Y 2021 Earnings Call

Company Participants

- Abigail Mukhuba, Financial Director
- Mlondolozi Mahlangeni, Chief Risk Officer
- Paul Hanratty, Group Chief Executive Officer
- Sydney Mbhele, Group Executive of Brand

Other Participants

- Francois du Toit, Analyst
- Michael Christelis, Analyst

Presentation

Sydney Mbhele {BIO 20089938 <GO>}

Good morning to everyone joining us this morning. My name is Sydney Mbhele, I'm the Group Executive for Brand at Sanlam. I hope you are keeping well and living with confidence as we progress further into 2022. It is my pleasure to welcome you to our 2021 Annual Results Presentation with our Group CEO and the members of the executive leadership team at Sanlam. I will be facilitating today's presentation, and I hope it will not only be informative, but also engaging. Paul Hanratty, our Group CEO; and Abigail Mukhuba, our Financial Director will present today's financial results and then after that we will move into a Q&A session.

Paul, may I please invite you to come on stage.

Paul Hanratty {BIO 7445748 <GO>}

Yeah. Sydney, thank you very much and good morning ladies and gentlemen, and welcome to the annual results presentation for the full year 2021 from Sanlam. As Sydney said, I'm joined here in the studio by Abigail Mukhuba and Lotz Mahlangeni. And hopefully we'll be able to provide you with some background to the past year, a little bit of a look into the future and to answer any questions that you may have.

I'm going to start today by just providing a very brief overview of the year gone by and then Abigail will take us into the financial results and to the business performance and then I'll talk a little bit about the priorities that we have in the current year and give you some sense of how we see the outlook for the medium-term ahead of us. We'll then open up to Q&A.

2021 began with the second wave of the COVID pandemic and this wave proved much more severe than the initial wave of 2020. We experienced the third wave in the middle of 2021 and this is longer and more severe then the previous waves. South Africa also experienced extreme civil disruption during July, which exacerbated the third wave. The fourth wave developed at the end of 2021, but this wave proved a lot less severe than earlier ways as the Omicron variant became the dominant feature of this fourth wave. The latter part of 2021 saw the pandemic start to severely impact mortality on much of the African continent, where previously the impacts of the pandemic had been more muted.

As a result of the ongoing pandemic, the Group experienced heavy mortality losses during 2021. However, I'm absolutely delighted that despite this difficult operating environment, the Group has achieved strong operating performance. The Group was able to use historic reserves to offset the impact of some of the negative mortality experience and it delivered strong performance across all fronts.

We have set ourselves the objective of restoring performance to pre-pandemic levels as soon as we were able to and I'm delighted to say that we were able to do this in 2021. A combination of focused advice and sales efforts across the Group, ongoing prudent underwriting and risk management, excellent servicing of our customers, efforts to keep persistency high, as well as the launch of a number of new innovative solutions meant that we were able to exceed all the targets that we'd set for ourselves.

Particularly pleasing was the Group's ability to gain significant market share in most market segments across the Group, really a reflection of the Group's promise to customers during very trying times. The Group has strengthened quite a number of our key platforms during the year, notably asset management and our linked investment platforms, we formed some significant new partnerships including with MTN to take mobile insurance across the continent. And the Group has continued to invest in improving our customer service through digital innovation and to invest in quite a significant portfolio of digital businesses.

Although Abigail will go into the detail of our financials, I'll just give you a very high level picture. The Group's return on Group equity value for the year was 13.9%. And on an adjusted basis against which we set our targets, the Group achieved an excellent return of 14.6%, roughly 1% ahead of target. The net result for financial services was up by 13% on the previous year, but 18% in constant currency. And our operating income increased by 23% or 28% when you measure it in constant currency.

Our new business exceeded ZAR350 billion for the first time in our history, an increase of 14% on the previous year. And with these higher new business volumes and good strong financial management, we had the value of our new business up by 44% and margins, of course, were very strong. The good new business strong persistency has led to a very strong net client cash flow, new money net taken in from clients of over ZAR78 billion, an increase of 27% on 2020. And this was despite the negative impact of much higher mortality claims. The Board has declared a dividend of ZAR3.34 per share, the same dividend we declared in 2019, again reflecting the recovery in the Group to 2019 pre-pandemic levels.

