- SPA GI return on insurance funds (as % of NEP) of 2.9% below 6% - 9% target range
- Decline in India from high comparative base

Impairment of SEM operations

R million	Dec-20	Jun-20
Saham	5 833	5 780
- Premium paid at acquisition	2 712	2 712
- Lebanon write-off to zero	2 048	1 995
- Future economic growth and investment return assumptions	1 928	1 928
- Utilisation of hedge reserve	(855)	(855)
Shriram Capital	803	1 562
Other operations	182	233
Total	6 818	7 575
SEM	6 370	7 131
Santam	448	444

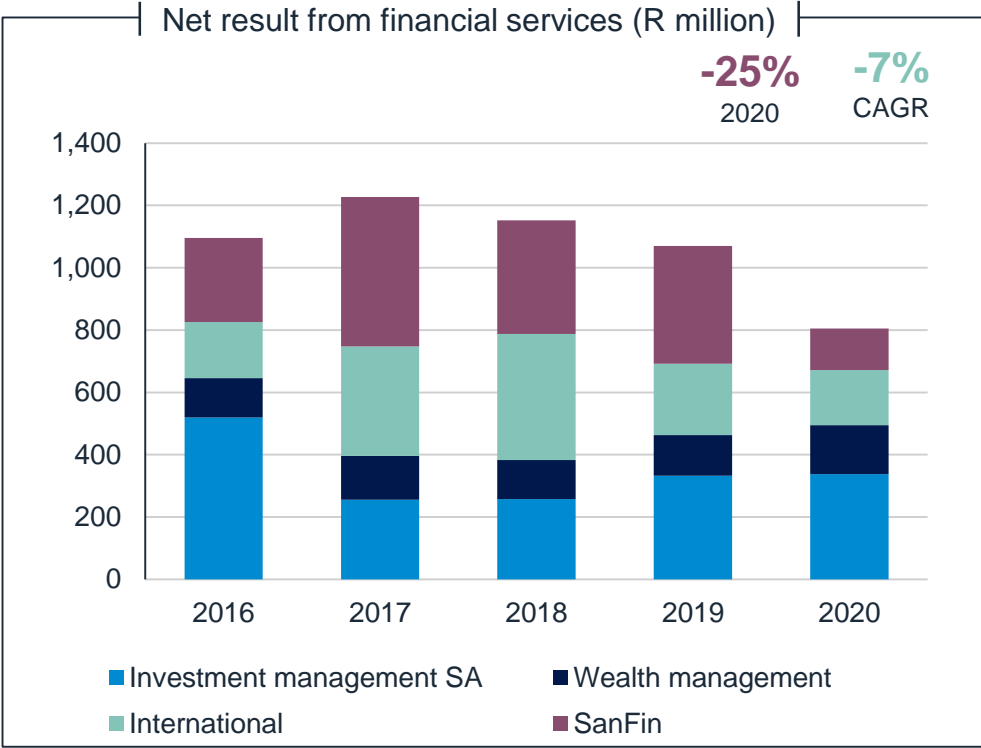
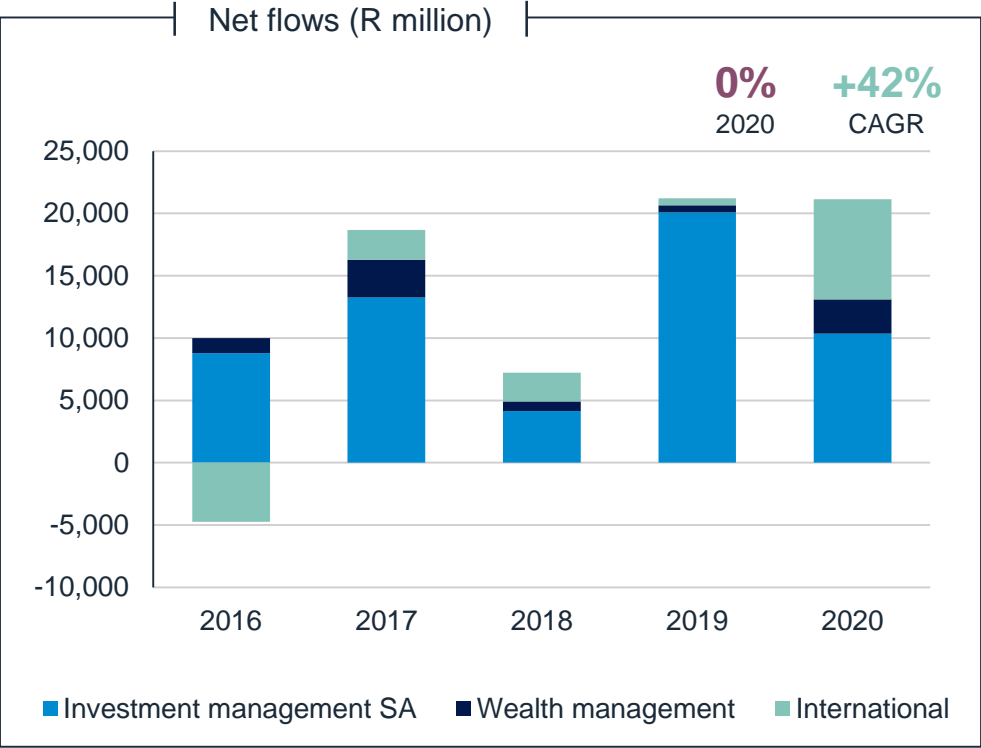
SALIENT FEATURES