As mentioned, the Group has been focused on restoring operational performance to pre-pandemic levels. In 2020, the extreme COVID lockdown measures severely impacted our ability to write new business. However, as measures have eased and the business adapted to doing business remotely, new business levels have been strongly restored. Profits of course have been much more difficult to restore to pre-pandemic levels as the 2021 mortality experience from COVID has been much worse than even in 2020.

The Group has been through an extensive exercise to reprice and redesign products, introducing new underwriting measures to help reduce the COVID risk. Furthermore, our actuarial assumptions have been reviewed to establish a pandemic reserve on retail life insurance business and to release some of the historic reserves no longer required by the business. Ignoring some positive one-offs in 2019 mainly relating to India, the 2021 profit has been restored to those 2019 levels by utilizing the reserve releases to offset the higher mortality losses in 2021.

The Group believes that the pricing changes we've made, the reserving changes we've made and the underwriting actions taken should mean that future mortality losses from the pandemic should be modest, although the future course of the pandemic is extremely difficult to predict precisely.

Within South Africa, all of our businesses had strong operating performance, underlined by strong new business flows and strong net client cash flow into our asset management business. Market share gains were achieved in all market segments with the assistance from partnerships and our strong empowerment credentials in the asset management space. Persistency was excellent, supported by strong data analytics, which have helped to identify where our clients require support.

Within the Rest of Africa, the Group achieved solid general insurance growth and satisfactory underwriting margins, but the growth in the life insurance and asset management businesses were particularly pleasing. The Group continued to rebalance the float of assets in Morocco against the backdrop of a rising equity market that assisted us in this process. The Group continued to improve the existing platform in Africa and in South Africa across which we operate and to make ourselves much more digitally accessible to clients. Our digitally-native businesses have shown very strong growth in this year.

The value of our empowerment credentials achieved through the transaction that we had with African Rainbow Capital, coupled with a very strong recognition of Sanlam Investments strong ESG profile have been amply demonstrated with net client cash flow during the year of some ZAR33 billion, an increase of 56% over the previous year.

The Sanlam corporate business made strong strategic progress during the year with strengthened umbrella, healthcare and insurance offerings. The transactions with Alexander Forbes will strengthen our retirement proposition and the joint healthcare developments with AfroCentric have provided new value for money options to the healthcare markets. Our Glacier LISP business has considerable scale potential to be added to it, following the Alexander Forbes and Absa asset management transactions.

The Group entered into a long-term partnership with MTN, which has access to a very large customer base across the African continent. And we believe that as mobile banking develops, we will be able to access many customers through this relationship at low cost. The Group completed the exit of the UK life, planning and wealth businesses and the proceeds of these transactions will strengthen the discretionary capital position of the Group further, as they close.

The Group began the year with discretionary capital of just ZAR600 million and it ended the year with almost ZAR3 billion of discretionary capital. I think it's very important to note that we did a very large range of transactions during the course of 2021. Those transactions where we acquired businesses have all been done with the use of a very, very limited amount of capital, but of course, the disposal of our interest in the UK have released capital. So, while the Group has historically aim to hold around ZAR1 billion of discretionary capital to execute on ad hoc opportunities, going forward, we've taken a slightly different view. Given the current context, the Group has taken the decision to hold a higher than usual level of discretionary capital. The Group aims to hold a minimum discretionary capital of ZAR3 billion until such time as the COVID pandemic no longer poses any risk to operating performance. The progress of the pandemic itself and the effectiveness of management actions will both influence the Group's assessments of the ongoing need for a higher discretionary capital buffer.

The Group's purpose, as you know, is to empower generations to be financially confident, secure and prosperous. This means our sustainability focus is very much centered around financial inclusion which is a massive empowerment force both in Africa and India. We're also focused on poverty alleviation and job-creation, as well as reversing the impacts of climate change, which is so devastating to the African continent.

We are pleased to have performed our first climate change report and this is an area in which we all further develop our reporting to the market on what we're doing. The Group strengthened our Board in 2021 and we have a majority of independent members of the Board now, as well as truly excellent gender and broader diversity.

The Group is now focused on transitioning back to the office in a new hybrid operating model. We all came back on the 1st of March. We plan carefully and we're hopeful that a return to the office will lift performance further. We've been missing the opportunity to coordinate our efforts at the office, and relish the opportunity to work more closely together.

I will now hand over to Abigail, who will take you through a more detailed analysis of our financial results.

Abigail Mukhuba {BIO 20217730 <GO>}

Thank you, Paul. Good morning. We are pleased that our performance has recovered to pre-pandemic levels, despite the significant impact of COVID on mortality claims across the Group's operations. Today, I will focus the presentation on constant currency comparison by line of business instead of by cluster as we've become accustomed to.

Earnings increased by 18% on 2020 and marginally lower compared to 2019. However, as Paul already mentioned, when one excludes the one-off of 2019, it is 4% higher than 2019. Overall, the new business volumes were up 16%, supported by strong sales growth in the life and investment business.

Group net fund inflows increased by 32% on 2020. The biggest driver of this came from our investment business, which improved net inflows by 56% to ZAR33 billion, with strong contributions from both retail and institutional funds. Life net flows also exceeded 2020 when one excludes excess claims payments. We are pleased with the net VNB performance, which showed strong improvement across the portfolio with all businesses above the 2019 levels.

We saw a significant increase in excess claims in 2021. As Paul already mentioned, we had three waves impacting 2021 in Southern and East Africa and then we had wave two impacting India. All of the waves had a negative impact on our performance. Wave four did have a much softer impact compared to two and three. However, since our South African operations have the largest life insurance exposure, they were also reflecting much higher value of excess claims, which also treads those of the broader South African population infection experience.

Group net excess claims of ZAR4.2 billion were recorded. The Group risk business in Sanlam Corporate and Retail Mass was impacted more than the individual life business. And as part of the annual review of our actuarial valuation basis, our SLS cluster implemented a package of basis changes, which included additional releases of discretionary reserve, positive persistency assumption changes, as well as a strengthening of the mortality basis to allow for future pandemics.

SLS excess claims were therefore largely offset by a combination of these basis changes, as well as the repricing that Paul already alluded to of the Group risk business. Our Emerging Markets business on the other hand holds less discretionary reserves, resulting in a negative net excess claims impact on earnings. Excess claims of ZAR630 million were recorded in this business, the majority of which were in the SPA Life business. The overall impact on SEM earnings was partially offset by discretionary reserve releases of ZAR148 million, which together with the repricing of Group risk business did not fully offset some excess claims impact on our P&L. As such, we ended up having a net negative impact of ZAR466 million on the Group's earnings in this regard. We believe that the Group risk market has been consistently underpricing premiums for pandemic and we are hopeful that more rational pricing will prevail in the market in future.

This slide seeks to summarize our value creation performance as measured by RoGEV. We show a table in the detailed results that explains the detailed contribution between covered and non-covered businesses. So, I'm not going to go into too much detail. However, we are pleased that we achieved an adjusted return on Group equity value of 14.6% per share against that 13.6% hurdle. The core operations produced excellent RoGEV, which was supported by an exceptional VNB performance. The excess COVID claims more than offset the positive experience variance from persistency, maintenance expenses, as well as credit spreads, contributing to an overall negative 2.4% impact on adjusted RoGEV.

The overall package of actuarial basis changes that we already talked to, which included the release of discretionary reserves, as well as half of the 5% COVID-related mass lapse assumption change that was implemented in 2020, offset the negative operating experience variances. Economic assumption changes had a negative impact due to the upward movements in long-term interest rates over the year in some of the markets.

If we look on to the solvency position, the following changes have been implemented into the solvency calculation in 2021 compared to 2020. The accounting consolidation method that was used for the South African insurance entities in calculating the Group's solvency position was impacted, as well as we now adjust for foreseeable dividends, which are now deducted from Group-owned funds when we calculate this ratio. We have adjusted the target range to be consistent with the revised treatment of foreseeable dividends. We also adjusted for the amendment in the business mix and risk profile of the Group.