> Saham

- Lebanon written off to zero
- Valuation of other Saham businesses and premium reduced due to COVID-19

> Shriram Capital

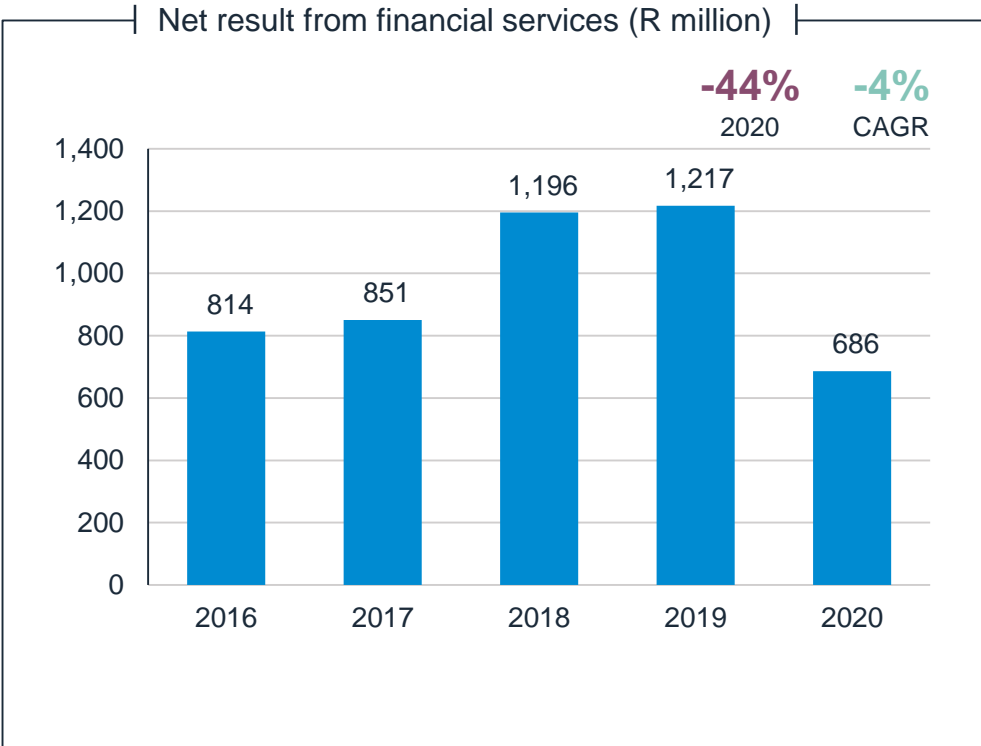
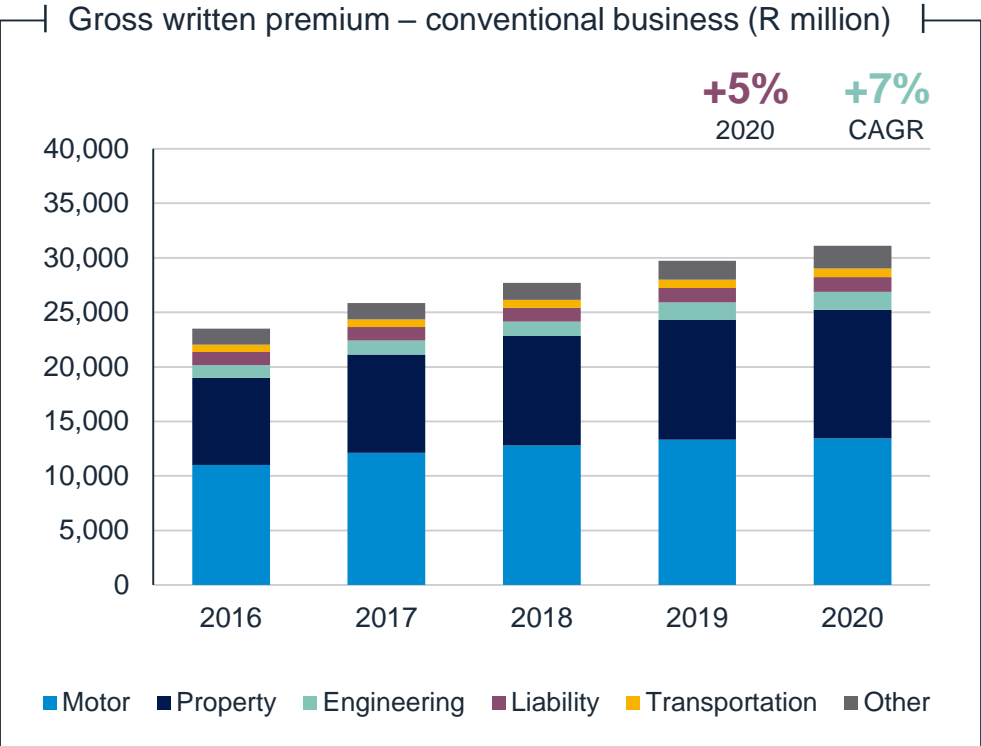
- Prudent valuation - significant uncertainty around COVID-19
- Valuations lower than listed prices for STFC and SCUF