On an operational basis, if you look at our SCR cover ratio, it was positively impacted by excellent operating profit and VNB, partly offset by the 2021 negative mortality experience. However, on a like-for-like basis, the Group solvency position continued to be strong, resilient, as well as well within the regulatory requirements and our own target ranges.

I will now move to highlight some of the key line of business performance. And at the end of the printed slides or if you've downloaded our slides, you will notice that we've got the old format at the back of the pack, but I'm going to focus on the line of business as I already alluded to. The Life business continues to be the biggest contributor to the Group's earnings performance. Life insurance earnings were broadly in line with 2020 with the two biggest impacts being excess claims and the increase in new business strain because of the higher sales volumes.

Retail Mass recorded strong performances from the individual Life and Capitec Bank funeral businesses, supported by larger in-force books, our expense savings, positive investment variances and economy basis changes. This performance was our ever significantly impacted by a substantial decline in earnings from the Group risk business due to excess claims. Retail Affluent earnings were also negatively impacted by excess claims and higher new business strain. The higher earnings from the savings business and Glacier were supported by higher average assets under management.

On the corporate side, this is the class that that was most severely impacted by excess claims. If one exclude the impact of excess claims and repricing, Sanlam Corporate earnings were up 10%. In the same business, life insurance achieved excellent growth excluding the corporate-related excess claims across the portfolio.

Cross-selling of life insurance in the former Saham client base is yielding satisfactory results for us both from a VNB and earnings perspective. India was particularly impacted by higher mortality claims. Overall, life insurance new business volumes increased by 31% despite a challenging operating condition because of the impact of COVID. Retail Mass' strong new business sales were supported by improved agent productivity as well as increased use of digital tools, whilst on the Retail Affluent side they achieved substantial growth driven by Glacier single premium.

Recurring premium risk sales growth was more muted as improved growth from the Individual Life, Indie, MiWay Life businesses were partially offset by weaker sales of assistance and group risk business in BrightRock. Individual risk sales from traditional intermediate channels, including BrightRock increased by 10% on 2020. Sanlam Corporate new business volume growth was driven by both single and recurring premium life business. Recurring premium quote activity in this segment has however has recovered to pre-pandemic levels, although the conversion rates remain lower.

Pan-Africa achieved a strong overall 35% volume growth in life insurance business, benefiting also from cross-selling in the former Saham region. Group net life insurance fund inflows of ZAR13 billion were 9% lower than 2020 and 21% lower than 2019. The significant improvement in Retail Affluent was not sufficient to offset the large mortality related outflows in Sanlam Corporate. However, if you exclude these excess mortality claims, fund inflows were 33% higher than 2020 and 21% higher than 2019.

The 21% lower contribution from Pan-Africa contributed to the overall decline with large corporate related outflows in Namibia and Botswana. Again here, if you excluded the impact of excess mortality claims, fund inflows were only 5% lower of the high 2020 base. However, still 2% higher than 2019.

All businesses recorded strong VNB improvements and they achieved levels above those of 2019 driven by improved volumes and a favorable higher margin product mix. The Group's net VNB margin on a consistent economic basis was higher than 2020 and was also in line with 2019. Particularly pleasing to us was also the significant improvement in the emerging markets VNB margin, which reached levels of 4%.

On the general insurance side Santam recorded strong operating results for 2021 with earnings more than doubling relative to 2020. This performance was impacted by the CBI provisions on the prior year results and the lower motor book profits in 2021, as claims normalized after the lockdown in 2020. SPA GI recorded strong earnings growth mainly due to the positive impact of return on float given the equity markets recovery in 2021.

The format Saham businesses achieved margins within their target ranges, whilst the India insurance operations detracted from this growth. Shriram General Insurance earnings continued to be negatively impacted by the lack of regulated premium increases in third-party business and limited ability to finalize claims due to cost in India continuing to operate at limited capacity, and this has an impact on our ability to finalize claims.

Santam achieved satisfactory gross written premium growth in the conventional insurance business and this was supported by good growth in Santam Re, as well as MiWay, where MiWay achieved an impressive growth of 9% in the current operating environment. The gross written premiums from outside South Africa grew by 6% benefiting from the strong growth at Santam Re.

SPA GI's growth was driven by higher volume in the motor and health business lines in Morocco and an improved performance from Continental Re, partially offset by weaker sales in the assistance business and the cancellation of loss-making health business in Cote d'Ivore. India, new business volumes declined due to the lack of the premium increases that I already referred to.

On the underwriting margin, the Santam conventional business recorded a net underwriting margin of 8% of net and premiums. SPA GI recorded a net underwriting margin just below 5% -- just below the 5% to 9% target range, due to the adverse claims experienced in Cote d'Ivore. As mentioned earlier, the Saham business achieved margins within the target range and India's underwriting margins declined.

And then on the insurance margin side, Santam's performance benefited from improved liability and property classes, partly offset by normalization in the motor book, as well as the lower interest rates impacting investment return on insurance funds. A net insurance margin of 16% was achieved in the SPA GI business for 2021 relative to the 9% in 2020, again here due to higher investment return on insurance funds, which improved to 11.9% compared to just below 3% in 2020. The Moroccan business reported a float margin of 21% on the back of strong equity markets. SGI's net insurance result however remains satisfactory at 25% of net earned premiums.

Overall Group asset management earnings were up 29% on 2020, with all lines of business contributing positively. Wealth management benefited from higher performance fees, assets under management and diversification initiatives, as well as higher institutional brokerage fees, partially offset by lower retail brokerage fees. The international business increase is supported by an improved performance from Sanlam UK.

Pan-Africa's asset management business experienced strong net inflows in the past two years, supporting the higher asset base on which the fees are earned. Inflows more than doubled in Sanlam Investments with strong recoveries in both retail and institutional funds as we reposition ourselves as an impact asset manager with a diversified asset management business, whose primary focus is on client solutions. This business further benefited from advanced digital solutions to enable businesses in Satrix, Sanlam Multi-Manager, as well as the Platforms business.

Retail Affluent Glacier LISP business performed exceptionally well. And in SPA, the new business grew off a high base in 2020 as further large mandates were awarded in Botswana, Namibia and Kenya.

On the credit and structuring line of business, Sanlam personal loans benefited from lower bad debts, partly offset by lower interest income from a decline in the advances book. We deliberately curtailed new advances as a risk mitigant and a prevailing market condition. SanFin achieved excellent results due to the contraction of credit spreads and improvement in the share prices of equity exposures. However, the operating environment remains challenging with low transaction volumes and higher probability of defaults due to the longer term impact of COVID uncertain business sectors.

We saw lower sales volumes from the Indian credit business during the hard lockdown periods. Provisions had to be strengthened while sales and collections were also impacted negatively. However, regardless of this tough operating environment, the Indian business recorded -- recovered soon after and ended the year with a larger book compared to 2020. It achieved an increase in earnings year-on-year due to higher net interest from improved collections in the Group book growth.

Thank you very much. I will hand back to Paul.

Paul Hanratty {BIO 7445748 <GO>}

Abigail, thank you very much indeed for taking us through the results and presenting it, I think, very simply to the market.

I'm going to just talk very briefly about the priorities for the year ahead and the outlook that we see in the operating environment. We will need to continue to carefully monitor the progress of the COVID pandemic across the entire continent. We will also very carefully monitor the effectiveness of our actuarial changes aimed at mitigating the impact of the pandemic on our finances and we will adapt our response if required.

We're extremely positive about the prospects for 2022 and for the medium-term, having set a strong base in 2021. To this end, we aim to remain focused on our clients and building on the successes of 2021. Our progress on the digitalization of existing operations will continue with the aim of creating better customer outcomes and better efficiencies over time. Our Group will remain focused on sustainability and ESG issues as a core part of our business with the focus remaining very strongly on financial inclusion, Poverty Alleviation, job creation and positively impacting on climate change. Our Group needs to complete and fully operationally integrate the acquisitions of 2021. This is going to take a great deal of efforts.