	2020	2019
RoGEV	0%	7.6%

SALIENT FEATURES

- Net fund flows
 - Strong SA institutional inflows offset by lower retail net flows
 - Strong inflows in Wealth Management and International
- Net result from financial services
 - 2020 impacted by SanFin credit provisions
 - Up 19% excluding COVID-19
 - SA Investments up 16% on comparable basis; strong performance fees, net inflows at SMM and Satrix, cost control
 - Increased brokerage in Wealth Management



SALIENT FEATURES

- Gross written premiums for conventional business grew by only 5% due to premium relief to clients
- 2.5% underwriting margin for conventional business impacted by CBI claims provision
- Net result from financial services +79% excluding COVID-19 impacts

Underwriting margin – conventional business

2016	6.5%
2017	6.0%
2018	9.2%
2019	7.7%
2020	2.5%

	2020	2019
RoGEV	-9.7%	1.4%



Priorities





OPERATIONAL

- › Drive recovery in key operating metrics to pre-COVID levels
 - New business volumes
 - Operating profits
 - VNB
 - Dividends
- › Careful expense management and focus on operational details
- › Our people remain committed and driven to restore the operational base quickly

STRATEGIC

- › Continue to strengthen and grow the SEM portfolio in Africa
- › Improve the competitiveness of key segments in SA
- › Drive partnership model further
- › Continue to digitalise every aspect of our business
- › Continue to allocate capital judiciously, rationalizing for value where there is no strategic fit

PEOPLE

- › Enhance our culture with particular emphasis on growing our talent and improving innovation
- › Making remuneration decisions work for us



Performance targets and remuneration

- ④ Performance hurdles linked to RoGEV and dividend growth
 - Existing Share schemes extended by a year and 2020 replaced in the measurement of targets by 2021 results
 - New Share Schemes: A “speed of recovery” hurdle has been introduced to incentivise management to get key financial metrics back to the 2019 base levels as quickly as possible
- ④ 2021 Short-Term Incentives aligned to Group Targets and Strategy



Outlook for 2021



Outlook for 2021



- Gradual economic recovery expected
- However, recovery back to 2019 levels only in the medium term

- Mortality claims outlook for 2021 is uncertain

- High base for new business volumes, especially investment business
- Persistency experience remains at risk



- More clarity expected on Santam CBI matter
- Leave to appeal 18 months indemnity period granted

- Sanlam has strong competitive positions in almost every market in which it competes
- Our people are resilient and ready to perform
- Our balance sheet is strong
- We have a simple strategy for execution to which all our people are aligned