The Group is also excited about operationalizing our MTN joint venture. The Group will continue to allocate capital judiciously and we will continue to explore opportunities to strengthen our Sanlam Emerging Markets franchise. Our focus on continuously improving our culture remains and we will be particularly important as we adapt to hybrid working models, which are really a new thing for all of us. From the 1st of March, as I mentioned earlier, we've returned our people to office on a hybrid basis and we need to work through all the practical implications of this change of working mode.

It's quite interesting, Sanlam was founded after the Spanish flu. So this pandemic is truly proven to be a one in 100 year event. We as a Group are now looking forward having overcome this pandemic to renewed growth from 2022. The Group has a great opportunity over time to benefit from the growth of our continent, the demographic dividend of Africa and the low level of financial services penetration across the continent.

Within South Africa, the Group has strengthened its fortress position in our view. This creates the prospect of good growth even in a modest growth economic environment, scale truly does matter, and I think that will feed through to our bottom line. The Group believes that there are further opportunities to develop our platform within the Group, both within South Africa and the broader African continent and we remain open to taking such opportunities when they arise.

The Group of course will be heavily focused on tracking and monitoring the pandemic. The Group, as I mentioned earlier, will hold a significantly higher level of discretionary capital until such time that we are satisfied that there is no risk to Group earnings and dividends from the pandemic. Once we reach this point, the Group will review its approach to discretionary capital and I assure you we will follow our normal capital allocation policy and practice in this regard. In fact, we've created some flexibility for the Group going forward.

Naturally, we are extremely concerned about the ramifications of the Ukrainian crisis. Aside from the human tragedy, the impact on global energy prices, inflation in food security and financial markets does pose risk to our business, as well as other businesses and it further reinforces our decision to hold a higher level of discretionary capital. So we do still continue to face some challenges in the short-term in the environment, but I do believe this is a very strong business and franchise and then we set a path for growth into the future, and we remain very bullish about the medium to long term prospects, given where we've positioned the business.

So, thank you very much for listening to Abigail and myself. We're now going to open up to questions. And we're going to be joined by Lotz, who will deal with any of the tricky technical questions that some of you may pose to us. Thanks very much.

Questions And Answers

A - Sydney Mbhele {BIO 20089938 <GO>}

Welcome back, ladies and gentlemen; and thank you so much, Paul and Abigail, for that informative presentation. Ladies and gentlemen, we are now joined by Lotz Mahlangeni, Chief Risk Officer and Chief Actuary, Sanlam. Welcome, Lotz.

A - Mlondolozi Mahlangeni {BIO 21927635 <GO>}

Thank you.

A - Sydney Mbhele {BIO 20089938 <GO>}

Let's start by checking if there are any questions on the webcast. And if there are any questions, I'm going to ask you to first begin by introducing yourself, which organization you represent before you pose your question or questions, and then we can get into the question. So, let's just check once again if there are any questions on the webcast.

While we are waiting for the questions on the webcast, we'll probably go try the telephone line and let's see if there are any questions on the telephone line.

Operator

At the moment, we have no questions from the telephone line. (Operator Instructions) We have a question from Francois du Toit of Anchor Capital. Please go ahead.

Q - Francois du Toit {BIO 16128719 <GO>}

Hi, guys. Just checking, can you hear me?

A - Sydney Mbhele {BIO 20089938 <GO>}

We can certainly hear you.

Q - Francois du Toit {BIO 16128719 <GO>}

Excellent. Thank you. Just quickly around the COVID impact. So from your slides and from the EV statement, it looks like the excess claim impact net of tax was around ZAR4.2 billion and the result releases including discretionary margin releases offset it to the tune of ZAR3 billion. Is it fair to say normalized levels of life earnings would have been ZAR1.2 billion higher, if it hadn't been for the pandemic? That's first question. Maybe you can just discuss a little bit around the retail mass volumes. I see it's very strongly up in the second half of this year, I think about 30% up on the previous period. If you can, just give a little bit of color of where that growth is coming from please.

A - Sydney Mbhele {BIO 20089938 <GO>}

Okay. Thank you so much, Francois. Let's start with the first question on the COVID impact. Abigail or Lotz, you want to take that question?

A - Mlondolozi Mahlangeni {BIO 21927635 <GO>}

I'll take that question. Thank you. Good morning, Francois. It's great to hear from you. Yeah, so I think the question was (inaudible) or excess claims was ZAR4.2 billion and yeah you referred to them the figure of ZAR3 billion. So what we have done is the full impact of the ZAR4.2 billion of excess claims, if you separate it between the Emerging Markets impact of ZAR460 [ph] million after tax, the SLS impact which is remaining impact was fully offset by the treasury reserve releases. And what one would not look at also from from an EV perspective is that some of the treasury reserve releases did have some reef attached to them. And so it won't be a float from an EV perspective, but the full impact of the excess claims of ZAR4.2 billion less if was the to see there was an offset by reserve releases was offset by discretionary reserve releases as well as the repricing.

A - Sydney Mbhele {BIO 20089938 <GO>}

Thank you a Lotz.

A - Paul Hanratty {BIO 7445748 <GO>}

(inaudible) maybe to comment on the retail mass volumes, so the retail mass volumes increased, Francois, really across the board, very similar performance out of the Capitec channel, as well as our traditional business. Our traditional business, we believe, we've been working very hard to raise productivity levels amongst our people. That was the primary driver for that. I think within Capitec really again just a rebound in activity in branches that lies behind that.

A - Sydney Mbhele {BIO 20089938 <GO>}

Thank you, Paul. I hope that satisfies your questions, Francois. Let's check once again, if there is any further questions on the telephone line.

Operator

We do have a question from Michael Christelis of UBS. Please go ahead.

Q - Michael Christelis {BIO 15233664 <GO>}

Hi, guys. Can you hear me?

A - Sydney Mbhele {BIO 20089938 <GO>}

Yes, we can hear you Michael.

Q - Michael Christelis {BIO 15233664 <GO>}

Yeah. Good morning, guys. Thanks for the time. I tried to send my questions through to the webcast, but I don't think they went through. If I can ask three questions, firstly, can you give any color as to what possible types of transactions you're looking at with Aliansce. I mean there's a lot of concern out there as to whether or not you're buying their businesses, selling to them or some form of partnership. I mean, just we're not asking for specifics, but just what type of transaction you're looking at?

The second one is your thoughts around India at the moment and potential additional capital deployment there, particularly once the structure is clean that post the merger of the two listed entities?

And then thirdly, if I look at your slide, I think the Slide 14, it shows (inaudible) concerning increase in mortality claims in the mass foundation plus for wave four, which seems out of line with what we've seen from excess debts and from some of the other insurers that have reported. Is that -- I see that's rand million, is that a function of a much bigger book or are you actually seeing (inaudible) mortality variances in that book for wave four? Thanks.

A - Sydney Mbhele {BIO 20089938 <GO>}

Thank you, Michael.

A - Paul Hanratty {BIO 7445748 <GO>}

I'll take the first two and I'm sure Lotz will answer the last one. So, Michael, I was surprised to see you weren't first in, so obviously the webcast is the explanation for you coming second today, but nice to hear your questions anyway. Look, around the cautionary that we issued around Aliansce, of course, we are not in any position to discuss with you or anyone else just exactly where things are. But what I would say to you is our strategy is very clear, we haven't changed it, we remain focused on the African continent. We have a very big -- I think, we've got the biggest insurance position across the continent. Aliansce, of course, do have a portfolio in Africa. And we continue to explore how we can strengthen our position with them. But you will have to wait until we've concluded or not concluded any transaction and then we will brief you and everybody else simultaneously.

Your second question pertaining to India, what we've done at this point is a restructuring that really helps us from an after-tax point of view, because it cleans up the structure and simplifies it. It's very hard for us to comment again on what we may or may not do. We are bullish in the long run on India, notwithstanding that in the last year, of course, both on the Life, the credit and the GI side it has not been a stellar year, because of the various impacts of COVID, but we do think that it's a valuable business with good long-term prospects. So, we still remain on balance positively disposed to India. But of course we also need to be guided by our own targets and long-term return hurdles and prices in India and valuations are extremely high. And so, anything that we do do will need to be carefully considered to make sure that we can get the kind of returns that that we target. So, we really remain flexible there. I think our situation has improved, because of the restructuring of the business, but we are not going to commit one way or the other. It will depend really on the opportunities that present themselves.

In terms of the mortality, I'll ask -- I don't know Lotz are you the best person to comment or Abigail.

A - Sydney Mbhele {BIO 20089938 <GO>}

Have you got the question or do you want me to read the question again?

A - Paul Hanratty {BIO 7445748 <GO>}

No, no, I can get across. Thanks. Hi, Michael. So I think you answered your own question there, because I mean the answer is the fact that there is a bigger book. If you look at the new business volume that have been generated by Retail Mass across individual Group business, has been very strong in the past few years. So, the book is a lot larger. And the reason why you are seeing that pattern is because of a larger book. Those are gross claims. So the bigger your book, the bigger it will be you gross claims.

A - Sydney Mbhele {BIO 20089938 <GO>}

Great. Thank you, Lotz; thank you, Paul. Any more questions on the telephone line?

Operator

We have no further questions on the conference call.

A - Sydney Mbhele {BIO 20089938 <GO>}

No further questions at this point. Let's go to the webcast. We've got a question from Warwick Bam from Avior Capital Markets. The question is you mentioned that Sanlam corporate operational earnings rose 10% year-on-year, excluding excess mortality. Did the timing of your repricing benefits for full year 2021 or will the repricing benefit be more significant in full year 2022?

A - Paul Hanratty {BIO 7445748 <GO>}

Warwick, nice to hear from you. It may Abigail or Lotz may want to take this, but it is fair to say that the repricing of the corporate book, the way it happens is that you reprice on renewals. And renewals are not spread evenly over the year and the bulk of the benefit of the repricing was not felt in 2021. We felt that we were quite early into the repricing, but still I think particularly with the benefit of hindsight, you would have liked to see that repricing happening much more quickly.

And my own view, which may be a bit parochial to me, is that I do think that the entire market for Group risk benefits is going to have to rethink about the way in which it works. It clearly doesn't price for pandemics and this ability to only reprice once a year, if you get hit by something like this is a really severe and you can see in our results, it's really that part of the business, the Group Risk business, that is really hurt us from a financial point of view much more than the retail business.

I don't know Lotz or Abigail, if you want to add any color.

A - Abigail Mukhuba {BIO 20217730 <GO>}

No, I think you've covered it. The 10% increase, just to confirm, we've excluded both the excess claims impact, as well as the repricing impact. So that we get it like-for-like comparison.

A - Sydney Mbhele {BIO 20089938 <GO>}

Great. Thank you so much. I mean those are the only questions we have so far on the webcast. I just want to check one more time on the telephone line, if there is any other question. Otherwise, I'm going to just ask Paul maybe just closing comments.

A - Paul Hanratty {BIO 7445748 <GO>}

Sydney, thanks very much. And thank you very much to everybody who's joined us today. I know that it's probably a very busy reporting time for all of you and we want to wish you luck. I want to thank Lotz and Abigail as well, but particularly the Salnam management team, because of course we are really just here to present the results we don't produce the results. And really thank you very much to our entire team, who, I think have produced an exceptional set of results for the market.

A - Sydney Mbhele {BIO 20089938 <GO>}

Thank you so much, Paul. Thank you, Abigail and Lotz for joining us this morning. And thank you to the rest of the leadership team of Sanlam and the broader staff. And would like to now get this presentation to the end to our guests who have joined us this morning. Thank you for attending. And I hope that you found this session informative as much as I did. As we sign off, I'd like to wish you and your families a safe day and all the best for the remainder of 2022. Thank you and goodbye.